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Explainer | US warships are circling Venezuela – what does this mean for the oil trade?

US military escalation and China’s condemnation have placed Venezuela – and its role in the global oil industry – back into the spotlight

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Mia Nulimaimaiti in London and Carol Yang in Beijing

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As US destroyers closed in on the coast of Venezuela on Thursday – a stark show of military force President Donald Trump said was intended to combat drug cartels – global attention has turned to the South American country, with China voicing opposition to “the interference of external forces in Venezuela’s internal affairs, under any pretext”.

Here, the Post examines how the situation has developed and Venezuela’s role in the international oil trade – a prominence that has given the conflict global scope.

How big are Venezuela’s oil reserves, and how much does it produce?

Venezuela holds the world’s largest proven crude oil reserves, estimated at around 303 billion barrels as of 2023, according to the US Energy Information Administration. This would account for 17 per cent of global reserves, with the vast majority of Venezuela’s stock located in the Orinoco Belt river basin.

However, that year it only produced 0.8 per cent of global crude, hampered by US sanctions active since 2019 on Petroleos de Venezuela SA (PDVSA) – the state company with near-monopoly status in the refining and extraction of petroleum and natural gas.

PDVSA has not published statistics for its activity since 2016, but Reuters reported in July that the firm’s crude oil and fuel exports increased by 15 per cent year on year in 2024.

What is the status of China-Venezuela relations?

China has poured about US\$67 billion into Venezuela since 2007, far more investment than any other South American country, making it Caracas’s most important creditor and a financial lifeline after the imposition of harsh sanctions limiting its ability to trade.

Beijing’s investments in Venezuela span mineral exploration, housing, communications satellites and railway projects. However, progress has been slow in recent years as the Latin American country’s economy continues to struggle. In 2018, Venezuela joined China’s Belt and Road Initiative, a regional connectivity strategy based around infrastructure.

In 2024, China’s trade with Venezuela reached US\$6.4 billion, with 52.5 per cent in year on year growth. This included US\$4.8 billion in exports and US\$1.6 billion in imports, according to data from Beijing’s Ministry of Foreign Affairs.

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Official data shows that China primarily exports electrical appliances, computers, electronics and machinery to Venezuela while importing organic chemicals, iron ore and concentrates.

Venezuela was a major oil supplier to China before the US imposed sanctions on the country’s petroleum trade in 2019, but commodity consultancies and media outlets have used shipping data to deduce that some of China’s smaller refiners continue to import oil despite the restrictions.

How important are China’s oil imports – particularly from Venezuela?

China remains reliant on foreign crude oil, with an import dependence of 71.9 per cent last year, according to studies from the China National Petroleum Corporation’s Economic and Technical Research Institute. That marks a drop of 0.5 percentage points from 2023.

China sourced nearly 60 per cent of its crude oil from Russia, Saudi Arabia, Malaysia and Iraq in the first seven months of the year, per customs data. Imports totalled 326.6 million tonnes, up 2.8 per cent from a year earlier.

Over the same period, China imported just 341,646 tonnes of crude oil from Venezuela, down 71.8 per cent from a year earlier and accounting for only 0.1 per cent of Beijing’s purchases.

Last year, China imported 553.2 million tonnes of crude oil, down 1.9 per cent from 2023. Venezuelan shipments made up just 0.27 per cent of the total.

What do US-Venezuela tensions mean for the energy trade?

Washington has threatened a 25 per cent “secondary tariff” on buyers of Venezuelan crude. While the measure has yet to take effect, it has provided more motivation for Beijing to diversify its supplies. Consequently, China’s oil imports from Russia and Saudi Arabia both jumped by over 16 per cent in July.

At the same time, the US – once a major buyer of Venezuelan crude – has reauthorised its multinational Chevron to resume operations in the South American country. Two Chevron-chartered tankers arrived in US waters on Thursday, reversing an earlier decision to revoke the company’s licence to pump and sell Venezuelan oil.

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