Global Energy Outlook 2026

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TOP 50 MARKET VOICES

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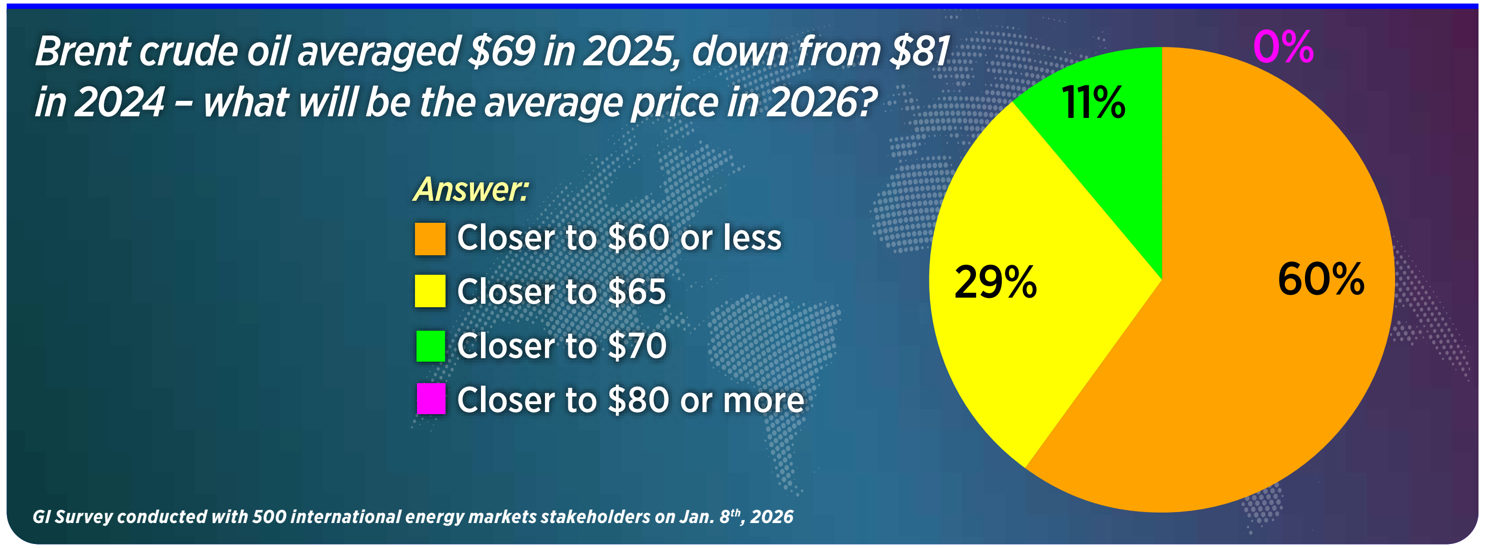

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FOREWORD

The Strategic Reward for a US Attack on Iran is Uncertain, While the Risks are Asymmetric Immediate and Potentially Global!

The renewed debate over a US attack on Iran has unsettled oil markets not because such an action is implausible but because its risk reward balance remains fundamentally skewed. The United States can manage the military risk of striking Iran. Its ability to project force absorb retaliation and control escalation is not in serious doubt. What is in doubt however is the strategic payoff. Across markets and policy circles alike a common conclusion has emerged. The strategic reward for a US attack on Iran is uncertain while the risks are asymmetric immediate and potentially global. That imbalance more than any single military scenario explains the nervous repricing of geopolitical risk now visible in energy markets. This is not an argument about capability. It is an argument about purpose.

Sean Evers
Managing Partner, Gulf Intelligence

Military Feasibility Is Not Strategic Clarity

From a narrow operational perspective, the United States faces few constraints. The visible concentration of naval and air assets in and around the Gulf is intended to send precisely that signal. Washington can strike Iranian infrastructure degrade military assets and impose real costs. It can do so quickly and in conventional terms decisively. This is why markets have taken US signalling more seriously than in previous cycles of rhetorical escalation.

But military feasibility does not automatically translate into strategic clarity. The first and most persistent question raised by analysts and policymakers alike is deceptively simple. What does success look like.

Airstrikes cannot deliver regime change in Iran. That reality is neither ideological nor controversial. It is empirical. Iran's political system while under pressure remains cohesive at the elite level. There is no obvious internal fracture that external force can exploit and no credible domestic partner through which transformation could be engineered. Comparisons to Venezuela often invoked to suggest a quick political collapse overlook the profound structural differences between the two systems.

Absent regime change the objectives narrow rapidly. Degrading nuclear or missile capabilities may delay, but it does not resolve the underlying strategic confrontation. Nor does it prevent Iran from reconstituting capacity or shifting tactics. The risk then is that military action becomes an exercise in signalling rather than a mechanism for durable change. An expensive demonstration of power with no clear endpoint.

This absence of a convincing endgame is where the reward side of the equation begins to weaken.

Asymmetric Retaliation and the Geography of Risk

If the reward is uncertain the risks are not. They are well understood and they are asymmetric.

Iran does not need to match US military power to impose costs. Deterrence despite frequent claims to the contrary remains central to Tehran's strategic logic. If struck Iran would certainly respond not with all-out war but through calibrated retaliation designed to reassert relevance and impose friction. Missile strikes proxy activity and regional destabilisation all sit firmly within that toolkit.

The most acute manifestation of this asymmetry lies not on the battlefield but at sea.

The Strait of Hormuz remains a critical chokepoint not because Iran can easily close it but because it does not need to. Simply raising doubts about security through signalling harassment or selective disruption would be sufficient to push up insurance premiums delay shipments and inject volatility into freight and energy markets. This form of leverage is inexpensive for Iran and disproportionately costly for global trade.

Crucially the burden of such disruption would fall unevenly. Asian consumers particularly China and India would absorb the bulk of the economic impact while Gulf producers would face renewed uncertainty around exports and pricing. The United States by contrast would gain little strategic advantage from triggering such a scenario. The geography of risk is misaligned with the geography of reward.

This is why escalation remains such a blunt instrument. Even a successful strike risks producing outcomes that are globally destabilising without being strategically decisive.

Markets Oil and the Fragility of the Upside Case

Oil markets have responded accordingly. January's sharp move in Brent was not driven by a reassessment of supply and demand fundamentals but by a recalibration of geopolitical probability. Markets are pricing risk not conviction.

Any US strike on Iran would certainly produce an immediate price response. Fear moves faster than barrels. Yet history suggests that such upside is fragile. Without sustained supply losses without meaningful volumes being removed from the market geopolitical premiums tend to erode as quickly as they appear. Traders understand this dynamic intuitively. Buy the rumour sell the fact remains the dominant logic.

This explains the uneasy quality of recent price action. Markets are alert but not persuaded. They are hedging against miscalculation rather than betting on transformation.

The only strategic reward repeatedly identified by analysts lies indirectly not in Iran itself but in the broader contest with China. From this perspective pressure on Iran is less about Tehran than about tightening the energy environment for Beijing constraining access to discounted barrels and reinforcing the costs of operating outside the Western financial system.

