

Erik: Joining me now is [Commodity context](#) founder Rory Johnston. Rory boy, we live in interesting times. We've got the situation in Venezuela, and I think a bigger picture to talk about, which is overall President Trump has. Described an agenda, which is, Hey, we've really gotta get oil prices down. It's very near and dear to his heart because it's one of the most important things for him to do in order to secure the potential of not losing the house in the midterm elections.

How would you score the the president in terms of using the best tools available to him to bring prices down?

Rory: It's a great way to kick it off and thanks for having me back on the podcast. Eric 2026 is off to quite the start. So this question about Donald Trump and using the various very real levers of the presidency in order to reduce the price of oil, I would say that the president's actually been really bad at this to date.

I think if the president did nothing. The oil price would be considerably lower today than it is right now. I think it's important to walk through why that is, because I think that's actually a fairly, this is a claim that gets me a decent amount of hate online. That people are like, no, of course listen to what Donald Trump says.

He clearly wants lower oil prices and look, he just conquered Venezuela in order to get lower oil prices. Whatcha talking about? But what we've seen is that. One of the things we've talked about, routinely, I think that we talked about this last time I was on the podcast, that the global oil market has headed in 2025, particularly the latter half of 2025, into fairly pronounced oversupply, at least on paper, that supply considerably outran demand by upwards of 3 million barrels a day, which is for those that watch the oil market, a very large glut in the oil market.

But while prices have been broadly under pressure, they are by no means under the degree of pressure you'd expect if that kind of surplus was bearing down on stocks. And while there have been a couple different things that have prevented, I think the. Full transmission of that glut into prices and term structure.

So far, I think un undoubtedly the most important variable there has been president Trump's considerable increase in both the volume and enforcement of various sanctions throughout the oil market. Both, on Venezuela, on Iran, and on Russia, and across all three of these countries you've seen considerable buildups.

There's essentially really two ways you can judge. Efficacy of these sanctions, and that's by observing both the price that these producers are getting, or essentially what price their crude is clearing the market, and also looking at oil and water, essentially. How much are their logistics getting backed up? And oil and water has surged through the latter half of last year and in the last quarter of last year. So Q4 of 25, you are building oil and water at a pace of around three quarters of a million barrels a day across the three of those sanctioned producers. That's a lot of oil and that alone takes almost a third of that of that supply glut right off the market.

And I think even though PE people will say look. Their barrels are obviously being produced, which is true. But they're not. This is the difference between production and supply. They're being produced, they're ending up on tankers, but they're not actually available to supply any piece of the market.

So you're getting that kind of double whammy of it not happening and also rising on the side. So this is preventing or blunting that supply from hitting the market, and that I think is the most direct way. The president has actually affected the oil market to date is essentially by taking off a bunch of supply that otherwise would've been there.

So to that point, I think that if you're grading him on his ability to keep oil prices low, I would say he has been to date. A bearish factor on oil prices sorry, a bullish factor on oil prices. And prices would be much, much lower if he, or, if Kamala Harris had won the presidency 'cause and presumably she would not have been quite so harsh on various angles of this sanctioned kind of buildup.

Erik: Now one of the counter arguments that you would hear to what you just said is, Rory, haven't you been paying attention to the news? President Trump just announced that Venezuela is about to hand over 32, maybe as much as 50 million barrels of oil right away, which has got to help the market. Rory does Venezuela have 50 million barrels of oil to hand over to Donald Trump.

Rory: Yes and no. And I think it really depends on how we define what we're looking at. And Eric, I think you and I actually interacted earlier this week or I guess late last week on this question of like how much oil is actually floating around out there on Venezuela. 'cause we were talking earlier about a lot of Venezuela oil backing up on water.

That's, I think, a piece of what the president has talked about, seizing his, what I've called his kind of like pirate booty of his conquest of Venezuela. Is this 30 to 50 million barrels now. One of the things, and I think when you look at what

he said it's very clear that at least in the president's mind, part of what he will be grading himself on.

And I think what we should also be grading him on, is whether or not you have, whether or not Venezuela's oil production actually begins to recover. He's basically said that Venezuelan oil production, the industry is essentially rotted away for lack of foreign capital and because of domestic mismanagement, which is all true.

So presumably he wants that production to rebound fairly quickly, which again goes to his claim of wanting lower oil prices. So one of the issues with Venezuela and the blockade that he imposed is that you essentially backed up a lot of pressure on those systems and without tankers to get rid of the crude.

And with domestic storage tanks overflowing, you saw more and more pressure for PDVSA, the national oil company to shut in production, which is going the opposite way of what the president wants. So I think what Trump is saying or claiming here is that, while before they even figure out what's happening with all the sanctions and the blockade and everything else, we're just gonna quickly take off that, 30 to 50 million barrels to relieve some pressure on the system Now.

