International Oil prices

Economy

Global Oil Supply Implications from Potential US-Venezuela Conflict Resolution

- Tensions have increased to unprecedented levels between US-Venezuela conflict post military operation by US and capture of Venezuelan President on 03-Jan-2026.
- This development has brought attention to Venezuela's oil reserves which stand at 303bnbbls which is 20% of global oil reserves or 24% of oil reserves within OPEC countries. Venezuela oil production stood at 0.93mn bopd as of Nov-25 (OPEC) which is higher in comparison to 2024 production of 0.87mn bopd. This nearly accounts for 1% of the total global oil supply.
- If sanctions are removed, oil price may rise and remain volatile in the near term. Oil prices are likely to come down in the long term once output from Venezuela increase, however, it is likely to take time to ramp up production.
- Pakistan is likely to benefits from lower oil prices as it is likely to reduce import burden and positively impact domestic inflation. Ease in support from external side is also likely to provide stability and may further strengthen PKR.
- From market standpoint, lower oil prices have positive implication on manufacturing sector due to decline in energy prices, and subsequent improvement in margins. However, market heavy sector E&Ps could potentially come under pressure owing to declining revenues.

US-Venezuela Tensions on the rise

Tensions have increased to unprecedented levels between US-Venezuela conflict post military operation by US and capture of Venezuelan President on 03-Jan-2026. The conflict escalated as US blamed the Country for illegal migrants to US along with other various accusations.

Venezuela holds largest oil reserves

This development has brought attention to Venezuela's oil reserves which stand at 303bnbbls which is 20% of global oil reserves or 24% of oil reserves within OPEC countries. Venezuela oil production stood at 0.93mn bopd as of Nov-25 (OPEC) which is higher in comparison to 2024 production of 0.87mn bopd. This nearly accounts for 1% of the total global oil supply. Venezuela has witnessed its production decline substantially over the last few decades where production stood at 3.5mn bopd in 1970s accounting for nearly 7% of total global crude output.

Regime change could lead to higher production

If current regime is successfully changed in Venuezuela and sanctions are lifted, this could lead to potential increase in Venezuela oil production and exports. Although US used to be major buyer of Venezuelan oil

Analyst

Abdullah Farhan
Abdullah.farhan@igi.com.pk

historically, however, post sanctions China now is the primary destination. Nevertheless, foreign investment may flow in oil sector once sanctions are lifted which would support development of reserves.

Production increase to take time

Although if sanctions are lifted, production may increase back to above 3mn bopd, however, it is likely to take some time as development of reserves and upgradation of infrastructure would take. Moreover, majority of Venezuela's crude is extra heavy containing high sulfur content and density which makes it costlier to extract than conventional oil and is usually sold at a discount to lighter crude. It is normally mixed with lighter crude to make it suitable for export.

Oil prices outlook

Although it is too early to anticipate oil price direction, however, considering rise in geopolitical tensions between US-Venezuela, oil price may rise and remain volatile in the near term. Oil prices are likely to come down in the long term once output from Venezuela increase, however, it is likely to take time to ramp up production possible few years. Although multiple factors are at play to determine long term price such as recovery in demand and potential production cuts by OPEC+, however, potential supply glut at current factors could drag oil prices below US$ 50/bbl.

Pakistan set to benefit from lower oil prices

Pakistan is likely to benefits from lower oil prices as it is likely to reduce import burden and positively impact domestic inflation. Ease in support from external side is also likely to provide stability and may further strengthen PKR.

Reduced oil imports to support external accounts

Crude oil and Petroleum product imports accounted for nearly 19% of total imports in FY25 and 18% in 5MFY26. Moreover, LNG imports, which is also linked to crude oil accounted for 6% of total imports in FY25. Considering import volumes remain same, a US$ 5/bbl reduction is oil prices could lead to US$ 700-800mn of annual savings on import bill.

