

The Trump administration's overture to U.S. oil companies over Venezuela is being framed as a long-overdue chance for American firms to reclaim what was taken from them decades ago. But stripped of its triumphalist rhetoric, the proposal reveals a far more complicated, and troubling, bargain: if companies want restitution for expropriated assets, they must first risk billions of dollars, reputational exposure, and human lives by plunging back into one of the world's most politically volatile oil states, before even a coherent post-authoritarian order has taken shape.

At its core, the administration's message to industry is blunt. You don't get compensation for seized rigs, pipelines, and fields unless you return now, rebuild a collapsed petroleum system, and trust that reimbursement will eventually come. This is not merely an economic proposal; it is a geopolitical gamble that seeks to offload much of the uncertainty and upfront cost of U.S. foreign policy onto private corporations.

The backdrop matters. Venezuela's oil industry was once the envy of the developing world, producing more than 3.5 million barrels per day in the 1970s and underwriting a relatively stable petro-state. Decades of nationalization, politicization, sanctions, corruption, and mismanagement have since hollowed it out. Output has fallen to a fraction of its former levels, infrastructure has decayed beyond easy diagnosis, and skilled labor has fled. The notion that American companies can simply "go in, spend billions, and start making money" glosses over the extraordinary technical, political, and security challenges involved.

The administration's optimism also obscures the asymmetry of risk. Oil executives are being asked to make decisions in an environment where the most basic questions remain unanswered: Who governs Venezuela next? What legal framework will protect foreign investment? How will contracts be enforced? Who guarantees the safety of personnel and equipment? And crucially, what happens if the political transition stalls, fractures, or turns violent?

This uncertainty is not theoretical. Industry officials describe outreach that feels premature, poorly coordinated, and driven more by political momentum than by operational reality. The phrase “shoot-ready-aim” captures a familiar pattern in U.S. interventions abroad, where economic reconstruction is treated as a sequel to regime change rather than an integrated strategy planned in advance. In Iraq and Libya, the costs of that sequencing error were enormous. Venezuela risks joining that list.

Oil prices only sharpen the dilemma. With U.S. benchmark crude hovering near post-pandemic lows, Venezuela’s heavy oil is a marginal proposition in the short term. Reviving production would require massive capital investment in fields, upgraders, pipelines, ports, and power supply — all before turning a profit. The economics may make sense over a decade or more, particularly as U.S. shale matures and Gulf Coast refineries seek compatible feedstock. But that is a long-term bet colliding with a short-term political timetable.

There is also a moral hazard embedded in the administration’s approach. By tying compensation for past seizures to future investment, Washington effectively conditions justice on participation in a risky geopolitical project. Companies that prefer to wait for legal settlements, international arbitration, or a clearer political transition are implicitly penalized. Those that comply are rewarded with preferential access — but only if events break their way. This blurs the line between voluntary commercial decision-making and coerced alignment with U.S. foreign policy goals.

Those goals are themselves revealing. Officials and former advisers openly frame American reentry into Venezuela as a way to crowd out China, cut off sanctioned oil flows, and secure strategic influence over one of the world’s largest hydrocarbon reserves. From a national security perspective, this logic is coherent. But from a corporate governance perspective, it places oil companies in the role of geopolitical proxies, expected to advance U.S. strategic interests while absorbing commercial and political risk.

The fate of Venezuela's state oil company, PdVSA, further underscores the ambiguity. The administration appears inclined to keep PdVSA intact, albeit under new leadership, rather than dismantling or privatizing it. That may be pragmatic — PdVSA still controls the institutional skeleton of the industry — but it raises questions about how foreign firms would operate alongside a reconstituted national champion. Without clear rules on ownership, revenue sharing, and governance, the risk of repeating past conflicts remains high.

Chevron's cautious posture is instructive. As the sole major U.S. oil company still operating in Venezuela under a special license, it has learned firsthand how quickly political winds can shift. Its emphasis on employee safety and legal compliance stands in stark contrast to the administration's exuberant promises. That gap between political rhetoric and operational reality is precisely what gives executives pause.

Supporters of the administration's approach argue that incentives could bridge the gap. Financing from U.S. government institutions, political risk insurance, and diplomatic backing might make early reentry palatable. There is precedent for such tools, and they could mitigate some risks. But they cannot substitute for legitimacy. No amount of underwriting can compensate for a disorderly transition, contested authority, or a resurgence of nationalist backlash against foreign oil interests.

This is where the most sobering insight emerges: regime change is not the same as regime replacement. Removing an authoritarian leader is only the opening act. What follows — the establishment of lawful governance, credible institutions, and social consent — determines whether foreign investment becomes a stabilizing force or a catalyst for further conflict. Oil, in particular, has a long history of distorting transitions rather than consolidating them.

For Venezuela, the stakes could not be higher. Oil revenues will be essential to any recovery, but if the industry is revived in a way that appears externally imposed, opaque, or skewed toward foreign interests, it could undermine the very legitimacy the new government needs.

For the United States, pushing companies in too early risks entangling American capital — and potentially American personnel — in a political environment that remains combustible.

In the end, the administration's proposal reveals more about its priorities than about Venezuela's prospects. It seeks speed over sequencing, access over institution-building, and strategic advantage over economic realism. American oil companies, understandably, are hesitant to play along. Their caution is not a lack of patriotism or ambition; it is a recognition that oil cannot fix politics, and that rebuilding a shattered petro-state requires more than optimism and pressure.

Venezuela may indeed become a "crown jewel" someday, once above-ground risks are removed and a credible order emerges. But forcing the issue now risks turning a potential long-term prize into a near-term liability. If Washington truly wants a stable, prosperous Venezuela aligned with the West, it would do better to focus first on legitimacy, security, and rule of law — and only then invite the drill rigs back in.