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Money Talks

Dissecting the big themes in markets and the economy

Donald Trump's flawed Latin American petro-plan



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Will the Don's great oil empire pan out? This week I assessed his chances. My first step was to look at Venezuela's geology. I quickly discovered that the country's oil reserves are vastly overstated. As Priya Walia of Rystad Energy, a consultancy, told me, the official figure reflects volumes booked under highly optimistic price assumptions in the late-2000s oil boom. Those estimates have hardly been revised since, despite big falls in prices, the imposition of harsh sanctions and plenty of operational difficulties. The true amount recoverable in Venezuela today, Ms Walia says, is closer to 40bn barrels than the 300bn often suggested. And a lot of the untapped oil, deemed "extra heavy", is hard, costly and polluting to extract. To be bankable, Venezuela's biggest new projects need Brent, the global price benchmark, at \$80 a barrel. This year Brent is forecast to fall towards \$50.

When you are pitching to America's oil giants, a risk-averse bunch, that's not a good start. And Venezuela, which confiscated many of their assets in 2007 without compensating them for the trouble, has other problems. It lacks the type of sound legal system, stable politics and functioning economy that foreign companies like to see before opening their wallets.