Exhibit: Pakistan Import bill

US$ mn	FY23	FY24	FY25	5MFY26
Petroleum Products	8,975	5,995	6,022	2,380
Crude oil	4,588	4,694	5,266	2,335
Total Crude and POL products	13,562	10,689	11,288	4,715
Total Imports	52,004	52,928	58,979	25,559
% of Total Imports	26%	20%	19%	18%

Source: PBS, IGI Research

Lower oil prices could ease inflation

Lower oil prices could also further ease inflation as transport index contributes nearly 5.9% to total NCPI while fuel prices contribute nearly 2.7%. Any reduction in motor fuel prices is likely to bring down transport index. A 5% reduction in domestic fuel prices could bring down NCPI by 0.3%. Moreover, this will also bring down energy cost leading to decline in energy related charges. Energy price reduction could potentially reduce cost of production for corporate sector and support margins, however, the impact would be visible after a lag of few months.

Lower import bill to support FX reserves and PKR

Similarly, lower import bill is likely to support FX reserve buildup and could further strengthen PKR owing to lower FX requirement.

Risk of slowdown in remittances

Majority of Pakistan's remittances come from Gulf countries (nearly 55% in FY25). As these countries are heavily reliant on oil exports and fiscal breakeven cost above US$ 75/bbl, there is a risk of slowdown in these economies which could negatively impact remittances. If decline in remittances outpace imports this could negatively impact C/a balance.

Market to react positively to declining oil prices

From market standpoint, lower oil prices have positive implication on manufacturing sector due to decline in energy prices, and subsequent improvement in margins. However, market heavy sector E&Ps could potentially come under pressure owing to declining revenues.

E&Ps sector could take a hit on profitability

E&P sector earnings are directly linked to oil price as revenues are derived from sale of oil to refineries and gas to utility companies (SSGC & SNGP). Moreover, due to lack of substantial discoveries and production decline due to RLNG imports, E&P sector could witness earnings attrition. However, as gas prices are linked with oil prices and are revised bi-annually this could further improve cash recoveries in the short term.

Important Disclaimer and Disclosures

Research Analyst(s) Certification: The Research Analyst(s) hereby certify that the views about the company/companies and the security/ securities discussed in this report accurately reflect his or her or their personal views and that he/she has not received and will not receive direct or indirect compensation in exchange for expressing specific recommendations or views in this report. The analyst(s) is principally responsible for the preparation of this research report and that he/she or his/her close family/relative does not own 1% or more of a class of common equity securities of the following company/companies covered in this report.

Disclaimer: The information and opinions contained herein are prepared by IGI Finex Securities Limited and is for information purposes only. Whilst every effort has been made to ensure that all the information (including any recommendations or opinions expressed) contained in this document (the information) is not misleading or unreliable, IGI Finex Securities Limited makes no representation as to the accuracy or completeness of the information. Neither, IGI Finex Securities Limited nor any director, officer or employee of IGI Finex Securities Limited shall in any manner be liable or responsible for any loss that may be occasioned as consequence of a party relying on the information. This document takes no account of the investment objectives, financial situation and particular needs of investors, who shall seek further professional advice before making any investment decision. The subject Company (ies) is a client of the IGI Finex Securities Limited and IGI Finex Securities offers brokerage services to Subject Company (ies) on a regular basis, in line with industry practice. This document and the information may not be reproduced, distributed or published by any recipient for any purpose. This report is not directed or intended for distribution to, or use by any person or entity not a client of IGI Finex Securities Limited, else directed for distribution. All Research Analysts are receiving fixed pay and reporting directly to Head of Research who reports to CEO.

Rating system: IGI Finex Securities employs three tier ratings system, depending upon expected total return (return is defined as capital gain exclusive of tax) of the security in stated time period, as follows:

Recommendation Rating System
Buy if target price on aforementioned security (ies) is more than 10%, from its last closing price(s)
Hold if target price on aforementioned security (ies) is in between -10% and 10%, from its last closing price(s)
Sell if target price on aforementioned security (ies) is less than -10%, from its last closing price(s)

Valuation Methodology: To arrive at Target Prices, IGI Finex Securities uses different valuation methodologies including

- Discounted Cash Flow (DCF)
- Reserve Based DCF
- Dividend Discount Model (DDM)
- Justified Price to Book
- Residual Income (RI)
- Relative Valuation (Price to Earning, Price to Sales, Price to Book)

Risk: Investment in securities are subject to economic risk, market risk, interest rate risks, currency risks, and credit risks, political and geopolitical risks. The performance of company (ies) covered herein might unfavorably be affected by multiple factors including, business, economic, and political conditions. Hence, there is no assurance or guarantee that estimates, recommendation, opinion, etc. given about the security (ies)/company (ies) in the report will be achieved.

