

ADIPEC ROUNDTABLE INSIGHTS REPORT 2025

***YEAR END ENERGY MARKETS REVIEW:
How Will Sustained Supply Growth Align With
Uncertain Demand Outlook In 2026?***



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What's at Stake for Energy Producers as Markets Grow Immune to Geopolitical Shocks



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Energy markets are moving through one of the most unpredictable phases in recent memory. The pace of change is accelerating—only a few years ago the focus was on energy security and hydrogen, and now artificial intelligence dominates industry strategy and investment decisions. National oil companies are rapidly expanding and diversifying their portfolios, acquiring assets, and entering new sectors to stay relevant in a world where technology increasingly defines competitiveness.

Yet, despite this transformation, the fundamentals of supply and demand remain constant anchors in a volatile sea. Geopolitical shocks that once caused dramatic price swings—such as sanctions on major producers or unrest in key supply hubs—now barely register in market behavior. Oil prices have become curiously immune to disruption, reflecting an era of uncertainty where data, sentiment, and short-term positioning often outweigh physical realities.

The real challenge for the industry is no longer about forecasting the next price move, but about sustaining long-term vision amid short-term pressures. Investment horizons have shrunk from multi-year cycles to twelve-month windows, pushing companies to act quickly and think tactically. The winners in this environment will be those able to pair discipline with agility—balancing policy consistency, innovation, and commercial resilience in a world of shifting priorities. ■

How Will Sustained Oil Supply Growth Align With Uncertain Demand Outlook In 2026



TOP 5 FORECASTS

1. Brent prices are expected to stabilize between \$70 and \$90 per barrel, as OPEC maintains production discipline and stands ready to reverse course quickly to defend market stability and revenues.
2. Global spare production capacity is shrinking to under 2 million barrels per day, heightening vulnerability to supply disruptions and ensuring that even minor outages or geopolitical shocks could drive prices sharply higher.
3. U.S. shale output has entered a structural plateau, marking the end of the easy oil era as high decline rates and capital constraints limit its role in future global supply growth.
4. China's ongoing stock-building adds roughly 600,000 barrels per day to apparent demand, but if these strategic reserve builds slow or stop, the market could swiftly tip into oversupply.
5. Persistent geopolitical risk premiums of \$5 to \$10 per barrel remain embedded, reflecting unresolved Middle East tensions, shipping disruptions, and policy uncertainty that continue to underpin elevated oil prices.

OPEC's Balancing Act in a World of Shrinking Spare Capacity



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Global oil markets are entering 2026 with their thinnest safety margin in years. Only three producers — Saudi Arabia, the UAE, and Iraq — still hold genuine spare capacity that can be switched on immediately. This “ready production,” distinct from mothballed fields needing months of reactivation, now totals barely 1.3 million barrels per day. The world is thus entering a perilous phase where even a modest disruption — a pipeline outage or regional conflict — could send prices soaring.

Against this fragile backdrop, OPEC faces a difficult first half of 2026. Its internal models point to sluggish demand growth and pockets of oversupply. Rather than flooding the market to protect revenues, members appear intent on preserving discipline and stability. The group's restraint reflects a maturing organization that now values collective strategy and price balance over short-term gains or unilateral moves. In doing so, OPEC is evolving from a swing producer into a risk manager for global energy stability.

Meanwhile, the United States has permanently altered the supply landscape. Surging LNG exports and record crude production have positioned Washington as an energy anchor for its allies from Europe to India. U.S. barrels are increasingly displacing OPEC cargoes in traditional growth markets, re-drawing global trade flows and infusing new geopolitical competition into what was once OPEC's domain.



Yet, paradoxically, the energy transition is fueling fresh demand. Artificial intelligence, cloud computing, and electric mobility are driving an unprecedented appetite for power. The data-center boom alone could multiply global energy requirements several-fold by 2035. Oil and gas, once expected to fade, are proving indispensable as the backbone of the digital and industrial revolutions alike.

