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MONDAY MORNING QUARTERBACK
ENERGY MARKETS CEO BRIEFING NOTE

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China's Buying Spree Keeps the Oil Market Afloat — But for How Long?

By Sean Evers, Managing Partner, Gulf Intelligence

THE ILLUSION OF STABILITY

China's relentless crude buying remains the single most important factor preventing a deeper downturn in global oil prices. Despite slower economic growth, weaker exports, and a fragile property sector, Beijing's imports have averaged around 11 million barrels per day through most of 2025. With GDP growth slipping to 4.8%, China has nonetheless continued to draw heavily on global supplies — not to fuel new consumption, but to build its strategic and commercial storage base.

Estimates suggest that up to 60% of China's incremental imports are being stored rather than refined, reflecting a deliberate policy of energy security rather than economic expansion. With Brent prices hovering near $65 a barrel, the country is taking advantage of relative price weakness to stockpile reserves at scale, constructing vast storage facilities across coastal and inland regions.

This buying spree has turned China into the de facto stabilizer of global oil markets. When Beijing is buying, prices find a floor; when it slows down, markets falter. Yet storage capacity is not infinite. Refinery utilization rates have held steady at about 77–78%, revealing no surge in real demand. Once China's tanks are full, the current veneer of stability will crack — leaving the market exposed to a potential price correction that could push Brent toward $60 or lower.

TIGHT SUPPLY, WEAK DEMAND, AND A MARKET ON EDGE

Oil prices have spent much of the year trapped around $65 per barrel, creating a false sense of balance. This level has become both a ceiling and a floor — high enough to sustain producers but too low to encourage new investment. Beneath the surface, the forces holding this equilibrium together are weakening.

OPEC+ has entered a phase of strategic caution, choosing to pause its cycle of monthly production increases from January. The alliance now faces one of the tightest spare capacity margins in years, estimated at 1–1.3 million barrels per day — a dangerously thin buffer against disruption. While the group's restraint is helping to support prices, it also exposes a hard truth: the world is running low on immediately available spare barrels.

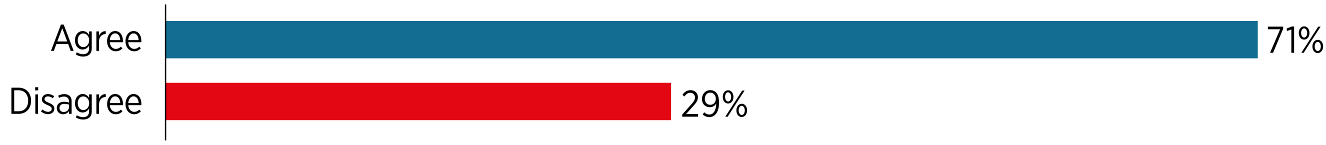
At the same time, global inventories tell a contradictory story. More than 200 million barrels of oil are now sitting in floating storage — the highest level since 2020 — underscoring the persistence of oversupply. Whether this crude ends up in China's reserves or OECD storage tanks will determine near-term price direction. If it lands in Asia, prices may hold; if it appears in Western inventories, the resulting stock build could send Brent sliding.

Meanwhile, U.S. crude production has defied expectations, reaching a record 13.8 million barrels per day despite lower drilling activity. Efficiency gains, data-driven well

What Impact would a US Supreme Court decision that derails Trump's Tariffs have on oil markets?

OPEC+ announcement to suspend oil supply increases from January, on top of further sanctions against Russian exports, will drive Brent crude to $70 by year-end?

US Election results swings to the left and continued government shutdown will be bearish for oil prices moving into Year End?



What will win the battle for direction of oil price through rest of Q4?

Tesla agreeing to Elon Musk $1 Trillion pay day signals:

(nb. Polling conducted with 100 Energy Market Stakeholders Nov. 3-7)

optimization, and AI-supported field management have made shale producers more resilient than ever. This quiet surge continues to cap prices, offsetting OPEC+ restraint and ensuring that any price rally remains short-lived.

Demand growth, in contrast, remains subdued. The global economy is losing momentum, with U.S. job losses at their highest level since 2003 and manufacturing in Europe and Asia under pressure. The anticipated U.S. Federal Reserve rate cuts in 2026 and a softer dollar could eventually lift commodities, but for now, consumption growth remains sluggish. The first quarter of 2026 is widely viewed as the real stress test: if China and India reduce imports while OPEC+ holds production steady, the world could face an inventory overhang and renewed downward pressure on prices.

FROM TRANSITION TO TRANSFORMATION

Beyond the short-term balance of barrels, the oil market is undergoing a deeper structural shift. The energy conversation has moved from "transition" — the notion of replacing hydrocarbons rapidly — to "transformation," which emphasizes security, resilience, and realism. Governments and corporations are recalibrating their priorities, investing in both renewables and hydrocarbons to ensure supply stability during a protracted period of global adjustment.

OPEC's long-term outlook continues to project oil demand above 100 million barrels per day well into the 2040s, even as renewable energy expands. Emerging technologies — from artificial intelligence to industrial electrification — are reshaping consumption but not eliminating the need for oil. Energy policy in 2025–2026 is increasingly driven by the need to avoid shortages, not just emissions, as countries grapple with affordability and geopolitical risk.

In response, major producers are adopting more sophisticated supply management strategies. By increasing crude exports while reducing refined-product shipments, OPEC members are tightening product markets, supporting refinery margins, and stabilizing prices without explicit output cuts. This balancing act reflects a more nuanced form of market management — one that relies on subtle calibration rather than overt intervention.

Yet this sophistication cannot hide the underlying fragility. The current equilibrium rests on contradictory forces: China's stockpiling disguises weak end-user demand; OPEC's restraint masks limited spare capacity; U.S. shale's resilience depends on relentless efficiency gains. The result is an oil market that appears calm, but whose calm is artificial — a temporary equilibrium sustained by circumstance rather than strength.

CONCLUSION: THE CALM BEFORE THE STORM

The global oil market heads into 2026 balanced on a knife's edge. Brent's $65 plateau reflects not confidence, but caution — an uneasy coexistence of tight supply and uncertain demand. China's storage-driven buying has provided an anchor, but it also conceals the fragility beneath the surface. Once that buying slows, the market will have to confront its own structural weakness.

If consumption fails to rebound and inventories begin to swell, prices could fall toward the lower end of the $60–$70 range, testing both producer discipline and investor patience. Conversely, any sudden disruption — geopolitical, logistical, or climatic — could propel prices sharply upward.

The calm that now defines the market is not sustainable. It is a pause between pressures: between China's strategic accumulation and the limits of global production; between OPEC's caution and U.S. shale's expansion; between weak demand and volatile geopolitics. The world's most traded commodity remains poised between artificial stability and structural fragility — and when balance gives way, the next movement will not be gradual. ■

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