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High-level Operation and the Reconfiguration of Energy Policy: Geopolitical Pressure and Oil Market Stability (Case Study in Venezuela)

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Abstract

Background: Geopolitical pressures on oil-producing **states** can reconfigure domestic political dynamics, alter the direction of energy policy, and generate spillover effects in the global oil market. Venezuela, possessing approximately 17% of global proven oil reserves, represents a critical case of a resource-rich state with high structural vulnerability to external coercive pressures.
Objective: This study addresses the limitations of previous studies that tend to discuss geopolitical interventions, global power distribution, international law, and energy market dynamics separately.
Methods: This study employs an explanatory qualitative approach with a single-case study design and a structured causal analysis framework. Research data were obtained from in-depth interviews with key informants, reports of international institutions, academic literature, as well as media interviews with experts, treated as supporting data.
Results: The results of the study show that Venezuela is a relevant case to explain how the combination of high dependence on oil, limited deterrence capability, and external geopolitical pressures can affect the orientation of energy policy as well as increase market sensitivity to global energy supply risks. The findings of the study also indicate that although political changes in energy-producing countries do not automatically cause major global economic shocks in the short term, they can affect market expectations and energy investment prospects.
Conclusion: The main contribution of this article is to offer an analytical framework that links geopolitical pressures, the vulnerability of oil-producing countries, changes in energy policy, and the dynamics of global oil markets in one integrated causal explanation.

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INTRODUCTION

In the international system, geopolitical operations against a country not only affect political stability and security but can also affect global economic stability (Odak et al., 2025; Shu et al., 2025). This is especially true when the country possesses strategic oil resources. Energy is an important factor in relations between countries because it affects the economic capacity, political power, and strategic position of a country in the international system (Harbert & Yergin, 1991). Therefore, political dynamics in energy-producing countries often have an impact beyond national borders and can even affect the stability of the global energy market.

Venezuela is one of the countries with the largest oil reserves in the world and holds a strategic position in the global energy system. Disruption to political stability in energy-producing countries such as Venezuela has the potential to affect the production, distribution, and volatility

of world oil prices (Kilian, 2009; Ryan & Michieka, 2025). In the context of energy geopolitics, changes in the political regime in an oil-producing country can also affect the orientation of national energy policies and the country's international economic relations (Ross, 2012).

To avoid conceptual ambiguity, this article uses the term high-level operation in a specific analytical sense. In this study, high-level operation is used as an analytical expression referring to coercive geopolitical action directed at the political leadership, strategic decision-making structure, or core policy orientation of a target state. The term high-level operation is understood as a tool for analyzing geopolitical pressures operating at the power level of oil-producing countries that affect energy governance, market access, and economic stability.

The term high-level operation, as used in this study, is an author-constructed analytical concept developed to describe a specific category of coercive geopolitical action directed at the political leadership, strategic decision-making structure, or core policy orientation of a target state. This concept draws upon and synthesizes three established scholarly traditions: Schelling (2008) coercive diplomacy and compellence theory, which analyzes how powerful states use threats and force to alter adversary behavior without full-scale war; J. J. J. Mearsheimer (2001) offensive realism, which explains great power competition and the willingness of hegemonic states to undermine weaker states' political autonomy when strategic interests are at stake; and Gray's (2003) deterrence theory, which frames state vulnerability as a function of perceived and actual capacity to resist external pressure.

The concept of high-level operation in this study specifically refers to coercive geopolitical actions including military operations, targeted captures of political leadership, economic sanctions, and diplomatic pressure operating at the apex of state authority in the target country, rather than at population or infrastructure levels. This is distinct from counter-insurgency operations or conventional warfare. The term is employed analytically to distinguish actions that directly threaten political leadership continuity from broader forms of intervention, and is grounded in the specific empirical context of the Operation Absolute Resolve (AP News, 2026) directed against Venezuela's political leadership in January 2026.

Interference with state sovereignty violates the principles of international law. This is stipulated in the United Nations Charter, which prohibits the use of military force against the territorial integrity and sovereignty of another state (Shaw, 2017). However, reality shows that a state with greater military power can dominate a state with less military power (Schelling, 2008).

Deterrence capacity is one step in facing high-level operations (Schelling, 2008). A country with low deterrence capacity is easily targeted by high-level operations, which can influence how the country governs. This means that high-level operations involve not only a contest of military strength but also how a powerful country can influence the government of another country through some form of intervention.

Venezuela was chosen as a case study due to its abundant energy reserves and low deterrence capacity. Venezuela has experienced a prolonged economic crisis, weakening its deterrence system and making it more vulnerable to external geopolitical pressures. This makes Venezuela an important case for analyzing the relationship between energy geopolitics and oil market stability.

Geopolitical pressures in oil-exporting nations frequently have a direct effect on oil prices, creating destabilizing effects. Indonesia, a country that also imports oil from abroad, also experiences the volatility of oil prices. Changing global oil prices affect the government's subsidy bill. Given this dependence on global energy markets, it is therefore important to comprehend that Venezuela's geopolitical pressures could disturb market stability as well as energy policy.

The main issue addressed in this study is how high-level operations targeting energy-producing countries can lead to political changes, and how these changes then affect energy policies and the stability of the global oil market. It also explores the factors that influence whether such operations occur, including the balance of global power, the target country's ability to defend itself, and limitations of international law enforcement.

This study examines the relationship between high-level operations, the strategic vulnerabilities of energy-producing countries, shifts in energy policy orientation, and their implications for global oil market stability. More broadly, these issues are relevant to understanding how geopolitical risks in energy-producing countries may be transmitted into economic risks for countries exposed to global energy volatility, including Indonesia. Studies of cross-border military intervention have generally focused on aspects of military strategy, conflict

dynamics, and the distribution of power between countries. Few studies have examined its implications for economic stability.

A number of studies highlight the dimension of international law, especially related to the prohibition of the use of military force that threatens state sovereignty, but the discussion is still limited to the normative level without reviewing its relationship with the limited enforcement mechanisms of international law (Shaw, 2017). Studies in the tradition of realism and power politics shed more light on how powerful states can intervene in other countries, but there have not been many studies that systematically assess the impact of these kinds of operations on the energy sector and global economic stability (Byun, 2016; J. J. Mearsheimer, 2021).

