GEOPOLITICS · ENERGY

Caracas Captured, Ottawa Exposed

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Why Maduro's fall threatens Canadian energy leverage six months before the USMCA review.

The world changed at 02:00 local time on January 3, 2026. The success of Operation Absolute Resolve, the U.S.-led raid that extracted Nicolás Maduro from Caracas, was a geopolitical earthquake. But while global headlines focus on the military spectacle of more than 150 aircraft and the image of a captured leader aboard the USS Iwo Jima, a quieter, more dangerous shockwave is heading for the Canadian economy.

President Trump's explicit declaration that U.S. oil majors will run Venezuela and fix the infrastructure effectively ends the era of Canadian heavy oil dominance in the Gulf Coast. For Ottawa, the capture of Maduro isn't just a foreign policy curiosity; it is a direct threat to our most critical export advantage just six months before the USMCA review.

The death of the security premium

For years, Canada's oil industry has thrived on a grim reality: we were the only stable supplier of heavy sour crude to the United States. The specialized refineries in Texas and Louisiana that were chemically engineered to process heavy oil had no choice but to buy Canadian. Venezuela was sanctioned, decaying, and chaotic. That monopoly of necessity provided Canada with a security premium. It allowed us to survive pipeline shortages and regulatory hurdles because the customer had nowhere else to go.

As of January 3rd, that premium is gone. With the U.S. now actively managing a transition in Caracas and pledging billions in direct investment from American supermajors to rehabilitate PDVSA assets, the Gulf Coast suddenly has options.

The immediate threat: the WCS differential

The danger to Canada is not that the U.S. will stop buying our oil overnight. The danger is that they will pay significantly less for it.

The return of Venezuelan heavy crude, even in modest initial volumes, reintroduces competition for the specific heavy barrel that Canada exports. The Western Canadian Select (WCS) discount to WTI had narrowed following the Trans Mountain Expansion (TMX). However, if Venezuelan supply ramps up under U.S. protection, refiners will use this new optionality to grind down Canadian prices. A widening differential strips billions from Alberta's treasury and corporate balance sheets, even if export volumes remain steady. We don't need to lose market share to lose money; we just need to lose our pricing power.

USMCA: the leverage has shifted

This energy shift arrives at the worst possible moment: six months before the joint review of the USMCA in July 2026. Energy security was one of Ottawa's few remaining ace cards. In previous negotiations, Canada could subtly leverage the fact that the U.S. Midwest and Gulf Coast needed reliable Canadian energy to function.

With Maduro gone and the White House signaling a direct hand in managing Venezuela's oil recovery, that leverage evaporates. U.S. negotiators can now treat Canadian energy as a convenience rather than an existential necessity. This weakens Ottawa's hand on unrelated files, from aluminum tariffs to digital services taxes, as Washington no longer fears an energy shock from the north.

The TMX trap

The Trans Mountain Expansion was a victory, tripling capacity to roughly 890,000 barrels per day. But let's be clear about the math: Canada exports nearly 4 million barrels per day. TMX is a pressure valve, not a solution. We are still structurally trapped. The vast majority of our production must go south. If the Gulf Coast pivots to a revitalized, U.S.-backed Venezuelan sector, TMX alone cannot absorb the displaced volume.

The takeaway

Operation Absolute Resolve didn't just remove a dictator; it removed Canada's competitive moat. The Trump administration's plan to fast-track the rehabilitation of Venezuelan fields using U.S. capital compresses a decade-long recovery into a three-to-five-year threat. For Canadian policymakers and industry leaders, the timeline has collapsed. Diversification is no longer a long-term goal, it is an immediate priority. We must accelerate LNG export capacity, expand domestic upgrading to reduce reliance on heavy crude exports, and aggressively court Asian markets for every barrel TMX can handle.

The era of being the U.S.'s only option ended that day. The race to become a globally competitive option starts now.