Even here however the reward is diluted. China has spent years building strategic stockpiles and diversifying supply precisely to mitigate such pressure. Moreover, escalation risks collateral damage to partners such as India whose energy security is far more exposed and far less insulated. A strategy that strains alliances while only partially constraining competitors offers at best ambiguous returns.

For oil markets the implication is clear. Iran is a source of volatility not yet a catalyst for structural repricing. Until the reward side of escalation becomes clearer until action offers more than symbolism signalling or short-term leverage markets will continue to treat Iran risk as episodic rather than transformative.

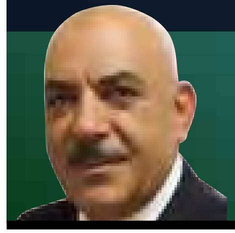
Conclusion Capability Without Conviction

The central judgment emerging from current debates is not that a US attack on Iran is impossible nor that deterrence has collapsed. It is that the strategic dividend remains too ill defined to justify the scale and asymmetry of the risks involved.

The United States can manage the military risk of escalation. It can absorb retaliation and contain conflict. What it has not yet demonstrated is how such action advances a clear durable strategic objective commensurate with the global disruption it could unleash.

For markets that ambiguity is decisive. Power without purpose does not sustain premiums. Capability without conviction does not anchor prices. Until the reward side of the equation becomes more convincing Iran will remain a trigger for volatility not a foundation for a new geopolitical or energy market equilibrium. ■

Energy Abundance Becomes the Front Line of US China Power Rivalry



Anas Al Hajji
Managing Partner, Energy Outlook Advisors

The defining force shaping global energy markets in the year ahead is no longer oil inventories, OPEC quotas, or even geopolitics in the traditional sense. It is the accelerating strategic rivalry between the United States and China—one increasingly framed around two decisive pillars: energy abundance and artificial intelligence. Energy has moved beyond economics. It is now the foundation of technological dominance, national security, and long-term geopolitical power.

China understands this shift clearly. Its recent behavior in energy markets is neither opportunistic nor speculative, but strategic. The country is building inventories of everything that can be stored—oil, gas, coal, metals, even food—not to trade price cycles, but to insulate itself from Western control over energy flows. This strategy is already reshaping global trade routes, encouraging pipeline imports over seaborne supply, and accelerating energy cooperation with Russia. The objective is straightforward: reduce exposure to chokepoints, sanctions, and dollar-based leverage.

China's Strategic Stockpiling Is Reshaping Global Energy Flows

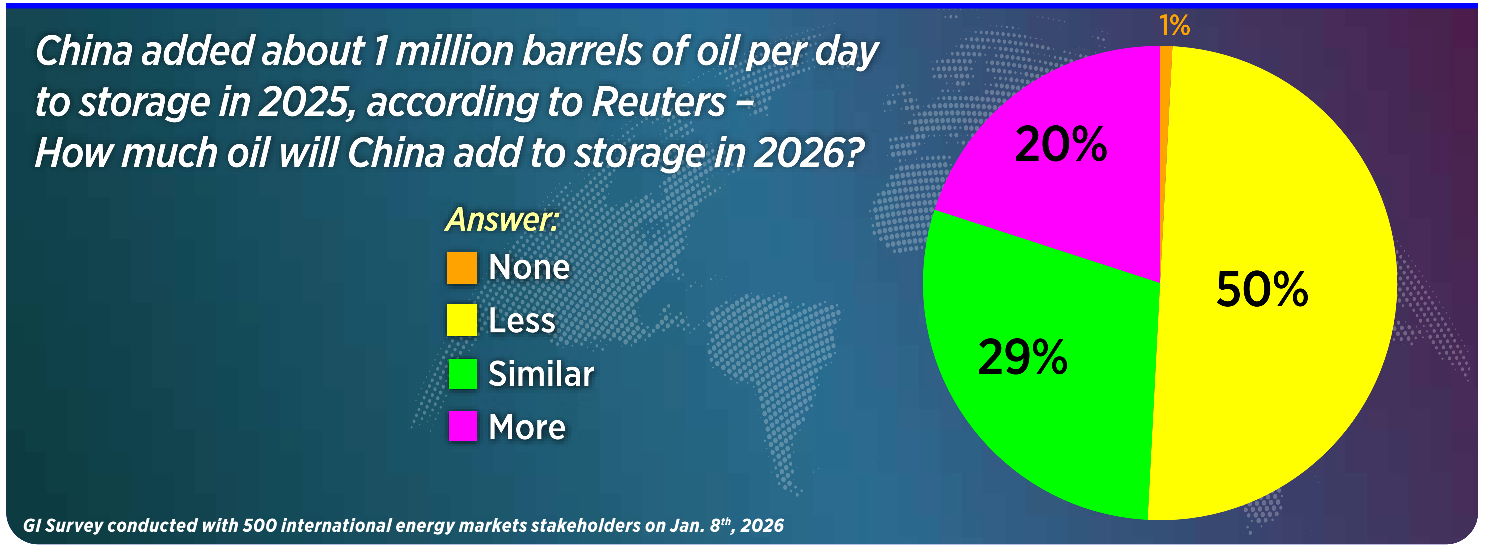
China's approach helps explain why oil prices have become remarkably resilient—and remarkably dull. Despite wars, sanctions, and near-daily geopolitical shocks, crude prices remain stubbornly range-bound. Brent is unlikely to collapse into the $40s, but it is also unlikely to sustain rallies above $70. The reason is simple: when prices begin to rise, strategic actors respond.

China, sitting on record-high inventories, has both the incentive and the ability to suppress price spikes by drawing from storage. In doing so, it effectively caps upside risk in oil markets. This does not reflect a desire for market stability, but a pursuit of strategic advantage. Price volatility undermines China's energy security planning, and therefore it acts decisively to neutralize it.

This reality exposes a major flaw in prevailing surplus narratives. Many forecasts continue to warn of an impending oil glut, yet the physical market refuses to behave accordingly. Contracted barrels still find buyers. Inventories outside China are not spiraling out of control. The problem lies in how surplus is defined. In a market dominated by long-term contracts and state-directed buying, surplus does not automatically translate into unsold oil flooding the spot market.

China's inventory system itself is widely misunderstood. Unlike the United States, where a clear distinction exists between commercial stocks and the Strategic Petroleum Reserve, China's storage system is effectively all strategic. Even so-called commercial inventories are largely owned by state-controlled entities operating under government direction. These barrels are not speculative; they are strategic insurance against disruption.

This strategic framework also explains why developments in Venezuela are far less consequential than headlines suggest.



Even under ideal conditions, Venezuela would require years and tens of billions of dollars to raise production meaningfully. Any incremental supply would be absorbed by global decline rates and demand growth. Venezuela's relevance lies in crude quality and pricing differentials, not in triggering a global supply flood.