Studies on energy and oil markets have focused more on price fluctuations, supply disruptions, and natural resource politics. Some literature also explains that changes in geopolitical conditions can affect oil price volatility, market expectations, and risk perceptions of global energy supply (Harbert & Yergin, 1991; Kilian, 2009; Ross, 2012). However, most of these studies have not adequately explained how geopolitical operations against energy-producing countries, especially countries with low deterrence capacity, can trigger regime change or a change in energy policy orientation that is then transmitted to the global oil market.

The reviewed literature illustrates that there are still gaps in research that account for the intersections between high-level operations as a driver and the effects of the global distribution of power which consequently shapes the deterrent capabilities of target states and the effectiveness of international law enforcement mechanisms—and forces energy policy changes. Similarly, the functioning of the global oil market will depend on all of this, in turn.

This gap has not been filled, even though in practice these dynamics do not work separately but are interrelated through complex geopolitical and economic mechanisms. This research seeks to fill this gap by compiling an analytical framework that integrates the dimensions of geopolitics, international law, deterrence capacity, changes in the direction of energy policy, and oil market dynamics in one comprehensive causal explanation. The gap is also highly relevant to developing countries exposed to global energy volatility, including Indonesia.

Accordingly, this study aims to analyze the characteristics of high-level operations in the context of energy geopolitics and to explain how power distribution in the international system shapes the likelihood and effectiveness of geopolitical operations against energy-producing countries. In addition, it also examines the limitations of international law enforcement mechanisms in responding to cross-border interventions, as well as explains the relationship between a state's deterrence capacity and its vulnerability to external geopolitical pressures. Furthermore, this study analyzes how regime change or shifts in political orientation in Venezuela may affect energy policy and global oil market stability, and how these dynamics may translate into economic implications for countries exposed to global energy volatility, including Indonesia.

METHOD

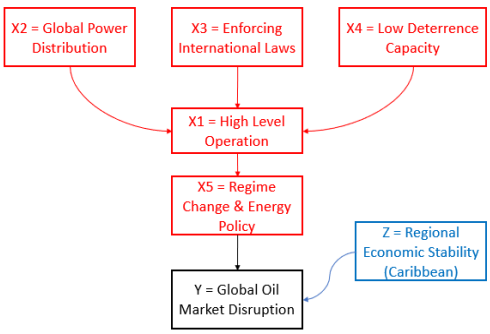

Figure 1. Research Framework and Hypothesis
Source: processed by the author

The hypothesis of this study is that high-level operations (X1) occur against energy-producing countries under conditions of an unequal global power distribution (X2), weak international law enforcement mechanisms (X3), and a low deterrence capacity in the targeted country (X4) (see Figure 1.1). Collectively, these factors can lead to regime change or shifts in energy policy direction in the target country (X5), which then connects to global oil market

instability (Y) via supply disruption, price volatility, and increased energy risk perception. Regional economic stability (Z) alters the absorption of shocks, risk perceptions, and efficiency of energy distribution, affecting how energy policy changes (X5) affect the global oil market (Y).

This framework shows that economic effects go beyond whether oil is in the ground or not. It also captures the fact that geopolitical pressures can propagate outward. It also posits that this domino effect would create pressure on other economies through oil price transmission.

Research Design

This study adopted an exploratory qualitative approach with a single case study design to analyze the geopolitical pressures, deterrence mechanisms, and energy policy direction of Venezuela in the context of their impact on the global oil market. Such an approach revealed how geopolitical pressure shapes energy dynamics in Venezuela (Patton, 2002). The primary in-depth interview with Major General TNI (Ret.) Imam Edi Mulyono (former Indonesian Ambassador to Venezuela) was conducted via a structured guided interview with open-ended questions covering five thematic domains: Venezuela's strategic vulnerabilities, energy sector dynamics, geopolitical pressure mechanisms, sanctions effects, and Indonesia's economic exposure. Source triangulation was then conducted by cross-referencing primary interview data against: (a) institutional reports (CRS, EIA, OPEC, IEA); (b) academic literature (Kilian, 2009; Monaldi et al., 2021; Ross, 2012); and (c) secondary expert media statements. Data were treated as convergent when independent sources confirmed the same analytical claim. Causal process tracing Tansey (2007) was applied to derive causal claims by tracing the sequential mechanisms linking geopolitical pressure from deterrence vulnerability, energy policy change, market effects, to economic implications for Indonesia. Causal analysis was adapted to examine the relationships among the factors studied in this research. Geopolitical pressure from great powers was associated with deterrence capacity in underdeveloped nations and backed by universal law enforcement. Those relationships between the elements were then related to their relevance for the global oil market.

Objects, Subjects, and Research Units

In this study, the research object also encompassed a high-level operation known as Operation Absolute Resolve, referring to the term used by the United States government against energy-producing countries, which was a form of geopolitical or military intervention related to strategic interests for energy resources (AP News, 2026). Thus, the focus of the research was directed at causal processes that connect geopolitical dimensions, international law, deterrence capacity, regime change or power configuration, as well as energy sector responses.

The analytical focus was on the causal implications of such an event for energy policy reorientation and oil market stability, using it as a documented trigger event within the causal framework. The authors acknowledge that the event occurred very recently (January 2026) and that full independent verification and scholarly post-hoc analysis remains limited at the time of writing. This is noted as a limitation of the study: the recency of the primary trigger event means the evidence base relies on journalistic and institutional sources rather than peer-reviewed academic analysis, which is an inherent constraint of studying contemporary geopolitical events.

Venezuela was chosen as a case study because it has the world's largest oil reserves and occupies an important position in the geopolitical dynamics of global energy (Harbert & Yergin, 1991; Ross, 2012). On the one hand, Venezuela showed a strong link between dependence on oil, political instability, and declining institutional capacity. On the other hand, Venezuela had vulnerability to external geopolitical pressures, making it relevant as a locus of analysis of the relationship between energy, political power, and international intervention (Rindborg, 2016).

