

MONDAY MORNING QUARTERBACK ENERGY MARKETS CEO BRIEFING NOTE

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Navigating Uncertainty: The New Era of Geopolitical Risk and Volatility in Global Energy Markets

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In the world of energy markets, unpredictability is becoming the new normal, and the stakes have never been higher. Geopolitical tensions, shifting economic policies, and evolving market fundamentals intersect in unprecedented ways, creating volatility that demands careful navigation. Central to this uncertainty is the Trump administration's aggressive stance toward Iran, unpredictable trade policies, and OPEC+'s ongoing struggle to balance production with global demand. Missteps in these areas risk economic turmoil, severe disruptions in energy supply, and long-term geopolitical instability. As the energy world seeks clarity, three critical themes emerge as guiding factors in this turbulent landscape: geopolitical risk escalation, shifting global energy demand, and the economic implications of persistent volatility.

Geopolitical Risk Takes Center Stage

The Trump administration's renewed campaign of maximum pressure against Iran dramatically increases geopolitical risks. Intensified sanctions targeting Iranian oil exports not only threaten regional stability but also endanger global market equilibrium. The stakes include not only economic disruptions but also the heightened risk of direct conflict or retaliatory measures from Tehran, each with potentially catastrophic consequences for regional security and global economic stability.

Persistent threats by Houthi rebels against vital maritime routes like the Red Sea and Bab al-Mandab Strait add further complexity. While a complete

blockage remains unlikely, any significant disruptions could spike insurance and freight costs, thereby affecting global energy prices and economic conditions. Likewise, unpredictable flare-ups, as recently seen in Gaza, pose ongoing threats to regional and global stability.

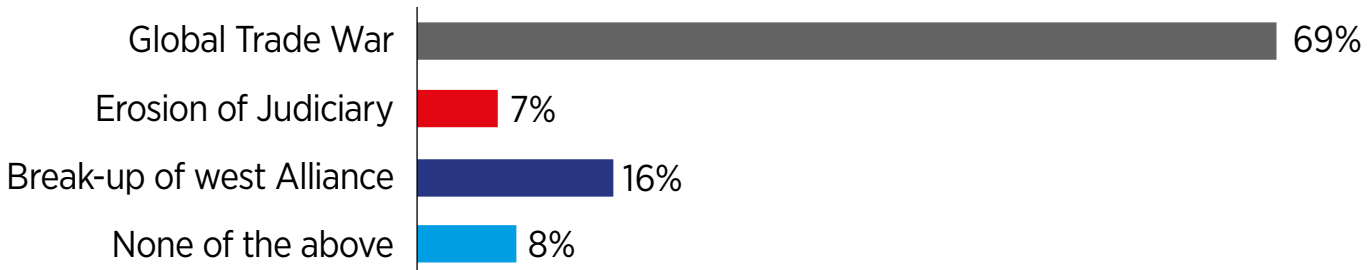
The uncertain pathway toward peace in Ukraine under Trump 2.0 also heightens the geopolitical stakes. Temporary ceasefires might briefly lower immediate risks, yet uncertainty about lasting resolutions maintains a cautious geopolitical risk premium. Additionally, shifts in U.S. policy toward Venezuela—particularly regarding Chevron's operations—highlight how geopolitical decisions can swiftly alter market dynamics, risking further regional instability if mismanaged.

In the background, U.S.-China tensions remain a critical factor shaping global energy markets. The Trump administration's weaponization of tariffs and sanctions has escalated economic frictions, compelling China and other major importers to diversify energy sources. Failure to carefully manage this relationship could lead to significant disruptions in trade flows and market destabilization, highlighting the profound risks at stake.

Shifting Global Demand Patterns

Underlying market fundamentals signal significant long-term challenges. Non-OPEC+ supply growth surpassing global demand expansion suggests sustained downward pressure on crude prices unless producers alter their strategies dramatically. The risks include prolonged economic stagnation for

What part of the Trump 2.0 revolution could have the biggest impact on oil prices moving forward?



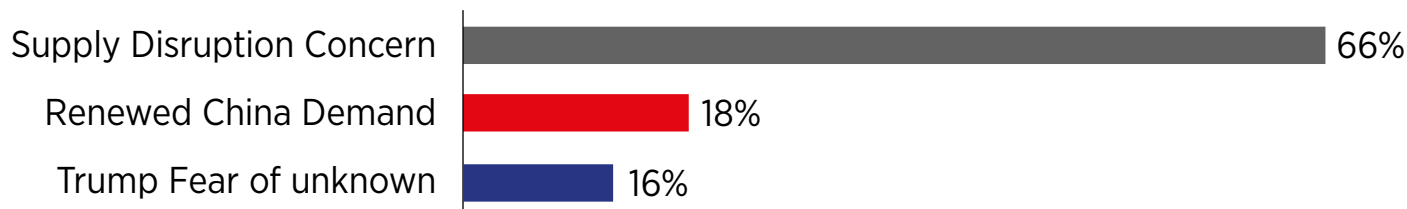
Will a ceasefire in Ukraine move Brent back below \$70?