The same logic applies to Russia. Contrary to widespread belief, an end to the war in Ukraine would not automatically unleash a surge of Russian crude onto global markets. Russian refineries require extensive repairs and higher utilization, which would increase domestic crude consumption and reduce export availability. Peace, paradoxically, could tighten rather than loosen supply.

AI Demand and Energy Security Are Rewriting the Rules of Oil Pricing

While analysts focus on traditional supply-demand balances, a far more disruptive force is emerging beneath the surface: artificial intelligence. AI's explosive growth is creating energy demand that current forecasts simply do not capture. Data centers and AI infrastructure are expanding faster than grids can accommodate. The political and social backlash from power shortages would be severe, forcing companies to seek immediate solutions.

In many regions, that solution will be private power generation—often fueled by diesel and LPG. This uncounted demand represents a meaningful upside risk to oil consumption. It is not reflected in official outlooks, yet it could quickly tighten markets and absorb spare capacity.

Against this backdrop, concerns about the stability of OPEC+ appear overstated. The organization has survived wars between members, invasions, sanctions, and decades of political rivalry. Baseline negotiations and internal disagreements will continue, but history suggests they will not fracture the group. OPEC+ remains a forum for managed competition, not ideological alignment—and that has always been sufficient.

Taken together, these dynamics explain why oil prices are likely to remain range-bound rather than collapse or spike. There is no credible case for a crash, but neither is there room for runaway bullishness. Strategic inventories, contractual supply, and energy security priorities act as stabilizers. The market is not broken; it has evolved.

At its core, the energy story of the year ahead is about control rather than consumption. Energy is being weaponized not through embargoes, but through abundance, stockpiling, and infrastructure choices. The competition between Washington and Beijing is increasingly about who can secure the energy needed to power AI, industry, and long-term growth—without external interference.

Oil, in this context, becomes less a price story and more a power story. And that shift, more than any single forecast or headline, will define the global energy landscape in the year ahead. ■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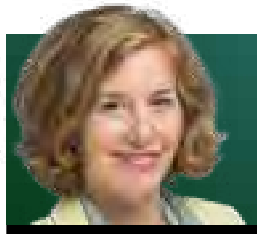
ASIA

Asia Enters 2026 With Confidence as Exports Hold and Energy Maps Shift



Alicia García Herrero
Chief Economist for Asia Pacific, Natixis CIB

Asia enters 2026 with a confidence it did not possess a year ago. After months dominated by tariff anxiety, trade tensions, and geopolitical uncertainty, the region has delivered a clear verdict. It can endure external shocks and adapt. Asia did not merely survive 2025. It exported its way through it, and that experience now defines expectations for the year ahead.

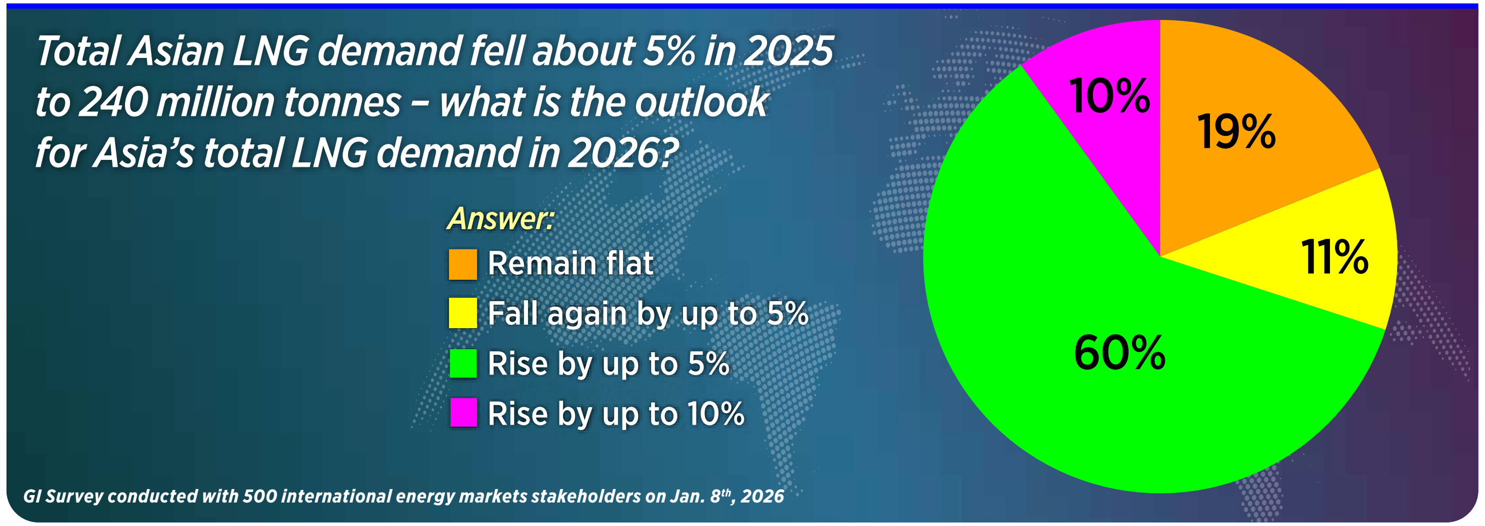
Export driven growth across China and the ASEAN economies proved resilient even as global trade remained under pressure. This performance has fundamentally reshaped regional thinking. Tariffs, once viewed as the defining risk to Asian growth, have faded in importance. From Asia's perspective, they have already peaked. Political constraints, affordability pressures, and electoral realities in the United States make further escalation unlikely. Tariffs are now a background condition rather than a strategic threat.

> **"We see similar GDP growth for the US in 2026 of 1.8%, but lower growth in Europe and the rest of the world, and that is relevant for China. Other than for the AI boom, I would be cautious about energy demand this year."**

What has replaced them is a more fundamental concern. Can trade continue to flow uninterrupted. In 2026 the central risk is no longer customs policy but physical disruption. The Taiwan Strait, the Panama Canal, and broader geopolitical chokepoints matter more than headline tariff rates. For Asia, the question is no longer what the tariff level is but whether the channel stays open.

China's energy plateau and the limits of export growth

China's position in this evolving landscape is more complex than often assumed. The country no longer depends heavily on rerouting exports through third countries. Tariff differentials have narrowed to the point where China sometimes faces lower barriers than alternative producers. At the same time, Chinese foreign investment into Southeast Asia, particularly Vietnam, cannot be reversed. Manufacturing capacity built over several years does not disappear when trade conditions shift.



Yet China's export momentum is slowing for a simpler reason. The world itself is growing more slowly. Europe's weaker outlook and softer global demand place a natural ceiling on Chinese exports in 2026. Even without new trade barriers, export led growth is reaching its limits, reinforcing a structural deceleration already under way.

That deceleration is increasingly visible in energy markets. China's clean technology investment surge has already passed its peak. After rapid growth in 2023 and 2024, renewable energy investment fell sharply in 2025 and remains subdued this year. This shift reflects physical constraints rather than policy retreat. China installed vast solar capacity only to discover that much of it cannot generate power because the grid cannot absorb it.