Location and Scope of Research

The need for this research was related to Venezuela, the Caribbean, and the world energy market. In the case of Venezuela, it was more salient due to the country's over-reliance on the oil sector and the external factors that had exacerbated the situation. Also examined was the Caribbean due to its proximity to Venezuelan energy dynamics. Finally, the global energy market was used to extend these observations of Venezuelan geopolitics and their broader implications for the global energy market.

Data Collection Methods

This study used two types of data sources, namely primary data and secondary data. Primary data were obtained through in-depth interviews with key informants who had direct experience or substantive competence related to Venezuela's political dynamics, energy geopolitics, and its economic implications.

In qualitative research, interviews were used to gain an in-depth understanding of the informant's views, experiences, and interpretations of the phenomenon being studied, so as to be able to present contextual information that is not always available in quantitative data. In this manuscript, the main primary data were obtained through an in-depth interview with Major General TNI (Ret.) Imam Edi Mulyono, former Ambassador of the Republic of Indonesia to Venezuela, who had direct diplomatic experience related to the political and economic dynamics of Venezuela. These interviews were used as a primary source to understand the empirical context, readings of Venezuela's strategic vulnerabilities, and the political-economic implications of geopolitical pressures on energy-producing countries. Secondary expert informant statements from Rezasyah (Padjadjaran University international relations expert, public interview March 10, 2026) and Biantoro were used as supplementary data to broaden the analytical perspective and support triangulation. These were classified as secondary expert media statements rather than primary interview data.

In this study, public statements of experts available in media forums, seminars, academic discussions, or open interviews were not treated as primary data, but as secondary interview data or media-based expert statements that served to enrich the context, expand viewpoints, and help analytical triangulation (Patton, 2002). This was done to distinguish between each source and to avoid mixing primary and secondary data.

RESULTS AND DISCUSSION

Results

High-level operation in the Geopolitical Context of Energy

High-level operations are steps taken by a powerful country to seize control of the resources of a country with limited deterrence capacity. This kind of operation is not always in the form of direct military actions, but can be in the form of political pressure, economic sanctions, covert operations, and diplomatic maneuvers aimed at influencing the orientation of a country's energy policy.

In this perspective, petroleum is not only an economic commodity, but also a strategic asset that has a direct impact on global economic stability and the energy security of industrialized countries (Harbert & Yergin, 1991). Therefore, countries with large energy reserves are often the object of geopolitical competition in the international system (Ross, 2012).

One of the important characteristics of high-level operations is their orientation that can be directed directly at the political leadership of the target country. In his public interview, Rezasyah (2026) emphasized that intervention against the head of state basically reflects the use of force by a large country to defend its strategic interests in a certain region. According to him, countries with dominant military power have greater room for maneuver to intervene against countries that have more limited defense capacity (Rezasyah, Public interview, 10 March 2026). This view reinforces the argument that high-level operations cannot be read solely as a security measure, but also as an expression of an unequal global distribution of power.

The next characteristic is the relationship between high-level operations and the limitations of international law enforcement. Normatively, the use of force against the territory of another country is contrary to the basic principles of international law, including the prohibition of the use of force as affirmed in the UN Charter (Shaw, 2017). However, Rezasyah (2026) also shows that the effectiveness of international legal norms in practice is often influenced by the configuration of global power. Countries with large military and economic power often have the ability to carry out coercive actions without facing equivalent international legal consequences. This shows the gap between international legal norms and the practice of power politics in the interstate system (Rezasyah, Public interview, 10 March 2026).

In the case of Venezuela, the geopolitical pressure is particularly significant because the country is one of the world's largest holders of proved oil reserves, at approximately 300–303 billion barrels, or about 17% of total global oil reserves. Most of Venezuela's oil is found in the Orinoco Oil Belt, but it is extra-heavy oil that is difficult to process. Consequently, Venezuela still

needs investment and technological support to process it. Thus, Venezuela's significance lies not only in the size of its oil reserves, but also in the fact that its energy sector is the main support of the national economy and greatly determines its fiscal stability, foreign trade, and economic relations with external actors.

Table 1. Venezuela's Strategic Significance in Energy Geopolitics

Indicator	Remarks	Analytical Meaning
Proven oil reserves	Venezuela is proven to have about 300-303 billion barrels of oil	Positioning Venezuela as one of the most strategic countries in the global energy system
Portion of global oil reserves	About 17% of the total global oil reserves	Shows that political changes in Venezuela have the potential to have domestic-level implications
Oil character	Dominated by *heavy crude* and extra-heavy *crude*, especially in the Orinoco Belt	Making Venezuelan oil production and marketing dependent on appropriate technology, *diluents*, and refineries
The role of the oil sector in the economy	Oil is the backbone of Venezuela's economic income	The pressure on the oil sector will immediately have an impact on the country's fiscal stability, foreign trade, and economic capacity
Reliance on external access	The recovery of oil production is highly dependent on investment, financing, infrastructure and international markets	Shows that Venezuela is vulnerable to geopolitical pressures working through: sanctions, contracts and market restrictions
Geopolitical significance	Countries with large oil reserves tend to be objects of geopolitical competition	Explains why in inter-nation politics, Venezuela plays an important role, not only economically, but also strategically

Source: processed from *the Organization of the Petroleum Exporting Countries* (*OPEC),* *U.S. Energy Information Administration* (*EIA*), *Congressional Research Service* (*CRS),* Harbert & Yergin (1991), Ross (2012), and Monaldi et al. (2021).

The importance of oil for Venezuela also came up in an interview with Major General *TNI* (Ret.) Imam Edi Mulyono, former Indonesian Ambassador to Venezuela. In his explanation, oil is Venezuela's primary source of revenue. Therefore, if pressure on this sector occurs, it will impact the country's stability (Mulyono, Personal communication, 11 March 2026).

Venezuela's position as an oil-producing nation does not necessarily guarantee prosperity. The U.S. Energy Information Administration (EIA) reports a 70% decline in oil production in Venezuela. The Paraguaná Refinery Complex doesn't produce oil optimally either, reaching only 10% of its total capacity. This is due to the geopolitical pressures Venezuela faces. Furthermore, Venezuela's internal governance system is also not in good condition. Therefore, the combination of these two conditions has led to Venezuela's decline (https://www.eia.gov/international/content/analysis/countries_long/Venezuela/pdf/venezuela_2024.pdf; EIA (2024) and CRS (Congressional Research Service, 2026, January 9). Venezuela oil sector: Context for recent developments, IN12637).