In this transformed landscape, OPEC's greatest advantage is agility. Its ability to convene swiftly, interpret data, and recalibrate output remains unmatched. As the world sails into 2026's uncertain waters — with tightening capacity, new technological demands, and shifting power centers — OPEC's flexibility and discipline will determine whether it continues to serve as the stabilizing force at the heart of the global energy system. ■

OPEC's Next Surprise: Flexibility Is the New Strategy



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OPEC has long been known for its ability to surprise markets—and that remains its greatest strength heading into 2026. The group's decisions are increasingly shaped by fast-moving data rather than fixed targets. With geopolitics volatile, demand projections divided, and fiscal pressures mounting, OPEC's agility will define the oil market's direction in the year ahead. The organization's willingness to pivot—whether to defend prices or reclaim lost barrels—has become its most valuable tool in a world where predictability has all but vanished.

This flexibility is also a recognition of shifting realities. The past year has seen OPEC+ adopt a cautious, step-by-step approach to returning production. Many members remain technically unable to restore full capacity, and those that can are mindful not to flood a market still absorbing surplus volumes. This measured strategy will likely continue into 2026, with supply additions delayed until demand shows clear signs of strengthening—perhaps from March onward if prices recover.

That recovery, however, depends on which demand forecast proves right. OPEC projects next year's growth at roughly 1.3 million barrels per day, almost double the International Energy Agency's (IEA) estimate. The divergence underscores the uncertainty surrounding consumption trends, especially in China and other emerging markets. With global economic signals mixed and energy transition policies in flux, producers are left



navigating a market where demand data can shift as quickly as sentiment.

For Gulf producers, the stakes are not academic—they are fiscal. Most GCC economies still rely on oil for the majority of government revenues, and breakeven budgets require prices above \$85 per barrel. At current levels in the mid-\$60s, countries like Oman face annual deficits of around \$2.5 billion. In this context, producers dismiss the notion of pursuing market share when prices are weak: “Market share doesn't matter when the price is \$60—we need \$85 for the budget.”

That realism defines the region's evolving approach. OPEC's restraint is less about market balance and more about fiscal survival. With winter demand slowing and inventories still high, the organization is playing the long game—holding its firepower for when the market truly tightens. In 2026, the only certainty is that OPEC's next move will once again catch the world by surprise. ■

EXECUTIVE SUMMARY



The global energy industry nears the end of 2025 entering a new age of uncertainty. The oil market, once predictable through the lens of supply-demand equations, now dances to a symphony of shifting policies, political maneuvers, and technological revolutions. The convergence of economics and power politics is increasingly evident. Tariffs, sanctions, and trade deals have replaced tanks and treaties, as the tools of influence. The energy market now functions as an extension of global diplomacy — where pipelines and LNG terminals serve as instruments of policy rather than just commerce. Yet, amidst the noise, one constant remains: energy still sits at the heart of global stability, prosperity, and power.

Volatility as the New Normal

The year has tested every assumption about energy economics. OPEC+’s carefully calibrated supply strategies, fluctuating global demand forecasts, and the unpredictable hand of geopolitics have created a market where traditional fundamentals alone cannot explain price behavior. Even as agencies like OPEC, IEA, and EIA publish competing forecasts, consensus remains elusive. The market is no longer just about barrels and budgets — it is about algorithms, tariffs, and trade wars. Volatility, once viewed as an anomaly, has now become structural. The industry must adapt to a world where surprises are not exceptions, but expectations.

From Energy Security to AI: The Narrative Shifts

In just a few short years, the global energy narrative has shifted dramatically — from security and affordability to hydrogen, and now to Artificial Intelligence. This evolution reveals how technology increasingly defines strategic direction. AI, for instance, is no longer just a disruptor in analytics or trading; it is a massive

new consumer of power. The data centers fueling digital progress are rapidly becoming the next frontier of energy demand, prompting fresh conversations around capacity and sustainability.