As a result, China's energy focus has shifted from generation to infrastructure. Grid expansion, transmission, and storage now take priority. This matters because infrastructure investment consumes far less incremental energy than industrial expansion. At the same time, China has achieved near fossil free electricity generation. Renewables and nuclear have delivered genuine energy self reliance, limiting future growth in fossil fuel demand.

Artificial intelligence remains the key exception. Data centers are driving electricity demand, with a large share concentrated in China and the United States. AI may create a temporary spike in electricity consumption that renewables initially struggle to meet. Even so, this looks like a short term adjustment rather than a structural reversal of China's energy trajectory.

India emerges as the next engine of global energy demand

If China represents deceleration and self reliance, India represents acceleration and dependence. India is the clearest growth story entering 2026. Its electricity demand expanded at more than six percent last year, far outpacing the Asian average. Urbanization, industrialization, and population growth are pushing energy consumption higher at a scale unmatched elsewhere.

Unlike China, India cannot achieve energy independence. Structural constraints ensure continued reliance on imported fuels for decades. While India is committed to a green transition, moving too quickly would increase dependence on Chinese supply chains. That geopolitical trade off has slowed the pace of transition and extended the role of fossil fuels.

This reality positions India as the most important long term opportunity for global energy producers. Over the coming decades it is expected to account for roughly thirty percent of global energy demand. For suppliers in the Gulf and beyond, India is not a short term replacement for China's slowing demand but a generational shift in the geography of growth.

Asia's outlook for 2026 is therefore neither crisis nor boom. It is a rebalancing. Export resilience has replaced tariff fear. China has reached an energy plateau faster than expected. India is stepping into its role as the world's primary demand engine. Together, these forces are reshaping global trade and energy markets for the decade ahead. ■

Why China's Oil Story is Being Written Too Early

Anoop Singh
Global Head of Shipping Research, Oil Brokerage

The narrative that China's oil demand is stagnating has gained momentum, but the physical market tells a different story. Recent indicators suggest that conclusions about China's slowdown are being drawn too early.

Start with stockpiling. Through most of 2025, China added meaningful volumes to crude inventories, particularly in Shandong, where teapot refiners run significant amounts of Russian and Venezuelan crude. December showed a brief dip in both floating and onshore storage, but this looked more like a "small blip" than a structural shift. With Brent prices low and no shortage of capital, the economics for continued buying remain conducive. And because mainstream Chinese storage has barely built, the country still has spare capacity to continue stock building without constructing new tanks.

Refinery activity reinforces the point. Runs in 2025 were about 1mbpd higher than in 2024 — an increase too large to dismiss as data noise. Even if domestic consumption is moderating, exportoriented manufacturing and petrochemical production remain strong, and both are energy and transportfuelintensive. The idea that China's oil demand has already plateaued risks overlooking these physicalmarket dynamics.

Geopolitics add another layer. Even if a Russia–Ukraine peace deal materialises, a rapid return of Russian barrels to Europe is unlikely. Longhaul flows into Asia are therefore likely to persist, keeping voyage lengths elevated. Red Sea disruptions and uncertainty around Iran further reinforce this pattern, supporting bunker demand and shipping tonnemiles.

> **"China could still deliver close to 500 kb/d of incremental oil demand in 2026. Strategic stockpiling remains a key driver, even though activity slowed temporarily late last year as barrels shifted from floating storage to onshore tanks. With low oil prices, ample financial capacity, and rising geopolitical risk, this slowdown is viewed as a short-term pause rather than a structural shift, with China likely to resume steady strategic buying through 2026."**

Low oil prices amplify these effects. Cheaper crude encourages higher refinery utilisation, stock building, and product exports — a nearterm demand multiplier that can offset demographic drag. ■

China's Oil Buying is About Security, Not Consumption

Jorge Montepeque
Managing Director, Benchmarks, Onyx Capital Group

China's oil challenge is no longer defined by consumption growth, but by security. Even as domestic fuel use plateaus, Beijing's crude buying decisions are increasingly driven by strategic imperatives tied to conflict risk and supply resilience. The distinction between oil "consumption" and oil "demand" has never been more important. Strategic stockpiling—rather than end-use growth—is now the dominant force shaping China's oil imports.

This shift reflects a broader reassessment of vulnerability. As geopolitical tensions intensify, China is prioritising inventory buildouts as a core pillar of national resilience, aiming to secure multi-year buffers against potential supply disruptions.

China's ability to buy oil is not constrained by capital or access to dollars. Export surpluses continue to generate ample liquidity. The real constraint is physical: storage capacity. China's buying power is determined by how much crude it can store, with a clear focus on building capacity sufficient to absorb up to 500,000 barrels per day of additional imports.

Electrification reinforces this logic. Rapid EV penetration has structurally reduced transport fuel dependence, but it has not eliminated oil demand. Industrial use and strategic buffers remain essential, particularly in a world where energy security trumps price sensitivity.

Rising US military spending signals prolonged geopolitical confrontation from Beijing's perspective, strengthening the case for sustained inventory accumulation. Sanctions on Venezuela—and the possibility of tighter restrictions on Iran—mark an early phase of economic warfare, increasing the urgency to secure supply before broader chokepoints emerge.

Across Asia, the outlook is uneven. Aging economies such as Japan and South Korea face structural demand decline, while younger populations in Indonesia and parts of Southeast Asia represent the region's clearest long-term growth. China's energy transition stands apart in scale and speed, leaving Asia with a fragmented, demographic-driven demand landscape rather than a uniform decline. ■

Petrochemicals will Anchor China's Oil Demand as Asia Grows Unevenly

Kieran Gallagher
Head of Asia – Vitol
Member, Vitol Executive Committee

Asia enters 2026 with uneven momentum but no systemic weakness. China continues to lag due to a prolonged construction downturn, while India, Vietnam, Malaysia, and a stabilising Pakistan are driving regional strength. Elsewhere, South Korea, the Philippines, and Thailand appear softer. Even so, regional growth above three percent remains achievable, providing a supportive macro backdrop for energy demand.

China's oil imports in 2025 were not purely consumption-driven. A substantial portion—potentially 140–150 million barrels—was absorbed into strategic reserves. This storage-driven demand helped offset perceived global oversupply and played a stabilising role in oil markets.

Looking ahead, reserve buying in 2026 will be highly price-sensitive. If crude prices remain in the low $60s or dip into the $50s, additional SPR purchases are likely. While volumes may not exceed 2025 levels, a near-repeat is plausible if pricing remains attractive. The key uncertainty remains storage capacity: how much spare tankage China still has will materially shape global balances.

> **"China likely to add another 150 million barrels of oil approx to storage in 2026 if crude prices remain near current levels."**

China's energy transition is advancing rapidly. The latest five-year plan targets non-fossil energy reaching 30% of total consumption by 2035—nearly double the EU's pace. This signals a clear long-term pivot away from fossil fuels, even as near-term demand security for crude and LNG remains intact.