From an energy industry perspective, high-level operational pressures shape not only political decisions but also investment behavior. Biantoro (2026) noted that geopolitical pressures and sanctions imposed on Venezuela have made most global energy companies more cautious about investing in Venezuela (Biantoro, Public interview, January 7, 2026). These findings are in line with Monaldi et al. (2021), who shows that the recovery of Venezuela's oil sector is not only limited by technical factors, but also by above-ground risks, including political uncertainty, sanctions regimes, contract limitations, and financing barriers.

Even if Venezuela's current production is no longer as large as it was decades ago, changes in energy policy in the country still have implications for the stability of the global energy market. This argument is consistent with Kilian (2009), who shows that geopolitical disruptions and changes in production in energy-producing countries can be a source of shock to the global oil market.

Overall, the characteristics of high-level operations in energy geopolitics can be understood as the interaction between strategic energy interests, global power distribution, limitations of international law enforcement, target country deterrence capacity, and their impact on the stability of the world energy market. Thus, geopolitical operations against energy-producing countries are not only a military or political phenomenon, but also part of the dynamics of the energy political economy in the international system. In the case of Venezuela, geopolitical pressures are important to study not only because they touch the power structure of the country, but because they have the potential to change the orientation of energy policy, affect oil production and market access, and pose broader economic implications.

Discussion

Global Power Distribution, Weak International Law Enforcement Mechanisms, and Deterrence Vulnerability

To understand why geopolitical pressure on Venezuela can take place intensely and have direct implications for the energy sector, it is necessary to read the case through the relationship between global power distribution, the limitations of international law enforcement mechanisms, and the low deterrence capacity of the target country. From the perspective of structural realism, the international system is anarchic, and the behavior of states is greatly influenced by the distribution of capabilities in the system. Countries with greater military and economic power have a higher ability to influence, suppress, or limit the mobility of other countries, while countries with weaker capacities tend to occupy vulnerable positions in international power structures (J. J. Mearsheimer, 2021). In this context, Venezuela is at a disadvantage because despite having strategic energy resources, the country lacks comparable economic, institutional, and strategic capacity to withstand external pressures.

The gap in the distribution of power becomes more significant when it is associated with the limitations of international law. Normatively, the Charter of the United Nations prohibits the use of force against the territorial integrity and sovereignty of other states, except in certain circumstances such as self-defense or actions that obtain legitimacy from the United Nations Security Council (Shaw, 2017). In practice, however, this is not the case. Powerful countries can still easily exert geopolitical pressure on weaker ones without fear of sanctions. This is because international law prioritizes the interests of powerful nations (Rezasyah, Public interview, 10 March 2026). The problems in Venezuela persist because international law enforcement is not impartial.

Venezuela's vulnerability in this regard is not simply a matter of internal politics, but the result of external pressures interacting with the country's own internal weaknesses. Schelling (2008) deterrence theory explains that deterrence is not about military strength, but the ability to make enemies think twice before pressuring us. Gray (2003) adds that deterrence will only be successful if a country is perceived as capable of defending itself against enemy pressure. Without such capabilities, a country will be seen as an easy target for external pressure.

Venezuela's deterrence capability extends beyond military strength; economic pressures have also weakened the country. Venezuela's oil production has been steadily declining. This makes Venezuela fragile, as the lack of oil production also impacts state revenues, making it more vulnerable to geopolitical pressures (Monaldi et al., 2021; Ross, 2012). Biantoro pointed out that political uncertainty and sanctions have made many global energy players more cautious about investing in Venezuela, while Mulyono emphasized that oil remains the backbone of the country's economy (Biantoro, Public interview, January 7, 2026; Mulyono, Personal communication, 11 March 2026). When combined with the framework of structural realism and deterrence theory, this shows that the pressure on Venezuela is working not only because the country has oil, but because it has oil in a condition of high structural vulnerability.

Thus, the global distribution of power, weak international law enforcement, and low deterrence capacity must be understood as three mutually reinforcing causal factors. These three form a strategic environment that allows geopolitical pressure on Venezuela to take place more effectively and have more influence on the energy sector than on a country with stronger deterrence capacity. At this point, the case of Venezuela shows that the vulnerability of energy-producing countries is not only due to weak defenses, but also due to an imbalance between global power structures, the limitations of international norms, and economic dependence on the energy sector. It is this structure that then paves the way for a change in energy policy orientation and a

broader disruption to global oil market stability.

Reorientation of Venezuela's Energy Policy Post-Political Change

Regime change in energy-producing countries means not only a change in political leadership, but also a change in orientation in strategic resource management. In the context of Venezuela, the oil sector is the backbone of the country's economy because it is the government's main source of revenue and an important support for foreign trade. Therefore, any change in the configuration of power tends to have direct implications for the direction of energy policy, including in terms of relations with foreign investors, the management of state energy companies, export structures, and patterns of openness to international markets.

Venezuela's energy policy changes are shaped by domestic and geopolitical pressures. Through OFAC licensing, sanctions relief permits foreign companies to maintain restricted operations with *PDVSA* under strict conditions, thus changing external political relations and governing those involved in Venezuela's oil industry. Reopening the energy sector to investment is one strategy to restore production. This dynamic has broader implications as it determines access to and benefits within Venezuela's energy sector.

Cooperation with Iran has increased imports of diluents needed to produce export-ready heavy crude oil, while licenses for Chevron and oil-for-loan repayment schemes partially reopen export routes to certain markets. In addition, the EIA noted that in 2023 China received about 69% of Venezuela's crude oil exports, indicating that the direction of Venezuela's oil trade is heavily influenced by the global sanctions structure and political configuration (www.eia.gov). Thus, Venezuela's energy policy changes cannot be read solely as domestic decisions, but as the result of an interaction between geopolitical pressures, sanctions structures, and opportunities for access to international markets.

