

MONDAY MORNING QUARTERBACK ENERGY MARKETS CEO BRIEFING NOTE

APRIL 14th, 2025



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ENERGY MARKETS AT THE EDGE: A New Era of Volatility, Strategy Shifts and Fragile Demand

By Sean Evers, Managing Partner, Gulf Intelligence

Global energy markets are entering a period of profound uncertainty. A combination of macroeconomic turmoil, escalating trade wars, and unexpected moves from OPEC+ has thrown the outlook for oil prices and supply-demand fundamentals into disarray. The price of Brent crude, which hovered above \$70 earlier this year, has now plunged below \$65, with some analysts warning of an imminent drop toward \$45 or even lower. Underpinning this correction is a complex web of structural shifts—some deliberate, others reactive—that are redefining global energy flows, weakening demand anchors, and delaying the path toward decarbonization.

The Double Shock: OPEC+ Strategy and Global Trade Wars Collide

In the first week of April, two announcements sent shockwaves through oil markets. On April 1st, OPEC+ declared it would accelerate the pace of its production increases starting in May. Just one day later, the U.S. administration unveiled an aggressive tariff regime, imposing sweeping levies on Chinese goods and triggering retaliatory measures. This one-two punch catalyzed a steep decline in oil prices and raised fears of a global recession.

The OPEC+ decision puzzled many market observers. Rather than supporting prices amid fragile demand, the group chose to flood the market. While partly framed as a tactical maneuver to enforce internal discipline—targeting chronic overproducers like Kazakhstan and Iraq—it

also reflects a strategic pivot. Some believe OPEC+ is preemptively pushing barrels into the market before a broader economic collapse reduces global consumption. Others suggest it is an effort by Gulf producers to regain lost market share in Asia, especially as Iranian and Russian crude face increasing sanctions pressure.

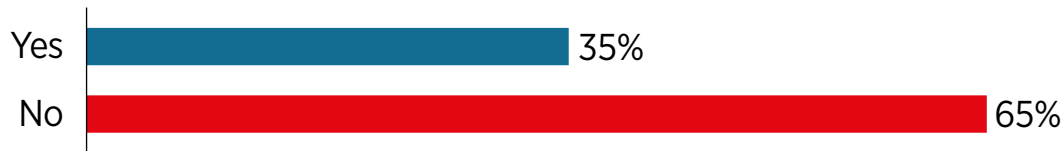
Meanwhile, the unfolding trade war is compounding the uncertainty. The U.S. tariffs have effectively shut Chinese exports out of the American market, raising costs, disrupting shipping routes, and undermining investor confidence. Oil, while not directly targeted, is being impacted through second-order effects: lower industrial activity, weakening shipping demand, and a slowdown in manufacturing. These events, taken together, have transformed the market from one focused on balancing tight supplies to one managing a glut in a slowing global economy.

Demand Destruction and the Shifting Geography of Energy Flows

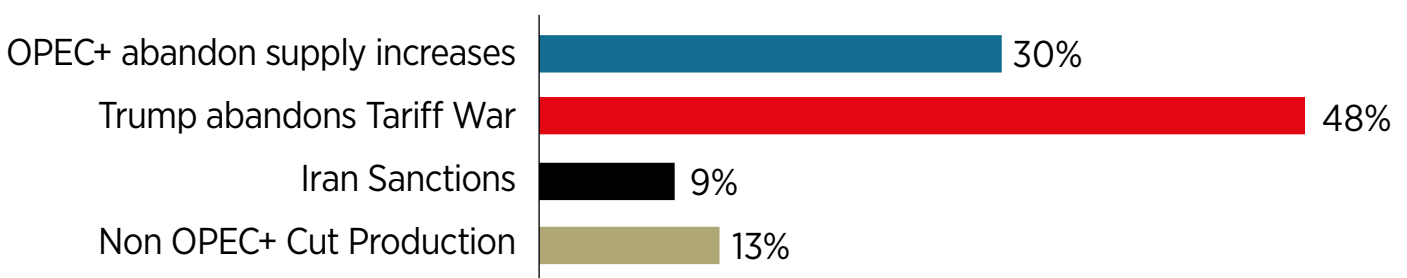
One of the most significant consequences of the current turmoil is the reevaluation of global oil demand forecasts. Just weeks ago, international agencies projected 2025 demand growth at around 1 to 1.5 million barrels per day. That number is now being revised down, with some analysts warning of flat or even negative growth.

The biggest concern is China, the world's largest oil importer and traditionally a key pillar of demand. With new tariffs effectively amounting

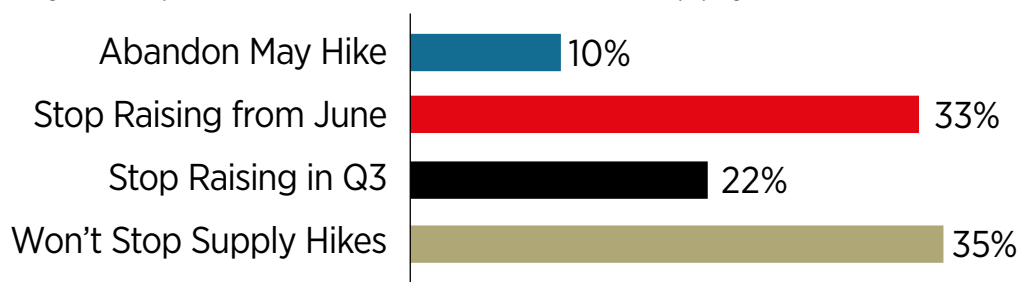
Do you expect OPEC+ to reverse plans to accelerate oil supply increases after price collapse?