Petrochemicals stand out as the most resilient pillar of China's oil demand. Feedstock demand in 2026 looks constructive and is expected to outperform transport fuels, supporting overall crude intake even as electrification suppresses traditional consumption growth.

Tariff disruptions that unsettled markets in 2025 have largely faded. Supply chains adapted quickly, exports were rerouted, and trade stability has returned—leaving price, storage, and petrochemicals as the real drivers of China's oil outlook. ■

Japan's Quiet Nuclear Comeback is Reshaping Global LNG Markets

Yuriy Humber
Founder & President, Japan NRG Platform/Yuri Group

Japan's nuclear restart program rarely grabs headlines, but its impact on energy markets—particularly liquefied natural gas—is becoming increasingly significant. More than a decade after the Fukushima disaster halted nuclear generation, Japan is cautiously reintroducing nuclear power into its electricity mix, triggering a structural shift in fuel demand with global implications. Before 2011, nuclear energy supplied roughly one-third of Japan's electricity. After Fukushima, reactors were progressively shut down, and Japan entered a period of near-zero nuclear generation. LNG filled the gap, cementing Japan's role as the world's largest LNG importer and a cornerstone of global gas pricing. That era is now slowly ending.

Reactor restarts began in late 2014 but advanced slowly due to regulatory scrutiny, public opposition, and political caution. By 2020, only four reactors out of more than 30 potentially operable units were running. Today, around 14 reactors are operating, with another restart imminent, lifting nuclear's share to roughly 9–10% of electricity supply.

The restart of large reactors carries outsized consequences. A single 1.35 gigawatt unit at Kashiwazaki-Kariwa can displace more than one million tonnes of LNG annually once fully operational. As restarts accumulate, Japan's LNG imports are structurally declining. In 2026, imports are expected to fall by 5–7%, approaching levels last seen in the mid-2000s.

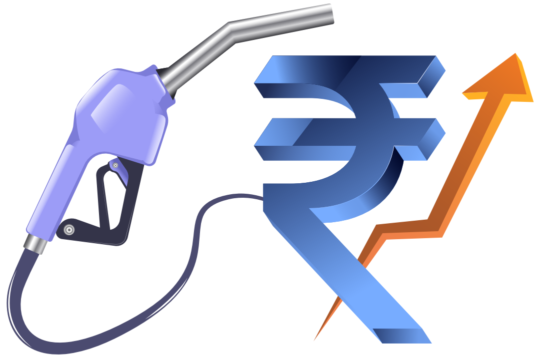
This shift matters beyond Japan. As new LNG supply comes online from the United States and Qatar, Asia is expected to absorb surplus volumes. Yet Japan—the region's traditional demand anchor—is moving in the opposite direction, reducing

> **"Nuclear restarts in Japan will continue to be a key driver of LNG displacement in 2026 with the restart of the 1.35 GW reactor at Kashiwazaki-Kariwa in Q1, which alone could displace about 1 mtpa of LNG demand."**

baseload gas demand just as global markets search for buyers.

Inflation pressures have reinforced this trend. Policymakers are prioritizing affordability and energy security, making nuclear an attractive stabilizing force. While official targets call for nuclear to supply around 20% of electricity, practical constraints suggest progress will remain gradual. Even so, Japan's nuclear revival is no longer symbolic—it is reshaping LNG demand and altering the balance of global gas markets. ■

Why Asia's Oil Demand is Likely to Beat Forecasts in 2026



Mukesh Sahdev
Founder & CEO, X-Analysts

Asia's oil demand is likely to exceed current forecasts in 2026, not because of a sudden surge in end-use consumption, but because demand is increasingly defined as consumption plus storage. In periods of uncertainty, fear-driven stockbuilding becomes as important as final use, and this dynamic is set to play a decisive role next year.

Low prices reinforce this trend. When crude prices remain subdued, refiners have every incentive to maximise runs and store both crude and refined products. This storage-driven activity can lift apparent demand well above traditional projections that focus narrowly on consumption.

Asia is far from saturated when it comes to inventories. China already holds more than 100 days of storage coverage, India is approaching 75 days, and many OECD countries remain below guideline levels. This leaves ample scope for further stockbuilding across the region.

China's approach is particularly misunderstood. Its storage decisions are not driven by contango structures or cheap financing, but by strategic imperatives. The market continues to underestimate both China's capacity and its willingness to absorb barrels when security considerations dominate pricing signals.

> **"What's happening is a lot of goods that used to be exported are now travelling long distances within India. That means more road transport, and that will generate more diesel demand."**

India's demand growth remains anchored in diesel, reflecting ongoing infrastructure expansion and road-based logistics. Changes in trade patterns—particularly greater movement of goods within India rather than for export—could further lift domestic diesel demand.

Biofuels and biomass blending will gradually erode oil demand over time, but near-term impacts remain limited. Diesel, jet fuel, gasoline, and LPG will continue to underpin growth in the medium term.

Asia's outlook is ultimately defined by sectoral divergence. While some transport fuels have peaked, petrochemical demand continues to expand, allowing total oil demand to rise even as individual products slow. This divergence explains why Asia is likely to outperform conservative demand forecasts in 2026. ■

South Asia's Power Challenge is Coordination, Not Demand

Vibhuti Garg
Director - South Asia, IEEFA

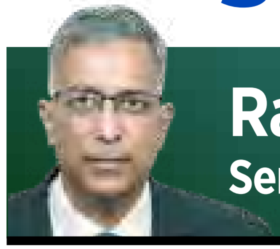
The region's resources are highly complementary. Nepal and Bhutan have abundant hydropower potential, including pumped storage, which could support India's peak demand. In turn, these countries can rely on Indian supply during periods of low hydrology. Yet cross-border electricity trade remains largely confined to government-to-government arrangements. To unlock resilience and efficiency, South Asia needs transparent market mechanisms, real-time price discovery and greater private-sector participation. Stronger interconnections and open power markets would lower costs, improve reliability and accelerate decarbonisation. South Asia's greatest untapped opportunity lies in regional cooperation.