Moreover, energy transitions are not linear journeys — they are cycles of reinvention driven by politics, economics, and innovation. The speed of this transformation calls for agility from policymakers and investors alike. Two years ago, hydrogen, CCUS, and renewables dominated every discussion. The global conversation has pivoted back to oil and gas realism. Energy Transition fatigue has set in as economic and political priorities shift. Even as solar and wind remain competitive, policy backpedaling threatens to slow progress toward decarbonization.

OPEC+’s Balancing Act

At the center of the discussion remains OPEC+’s perennial challenge: how to maintain stability in a market torn between excess capacity and fragile demand. The group’s incremental return of barrels in 2025 demonstrated both strategic patience and tactical flexibility. Yet, questions

linger over how long this balance can last as demand projections diverge and fiscal pressures mount. Only three nations — Saudi Arabia, the UAE, and Iraq — hold genuine spare capacity, giving them both influence and responsibility. Their production agility has kept markets supplied but also underscored the limitations of the global system when only a handful of players can truly move the needle.

Complicating the equation for OPEC+ is the growing influence of non-crude energy sources — biofuels, NGLs, and synthetic hydrocarbons — termed “fake oil” by some analysts. These are increasingly meeting demand once supplied by crude, reshaping how energy balances are calculated and challenging the group’s traditional dominance.

Market Share versus Market Survival

Market share battles are meaningless if prices fall below fiscal sustainability thresholds. Many oil-dependent economies cannot balance their budgets below \$80 a barrel. When prices hover in the \$60s, defending production quotas becomes secondary to national economic survival. The industry is thus caught between two imperatives — protecting revenue and preserving relevance in an evolving energy landscape.

America’s Energy Ambition: A Double-Edged Sword

The United States’ pursuit of ‘energy dominance’ remains a defining feature of global supply dynamics. Shale oil and LNG have transformed America from importer to exporter, yet the economics are far from assured. With breakeven prices around \$65 a barrel, sustained low prices threaten profitability and long-term investment. Moreover, rising production costs due to steel and copper tariffs add a structural disadvantage that could erode competitiveness. Ironically, U.S. producers are victims of the very policies designed to empower them. The economic ambition of energy independence collides with the political desire for cheap fuel — a contradiction that mirrors the broader confusion of global energy policy.

After 15 years of driving global supply growth, U.S. shale appears to be peaking. Decline rates are steepening, and investor appetite for

new drilling has faded as companies prioritize dividends and share buybacks. At the same time, offshore and conventional exploration — the true long-term backbone of supply — has been chronically underfunded. This underinvestment poses a quiet but existential risk. The industry could soon face a scenario where demand remains robust, but the ability to meet it has eroded due to years of neglect in traditional exploration.

China: The Quiet Stabilizer

China’s resilience has defied expectations. Despite property crises and trade tensions, its oil consumption continued to rise through 2025. The nation’s vast crude inventories, though opaque, have acted as a silent stabilizer in global balances. Yet, these stockpiles also cloud market visibility — no one truly knows the scale of China’s reserves, nor when they will stop building. When that day comes, the correction could be sharp. Conversely, geopolitical risk has become a permanent, more stable variable. Once upon a time, a single shock could send oil prices soaring by \$10 overnight. Today, the same conflicts barely move the needle. Markets have grown desensitized, pricing in a persistent risk premium of \$5–10 a barrel. From the Iran-Israel standoff to lingering Russia sanctions, geopolitical instability is now baked into the price structure — a constant background hum rather than a sudden disruption.