The claim that by 2025 world oil supply was expected to exceed demand by approximately 1 million barrels per day, projected to increase to 2 million barrels per day by 2026, is sourced from: Congressional Research Service (2026, January 9). Venezuela oil sector: Context for recent developments (IN12637). (https://crsreports.congress.gov/product/pdf/IN/IN12637); International Energy Agency. (2023). *World Energy Outlook 2023*. https://www.iea.org/reports/world-energy-outlook-2023.

CRS also asserts that the future of Venezuela's oil sector depends heavily on policy questions of an external nature, such as whether sanctions on oil companies, banks, and insurers are relaxed or removed, whether U.S. investment is encouraged, and how the structure of the U.S.-Venezuela deal is formed. That is, regime change or a change in the configuration of political power in Venezuela is immediately followed by questions about the new architecture of its energy sector: who has access, how oil products are marketed, and the extent to which the sector can be modernized.

Political and regulatory uncertainty also impacts investment certainty in Venezuela's energy sector. Investors will delay their investments if the situation does not improve. This demonstrates that negative investor sentiment is one of the impacts of geopolitical pressures, which not only influence state policy but also impact the broader economy.

Overall, regime change in the context of Venezuela is best understood as a change that has the potential to shift the direction of energy policy, investment patterns, and access to oil trade, rather than simply a symbolic change in political leadership. In a heavily oil-dependent country, such changes have the potential to change the structure of the economy more broadly as they impact production capabilities, investor confidence, contractual relationships, and export orientation. Therefore, an analysis of regime change in Venezuela is important not only to explain the country's political dynamics, but also to understand how political changes can translate into changes in energy policy that then affect the global oil market and its economic implications.

Venezuelan Oil Production and Global Oil Market Stability

One of the most important economic implications of geopolitical pressures on energy-producing countries is changes in national oil production capacity and their impact on global oil market stability. In the context of Venezuela, external pressures are not working on a stable energy sector, but on an oil industry that has suffered a long-term decline due to a combination of mismanagement, lack of maintenance, limited investment, infrastructure damage, and sanctions. Therefore, an analysis of the geopolitical impact in the case of Venezuela must start from the fact

that political and external shocks aggravate pre-existing production vulnerabilities, rather than create them from scratch.

Congressional Research Service data shows that when Hugo Chávez came to power in 1999, Venezuela's crude oil production was in the range of 3 million barrels per day. At the time of Chávez's death in 2013, production was still around 2.7 million barrels per day, but during Nicolás Maduro's time production continued to decline, even slumping to below 0.5 million barrels per day in 2020. By 2025, production will increase again to around 1 million barrels per day. This trend offers two insights. First, the decline in production capacity in Venezuela is structural and long-term. Second, the recovery that has occurred recently is still limited and has not been able to return production to its historical level. In other words, political changes or easing of external pressures can improve the performance of the oil sector, but it does not automatically restore the sector to its optimal capacity.

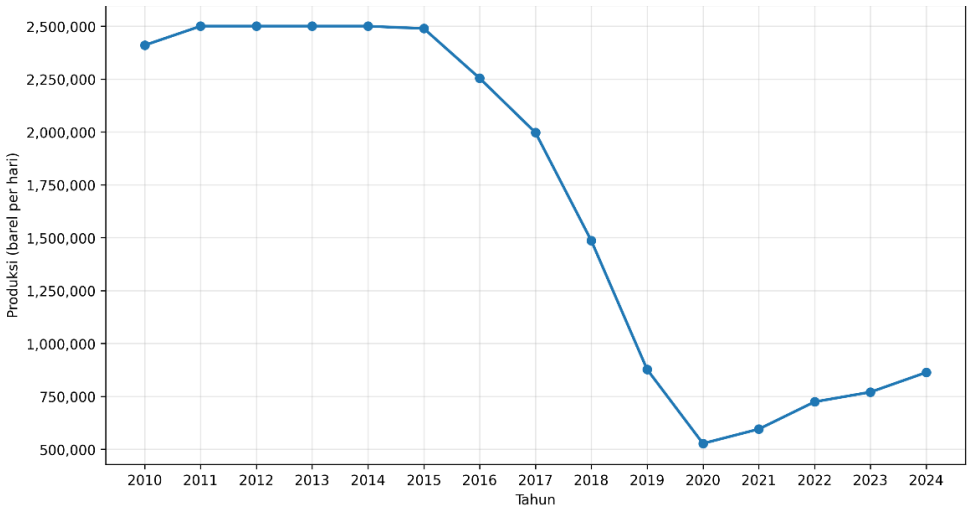

Figure 1. Venezuelan Oil Production Trends, 2010–2024
Source: processed by authors from *the Congressional Research Service* (2026) and *the U.S. Energy Information Administration*

If read from an energy economy perspective, the decline in Venezuela's oil production is a direct result of a combination of above-ground and below-ground factors. From the above-ground side, sanctions, political uncertainty, contract restrictions, and financing barriers limit the oil industry's space to operate normally. From a below-ground and operational perspective, the sector faces serious technical problems, including a lack of refinery maintenance, declining infrastructure quality, and limited access to the diluents and chemicals needed to process Venezuela's heavy oil. The EIA shows that Venezuelan oil is dominated by heavy crude and extra-heavy crude, which requires more complex refineries, diluents, and more expensive logistics networks. Therefore, in contrast to conventional oil producers who can respond more quickly to price changes or market incentives, Venezuela has technical obstacles that make its production recovery much slower and more expensive.

This problem does not only occur on the upstream side, but also in the domestic processing chain. The EIA noted that Venezuela has a nominal crude oil distillation capacity of about 1.458 million barrels per day at five major refineries. However, the nominal capacity does not reflect actual capability. The Paraguaná complex — whose nameplate capacity is one of the largest — has long operated well below capacity due to lack of maintenance, fires, limited feedstock, and internal distribution issues. The EIA also noted that Venezuela's refineries only process about 300,000 barrels of oil per day, which is only about a fifth of their full capacity.