Basic Definitions and Terminologies used: Target Price: A price target is the projected price level of a financial security stated by an investment analyst or advisor. It represents a security's price that, if achieved, results in a trader recognizing the best possible outcome for his investment, **Last Closing:** Latest closing price, **Market Cap.:** Market capitalization is calculated by multiplying a company's shares outstanding by current trading price. **EPS:** Earnings per Share. **DPS:** Dividend per Share. **ROE:** Return on equity is the amount of net income returned as a percentage of shareholders' equity. **P/E:** Price to Earnings ratio of a company's share price to its per-share earnings. **P/B:** Price to Book ratio used to compare a stock's market value to its book value. **DY:** The dividend yield is dividend per share, divided by the price per share.

IGI Finex Securities Limited
Research Analyst(s)
Research Identity Number: BRP009

Contact Details

Equity Sales

Zaeem Haider Khan	Head of Equities	Tel: (+92-42) 35301405	zaeem.haider@igi.com.pk
Syeda Mahrukh Hameed	Regional Head (North)	Tel: (+92-42) 38303564	mahrukh.hameed@igi.com.pk
Muhammad Naveed	Regional Manager (Islamabad & Upper North)	Tel: (+92-51) 2604861-62	muhammad.naveed@igi.com.pk
Faraz Naqvi	Branch Manager (Karachi)	Tel: (+92-21) 111 234 234 Ext: 826	faraz.naqvi@igi.com.pk
Shakeel Ahmad	Branch Manager (Faisalabad)	Tel: (+92-41) 2540843-45	shakeel.ahmad1@igi.com.pk
Asif Saleem	Equity Sales (RY Khan)	Tel: (+92-68) 5871652-56	asif.saleem@igi.com.pk
Mehtab Ali	Equity Sales (Multan)	Tel: (+92-61) 4512003	mahtab.ali@igi.com.pk

Research Team

Abdullah Farhan	Head of Research	Tel: (+92-21) 111-234-234 Ext: 912	abdullah.farhan@igi.com.pk
Sakina Makati	Research Analyst	Tel: (+92-21) 111-234-234 Ext: 810	sakina.makati@igi.com.pk
Syed Muzammil Hasan Rizvi	Research Analyst	Tel: (+92-21) 111-234-234 Ext: 569	muzammil.rizvi@igi.com.pk
Sufyan Siddiqui	Database Officer	Tel: (+92-21) 111-234-234 Ext: 888	sufyan.siddiqui@igi.com.pk

IGI Finex Securities Limited
Trading Rights Entitlement Certificate (TREC) Holder of Pakistan Stock Exchange Limited |
Corporate member of Pakistan Mercantile Exchange Limited
Website: www.igisecurities.com.pk

Head Office
Suite No 701-713, 7th Floor, The Forum, G-20,
Khayaban-e-Jami Block-09, Clifton, Karachi-75600
UAN: (+92-21) 111-444-001
Fax: (+92-21) 35309169, 35301780

Lahore Office
Shop # G-009, Ground Floor,
Packages Mall
Tel: (+92-42) 38303560-69
Fax: (+92-42) 38303559

Islamabad Office
3rd Floor, Kamran Centre,
Block- B, Jinnah Avenue, Blue Area
Tel: (+92-51) 2604861-2, 2604864, 2273439
Fax: (+92-51) 2273861

Faisalabad Office
Office No. 2, 5 & 8, Ground Floor, The
Regency International 949, The Mall
Faisalabad
Tel: (+92-41) 2540843-45

Rahim Yar Khan Office
Plot # 12, Basement of Khalid Market,
Model Town, Town Hall Road
Tel: (+92-68) 5871652-3
Fax: (+92-68) 5871651

Multan Office
Mezzanine Floor, Abdali Tower,
Abdali Road
Tel: (92-61) 4512003, 4571183

IGI Finex Securities Limited
Research Analyst(s)
Research Identity Number: BRP009