You can cobble together, very charitably, a way to do this, but it's unlikely we're gonna see that full volume of crude delivered to the Gulf. But I think regardless, markets are now, I think, acting in a way where that is beginning. To show up and in prices you've seen, for instance, while global Brent crude markets I, I think are rising rallying pretty aggressively.

And the backwardation at the front of the Brent Curve has turned decisively bullish. Again, WTI is lingering on a weaker back foot, not quite able to get that same bid. You've seen, especially heavy pressure on things like Western Canadian select or heavy crude oil benchmarks in the US Gulf Coast, where essentially from November levels you've rise you've widened from a differential of about \$4 a barrel under WTI for WCS at Houston to roughly around 8, 7 50 \$8 a barrel in WTI at Houston.

So that is, I think, is your evidence that there is some pressure coming there, but this now we can get to the whole question of what does this mean for the future of Venezuela? And is this a problem for Canada and these, incrementally, I think the future of Venezuela is probably better without Nicolas Maduro at the helm than with him at the helm.

But I think it's obviously much more complicated than just all of a sudden Venezuela and oil production's just gonna start mooning going forward.

Erik: It seems clear, Rory, from both President Trump's comments and as well as Chris Wright's comments that, the agenda is very clear here. It's going to be the government of the United States does everything possible to encourage US oil companies, if not subsidize US oil companies to make massive investments to rapidly bring that production in Venezuela back online.

And the thing that seems. I guess surprising to me is most of the other things the president has done seem to be temporarily focused on the midterm elections now, at least according to our mutual friend, Dr. Alhajji. He did a podcast or I guess a Twitter space is about this. He thinks that the most aggressive, no matter how much money you throw at it.

It would take at least three years to get just 1 million barrels per day of Venezuelan production back online. And I don't think anybody disputes that Venezuela has the, more reserves than anybody else. So over a long period of time and a huge amount of investment, there's lots and lots of oil there.

But Dr. Alhajji says. At best it's three years to get just 1 million barrels a day of additional production. What's your take on that? Does it take that long? Does it take less than that? Longer than that? What do you think?

Rory: No, I think that's about right. I think one of the big questions is where are you measuring the growth point from?

Because I think one of the things that's happened with Venezuelan supply and production in the market is that it's changed a lot over the last couple months. So for instance, whether, Trump could claim a much larger victory, a much larger growth pace if you're measuring off the low point of shut in production due to the blockade, right?

Trump can just remove the blockade and some of that will just bounce back naturally. Now. If we're talking about, say, how can we get incremental growth from say, October levels from before the blockade was really imposed, that I think is gonna be a much harder sell. And I think that's where you're gonna get, three, five plus years before you can really get a million barrels a day of production.

And again, this is talking, this is with 50 plus billion barrels of investment. This is with everyone beginning work very quickly or immediately none of which is

currently happening. But I do think that you can probably get. A piece of that, say two, 300,000 barrels a day, probably quicker than that.

Maybe, a year, maybe 18 months. That would be more mostly focused on Chevron's operations and essentially squeezing out what else you can get from the current system. But I think. After that immediate low hanging fruit is exhausted, that's when you move to this question of, okay, now we need to repair pipelines.

We need to fully begin to refurbish fields. We need full workovers, we need, all the other things. We need more diluent coming in the market. We need upgraders back up and running. This is when you start to get this really heavy. Mountain of pent up investment demand that has yet to be kinda satiated.

And the further you go down, the harder and harder it gets because eventually you run into things like the Venezuelan power market, like the power grid is deeply. Unreliable and, prone to blackouts, that's not a good way to run upgraders and refineries and various other components of the industry.

So when you get to that stage, that is obviously you need to fix like the entire country's power grid. So these are obviously extremely difficult, expensive things to do, and that I think is where you're gonna start to run into more pushback or reticence among the people and the companies that would be required to do that investment.

I think you saw that this past Friday when Trump and Wright, Etc, all had the, collection of oil industry executives gather for this press conference about what the future of Venezuela was. And you saw a fairly broad spread. You saw everyone there. You saw everyone from upstream companies, service companies, refiners, trading companies, Etc.

And I think each of those. Had a very different view of how optimistic they were coming down the line. For instance, Chevron, which most listeners would know has been in Venezuela, never left Venezuela, was able to work at a deal with the Chavez and then, and the Mado government, and was able to cut sanctions, waiver deals with, the Biden administration.

And now again, the Trump administration, they think that, I think reasonably so they can get, it's all upside for them because they've held on. Against all odds to their Venezuelan assets. That I think will be some upside for them. But other companies like Exxon is the one that coming outta that meeting had all of the

headlines about it was saying it was, the quote was that Venezuela in its current state is uninvestible.

And talking about, the long, slow work of rebuilding institutions and rebuilding the rule of law and rebuilding a culture that respects contracts and kind of continuity of government. These are obviously. Much more difficult things and things that the President can't just snap his fingers and say voila.