2026: The Great Balancing Year

As 2026 approaches, the industry faces a paradox. Short-term stability masks deep structural fragility. OPEC+ agility and U.S. production resilience may hold the system together temporarily, but underinvestment, fragmented policies, and the politicization of energy threaten its foundations. The coming year will test whether the sector can balance pragmatism with vision — securing today’s energy needs while investing in tomorrow. Energy dominance, security, and sustainability are not competing goals. They are interdependent. And in a world increasingly defined by uncertainty, the ability to harmonize these objectives will determine not just the price of oil, but the stability of the global economy itself. ■

Wall Street, Not Washington, Now Drives U.S. Oil Supply



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The defining force behind America's energy trajectory today is not the White House — it's Wall Street. The era when presidents could move markets with promises of "energy dominance" has faded. In its place stands an oil patch governed by investor discipline, where dividends, share buybacks, and capital restraint now dictate the pace of production far more than executive orders or policy speeches.

U.S. producers have matured into cash-generating machines, prioritizing shareholder returns over output growth. The shale revolution's expansion phase — driven by debt and drilling frenzy — has given way to a period of efficiency and financial prudence.

With most Tier-1 assets already tapped, sustaining production near 13.5 million barrels per day now depends on technology gains and incremental productivity, not new discoveries. The tension between geology's limits and technology's potential defines the next chapter of America's oil story.

Economic reality also overrides political aspiration. The average breakeven cost for new onshore wells hovers around \$65 per barrel. Yet policymakers continue to target oil prices in the \$50s — levels at which shale simply cannot survive. Producers will not drill into losses to satisfy political demands for cheap energy. The market, not Washington, determines supply.



Compounding the challenge, tariffs on steel, copper, barite, catalysts, and other vital inputs are inflating costs across the U.S. oil patch. As these measures take full effect in 2026, margins will tighten, and the financial logic of new investment will weaken further. For many operators, the combination of rising costs and price pressure represents a perfect storm.

Meanwhile, America's polarized energy politics have created an entirely new kind of risk: domestic political risk. Once a haven of regulatory stability, the U.S. now swings every four years between pro-hydrocarbon and pro-renewable agendas. This policy pendulum

unsettles long-term planning and chills capital expenditure, even as the country's renewable subsidies and tax incentives appear locked in for the foreseeable future.

Yet the U.S. still retains immense leverage. Its growing LNG export capacity will soon double, turning natural gas into a central instrument of foreign policy and trade diplomacy. But sustaining that role requires stability — not rhetoric. If Washington can balance political ambition with economic realism, the U.S. will remain a reliable energy supplier to the world. If not, investors may decide that America's energy abundance is no longer worth the uncertainty. ■

TOP 20 TAKEAWAYS

1. Energy Market Volatility

This year has been defined by exceptional volatility, driven by shifting global economic trends, fluctuating demand forecasts, and OPEC+ reactive strategies. Understanding these variables is essential for predicting 2026 energy market behavior and sustaining equilibrium amid persistent uncertainty.

2. Shifting Global Energy Narratives

Industry discussions have shifted rapidly over recent years—from energy security and hydrogen to AI-driven transformation. This evolution reflects how technological innovation and political dynamics continuously reshape priorities in the global energy dialogue, requiring industry adaptability and strategic foresight.

3. OPEC's Strategic Balancing

OPEC+ decisions to incrementally reintroduce oil supply, have aimed to stabilize global prices despite bearish market conditions. This has been largely successful – a delicate balance between maintaining market stability, testing spare capacity, and preparing for uncertain demand patterns anticipated in early 2026.

4. Spare Capacity Concentration

Only Saudi Arabia, UAE, and Iraq possess immediate spare production capacity, granting them strategic leverage. Their combined output flexibility allows OPEC+ to swiftly react to demand shifts, though geopolitical or technical constraints limit how quickly these reserves can influence the market.

5. Market Share versus Fiscal Stability

The logic of prioritizing market share when crude prices fall below budgetary thresholds is questionable. For many producers, sustaining fiscal health through price stabilization outweighs expanding output, as lower prices undermine national revenue structures across the Gulf region.