With some needs being met due to WTI pricing in their favor, could one expect Venezuela to recover in 2023 as Iranian assistance started to arrive and sanctions were lifted? Its production also rose, from 263,000 barrels per day in 2021 to 442,000 barrels per day in 2022 and 621,000 barrels per day in 2023. This oil was exported to Asia-Pacific. The biggest buyer of Venezuelan oil was China, which took 68% (https://www.eia.gov/international/content/analysis/countries_long/Venezuela/pdf/venezuel

a_2024.pdf). The oil production data cited in this passage include Venezuela's production of approximately 3 million barrels per day in 1999 under Chávez, 2.7 million in 2013, a decline to below 0.5 million in 2020, and a recovery to approximately 1 million barrels per day by 2025 (Congressional Research Service. (2026, January 9, https://crsreports.congress.gov/product/pdf/IN/IN12637)). These changes in the oil sector are not only visible in export volumes, but also in the market structure itself.

In the global market, Venezuela's impact is different depending on the timeframe under consideration. In the short term, the impact is relatively small. This is because Venezuela's current production volume is still far below historical levels and is even much smaller than that of the world's major producers. With production just recovering to a little over 1 million barrels per day, the shock from Venezuela does not necessarily change the global balance drastically, especially when the oil market is also affected by the production of the major OPEC countries, the United States, Russia, and global demand conditions. In fact, the CRS notes that by 2025 the world's oil supply is expected to have exceeded demand by about 1 million barrels per day, and that gap is projected to increase to 2 million barrels per day by 2026. In market conditions that tend to be oversupplied, Venezuela's increased production does not automatically trigger a price spike or a large market change in the short term.

However, in the medium and long term, Venezuela's impact becomes more significant. This is not solely due to its current production volume, but rather because of the enormous long-term potential of its oil sector and its ability to influence market perceptions of future supply. A country with reserves of about 300 billion barrels that is starting to reopen access to foreign investors, technology, and export routes will soon affect market expectations, although the physical realization of production will take longer. Within the framework of oil market shocks, changes in expectations for future supply can affect market behavior, risk premiums, and investment decisions even before there are large physical changes in production volumes (Kilian, 2009). Therefore, the case of Venezuela is relevant not only because of the magnitude of the actual shocks today, but also because of its ability to change market perceptions of future energy supplies.

At this point, the geopolitical risk perspective becomes important. Caldara and Iacoviello's research, as well as that of Liu and colleagues, states that geopolitical tensions can affect oil price volatility, risk premiums, and market uncertainty, even before any actual supply disruptions fully take place. Venezuela is a global oil market "wild card" — not because it can set prices as it wishes, but simply because the political and energy landscape of the region makes future supply inherently difficult to forecast. This affects expectations and reactions in the market.

Geopolitical Risk and Economic Risk: Sketch of Causal Mechanisms

This is how the economic effects of geopolitical pressure in Venezuela play out through a set of interlinked factors. It starts with geopolitical pressure on energy producers. Due to unequal global power relations, weak enforcement mechanisms of international law, and home states being less willing to deter external interference, strong states can impose unprecedented sanctions that go beyond targeting political leaders to include the entire energy sector. These pressures reduce oil production and exports through disrupted supply chains and limited access to international markets.

This pressure then transforms energy policy. The political dynamics that drive changes in leadership decisions and foreign relations easily translate into repercussions through the oil sector structure. For example, countries have different regulations and review processes for energy sector policies — such as OFAC licensing requirements that govern U.S. participation in Venezuela — removing energy policy from domestic constraints and making it more responsive to external political circumstances.

As operations at the operational level begin to deteriorate, the impact becomes more visible. On top of these policy changes, systems are already fragile due to aging infrastructure, low capital investment, and falling refining capacity. This means that the sector is unable to function efficiently, and some facilities are working below capacity. At the market level, investors assess both current production and future risks. Under systemic geopolitical pressure, investors will be less willing to commit their capital. Here, geopolitical risk serves as a link in the chain from political pressure to market reaction.

Finally, these impacts extend into the broader economy. It is when production begins to

fall that the effects seem to go beyond the energy sector itself to fiscal balance and economic performance. The Venezuela case represents the end stage of a multi-step process: from geopolitical pressure, to policy change, to operational disruption, to market expectations, and finally to wider economic malaise.

Although geopolitics remains central (and that much should be clear by now), there are also important structural questions about Venezuela's oil industry from an energy political economy perspective. In an energy-dependent nation, changes in energy access, investment structures, and trade structures immediately permeate the national economy, affecting fiscal health, undermining state power, and reconfiguring international economic relations. This is particularly true for Venezuela, where the economy is highly exposed to external shocks — geopolitical risk and oil prices above all — due to its overdependence on oil revenues. That is why, in the case of Venezuela, this study argues that geopolitical risks in energy-producing countries should not be regarded narrowly as being about security or regime change.

Thus, the causal mechanisms in this study can be summarized as follows: geopolitical pressures on energy-producing countries work most effectively when confronted with the structural vulnerabilities of the target countries, especially low deterrence, weak institutional resilience, and high dependence on oil. These pressures then drive a change in the orientation of energy policy, affect the access and management structure of the oil sector, change market expectations, and are ultimately transmitted to broader economic risks. This series of mechanisms is at the heart of this article's analytical contribution, as it shows that the relationship between geopolitics and economics is not direct, but rather is strongly mediated by the dynamics of the energy sector.

Global Energy Risk Transmission and Economic Implications for Indonesia

Geopolitical dynamics in energy-producing countries do not stop at domestic political changes or disruptions to the country's oil production structure, but can be transmitted into broader economic implications for countries exposed to global energy market volatility. Indonesia is quite sensitive to changes in global energy prices. The impact directly puts pressure on the government budget through fuel subsidies. Because of this, the crisis in Venezuela extends beyond a regional geopolitical issue and affects other countries that depend on oil.

The impact unfolds through interconnected channels. The first is through energy prices. Geopolitical pressure in oil-producing countries creates uncertainty in the market, which in turn affects oil prices. For Indonesia, the volatility of world oil prices has direct implications for energy costs, especially in sectors that are sensitive to fuel and logistics costs. In the macroeconomic framework, increases or instability in oil prices can increase inflationary pressures, raise production costs, and suppress people's purchasing power through increases in the prices of energy-dependent goods and services.