Other companies, I think, I'm sure, trading companies are gonna be all over this. You had Trafigura and Vitol at the meetings were very enthusiastic about, essentially acting as the White House's broker of Venezuelan, repossessed and resold Venezuelan oil. They're very enthusiastic with that.

Unsurprisingly, I think overall, refining companies seemed happy to have more heavy crude availability. But in terms of companies that were jumping over themselves to get in and really make those hard investments, no, that happens much slower. And then we get to this question of, okay would you have subsidies?

The one thing that they said in the. The meetings was, Trump committed to some quote unquote security guarantee, but obviously the next day the State Department advised all Americans to leave Venezuela because of the security situation. There's a carton that a horse and a cart situation here, and I don't think the president knows which one comes first.

Erik: Let's go back in the short term to this 30 to 50 million barrels of oil that's supposedly about to be handed over. First of all I think there's a psychological effect that we're used to talking about oil supply in barrels per day of production. This is not per day. This is a one time thing.

So if we did hypothetically get 30 million barrels all at once, okay, that's 1 million barrels a day for just one month, and that's it. And so in terms of context, it's not very much oil, but even if we said. Okay. 30 million barrels still. That's, something to throw at the market, at least short term.

Maybe that'll bump the price down a little bit and overcome some of the upside that we've seen in the last couple of weeks. But hang on, where is this oil, first of all? Does it exist? And if it exists, where does it exist? Because from the Twitter exchange that I had with you and Dr. Anas. It sounds Anas was saying there's really only about 11 million barrels is the most that they have.

And then somebody else, I don't remember if it was you or someone else said wait a minute. No, they've got more. It's in floating storage, but it's not in Venezuela, it's in Asia. And I'm thinking to myself, oh yeah, so the Chinese are gonna say, oh, that's Venezuelan oil. Send it back. How does this work?

Rory: You know if you're looking at the barrels, actually physically off the coast of Venezuela, you're probably looking at somewhere between 10 and 15 million barrels, depending on whose estimate you're using. But it's not obviously the full 30 to 50, you've probably got another 10 or so at various stages of transit throughout the world and floating around, waiting to be delivered into China.

I think that's probably what is being referred to by the president here, mixed with some additional. Volumes that have built up on land in Venezuela as part of this attempt to not shut in production. So they've been filling onshore production and or onshore storage in production areas. So I think that's probably what we're talking about, but just again, to reiterate.

So far this, this volume of oil, it's been taken off the market by Trump in the first place. So this would essentially be a debt almost that's being repaid. So it's only a million barrels a day for a month. But that theoretical, I think you it in another way. You could say that, let's say Venezuela starts producing and flowing again, that could theoretically double Venezuela supply to the market for one month.

I think it's another way of framing the same thing, which again, to this point that right now we're feeling a lot of these weird idiosyncratic, seemingly one-off supply disruptions, whether or not it's Venezuela. We're gonna talk, I'm sure about what's happening in Kazak flows. The CPC terminal or , Russia or Iran.

These are all theoretically supplies that have been lost to the market that will. The assumption is not that they're going to be permanently offline, so eventually they're not just going to come back online. But in the case of Venezuela's floating storage or built up oil and water, you could theoretically double the pace at which that supplies for a certain number of months.

Erik: Okay, so really what we're talking about is Trump took a bunch of oil off the market with his blockade. That oil got trapped in Venezuela, and what he is really saying now is about that oil that I trapped through my military operations and prevented you from exporting that you've got. Piled up however much there is there, and let's inflate it, then exaggerate the amount by a President Trump factor.

Whatever that number is we'll take it and you'll give it to us. And that's what's going on there. But it's probably not a full 50 million barrels. Now. Meanwhile, in other news president Trump seems to be encouraging Iranian protestors to. Continue protesting and it seems like he's almost trying to spark a bigger conflict or even civil war in Iran.

I think most people are assuming that is a precursor to some kind of military intervention from the US and Iran. Do. Would you agree with that? Do you think that's what's coming next and in what timeframe?

Rory: I think it definitely seems like that's what the market is currently assuming, and I think at this stage, given what we've seen both from.

The Prime President Trump regarding Iran as recently as last summer where they dropped 14 bunker busters on various nuclear Iranian nuclear facilities. And then we obviously saw a fairly unprecedented capture of Nicolas Maduro and Venezuela. I think at this stage, he views those two interventions is wildly successful as kind of proof of American power, which I think so far.

Has only, and I think will continue to embolden him until one of these interventions goes badly. So I would say at this stage it seems reasonably likely that the president is going to do something here. And I, and while it's still, I mean if we're just flashing back. To this past June when you had the 12 Day Israel Iran War that's when obviously prices got really spiky again, I think for a good reason.

