

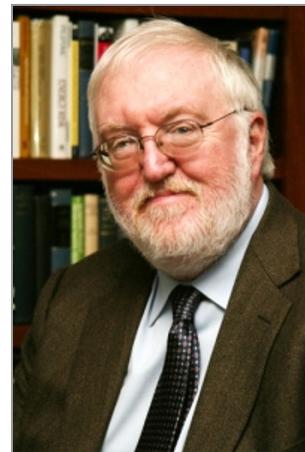
Creating competitors: Trump's regime changes in Canada and Venezuela

By **Robert McCullough**

Law360 Canada (January 7, 2026, 9:56 AM EST) -- Recent press coverage of the capture of Venezuela's president, Nicolás Maduro, and his replacement with Delcy Rodríguez has been a case of fanciful explanations chasing very few facts. The administration has been of little help with its recent endorsement of Maduro's second-in-command as the new leader of Venezuela.



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A theory that has gained popularity in the last day or two is that kidnapping Maduro will guarantee supplies of heavy oil to older refineries on the U.S. Gulf Coast.

Let's turn the process on its head with a few facts and then see where all of this leads.

1. The U.S. is the world's largest oil producer with the world's largest oil reserves with a significant caveat: most of the U.S. production and reserves involve shale. At US\$60/barrel, the U.S. is awash in oil. Below that level, exploration and extraction decline dramatically.
2. Oil produced in different regions is very different. Sweet oil is found in Texas and Oklahoma. It is relatively free of contaminants. Heavy oil is found in the Orinoco region of Venezuela. It is difficult to work with and has significant contaminants.
3. U.S. refineries that were built to refine heavy oil are not dependent on Venezuela. Other, closer sources include Canada and Mexico.
4. Donald Trump's approach to getting more oil has been puzzling. His tariff policies helped elect Mark Carney and reduced the integration of inexpensive Canadian supplies into the U.S. His executive orders concerning Canada have focused on Canadian fentanyl exports — a previously unknown and non-existent problem.
5. Similarly, his Venezuelan approach has been to interdict drugs by destroying fishing boats,

capturing oil tankers and kidnapping President Maduro. In reality, the major impediment to expanding Venezuelan exports to the U.S. has been U.S. sanctions.

So how is this working out?

In the short run, not terribly well. The 10 per cent tariff on Canadian crude raises the price to U.S. refineries and reduces their margins when facing world prices. In Venezuela, production has fallen and wells are being capped. U.S. refiners of heavy crude would be better off without the tariffs and sanctions. The oil on the freighters might help, but the legal process of forfeiture takes years, so the concept of seizing oil and then delivering it to Gulf Coast refineries seems far-fetched.

In the long run, this seems designed to create new competitors to U.S. shale oil production. To the north, Canadian pipelines have traditionally run north to south. New initiatives in Canada are promoting east-to-west pipelines, allowing inexpensive Canadian crude to flow to Asia.

In Venezuela, the apparent plan is to legitimize the repressive Maduro regime — now the repressive Rodriguez regime — in order to allow major oil firms to resume operations and produce significantly more oil.

The ramifications of increased heavy oil production are going to be complex. However, more Venezuelan and Canadian crude on world markets is likely to reduce world oil prices. As I write this, the price of Brent crude is US\$61.87/barrel. It does not require much of an impact to reduce the world price below the economics of shale oil in the U.S., reducing U.S. exports and injuring the U.S. economy.

A little known economist, Adam Smith, addressed all of these issues in his treatise, *The Wealth of Nations*. It can be purchased inexpensively in any major bookstore or borrowed from the local library. He argued that restraints on trade were costly and inefficient.

My reading of the book in college, and more recently, hasn't seen a section on kidnapping chiefs of state or bombing fishing boats, but the book is dated. I am sure these facets of world trade will be addressed in years to come.

Adam Smith did, however, address our current misadventures quite accurately: "In every country it always is and must be the interest of the great body of the people to buy whatever they want of those who sell it cheapest."

and

"Hence, too, the extraordinary restraints upon the importation of almost all sorts of goods from those countries with which the balance of trade is supposed to be disadvantageous; that is, from those against whom national animosity happens to be most violently inflamed."

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