What will stop oil prices from falling further?



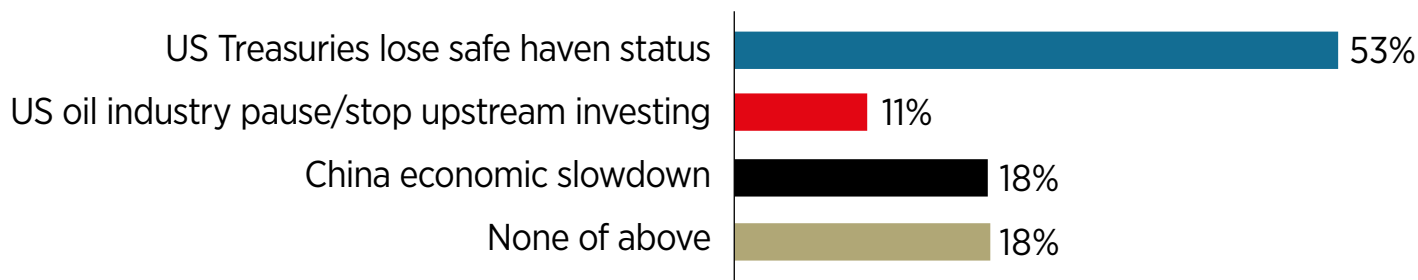
When do you expect OPEC+ to abandon oil supply increases?



What will have a greater bearing on the direction of oil prices through Q2?



What will be the most significant lasting legacy of Trump's tariff "Liberation Day" for oil markets regardless of where we go from here?



(*nb. Polling conducted with 100+ Energy Market Stakeholders Apr. 7-11)

to a trade embargo, Chinese GDP growth projections have been cut to around 4%, with others suggesting the figure could fall closer to zero. Despite historically low crude prices, Chinese refiners appear hesitant to ramp up purchases, citing high inventories and weakening domestic consumption. Similarly, India, Pakistan, and Southeast Asian economies—once hailed as future demand engines—are now struggling under inflationary pressures and tariff-induced slowdowns.

Shipping dynamics are also being redrawn. Crude flows from Russia and Iran continue despite Western sanctions, aided by shadow fleets and gray market mechanisms. However, legal shipments are being rerouted to avoid geopolitical flashpoints like the Red Sea, while new tariffs on Chinese-built vessels threaten to inflate transport costs further. In Europe, LNG import capacity is nearing its limits, and methane emission rules may soon restrict incoming volumes from the U.S.—despite political commitments to boost transatlantic energy trade.

As energy flows realign, the physical geography of oil is changing. Gulf producers are intensifying their push into Asia. Chinese refiners are recalibrating sourcing strategies to avoid reputational or legal risks. Even the global refining system is adjusting, as U.S. and European maintenance cycles meet shifting product demand patterns.

The End of Certainty: Financial Disarray and the Slowing Energy Transition

The volatility roiling energy markets is not confined to barrels and tankers—it is also destabilizing the financial systems that underpin global trade. One of the most dramatic developments in recent weeks has been the weakening of U.S. treasuries as a safe haven. Traditionally seen as a global benchmark, treasuries are now being treated with skepticism. Investors are instead seeking refuge in gold, commodities, and even Bitcoin. The erosion of trust in U.S. fiscal policy—and the dollar by extension—could have lasting implications for oil, which is priced globally in greenbacks.

Financial instability is also starting to choke off investment in U.S. shale. While completions have remained stable, the sector's future is hanging in the balance. Prices below \$60 per barrel are testing breakevens, and further declines could trigger widespread pullbacks in capital expenditure. The Dallas Fed Energy Survey reports rising uncertainty and falling margins. Without confidence in future price stability or predictable regulatory environments, shale output growth could stall—ironically undermining one of the U.S.'s most important manufacturing sectors.

All of this is playing out against a backdrop of climate policy fatigue. The energy transition, once the centerpiece of global economic planning, is beginning to lose momentum. Lower fossil fuel prices make renewables less competitive, while political volatility deters long-term investment. Regulatory rollbacks and geopolitical priorities have further slowed decarbonization. Initiatives like the IMO's carbon tax on shipping have stalled, and the U.S. withdrawal from international climate negotiations has introduced new barriers to multilateral progress.

As a result, the timeline for peak oil demand is likely to be pushed further into the 2030s. Hydrocarbons, far from being phased out, appear to be entering an extended period of relevance—buoyed by affordability, availability, and inertia.

Conclusion: A Precarious Pivot Point

Energy markets have entered a precarious pivot point. Price volatility is no longer just the result of supply-demand imbalances, but of systemic instability—spanning geopolitics, trade, finance, and climate policy. The decisions made by producers, consumers, and governments over the coming months will shape the next decade of global energy. Whether the world sees a recovery in prices and demand, a further descent into fragmentation, or a recalibration around new energy paradigms remains to be seen. For now, the only certainty is that the old playbook no longer applies. ■



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