You had act, you had missiles flying around the region. But again, I think at this stage when we, whenever we get to talking about Iran. You're talking about? I think when we're talking about the price impact, and I think a lot of what we've seen over the past, call it three, four days of trading in oil as we've rallied roughly \$5 a barrel higher.

A lot of that has been a Ron risk, particularly running into a fairly overstretched short. Positioning market positioning situation in the oil market. And just for those, again, for those that don't know that, we're always talking about massive amounts of oil traveling through the strait of hormoz.

So even though it remains this like really. Minuscule tail risk. I think even a one, two, 3% move in the probability of something happening in or around the strait is worth a lot to the oil market, particularly in what we'd call this sense of like precautionary demand. So you have these companies traders, Etc, that are bidding up the front, particularly the Brent Curve, worried about.

The loss of these barrels. I think particularly coming at a moment that we're also seeing, still tightness in Venezuelan supplies tightness in Russian supplies, tightness in Kazak, supplies outta the ccpc terminal. All these things are keeping the market tighter. And now you have this worry about the situation in the, again, and all of this.

It's, if it's starting to sound a lot like 2015, I think you're paying attention. It's the same idea that. We have this overarching consensus view of. A surplus. It's about to hit the market at any moment. It's this freight train running at you. And then each single month you have some kind of shock that comes in it, whether it's whether it's a CBC terminal outage, whether it's the Venezuela blockade, whether it's before that the sanctions by Trump against Rosneft and Luke Oil, Russia's two largest oil exporting companies.

These things are still having these ripple effects to the market are keeping. All that prompt supply tied up in knots in ways that it's really not able to fully bear down on prices. So again, back to this point of is Donald Trump bullish or bearish? I would say, again, he's bullish for prices because absent these knots, we would've a lot more barrels trying to actually clear the market.

But as of yet, they're all still, wrapped up in varying degrees of logistical legal sanctions. Red tape.

Erik: Now Rory, you are based in Canada. You're a Canadian citizen. I want to ask you an awkward question, which is look it used to be that if someone said the United States sometimes engages in regime change operations for the sake.

Of taking oil from from countries by removing the government that's in charge and replacing it with a different one. That was just crazy conspiracy talk. It seems like the president's not really hiding the fact that his agenda is very much to resources and certainly the folks in Greenland are very, acutely aware of this right now, that he's not afraid to say, look, we think that we should have this. We think it's in the world's best interest. We think we've decided that it's in the Greenland people's best interest. Not necessarily checking with them to see what they think, but just deciding for them it's in their best interest.

It's best for everybody, and it's really important because it's really about the development of the Arctic, including. Oil exploration in the Arctic. What President Trump is saying is, we need Greenland because in, in it, please, what President Trump is saying is the United States needs Greenland because if they don't get it, if the United States doesn't get it.

Then Russia and China will, and it's gonna change the balance of power in a way that's unhealthy for the world. And hey, I'm just doing the, president Trump feels that he's just doing the right thing for the whole planet by telling the people of Greenland that this is in your best interest, even if you don't think so.

How do you guys in Canada feel about this, considering that you also have the other big landmass that goes up into the polar region? If you were talking about Arctic exploration acquiring Canada and President. Trump's words as the 51st state would seem to achieve that goal just as well as getting Greenland would.

It used to be crazy to think that there would ever be any overt pressure or forced action for the United States to want to annex any part of Canada anyway, for heaven's sakes. We're we excellent allies? Always have been. What are Canadians thinking these days about all of that?

Rory: It's certainly not lost on, on.

Canadians, I think what's happening? I think. In a way it's Canada is both as large heavy oil resources like Venezuela does, and it has a obviously large mining and arctic kind of territorial expanse, much like Greenland does. So there's obviously a lot of parallels here.

I think the way I think about it is a couple different ways. I think on the first. Simplest, geopolitical lens. Yeah. I think if we're, if you view kind of North America as your risk board Venezuela kind of secures your entrance to North America from the south and Greenland, from Europe.

Canada's obviously an important piece of that entire continental control. So yeah, that's obviously an obvious point of concern I think. In terms of assuming that the level, I would say that we still feel relatively safer that our, no matter what opinion you have of Canadian Prime Minister Mark Carney, I don't think anyone believes that he's, the head of a narco terrorist syndicate.

So I think that, you would at least need to create some other pretext there. But I think what we have seen is this discussion increasing. The next thing that's gonna be bearing on US Canada relations is going to be the renegotiation of U-S-M-C-A or a Canadian call north of the border Uzma.

We put the sea at the front, of course. Which is, I think, again, your sign of how unified that that trade deal was. I think that each of the countries had their, has their own name for the same deal. But that's the, that renegotiation is what's going to be coming next. And I think one of the interesting things that's

happened over the past year it wasn't, it was just a year ago that we were talking about how, Trump was thinking about imposing tariffs on Canadian crude oil exports in the United States.