Clean Energy Supply is Scaling Faster than Systems can Adapt

Another energy challenge for South Asia, is not whether supply can keep pace with demand, but how that supply is delivered sustainably, affordably and securely. Between January and November 2025, India added approximately 44.5 gigawatts of renewable energy capacity, one of the highest annual additions globally. However, renewable energy integration is now the binding constraint. Large volumes of variable and intermittent power are entering systems that were not designed for such scale. Grid expansion takes years, while renewable projects can come online in 12 to 18 months. Without accelerated investment in storage, flexible generation and smarter grids, system stability. ■

> **"By 2028, India will face recurring curtailment of renewable generation unless grid scale storage exceeds 50 gigawatts. Policy will pivot toward pumped hydro, real time power markets, and capacity payments, while cross border electricity trade will shift from bilateral contracts to market clearing mechanisms."**

Politics Stymies South Asia's Energy Integration



Ram Narayanan
Senior Industry Leader and Global Energy & Materials Strategist

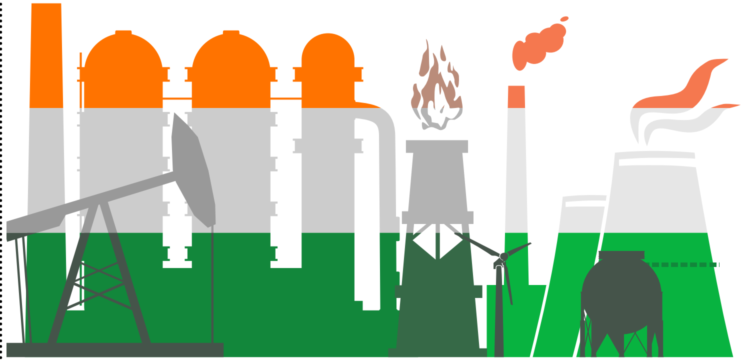
The economic case for regional energy integration is strong. Power trading between India, Nepal, Bhutan, and Bangladesh has demonstrated how cross-border cooperation can improve reliability and reduce costs. Nepal's hydropower exports and Indian power supplies to Bangladesh show what is possible. The barrier, however, is political rather than technical. Despite its population size, South Asia's share of global trade remains small, reflecting persistent political volatility and regional tensions. Competition between major powers, particularly the United States and China, further complicates alignment. As a result, while the logic of integration is clear, the political foundation remains weak, limiting prospects for deeper regional coordination in the near term.

India's sweet spot: diversified supply and refining strength

Within this complex landscape, India stands out as a relative winner. Oil prices near $60 per barrel have eased fiscal pressures that once dominated policymaking. India has diversified its supply base, drawing heavily from Russia while maintaining flexibility across Middle Eastern and other producers. While geopolitical pressures have caused short-term fluctuations in Russian imports, the strategic relationship remains intact, underpinned by defence ties and broader geopolitical balancing.

At the same time, India's refining sector is expanding, driven by strong domestic demand for diesel, gasoline, and aviation fuel, alongside growing petrochemical integration. Fuel exports, particularly to Europe, have become a significant revenue stream, even as sanctions periodically disrupt flows. With renewables expanding but fuels still dominant, India's energy strategy reflects pragmatism: diversify supply, expand refining, and manage geopolitics rather than be constrained by it. ■

> **"Over the next five years, India will add incremental refining capacity primarily to maximize diesel and aviation fuel output while increasing petrochemical yield toward 35 percent."**



Pakistan's Energy Challenge is Demand, Not Capacity

Osama Rizvi
Global Market and Product Strategist, Primary Vision

Pakistan's energy problem is often misdiagnosed as a shortage of power generation. In reality, the country already has surplus installed capacity. The real challenge is collapsing industrial and household demand, driven by economic stress, weak purchasing power, and a prolonged cost-of-living crisis. This has created a persistent mismatch between available supply and actual consumption, leaving power assets underutilised rather than scarce.

Falling electricity usage is therefore not an energy-sector failure in isolation, but a symptom of deeper macroeconomic distress. Energy policy cannot be separated from broader economic recovery, income stability, and industrial revitalisation.

For Pakistan, energy security is not one policy objective among many—it is the foundation of economic recovery. Without reliable and affordable energy, industrial growth stalls, domestic demand weakens, and fiscal pressures intensify. Import dependence compounds this vulnerability. Like India, Pakistan remains exposed to global price shocks and regional disruptions, making long-term reliance on external supply a structural geopolitical risk.

Expanding domestic refining capacity is central to addressing this challenge. Greater refining capability could save Pakistan an estimated $10.8 billion annually—more than its most recent IMF programme—by reducing imports, improving fuel quality, and strengthening self-sufficiency.

IMF conditionalities have played a controversial but consequential role in reshaping energy governance. Reforms targeting state-owned enterprises have forced greater efficiency, transparency, and accountability, laying the groundwork for a more resilient sector.

At the same time, refinery investment momentum is building. Major upgrades and a proposed $10 billion facility under the Special Investment Facilitation Council signal growing openness to foreign capital. Pakistan is also expanding supply diversification, exploring sourcing options from Russia, Guyana, Argentina, and indirect access routes via China or Turkey—reflecting a more flexible, multipolar energy procurement strategy. ■

The LNG Reality Check facing Energy Markets in 2026

Robin Mills
CEO, Qamar Energy

The global energy debate remains heavily focused on oil, but gas—and LNG in particular—is where the next major market adjustment is unfolding. While oil markets are likely to experience a relatively swift rebound once today's surplus conditions ease, LNG is heading into a much more prolonged and structurally challenging phase.

Gas markets are entering a period of significant softening, driven by a wave of new supply that is coming online globally. This shift will become increasingly evident toward the end of the year and intensify into 2027. Unlike oil, where supply discipline and decline rates can tighten balances quickly, LNG faces a longer recalibration as new capacity overwhelms demand growth.

This emerging gas surplus has important implications for producers, investors, and policymakers. While LNG has been positioned as a transition fuel—bridging coal-heavy systems toward lower-carbon energy—its market dynamics are now being shaped less by policy ambition and more by physical supply realities. The scale of new LNG projects reaching completion means that prices are likely to remain under pressure for an extended period.

At the same time, gas remains strategically important. It underpins power systems, industrial growth, and energy security across Asia, the Middle East, and Europe. But strategic importance does not guarantee favorable pricing. The LNG market is set to experience an extended bear phase, one that outlasts near-term weakness in oil markets and forces a reassessment of project timing, contract structures, and investment returns.

> **"While oil prices are likely to recover relatively quickly, probably in 2027, after near-term weakness, the LNG market faces a much longer downturn. Significant new LNG supply will trigger pretty significant softening in the LNG market towards the end of the year and very much in 2027, creating an extended bear market for gas that outlasts the oil cycle."**

For producers, this environment rewards low-cost supply, balance-sheet resilience, and long-term offtake strategies. For buyers, it offers improved affordability and leverage. And for energy planners, it reinforces a key lesson: gas may be essential, but it is not immune to cycles. The coming years will test which LNG players are positioned to endure a longer downturn—and which were built for a different market era. ■

India's Oil Strategy is Quietly Shifting from Opportunism to Energy Security

Shrikant Vaidya
Former Chairman of IndianOil Corp.

Idia's recent heavy reliance on discounted Russian crude was never intended to be permanent. As former Indian Oil chairman Shrikant made clear, sourcing close to 40 percent of imports from a single geography may have been commercially attractive, but it was strategically suboptimal. From an energy security perspective, over concentration creates vulnerability. India's oil import policy is now firmly oriented toward gradual diversification rather than abrupt disengagement, reducing exposure while maintaining supply continuity.