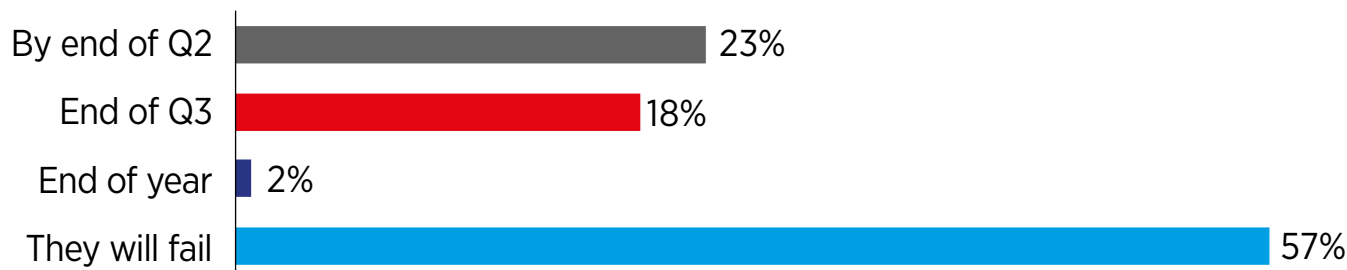
FED sees Slower Growth & Higher Inflation through 2025 -- will that be bullish or bearish for oil prices this year?



What is the main driver of Brent crude oil prices moving up into the \$70s?



How long will it take for Trump Administration to successfully close down Iranian oil exports under maximum pressure campaign?



(*nb. Polling conducted with 100+ Energy Market Stakeholders Mar. 17-21)

producer nations and destabilizing market volatility that could reverberate throughout the global economy.

China, historically central to global oil demand growth, is entering a transformative phase. Though short-term inventory replenishment may temporarily boost imports, approaching peak refined product demand represents a significant risk to future global oil demand. Producers overly reliant on China must now reconsider strategies, facing economic instability if they fail to adapt effectively.

India's resilient demand growth provides some market stability, but global uncertainty underscores the risks involved. For OPEC+, balancing incremental supply increases with the threat of oversupply is critical. Persistent inventory buildups or weaker-than-expected global demand could quickly destabilize the market, negatively impacting producer economies dependent on sustained oil revenues.

U.S. shale producers face a similarly delicate balance. The reluctance to expand production significantly at current oil prices (~\$70 per barrel) risks prolonged stagnation or potential declines in production. Significant economic and employment impacts loom if prices fall below critical investment thresholds, raising the stakes for national economic stability.

Economic and Financial Market Implications

Broader economic implications further emphasize the stakes. The U.S. Federal Reserve forecasts prolonged stagflation, depressing global energy demand and complicating economic recovery. Trump's economic policies risk inducing recessionary pressures, aiming to control inflation but potentially destabilizing employment, consumer confidence, and energy consumption.

Rapidly rising U.S. federal debt compounds economic risks, potentially compelling the Federal Reserve toward drastic interest rate cuts, heightening dollar volatility, and indirectly impacting commodity markets. Europe's ambitious economic transformations—particularly Germany's significant investment in defense and infrastructure—must navigate structural impediments carefully to avoid exacerbating economic stagnation.

Persistent stock market volatility, driven by Trump's unpredictable trade policies, underscores broader economic uncertainties. Investors face significant risks, and frequent market swings could undermine broader economic confidence if persistent unpredictability continues.

Furthermore, Australia's upcoming elections underscore additional layers of uncertainty. Political shifts could alter strategic economic policies, especially regarding energy trade and alignment with the U.S. and China. The risks here involve potential disruptions to Australia's energy and economic stability, reinforcing the broader global implications of national policy unpredictability.

Navigating the Road Ahead

This convergence of geopolitical tensions, shifting demand patterns, and economic instability underscores a new era for global energy markets, dramatically raising the stakes for global stability. Energy importers and exporters alike must brace for continued unpredictability, implementing flexible strategies capable of rapid adjustments to sudden market shifts.

As tariffs and trade wars redefine global relationships, major consuming countries like China and India face increasing pressures to diversify energy sources, reducing reliance on politically sensitive imports. Mismanagement in these areas could lead to severe economic disruptions and prolonged geopolitical tensions.

Energy producers, especially within OPEC+ and the U.S. shale sector, must carefully calibrate production strategies. The stakes are high, balancing market share against price stability amid heightened volatility and geopolitical risk.

Ultimately, the era of heightened volatility presents significant risks but also unique opportunities. Successfully navigating this landscape demands vigilance, agility, and responsiveness to evolving geopolitical, economic, and market conditions. The global energy market, reshaped by unpredictability, requires innovative, resilient strategies capable of thriving amidst ongoing uncertainty. The consequences of failure are profound—economic disruption, geopolitical instability, and prolonged uncertainty—highlighting the critical importance of strategic foresight and decisive action. ■



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