And despite. Pushback from essentially every corner of the industry. They actually did impose tariffs on Canadian crude access for a day or two until the U-S-M-C-A exemptions kicked in. But I think that, there's this feeling of, did Trump feel like reality put him in a bind?

I think there was a similar feeling of when he tried to go really hard against China and then there was this, that rare earth's kind of export ban blow up that kind of felt like he got, kinda got his hands tied by these physical market constraints. I think one of the things that's interesting heading into these renegotiations is.

I will, I can tell you many different ways in which Venezuela does not replace Canada in terms of the US' crude slate in terms of energy security, Etc, Etc. I think what you've seen is amongst the coalition of actors underpinning President Trump, call it the broad MAGA movement, you've seen a very heavy anti Canada kind of political tone take hold, and particularly after Trump.

Captured Nicolas Maduro, last weekend, two weekends ago now. Ever since that happened, you basically, there were comments around how, oh, now we don't need Canada because we have another country with very large heavy oil resources. But just on that, just I have to do my Canadian duty to 60 seconds and say that's, you can.

You're gonna see additional competition in the US Gulf Coast, but those Venezuelan barrels, Venezuela produces less than a quarter of what Canada exports regularly to the United States. It can't get into the Midwest because all the pipelines point south, Etc, Etc Etc. But I think that what you have seen in the Trump administration is that reality doesn't always.

Bind as we've seen even with talking about Trump and and what he wants international or US oil companies to do in Venezuela. It doesn't really matter what they say. It matters more like his perceived vibe is. And I think right now there's a perception among his coalition that having Venezuela as potentially the 51st state, so Canada would get bumped to, the threat of 52nd State.

That I think becomes a, they believe that to be a point of leverage. So even if it isn't physically a point of leverage, I don't think that matters. I think that the

Trump administration's gonna come into these renegotiations with a feeling of an advantage in Venezuela they didn't have last time around.

Erik: Now one of the ideas that's been floated by Chris Wright, I think, or maybe it came from President Trump, I'm not sure, was using any oil from Venezuela to refill the strategic petroleum reserve. That actually seems like a strategically good idea to me because the oil that the US is most dependent on, in addition to the oil is produced in the United States, is blend stock.

The heavy blend stock that's needed into mix with that very light. Bachan shale oil in order to be able to refine it in our refineries. What do you think about the idea of using Venezuelan oil to refill the strategic petroleum reserve? Is there enough supply from Venezuela to actually do that?

'cause of course, the SPR is much bigger than the 30 to 50 million barrels that they're talking about. Is that a realistic thing? And if so, is it a good idea?

Rory: I think, to your point, I think that as an example, like this 30 to 50 million barrels, I think, if we're talking about what the most strategic thing the United States could do with it.

Yeah. I think given that we've consistently talked about how one of the limitations to limiting or to refilling the SPR is the lack of congressional appropriations to do the lack of money to actually buy the oil. Suddenly. If Trump claims that, Venezuela has turned over 30 to 50 million barrels, that is, roughly market prices, two and a half billion barrels, sorry, two and a half billion dollars on the upside.

That's the 50 worth of oil, which is actually double the amount they even initially tried to get from Congress in the last, kinda a big, beautiful bill before it got hacked down to I think only a hundred something million. But yeah, I think it's actually it's not a bad idea.

The trouble is that, to my knowledge, and I've chatted with a few people that know more about the SPR than I do. But I think to my knowledge, the merry crude or your kind of heavy Venezuelan crude exports don't really match the spec well of what's in the SPR, which is typically more of a medium sour barrel, more like your.

Mars or Poseidon Barrel your ASCI kind of blends if those that are more familiar with the US Gulf. But I think what could be interesting is there is precedent before that the, oil that has been. Let's say put into the possession of

the United States Federal government in the past that could be, for instance, through royalty in kind programs where, the government actually got physical barrels in exchange for production royalties rather than a cut of profits.

In the, in prior moments that has been essentially exchanged a barrel for a barrel or a barrel for a fraction of barrel or whatever for grades that are more conducive to the US SPR, I think that is an interesting possibility here because obviously the administration has not been very successful at getting those congressional appropriations to refill the SPR.

They've had other budget priorities whenever that's been going on. And I think this, given that the, Trump administration has so front and center frame this around oil and strategic energy security and everything else. I think that obviously makes sense from a narrative kind of cohesiveness point. But again, I think they would need to do some kind of.

Roundabout maneuver in order to do that and end up with crude, that's actually useful to the SPR.

Erik: So let's try to bring this conversation around to things that our audience can actually trade. We've got a pretty I don't know, it's the first time in how many months that we've not only.