This recalibration comes at a moment when oil markets themselves have changed character. Volatility has shifted away from prices toward sourcing. Sanctions, compliance rules, and logistics disruptions increasingly shape how oil moves, even as total supply remains ample. For India, the challenge is no longer whether oil is available, but how flexibly it can be procured. The response has been pragmatic: adjust trade flows, diversify contracts, and remain agile in supplier selection.

Crucially, this strategy is underpinned by an unusually stable price environment. Despite persistent geopolitical shocks, oil prices have remained calm. Shrikant described the current phase as a "Goldilocks moment" for importers not too hot, not too cold. This stability has allowed India to focus on long-term resilience rather than short-term crisis management.

India's diversification is already visible. Imports from the United States and other regions are increasing, not as a political gesture, but as a hedge against concentration risk.

> **"In 2026, Indian oil companies will actively reduce over-reliance on Russian crude by continuing a gradual diversification toward multiple geographies, including the United States. This shift will be driven primarily by India's own energy-security imperatives rather than external pressure, reflecting a strategic decision to avoid concentration risk while ensuring stable supply in an oversupplied global oil market."**

Refiners understand that supply chains cannot be rewired overnight, but directionally the policy shift is clear.

Finally, India's approach reflects a hard-earned lesson of recent years: sanctions rarely remove oil from the market. They reroute it. Trade flows adapt, logistics evolve, and supply persists. India's oil import policy is therefore grounded in realism not ideology recognising that energy security today is about flexibility, not alignment. ■

2026 Will Not Be Orderly — It Will Be Pragmatic

Narendra Taneja
India's Leading Energy Expert

If 2025 cracked the façade of a rules-based global order, 2026 will confirm its replacement. The coming year will not be defined by ideology, institutions, or even alliances as we once understood them, but by pragmatism, power, and price signals. Energy markets sit at the center of this shift.

The world has entered what can only be described as a geopolitical "Wild West." The U.S. intervention in Venezuela marks more than a country-specific shock; it represents a structural break from decades of multilateralism and legal restraint. In its place emerges a more transactional, unilateral global system—one where outcomes are shaped less by diplomacy and more by leverage. This reality will frame energy, trade, and growth in 2026.

Paradoxically, this disorder is unfolding alongside remarkable economic resilience in parts of the Global South. India stands out. Despite slowing global growth, trade friction, and geopolitical noise, India is on track to sustain GDP growth above 7 percent in 2026. Domestic demand, policy agility, and improving macro buffers have fundamentally changed India's ability to absorb external shocks. For the first time in decades, energy volatility is no longer an existential threat to its growth story.

> **"Brent crude oil prices are likely to average around $60/bbl in 2026, fluctuating within a $55–65/bbl range during the first half of the year."**

Oil markets reflect this new equilibrium. Brent crude averaging around $60 per barrel in 2026 is not a sign of weakness, but balance. Supply growth from the Americas, demand moderation in mature economies, and the absence—so far—of major supply disruptions point to a narrow trading range rather than price spikes. For consumers, this offers relief; for producers, it demands discipline.

Yet beneath this apparent stability, the architecture of global oil governance is shifting. A de facto U.S.-led Western Hemisphere oil bloc is beginning to take shape. It is informal, unspoken, and powerful. As production across the Americas deepens integration with U.S. strategic interests, OPEC's role as the primary signaling mechanism for oil markets will be increasingly challenged.

Nowhere is this clearer than in Venezuela. The country's likely exit from OPEC would have been unthinkable a decade ago. Today, it appears increasingly plausible. Political turmoil may persist in the short term, but the direction is unmistakable: Venezuelan barrels will re-enter global markets in scale within the next two to three years. When they do, they will flow first and foremost toward the United States, reshaping Atlantic Basin dynamics and weakening OPEC cohesion.

Meanwhile, Europe's geopolitical fragility will not end with a pause in fighting in Ukraine. Even if hostilities subside, peace will not return in any meaningful strategic sense. Sanctions, mistrust, and security anxiety will continue to weigh on European growth and energy policy, reinforcing a defensive, inward-looking posture through 2026.

Against this backdrop, fears that India faces coordinated sanctions over its energy choices are overstated. Europe needs India economically and strategically; it cannot afford alienation. The real risk lies elsewhere: unilateral U.S. tariffs. Tariffs, not sanctions, are the weapon of choice in a world where coercion must remain politically palatable. Even so, India's growth trajectory appears resilient enough to absorb such shocks.

Energy affordability remains central to this resilience. India can manage oil prices up to $70 per barrel without derailing growth—an extraordinary shift from past cycles. This is not luck; it reflects deliberate policy design, fiscal buffers, and a willingness to tolerate short-term inflation to protect long-term momentum.

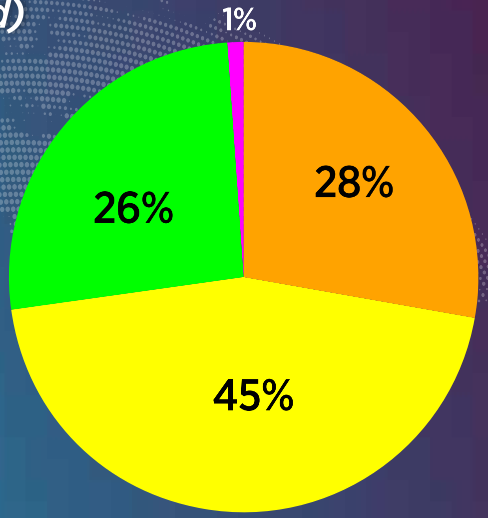
Crucially, India will continue importing Russian oil, regardless of external pressure. This is not ideological defiance but economic rationality. Strategic autonomy, diversification, and affordability will guide decisions—not alignment politics. At the same time, India will deepen energy trade with the United States, particularly crude and LPG, using energy flows as a diplomatic balancing tool rather than a loyalty test.

The lesson of 2026 is stark but clarifying. The world is not fragmenting into chaos; it is reorganizing around interests. Countries that recognize this early—by prioritizing resilience over rhetoric and pragmatism over posturing—will shape the next decade. Those clinging to an old rulebook may find that the game has already moved on. ■

India imported about 1.5 million barrels per day (bpd) of Russian crude oil in 2025, making Russia its largest oil supplier last year at about 30% of total – what is the outlook for this trade in 2026 after it dropped significantly through Q4?

Answer:

- Closer to 500,000 bpd
- Closer to 1 mbpd
- Closer to 1.5 mbpd
- Closer to 2 mbpd



GI Survey conducted with 500 international energy markets stakeholders on Jan. 8th, 2026

MIDDLE EAST

America's New National Security Doctrine Signals a Post-Intervention Middle East

Fuad Siniora
Former Prime Minister of Lebanon

The US' latest National Security Strategy marks a decisive break from the era of liberal interventionism and global ideological confrontation. It signals not merely a change in tactics, but a structural shift in how Washington understands power, influence, and national interest. The document reflects a transition from the ambitions of global leadership to a more restrained model of spheres of influence—one that acknowledges the limits of American imperial outreach and the unsustainability of permanent intervention.

