The Daily Dish

The Plan Is What?

DOUGLAS HOLTZ-EAKIN | AUGUST 31, 2026

Readers will recall that during the Iran War preseason, the Trump Administration seized Venezuela. It was far from obvious how this fit into the administration's strategic plan, but there was a lot of happy (and unrealistic) talk about oil supplies for the United States. Now there are reports of an actual plan. The news, as usual, came from the president's Truth Social account:

> *BREAKING NEWS: The United States of America has just entered into an Agreement with the Country of Venezuela on, THE BIGGEST OIL DEAL IN WORLD HISTORY! At my direction, Secretary of State Marco Rubio, and Secretary of War Pete Hegseth, working closely with Highly Respected Interim President of Venezuela, Delcy Rodriguez, and, through a partnership with private business, have secured majority U.S. control of more than 65 BILLION BARRELS of proven Oil Reserves in Venezuela, at no cost to the American Taxpayer. This Historic Transaction MORE THAN DOUBLES American Oil Reserves, greatly increases our Oil Supply, and will substantially lower Gas Prices for all Americans, long into the future, while helping to continue to set Venezuela on a course toward Tremendous Success and Great Prosperity. This Transaction will greatly strengthen the already growing relationship between Venezuela and the United States! Thank you for your attention to this groundbreaking matter. MAKE AMERICA GREAT AGAIN! President DONALD J. TRUMP*

Reporting in *The Wall Street Journal* shed some additional light on the matter: "The Pentagon's Office of Strategic Capital plans to structure the investment through penny warrants that would yield the U.S. an equity ownership in the business without a significant capital investment." (Penny warrants are options to buy shares that are priced at a penny or less.) Eakinomics has thoughts about the wisdom of having an oxymoronically named Office of Strategic Capital in the Pentagon and using it to take another government equity stake in a private corporation. These thoughts did not make it past the Daily Dish censors; the reader can probably guess.

Not surprisingly, politics drove the dealmaking. Per *The Wall Street Journal*:

> *The deal took shape in recent months as the administration sought to turn Trump's repeated claims that America was obtaining Venezuelan oil into reality.*
>
> *Faced with an unpopular and grinding war with Iran, which has squeezed global energy supplies, the Trump administration felt a sense of urgency to announce it had secured a long-term source of crude in the Western Hemisphere, people involved in the talks said. Trump also sought a political win in portraying the Venezuela deal as a way to insulate Americans from the costs of the turmoil in the Middle East ahead of November's midterm elections, they added.*

Venezuela currently pumps about as much oil as North Dakota, so it is unlikely to affect gas prices for the foreseeable future. And there is no way to insulate the U.S. consumer from the ups and downs of global oil and gasoline prices; both markets are internationally integrated. And for good measure, the sludge-like, sour Venezuelan crude is not suitable to refill the Strategic Petroleum Reserve, whose salt caverns were designed to store light and medium crudes.

So there's no real political relief here. Moreover, it appears to conflict with the Venezuelan constitution which awards the rights to oil reserves to the citizens of the country and precludes their sale. But this *does* provide federal funding to a direct competitor of U.S. oil producers. Why is *that* a good idea?

Presumably what has been released thus far is the good news, and the real warts will emerge upon further scrutiny. It's a safe bet that 2028 presidential candidates, on a bipartisan basis, will line up to deep-six this investment.