6. U.S. Energy Dominance Ambitions

The U.S. continues pursuing energy dominance through exports, particularly LNG, leveraging shale efficiency and infrastructure. However, domestic producers face profitability constraints at prices below \$65 per barrel, challenging long-term competitiveness and investment sustainability amid global oversupply concerns.

7. Tariffs and Rising Production Costs

Trade tariffs on steel, copper, and other key materials are increasing operational costs for U.S. producers. These pressures could erode margins and slow drilling investments, especially if oil prices hover near break-even levels, weakening the global supply chain's resilience.

8. Shale Decline and Investment Lag

U.S. shale, once the backbone of global supply growth, is nearing peak output as decline rates intensify. Underinvestment in exploration and technological constraints could reduce production capacity, limiting the sector's ability to meet growing demand in coming years.

9. Conventional Exploration Undervaluation

A major concern is underinvestment in conventional offshore exploration. Long project cycles and high upfront costs discourage funding, yet these fields are vital to replace rapidly depleting unconventional resources and maintain medium-term energy security.

10. China's Resilient Demand

Despite economic challenges, China demonstrated stronger-than-expected oil demand in 2025, defying recession forecasts. Continuous inventory building by Chinese refiners remains a stabilizing factor, though uncertainty persists over when these strategic stockpiles may reach saturation.

11. Hidden Inventories and Market Blind Spots

Global oil balances are distorted by untracked inventories, especially within China and non-OECD nations. These unobserved stockpiles complicate demand projections, masking true consumption trends and challenging analysts' ability to assess supply adequacy accurately.

12. Rising Role of Non-Crude Supply

Biofuels, NGLs, and synthetic "fake oil" sources increasingly fill demand once met by crude. Their expanding role complicates supply-demand modeling and may influence future OPEC+ decisions as renewable and alternative hydrocarbons reshape market composition.

13. Persistent Geopolitical Risk Premium

Despite multiple geopolitical flashpoints, the risk premium embedded in oil prices remains moderate, typically around \$5–10 per barrel. This reflects investor confidence in supply continuity, though unresolved conflicts in the Middle East continue to threaten volatility.

14. Sanctions and Shipping Reconfiguration

Sanctions on Russian oil have restructured global shipping routes, extending transit times and complicating logistics. The resulting increase in "oil-on-water" volumes often reflects delayed deliveries rather than genuine oversupply, underscoring the complexity of post-sanctions trade flows.

15. OPEC+ Analytical Agility

OPEC+ ability to convene swiftly and adjust policies in response to market shifts demonstrates institutional agility. Its reliance on real-time data and strategic coordination helps counteract external shocks and maintain pricing stability amid economic turbulence.

16. Policy Uncertainty under U.S. Leadership

The Trump administration's interventionist approach—favoring low oil prices while pursuing energy dominance—creates contradictions. Policy unpredictability undermines long-term planning, prompting skepticism about the coherence of U.S. energy and trade strategies.

17. Investor Behavior and Shareholder Pressure

Oil companies increasingly prioritize shareholder returns through dividends and buybacks over reinvestment in exploration. This shift in capital allocation may constrain future supply growth and exacerbate market tightening if demand rebounds unexpectedly.

18. Transition Fatigue and Policy Drift

Energy Transition and decarbonization discussions have diminished, overshadowed by economic and political agendas. Despite renewable competitiveness, policy uncertainty and shifting priorities threaten progress toward carbon neutrality and long-term sustainability targets.

19. Geopolitics versus Economics

Market manipulation concerns abound, with question marks on whether political leaders' statements intentionally influence prices. This intersection of economic strategy and political motive highlights the blurred boundary between governance and speculative behavior in global energy markets.

20. Uncertain Outlook for 2026

Next year will inherit 2025's uncertainty. While short-term management of prices and supply remains effective, structural imbalances—declining investment, shifting trade alliances, and evolving technologies—pose enduring challenges for achieving global energy stability. ■