Come off of that \$55 very strong support level, but we're above 60, at least as we're speaking on Tuesday afternoon as we're recording this, when's the last time we were above 60 on WTI? It looks to me like we just barely touched it briefly sometime in Dec early December. Before that, it goes off off one of my charts I'm looking at, I'd have to look back to what sometime in October was the last time before that.

Rory: Yeah I'm looking at Brent the last time. We're at 65 40 on Brent right now, which the last time we were there was in late October.

Erik: Is this, has this rally got legs? Is this the beginning of something big? Or is this one of those geopolitical rallies that you wanna fade? Because as soon as the geopolitics come down, you know we're gonna retrace the whole thing back down to 55.

Rory: So my bias here is that it's the latter. It's this geopolitical again, this is Iran, this is CPC. And again, we, I keep mentioning the CPC pipeline. So just again, 60 seconds of what I'm talking about there. The CPC or the Caspian

Pipeline Consortium Pipeline, which is essentially the way. 80% of Kazakhstan's oil gets to market.

This was, it's a pipeline that comes outta Russian territory that has historically been safer than some of the other Russian ports. But in Nov in late November Ukraine bombed the loading points the single point moorings that the facility uses to ship on. And essentially that's had this massive blowback effect and taken upwards of a third of kaza production off the market in January so far.

So there's also this there's a bunch of these compounding supply losses that are keeping the market much tighter than it would otherwise be. So I'd say all else equal the assumption is that those will not remain forever going forward. That, that, right now. LA based on later number that I'm seeing, you're looking at Kazakhstan's production down to roughly a million barrels a day through the first half of January, down from 1.75 million barrels a day in November.

So that's, we're talking huge chunky losses. Presumably then Kazakhstan's gonna wanna get that back up. So as long as Ukraine doesn't continue to bomb the CBC terminal or tankers as they did today, that were heading to the CBC terminal that should normalize. But I think the challenge with saying that is that.

We've been saying that for a little while now, that these one-off things keep happening repeatedly, and I think to a degree it's useful to just think of just a, a theoretical regime to talk about how we're, how, what we're seeing right now, which is we have a fundamentally weak oil market, which in my mind has emboldened and facilitated particularly President Trump to take ever more volatile, destabilizing policy actions in the market

Yes, eventually this should all roll over and then we get the glut and the prices grind lower and we go fully into Contango on the curve. But so far, these, he's, Trump seems quite committed to continuing to pressure these various countries and I think as we've seen him emboldened by his, at least ostensible, thus far, success in Venezuela.

How far is he gonna go? In supporting the Iranian protestors, how far is he going to go in, pushing harder on Russia. And I think all of this in the context of, I don't know if you saw Eric earlier today but Donald Trump came out and said that he really wished he could see oil go back down to \$53 a barrel again.

That's a very specific target in the president's mind, which I'll note is \$3 a barrel higher than his target used to be? So maybe that we can, maybe he is acknowledging his own his own bullish slant on the market over time.

Erik: Rory, could it be that? What's going on here is President Trump is trying to do a calculated, risk management move where he says, okay, what he really needs in terms of oil prices is that \$53 number that he's talking about before the midterm elections.

And therefore, let's go fast and furious, bill. China shop, Donald Trump style, do all of the geopolitical upsetting that he might be inclined to do early. Get it over with in January, and then give the market time to calm down as we get, into summer driving season. And the other pressures that tend to take us back up in oil prices have it all over with so that we're in the blow off phase and we're retracing, as you said.

Could it be that he's just trying to get all of his, geopolitical upsetting, done and over with.

Rory: It's not a bad idea. If that was actually, what if there was a, a National Security Council meeting or a National Economic Council meeting and like someone said this should be the strategy.

I think it's not a bad strategy because again, I think that this is the period of the year where prices are going to be weakest when balances were weakest. That provided you additional fundamental support for doing various supply side destabilizing moves. I think even if you wanted to go one step further, even more galaxy brained here, I think there's a factor that, Trump obviously says he wants low prices speaking to that consumer sentiment around cost of living and pump price pain, Etc, Etc.

But I think what you've seen. If you're, if you wanna be purely rational about it. I, I've come to really like this theory of essentially this like parabola of political price pressure. That when you get. Over. So there's really compelling research that was done by Brookings that showed negative media mentions that essentially as you get above \$3 and 50 cents a gallon for us pump prices, negative mentions in media, which I think both reflect and further drive consumer sentiment around these pump prices builds up rapidly after you hit above three 50.

But that doesn't, it basically flat lines under three 50. Like you don't get this commensurate. It's not like people get happier for \$3 or two 50 gas. So that I think is interesting because it, you, your downside payoff is less it's almost like a prospect curve that the, consumers overweight their losses and they don't really give you the benefit of their upside.

If it's better than that. On the flip side, you have us producers that, if they go from \$90 a barrel to \$60 a barrel on crude, maybe they go from making gangbuster profits to only scraping by. That's obviously unpopular, but it's much more painful to go from 60 to say, 40 or 30 where you go from, not it, it is from breaking even to like outright bankruptcy or worrying about layoffs and winding up your company, that becomes much more painful.