The second path is the fiscal path. In conditions of global energy price volatility, countries like Indonesia face pressure to maintain domestic energy price stability through subsidies, compensation, or budget adjustment policies. As global energy markets become more volatile, the country's fiscal burden can increase, either directly through energy financing needs or indirectly through pressure on the budgets of other sectors. Therefore, geopolitical risks in energy-producing countries can be translated into real fiscal risks for importing countries or countries that remain exposed to global oil price dynamics.

The third path is that of investment and direct economic interests. In the context of Venezuela, Mulyono (2026) shows that Indonesia has certain economic interests related to the energy sector in the country, including through its association with Maurel & Prom. The informant emphasized that changes in the structure of sanctions and restrictions against Venezuela have an impact on Indonesia's ability to make optimal use of its economic interests. This information is important because it shows that geopolitical risks are not only transmitted through abstract global markets, but also through corporate channels, contracts, and access to energy assets abroad (Mulyono, personal communication, March 11, 2026).

From an energy political economy perspective, this shows that Indonesia's exposure to geopolitical risks is not only passive as an energy buyer in the world market, but can also be active through investment interests, energy contracts, and access to strategic resources abroad. Therefore, changes in Venezuela also have an impact on countries that have interests in it, like Indonesia.

The fourth channel is market reaction. When geopolitical pressures affect a country, investors quickly speculate about future developments. Those forecasts are then built into expectations around future oil supply — whether supply will increase, decrease, or become inaccessible. This uncertainty causes prices to rise. Price fluctuations can have a greater impact on Indonesian inflation than would direct supply disruptions. This pushes Indonesia to take strategic steps to address this. These include diversification of energy sources, strengthening energy cooperation with other countries, ensuring budget-friendly terms, and ensuring the security of energy investments.

Directly, the problems occurring in Venezuela may not immediately affect the Indonesian economy. That said, their influence often initially registers on the global energy stage through higher oil prices or supply interruptions. These impacts subsequently spread to Indonesia through several channels, including increased fuel costs, a heavier government budget burden, changes in investment flows, and unstable market conditions. Due to its dependence on imported oil, movements in global oil prices affect domestic prices. The Venezuela case thus offers a broader lesson for countries exposed to political crises in energy-producing regions: politically motivated crises are no longer confined to their point of origin, and their effects can extend far beyond countries that may appear to have no direct connection to the conflict.

The inclusion of Indonesia in this analysis is grounded in three specific and evidenced analytical connections that go beyond a general assertion of relevance. Direct investment interest: Indonesia's national oil company, Pertamina, through its association with Maurel & Prom, holds direct investment interests in Venezuela's oil sector. This is confirmed by primary informant Major General TNI (Ret.) Imam Edi Mulyono, who noted that sanctions and geopolitical pressures on Venezuela directly affect Indonesia's ability to utilize these economic interests optimally. This represents a concrete, documented causal link, not merely theoretical exposure. Fiscal exposure through oil price volatility: Indonesia remains a net oil importer, and its government budget is directly impacted by global oil price volatility through energy subsidies (Asadollah et al., 2024; Cheikh et al., 2023). The analytical connection between Venezuelan geopolitical disruption, global oil price volatility, and Indonesian fiscal pressure is a three-step causal chain supported by macroeconomic literature on oil-importing developing economies (Liu et al., 2025; Yang et al., 2023).

The repercussion for Indonesia is more than just an oil price effect. Venezuela's disruption will affect Indonesia's energy costs, inflation, and financial planning. Additionally, this scenario is pushing Indonesia to revise its energy policy. This means that the Venezuelan experience is real evidence of how the threat of global energy disruption can lead to potential harm within the Indonesian economy.

Overall, the Venezuela case confirms that the economic stability of countries outside the locus of the conflict can still be affected by political and energy changes in strategic oil-producing countries. In the Indonesian context, this shows that energy policy and economic policy cannot be separated from reading global geopolitical dynamics. Therefore, the analysis of Venezuela is not only important for understanding a particular case, but also for showing that global energy risk management is an important part of national economic resilience.

Table 2. Geopolitical Risk Transmission Pathways to Economic Implications

Dynamics in Venezuela	Transmission through the Energy Sector	Potential Economic Implications	Relevance for Indonesia
Regime change and energy policy orientation	Changes in market access, contracts, and oil exports	Market uncertainty and changes in supply expectations	Affects energy planning and external risk readings
Sanctions and restrictions on the oil sector	Disruption of access to financing, technology, insurance, shipping and energy trade	Increased oil price volatility and *risk premium*	Adding to energy cost pressures and fiscal risks
Decrease or limitation of oil production	Limited actual supply of recovery capacity	Disruption of global energy market stability	Increasing sensitivity to changes in energy prices
Changes in	Shifts in the direction	Changes in market	Affecting the stability

Venezuela's export structure	of trade and the concentration of certain buyers	configuration and potential discounts/price distortions	of the global oil market that Indonesia is also facing
Political and regulatory uncertainty	Declining investor confidence in the energy sector	Delays investment decisions, slower productions recovery, weaker business certainty, and lower investment certainty	Reducing business certainty for parties with economic interests
Barriers to access to foreign economic interests	Disruption of contracts, investments or corporate interests	Direct economic losses or delayed economic benefits	Relevant to Indonesia's interests related to Venezuela's energy sector
Global oil-market volatility	Rising energy costs and domestic price pressures	Inflationary pressures, higher logistics costs, fiscal strain, and greater policy adjustment pressure.	Impact on economic stability, national energy policy and inflation management
Spillover into broader markets	Transmission from oil-price volatility to other commodity prices and financial market sentiment	Higher cost of funds, increased market volatility, and pressure on fiscal and monetary stability.	Important for external-risk management and economic resilience

Source: compiled by the author based on the synthesis of research findings, the interview with Major General TNI (Ret.) Imam Edi Mulyono, and energy economics literature.

Thus, the transmission of global energy risks to Indonesia shows that the economic implications of energy geopolitics work in layers: from political changes in energy-producing countries, to changes in the structure of oil markets, to price volatility and market risks, and then to energy costs, inflation, fiscal pressures, and the investment interests of the countries exposed. This is the path that makes this article relevant not only in the geopolitical study of global energy, but also in the Indonesian economy.

