GI INSIGHTS REPORT

ENERGY MARKETS OUTLOOK

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THE PRAGMATIC PACT — What Will Hold OPEC+ Together in a Winner-Takes-All Era?

CONTRIBUTORS: ALI AL RIYAMI, VANDANA HARI, MARC OSTWALD & MANUS CRANNY

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As global oil demand slows and the "last barrel" race begins, OPEC+ faces its toughest cohesion test since the 2016 Vienna Pact. The alliance that weathered pandemics, price collapses, and wars must now navigate an era of structural oversupply, accelerating energy transition, and diverging national ambitions. What will hold it together is not ideology, but mutual vulnerability and hard-nosed pragmatism.From Crisis Managers to Long-Game Strategists

The secret to OPEC+ survival lies in its pre-emptive diplomacy. Far from the spectacle of Vienna press conferences, the real decisions are made in WhatsApp groups among the core "G8" countries. By the time ministers convene, the outcome is already settled — consensus forged in private ensures unity in public. This silent choreography gives OPEC+ the appearance of efficiency and solidarity, even as internal debates rage behind the scenes.

The group's greatest stress test came with the asymmetrical cuts of 2023–24, when only eight members bore the burden of deeper voluntary reductions. While frustration simmered among smaller producers, restraint prevailed. The message was clear: cohesion matters more than short-term market share. In a world of flattening demand, collective endurance is the new currency of power.

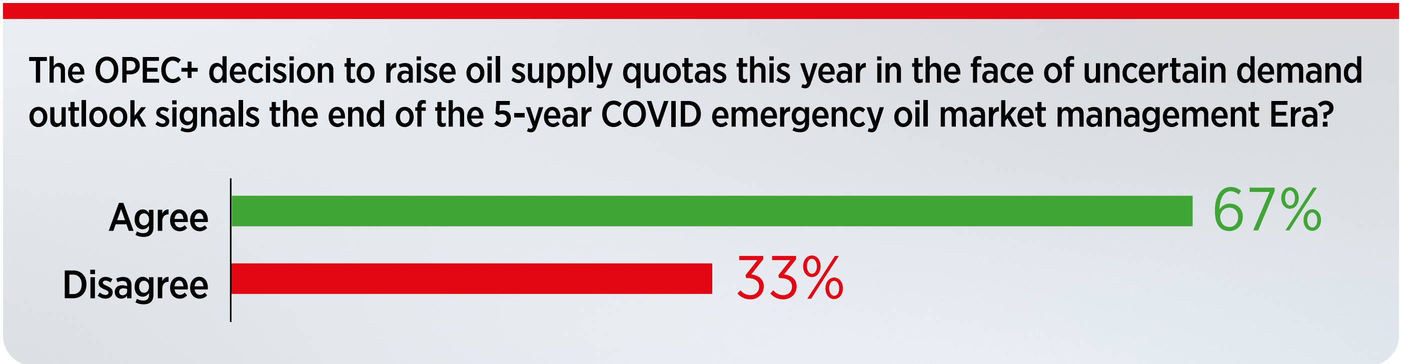
That shift marks the dawn of a "long-game" mindset. OPEC+ is no longer chasing daily price movements or quarterly balances. It is building mechanisms for the post-2030 landscape — an era when global consumption may plateau, but political and fiscal dependencies on oil remain. The alliance's survival strategy is measured not in barrels but in decades.

A critical psychological victory has been the fading of the U.S. shale threat. Once the bogeyman of OPEC meetings, American producers are now bound by investor discipline and capital constraints. With shale growth throttled, OPEC+ no longer fears being blindsided by an unregulated rival, restoring its confidence to manage supply deliberately rather than defensively.

At the heart of this new pragmatism is Saudi Arabia. Riyadh anchors cohesion through fiscal realism, targeting a "comfort corridor" around $70–75 a barrel — sufficient to fund Vision 2030 without crushing demand. This disciplined moderation earns trust across the alliance and projects the image of a steady hand steering an otherwise fractious coalition.

The Glue of Vulnerability and Shared Interests

Ironically, one of OPEC+'s greatest sources of unity is physical constraint. Most members are already producing near capacity, leaving little room for opportunistic cheating. Scarcity of spare capacity — once a weakness — has become a stabilizing force. It reduces temptation to defect, transforming production limitations into collective discipline.



NB. Survey was conducted with 300 global energy market stakeholders on Oct. 2nd, 2025

Equally important is credibility. OPEC+ has learned that perception shapes reality. Allowing prices to spiral downward would erode faith in its leadership. Thus, even small, well-timed gestures — like the controlled return of 137,000 barrels per day — serve to project authority. Optics matter: predictability is a form of power.

A further stabilizer comes from China. Beijing's ongoing stockpiling of crude, at times exceeding one million barrels per day, acts as a de facto price floor. Its strategic buying cushions market imbalances, giving producers confidence that an external buffer exists to absorb their output. For OPEC+, China's behavior is the unspoken safety net that underpins market equilibrium.

Underlying all this is a shared fear of oversupply. The painful memory of 2020 — when uncoordinated pumping crashed prices below zero — still haunts producers. No member wants to repeat that chaos. This collective trauma reinforces restraint, reminding all that unilateralism equals self-harm. The realization that "cooperation is cheaper than collapse" remains the alliance's strongest invisible bond.