So I think if you got much below 50 for any durable period, even below 60 for a durable period as we saw, I think the pushback from Trump's base in the oil sector, which I think has felt reasonably and understandably burned, but I think still naturally gravitates towards. Coalition for, let's say the upcoming midterms.

So I think there could be an attempt to balance those competing factions and don't get too offside on either one of those kind of rising parabola of pump price pain or or barrel pain on the producer side. But I think at the end of the day, the one thing I'll say is that I think all of this we can.

Trump does so many things and says so many things that I think it's easy to overfit a theory onto him. But I do worry that this, I think the other side is that I think it's just reasonable to think that he is just winging it, that he wants pro, he wants prices to be lower and you know he says that, but he does a bunch of stuff that increases the price with sanctions and everything else without fully recognizing why.

And he'll just post about how, if you were a patriot, you would bid the price of oil lower or something like that. So I think I, I do worry about overfitting and giving him too much credit for having a consistent strategy here. 'cause I just don't know if that's the case.

Erik: I wanna get a little bit more technical here because this is where I think the best trading opportunities are in this market. Last time I had you on, I don't remember how long ago it was or maybe it was two interviews ago. You and I had both noticed something that we thought was quite unusual in the shape of the forward curve, the term structure of WTI, crude oil, which is all, it's they call it a curve for a reason.

It's usually curved. And what we noticed, both of us was, eh, it's funny. It's like there's really, pronounced backwardation right to one specific contract. And I think it was actually right now around January of 26, and then all of a sudden there's like a, a very sudden bend in the curve and it's all contango after that.

And we were both kind of scratching our heads saying, why that specific month, why not the usual curvature that you would see there? It's happened again, Rory. If you look at the WTI curve right now it's exactly as you and I predicted at that time. You and I have said, wait a minute, that contango that you see after January of 26, that's gonna flip into backwardation, at least at the front of the curve.

That's exactly what's happened, but now it's March of 27. Just about one year out. 'cause we're just flipping from the February to the March contract and the contract role that's coming in the next week. All of a sudden, that's the inflection point. Why are these funny shaped curves happening at odd months where all of a sudden that there's that abrupt shift from backwardation to contango?

And specifically what you and I thought at that time was okay, it means the trade is. To buy the spread that started at that time in January 26th. By January 26th through January 27, that calendar spread and expect it to flip from contango into backwardation is the it would be the the H seven.

H eight the March of 27 to March of 28 one year calendar spread, which is all in contango. I, is that a ripe trade to expect that over the next year to switch into backwardation? And if so how does that compare with trading the front, the flat price on the front month?

Rory: So I think one thing that's interesting that you've seen, and you've seen this almost.

Almost every month since April, since last, since last April when Trump announced his Liberation Day tariffs. And this is, I think when this whole, at that point you got the add-on of opec adding all that, crude back to the market. This is when the global glut thesis really took hold very rapidly.

And what you've seen really interestingly, pretty much every single month since, is that for the first half of the month. The front of the curve weakens you basically flirt with flipping into prompt contango, and then something happens in the middle of the month, whether or not it's Ukrainian attacks on the CPC or it's Trump sanctions against Russian oil majors or anything else.

This, it's just the moment that you basically get the shock higher, and then basically at the end of the month you always end back and fairly pronounced. Backwardation only for that to begin sliding again the next month. And essentially it's this recycled, it's this yo-yo up and down.

Flat prices had I think a bit more of a range, like a trend to it. But if you just, if you're just looking at prompt time spreads or or even let's say the front couple time spreads along the crude curve that has been a cyclical thing every single month that it goes. Lower and then higher and lower and then higher.

And I think I've joked with some, friends, analysts that are they're watching someone in the White House is watching for when this curve is about to flip into contango. And that's when they're like, aha, that's when we'll announce the next section against against Roz n Luko or whatever.

And I think that's something that's been thoroughly consistent. Now what's interesting about this cycle is that. Got started much earlier in the month, about a week earlier than it has in prior months, and this is when Iran got started up. So I think if we were to follow this back to it, if this was to repeat itself, I would expect this, us to remain heavy and hot on the, at the front of the curve up until the end of the month.

Then begin to essentially fall back down again as the market says, okay, is this the month when we finally begin to see that surplus arrive on shore? And again, until it, it's going to happen eventually. It's just a question of how many more months we kick it down the road because each one of these crises, for most of them at least it's not a complete change in narrative.

It's just a, essentially you're either delaying that barrel from going to the market. Which means you get a double whammy down the line or you're just, preventing it from hitting right now. And I think that's what we're looking to see is that these barrels will eventually hit. We just don't know when.

