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# MONDAY MORNING QUARTERBACK ENERGY MARKETS CEO BRIEFING NOTE

*“OPEC+ Strategy Becomes Clear After  
3<sup>rd</sup> Press on Accelerator: a Fight for Market  
Share Amidst Demand Outlook Uncertainty!”*

## MONDAY MORNING QUARTERBACK ENERGY MARKETS CEO BRIEFING NOTE – June 2<sup>nd</sup>

# OPEC+ Strategy Becomes Clear After 3<sup>rd</sup> Press on Accelerator: a Fight for Market Share Amidst Demand Outlook Uncertainty!

**By Sean Evers, Managing Partner, Gulf Intelligence**

OPEC+ has made its intentions clear with yet another announcement to accelerate oil supply increases, a move interpreted not simply as a reaction to immediate market conditions, but as a strategic preparation for an anticipated slowdown in global oil demand. As global markets navigate economic uncertainty fueled by volatile geopolitical strategies, particularly from the United States under the Trump administration, OPEC+ is positioning itself preemptively in what is increasingly shaping up to be a battle for market share rather than a pursuit of sustained high prices.

This strategic clarity emerges from OPEC+'s repeated incremental supply hikes, seemingly aimed at maintaining a delicate balance between supporting market stability and securing long-term dominance. By incrementally adjusting supply levels, OPEC+ seeks to avoid the volatile price swings that characterized previous market-share battles, particularly against U.S. shale producers, while methodically reclaiming lost market share.

### Navigating Internal OPEC+ Complexities and Compliance Issues

Central to the ongoing conversation about OPEC+ compliance and strategies is Kazakhstan, a country exemplifying the complexities within the alliance. Unlike traditional OPEC stalwarts such as Saudi Arabia, Kazakhstan finds itself constrained by commitments to major

international oil companies like Chevron and ExxonMobil, and its heavy reliance on petroleum revenues for national budget stability. This unique position limits Kazakhstan's maneuverability, effectively forcing it into non-compliance with OPEC+ production targets. Such compliance issues are largely tolerated within OPEC+ to avoid internal discord, demonstrating the practical limits of collective enforcement.

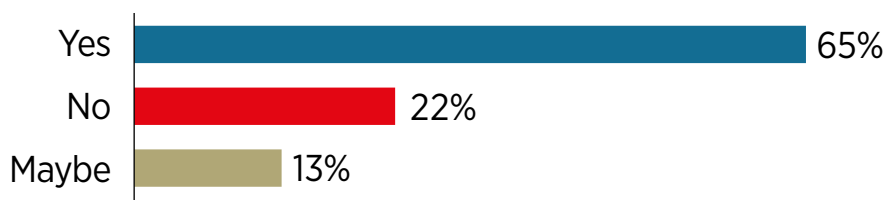
Kazakhstan's production decisions are dictated less by collective agreements and more by practical obligations and contractual realities with foreign investors. This divergence underscores the fragile nature of the alliance, particularly in an environment increasingly characterized by uncertain demand forecasts and geopolitical turbulence. Similar compliance challenges also exist with other members such as Iraq, further complicating the alliance's cohesive strategy. OPEC+ must navigate these internal tensions carefully, understanding that heavy-handed enforcement risks fracturing the delicate coalition.

Additionally, the internal complexity is heightened by OPEC's ongoing discussions to review and potentially revise member baseline production quotas. This baseline revision, now managed internally rather than through external consultants, may cause shifts in individual member allocations, though not necessarily affecting the aggregate production significantly. Nevertheless, these adjustments underscore the alliance's constant recalibration to maintain relevance and effectiveness amid evolving market conditions.

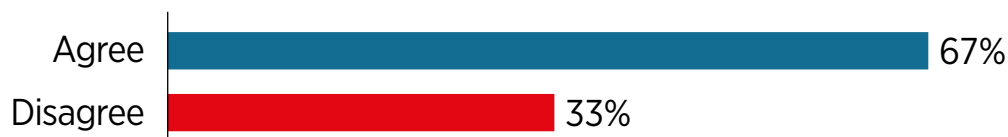
Oil markets have priced in that OPEC+ will continue with accelerated oil supply increase strategy when it meets June 1<sup>st</sup>?