The domino effect of geopolitical tensions in oil-producing countries comes into play in the economic impact. The energy market—the first large sector to be impacted when geopolitical tensions arise—sees oil prices swing high and supplies become unpredictable. This creates uncertainty that is transferred to other sectors. Higher energy prices boost costs, drive inflation, and worsen the financial market climate. When investors become more cautious, borrowing costs go up, and economic activity can slow down. The impacts are much broader for Indonesia, where energy imports are still a necessity. The government has to adjust its budget, the exchange rate may depreciate, and so do the costs of import and distribution.

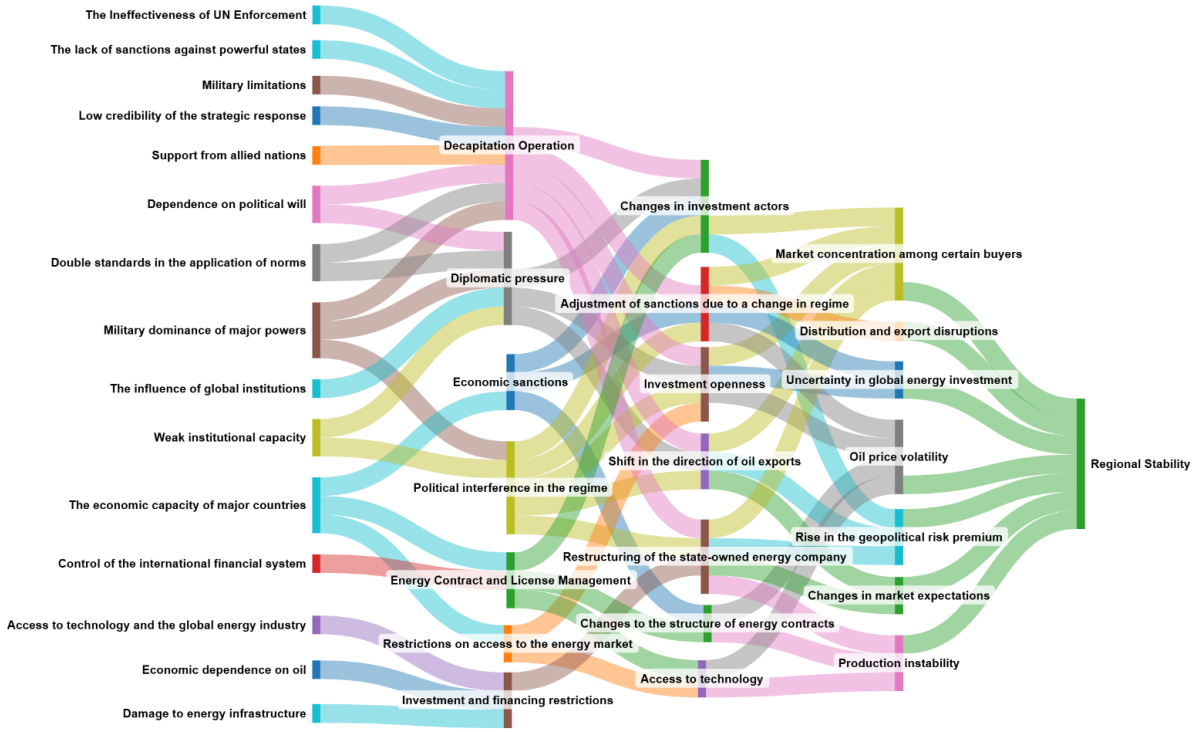

Figure 2. Sankey Diagram of Geopolitical Pressures on the Global Oil Market
Source: Compiled by the author based on empirical findings.

Figure 2 presents a Sankey Diagram illustrating the directional flow and relative magnitude of geopolitical pressures from their origins to their downstream effects on the global oil market and economic implications. The structural logic of the diagram is as follows: Left Side (Inputs/Sources): The diagram originates from three primary causal inputs — (a) Unequal Global Power Distribution, (b) Weak International Law Enforcement, and (c) Low Target State Deterrence Capacity. These three inputs converge to generate high-level operations as the central causal force. Center (Mediating Mechanisms): High-level operations flow through two intermediate pathways: (i) direct energy sector impacts (sanctions, production disruption, investment withdrawal) and (ii) political/policy change (regime transition, energy policy reorientation, OFAC licensing changes). Right Side (Outputs/Effects): These pathways converge at two output clusters: (a) Global Oil Market Effects — supply uncertainty, price volatility, risk premium elevation; and (b) Economic Implications for Exposed Economies — fiscal pressure, inflation, investment uncertainty, and energy cost increases. The width of each flow band in the Sankey Diagram represents the relative strength of the causal pathway, with wider bands indicating stronger or more direct causal relationships. The diagram visually demonstrates that geopolitical pressure does not directly and linearly affect global oil markets; rather, it is mediated through policy change and sector-level disruptions, consistent with the study's causal analytical framework.

CONCLUSION

Venezuela illustrates that pressure on energy-producing states is not purely political or a military matter. Economic reasons, particularly an over-dependence on oil, drive political vulnerability. Although Venezuela has large deposits of oil, it maintains low state capacity — making it more vulnerable to outside pressure. Such pressure generally operates via the energy sector and manifests its impact in a sequential manner. First, it shapes market sentiment, raises risk premiums, and affects future investment and energy supply decisions. Subsequently, uncertainty cascades throughout the economy. The consequences of these do not end at Venezuela's borders. The impact is also felt by countries that continue to rely on imported energy, such as Indonesia. These effects manifest themselves in several ways, including fluctuations in the global price of oil, pressure on exchange rates, and increased government expenditure. The global energy market allows problems in one country to spill over into another. Therefore, it is critical to fortify energy resilience. This can be achieved by increasing the diversity of energy sources,

improving energy diplomacy, and enhancing risk management. Venezuela is a quintessential example of how geopolitical pressure in the energy sector can turn into economic threats.

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AUTHOR CONTRIBUTION STATEMENT

Joseph Robert Giri was responsible for the conceptualization of the research framework, development of the causal analytical model, overall study design, data collection including conducting in-depth interviews with key informants' data analysis and triangulation, as well as the literature review and theoretical development. The author also prepared, reviewed, and finalized the manuscript for submission.

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