So I think the market's gonna keep waiting every single month to say, is this contango month? Is this contango month? And then as soon as something happens, in this case, Iran and prior cases, it was something else. It was Venezuela. That I think is the cycle that we're gonna keep following here.

Erik: Rory, I want to come back briefly to this whole regime change question that we discussed earlier in this interview, just because of some news that's happened while we were speaking and now of course, the idea that the US would ever engage in regime change operations for the sake of getting the oil is obviously preposterous, ridiculous, crazy conspiracy talk that could never happen.

However just after the market closes on Tuesday as we were speaking, Chris Wright announces, quote, the US would happily partner with Iran on oil if the

regime ends. Now this is not a regime change operation of course, but just, hypothetically, if the regime did end, the US would happily partner with Iran on oil.

Any comments on that? And as a Canadian any concerns?

Rory: Yeah, I think I, I'm even, I haven't even seen the comment come across the line yet, but it sounds very similar to what we've heard from other what we've heard from Wright and others about Venezuela.

I think there is this definite interests, and I think we haven't even really talked about what these subsidies or, they also talked about potentially putting like equity investments into US oil companies. Like we're going down this weird. Kind of state capitalist, fusion line that I think is like very unfamiliar to more modern markets but is like very almost cliché to like imperial markets.

And I think that's what this is starting to feel like is, regime change with the kind of the catch of and will get, traffic and vitol or whomever to market your crude for whatever regime replaces you, But I think The thing that we have seen, and I think this is something that has been relatively consistent despite Trump's kind of bravado on foreign policy, is they have not like the, we're still a far ways away from, say, your Bush era neoconservative democracy, promotion, regime change kind of sentiment that.

Very briefly was the thought in Venezuela with getting rid of Nicolas Maduro. Obviously, Marco Rubio Secretary, secretary of State, has been a very long running Venezuela regime, change hawk, and I think representing a fairly core constituency of that kind of South Florida vote. Whether it's Venezuelan, diaspora or Cuban diaspora populations, but again, what we've seen very quickly there is that, very quickly Trump decided, actually no, we're, we don't, it would be harder to deal with, say, a new Democratic opposition taking power in Venezuela. 'cause that's destabilizing and that's messy and that's hard. So mine as well, just, even in Venezuela, it's, we're just dealing with Delcy Rodriguez, who is the Maduro's vice president and oil minister, notably here.

That I think is, it's easier. That's let's just deal with the people we know. And I think there's this question of like, why would that be any different in Iran? So I think right now it's taking this this sound of democracy promotion and supporting the protesters. But what we've seen historically from Trump is like a fairly, rote willingness to.

Collaborate with whomever ends up being holding the keys to power at the end of this, in which, in, in this case is, would that just be the IRGC or whomever else? It's not necessarily that the protestors going to automatically get the keys to the government, and I don't know if Trump is interested in the messy long term post conflict reconstruction work that would be involved with something like that.

In Iran or Venezuela, which is, I think right now we're in this moment where this stuff could turn into just a game of musical chairs and, the next strong man goes into power and that strong man's a little bit more favorable to Trump and a very, very familiar kind of, coup to desperate that's more favorable to Washington vibe that we've seen from the United States over prior decades.

I think that's not, at least what we're hearing from the White House right now. So it'll be interesting to see where this goes, but I don't think that he has the appetite for the kind of follow through that would be required there. And I, who else is gonna be controlling Iranian oil after the Ayatollah Falls?

Again, I don't think it's any of the protestors at this point.

Erik: Rory, I can't thank you enough for a terrific interview. But before we close, I wanna ask you to tell us a little bit about commodity context, your company, what you do there. I know that you just wrote an excellent piece, really giving your readers a, a, a.

A perspective on this whole situation in a little bit more depth than we had time to cover here on what's going on with Venezuela. Could we have your permission to share that with our listeners in the research roundup email? And if so, we will share it with them and please tell us what you do and how people can find out more about your services.

Rory: Absolutely. I, appreciate you sharing the research and for anyone that's interested, commodity context is a research outlet where I provide all of my thoughts on oil markets evolving as this market continues to roll forward. Got three main different types of research on commodity context, which is a oil context weekly, which is published every week around Friday at 4:00 PM Eastern after Markets close.

That kind of brings a roundup of essentially what nonsense has happened the week and how oil markets have begun to process it. I've got three different monthly data heavy reports, which are called data decks which are on global oil balances, opec production compliance, everything else as well as a more

detailed look around flows around North America, as well as on top of this, I also offer an advisory service to higher touch clients and a data service for those clients as well that look, they wanna provide a kind of a deeper data driven backend that drives my own research head over to commoditycontext.com. We'd love to have you and and let's keep following this market together,

Erik: and you can find a link to Rory's report on the situation in Venezuela in this week's research roundup email. Patrick Ceresna and I will be back as Macro Voices continues right here at macrovoices.com.