At the geopolitical level, Saudi Arabia and Russia form the indispensable twin pillars. Riyadh brings market legitimacy; Moscow contributes scale and strategic depth. Despite divergent fiscal goals — one seeking stability, the other liquidity — both need each other to keep Western producers at bay. For all its tensions, their marriage of necessity is the bedrock of OPEC+ endurance.

Indeed, Russia's inclusion is non-negotiable. Without it, the group would revert to a diminished OPEC with limited leverage. The alliance's global relevance depends on Moscow's participation, even under sanctions. That partnership is pragmatic, not ideological — a recognition that the market responds to supply, not politics.

> ***OPEC+ began as a marriage of convenience; it has matured into a pact of mutual survival.***

In this sense, OPEC+ operates as a technocratic coalition, not a geopolitical club. Decisions are guided by spreadsheets, not slogans. Members may differ politically, but all converge on a single truth: fiscal stability and price predictability are existential. The market, not ideology, is the language that binds them.

Adaptation, Ambiguity, and the Last-Barrel Reality

The modern OPEC+ has mastered the art of ambiguity. By keeping the market guessing — declining to pre-announce production plans or timelines — it frustrates speculators and protects its internal flexibility. Controlled opacity buys ministers time to negotiate consensus privately without being boxed in by public expectations.

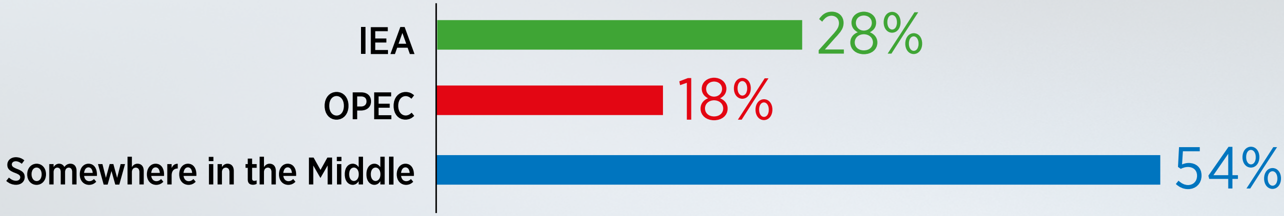
This communications strategy complements a new pricing philosophy. Gone are fixed targets; in their place, the “comfort corridor” — a flexible range roughly between $60 and $80. The aim is to balance fiscal health with demand elasticity, adjusting output gradually to avoid sudden shocks. This corridor approach sustains unity by accommodating the diverse economics of producers from Riyadh to Lagos.

Behind the strategy lies a deeper truth: every OPEC+ member shares the same vulnerability. No country, however powerful, can stabilize prices alone. That interdependence — born of necessity — is the psychological glue of the alliance. Each member’s fiscal survival depends on collective discipline; defection endangers all.

Top 5 Recommendations for Holding OPEC+ Together in 2026

1. **MAINTAIN PRE-MEETING DIPLOMACY — Keep consensus-building via informal G8 coordination to avoid public fractures.**
2. **ADOPT A FLEXIBLE “COMFORT CORRIDOR” — Manage prices within a $60–80 range to balance fiscal stability and demand.**
3. **PRESERVE SAUDI-RUSSIA PARTNERSHIP — Anchor cohesion through pragmatic cooperation between Riyadh’s fiscal needs and Moscow’s export ambitions.**
4. **COORDINATE GRADUAL SUPPLY ADJUSTMENTS — Use controlled, predictable production changes to sustain market confidence and internal unity.**
5. **REINFORCE SHARED VULNERABILITY NARRATIVE — Remind members that only collective restraint can prevent another destructive price collapse.**

The IEA has forecast global oil demand growth in 2026 as same as this year at 700 kb/d, while OPEC expects double that amount next year: which is closer to likely outcome?



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History reinforces this bond. OPEC has survived wars, sanctions, and revolutions. During the 1980s tanker war, Iran and Iraq still attended meetings while fighting each other. That institutional memory sustains confidence that, despite today's rivalries, cooperation remains possible. The lesson of history is clear: OPEC breaks records, not apart.

Yet the energy transition introduces a new paradox. As global demand approaches its peak, producers are racing to monetize reserves before decline. This "last-barrel" urgency could easily fragment the alliance — but it also motivates continued coordination. Only through managed extraction can members maximize revenue without collapsing prices. Survival in the sunset phase requires discipline, not defection.

Geopolitical turmoil further hardens cooperation. The overlapping crises — Russia-Ukraine, Israel-Iran, Gaza — create volatility that only coordinated producers can weather. In a multipolar world, OPEC+ unity doubles as insurance against external shocks, allowing members to navigate a chaotic geopolitical landscape while projecting stability to the market.

Ultimately, OPEC+ endures not by choice but by necessity. Shared fiscal dependence, limited capacity, and existential uncertainty make collaboration unavoidable. The alliance may bicker and evolve, but its foundation remains unshakable: cooperation is still better than chaos. In a winner-takes-all era, survival itself becomes the ultimate act of unity.

Conclusion — The Endurance of Pragmatism

As the global energy order fragments, OPEC+ persists as a rare constant. Its members understand that they are bound less by friendship than by fear — fear of volatility, of fiscal collapse, of irrelevance. The recognition that no single nation can manage the market alone is the quiet covenant holding them together.

OPEC+ began as a marriage of convenience; it has matured into a pact of mutual survival. In a world of shrinking margins and rising competition, that realism — not rhetoric — will define its strength. The era of "winner takes all" may have begun, but OPEC+ intends to ensure that everyone survives long enough to win something. ■

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