The Bond markets appear to hate Trump's tax cutting, debt raising "big beautiful bill" – should the oil markets hate it too?



## US-Iran nuclear deal more likely now than ever and will be bearish for oil markets?



## What is most likely to shift Brent crude oil definitively off \$65 rock?



## Oil Markets have priced-in and now more or less immune to Trump Tariff Turmoil?



(\*nb. Polling conducted with 100+ Energy Market Stakeholders May 26-30)

### Economic Uncertainty from Tariffs and Geopolitics

Heightening the complexity of OPEC+'s strategic decisions is the Trump administration's aggressive and unpredictable tariff policy, famously described as causing "tariff whiplash." The oscillation between imposing, threatening, suspending, and re-imposing tariffs, notably on major global players such as China and the EU, has significantly increased market volatility. Trump's tactics create substantial uncertainty, dampening global economic growth expectations and consequently, global oil demand.

This economic uncertainty directly influences OPEC+'s strategic outlook. The alliance recognizes that demand might fall short of expectations due to these disruptive economic policies, compelling a cautious yet consistent approach to supply increments to maintain market flexibility amid unpredictable US policy-induced economic instability. Indeed, tariff-induced uncertainties have already led analysts to revise downward global oil demand forecasts substantially for the coming year.

Moreover, Trump's tariff policies, combined with his proposed fiscal strategies—particularly the controversial tax bill—pose additional risks. Predicted substantial U.S. fiscal deficits could lead to higher interest rates, greater inflationary pressures, and potentially significant economic slowdown. These scenarios underscore OPEC+'s urgency in shifting towards securing market share and managing production aggressively in the short to medium term.

Additional layers of uncertainty include geopolitical disruptions, particularly in Libya, Iran, and Venezuela. Volatile production from these countries underscores the unpredictability OPEC+ navigates. Furthermore, seasonal demand increases have temporarily stabilized oil prices around \$65 per barrel, but analysts predict price deterioration, potentially falling below \$50 per barrel by year's end, as seasonal demand wanes and macroeconomic weaknesses deepen. These geopolitical factors introduce unpredictable short-term volatility, requiring OPEC+ to remain agile and responsive.

### Adaptation, Resilience, and Strategic Realignment

Despite bearish market outlooks, immediate impacts on global oil production remain minimal. Oil production decisions typically involve

long investment cycles, and producers—particularly U.S. shale producers—have historically demonstrated remarkable adaptability in cost management. Shale producers, benefiting from highly flexible production methods and rapid cost adjustments, are unlikely to significantly curtail production in response to short-term price fluctuations.

This adaptability suggests that while OPEC+'s strategy may lead to short-term price dips, it will not dramatically reshape immediate production patterns. Instead, low-cost producers in the Gulf region maintain steady output, leveraging inherent cost advantages to weather lower prices comfortably.

Further complicating matters is the contradictory nature of Trump administration policies regarding energy markets. President Trump champions low oil prices for domestic popularity, yet simultaneously advocates for U.S. energy independence, objectives typically requiring stable and profitable oil prices to encourage domestic investment and production. This contradiction creates uncertainty within the U.S. oil sector. Although supportive of Trump's deregulation, oil companies now face a mixed and unpredictable policy environment that complicates strategic investment decisions.

Nevertheless, U.S. oil producers historically manage volatile market conditions effectively, swiftly adjusting cost structures to maintain profitability. This capability suggests readiness to navigate the current environment cautiously yet successfully. Their resilience complements OPEC+'s strategic posture, reinforcing a global oil industry that remains robust despite facing unprecedented geopolitical and economic challenges.

### Conclusion: Don't Expect Trump to Come Save the Day for Oil Industry

As OPEC+ adjusts its strategy, global producers—from Kazakhstan to Texas—face both short-term pressures and long-term adaptations. The industry's ability to swiftly manage costs and respond to market signals remains critical, testing resilience in an era increasingly defined by economic fragmentation and geopolitical unpredictability. The geostrategic realignment now underway will define the energy market's contours in the coming years, shaping global energy flows amidst continuing uncertainty. ■



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