At its core, the strategy represents an abandonment of the liberal international order championed by successive administrations from Barack Obama to Joe Biden. The new doctrine rejects democracy promotion, social engineering, and nation-building as policy tools. Instead, it emphasizes non-intervention, national sovereignty, and a clear prioritization of U.S. interests over multilateral institutions, international law, and global trade regimes. The posture is explicitly skeptical of globalization, free trade, and multilateralism—preferring bilateral leverage and economic statecraft.

Recent U.S. actions in Venezuela are an early manifestation of this worldview. Rather than ideological posturing, Washington's move reflects a pragmatic calculation tied to energy security and hemispheric dominance. Energy, in fact, sits at the heart of the new strategy. The United States now defines itself as an energy-independent power and a net exporter, positioning energy dominance as both an economic and geopolitical instrument.

The strategy also reorders America's perception of its major rivals. China is acknowledged—explicitly and without illusion—as a world power. Yet the rivalry with Beijing is framed primarily as economic and technological, not military. Russia, meanwhile, is no longer treated as an existential enemy. This recalibration explains Washington's neutral posture toward the war in Ukraine—one that sharply diverges from Europe's position. The implication is clear: great-power confrontation is no longer the organizing principle of U.S. foreign policy.

Geographically, the strategy revives and updates the Monroe Doctrine. The Americas are declared a core sphere of influence, free from hostile or adversarial powers. The so-called "Trump Corollary" expands this logic beyond colonial threats to include any form of adversarial penetration. The Middle East, notably, is identified as another region where the U.S. seeks to prevent hostile dominance—specifically by Iran—without committing to large-scale intervention.

The Middle East section of the strategy is strikingly brief, and that brevity is telling. Washington argues that the traditional drivers of U.S. intervention—energy dependence, superpower rivalry, and the risk of regional conflict spilling globally—no longer apply. With American energy independence, a diminished Russian role, and weakened Iranian influence, the region is framed as more stable, not less. Notably, the document implies that Middle Eastern instability stems primarily from Iran, not from the unresolved Israeli Palestinian conflict.

What does this mean for the region?

Iran is reassured that regime change is no longer a U.S. priority. Yet it faces a more isolating reality: it can no longer rely on meaningful Chinese or Russian backing in a region Washington still dominates. Iran's challenge will be economic and political marginalization rather than direct confrontation.

Jordan will remain strategically relevant due to its historic ties to Washington and sustained diplomatic engagement. U.S.–Egyptian relations are set to remain strong, bolstered by shared opposition to political Islam, even as commercial and financial ties with Gulf states increasingly overshadow Cairo's influence. Syria, meanwhile, is likely to remain a focal point of U.S. policy throughout the current administration.

Crucially, the strategy argues that successful engagement with the Middle East requires accepting the region as it is—not as Washington wishes it to be—and cooperating on areas of mutual interest. The Palestinian issue, however, is downgraded to a humanitarian concern rather than treated as a political conflict requiring resolution. That said, history suggests that if political capital or prestige—such as a Nobel Peace Prize—were at stake, this position could shift.

Two broader conclusions follow

First, the era of non-state militarized organizations in the Arab world is nearing its end. With the weakening of Hamas, Hezbollah, and similar actors, large-scale military confrontation is not only unlikely but strategically futile. Second, the Arab-Israeli and Palestinian-Israeli conflicts can no longer persist as militarized struggles. Decades of warfare have yielded only loss—of land, lives, economic opportunity, and political leverage—while reinforcing Israel's technological and military superiority, backed unconditionally by the United States.

At the same time, global awareness of Palestinian suffering has grown significantly. One hundred and fifty-seven countries now recognize a Palestinian state, including several in Europe. Public opinion shifts are evident even within the United States. Yet the primary obstacle remains the current Israeli government, whose extremist orientation leaves little room for a meaningful political settlement.

> **"Trump's National Security Strategy tells the Middle East that the U.S. is stepping back, not walking away—rewarding stability, punishing disorder, and forcing regional actors to choose pragmatism over perpetual confrontation."**

Against this backdrop, the Arab world must act. A new, peaceful initiative is no longer optional—it is imperative. This should begin with Palestinian reconciliation, made more achievable by the weakening of armed factions and declining Iranian influence. It should extend to a unified Arab position, led by Egypt and Saudi Arabia in coordination with the Gulf states, grounded in the Arab Peace Initiative. Finally, it requires a sustained global political campaign—particularly in the United States and other major powers—to mobilize international support for a just and lasting solution.

The message of America's new security doctrine is unmistakable: intervention is over, realism has returned, and responsibility now lies with regional actors. The question is whether the Arab world will seize this moment—or allow it to pass. ■

OPEC+ Faces Constraints Beyond Quotas

Choeib Boutamine
Energy Advisor & CEO, Ranadrill Consulting

OPEC+'s decision to audit capacity and reinforce discipline through a maximum sustainable capacity framework is a necessary step toward restoring credibility within the group. Stronger mechanisms can help limit overproduction by individual members, but they do not, on their own, address the broader pressures shaping OPEC+'s operating environment.

Recent experience has highlighted the importance of internal controls. Several members, including Kazakhstan and Iraq, have exceeded agreed production limits, creating uncertainty around compliance and spare capacity. A more formal audit process can help align quotas with actual capacity and improve transparency. In that sense, the mechanism is overdue.

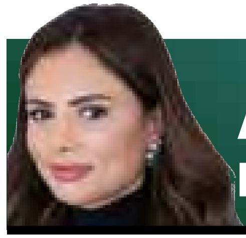
However, OPEC+ is operating in a far more complex context than in previous cycles. Geopolitical uncertainty remains elevated, including developments involving Russia and Ukraine, shifting U.S. policy, and persistent tensions between Washington and Beijing. Venezuela has emerged as a sensitive variable within the group, adding uncertainty around supply expectations and pricing dynamics. These factors influence both market sentiment and the environment in which OPEC+ decisions are made.

Market fundamentals also remain challenging. Demand growth has been relatively subdued, and prices are lower than a year ago. At the same time, supply outside OPEC+ continues to expand, particularly in the United States, Brazil, and Guyana. These barrels compete directly with OPEC+ production and limit the group's ability to shape the market through internal discipline alone.

Perhaps most importantly, oil is increasingly competing with other sources of energy. Natural gas markets are well supplied, renewable capacity is expanding rapidly in major consuming regions, and electric-vehicle adoption—especially in China—is beginning to affect transport-fuel demand growth. These shifts are structural rather than cyclical.

In this environment, capacity audits and quota discipline can help OPEC+ manage internal imbalances, but they cannot insulate the group from the broader forces reshaping the global energy system. The longer-term challenge lies in adapting to intensifying competition—both from non-OPEC supply and from alternative energy sources—rather than relying solely on traditional production controls. ■

The Myth of Infinite Spare Capacity: Why OPEC+ may have Less Room to Manoeuvre Than Markets Assume



Amena Bakr
Head of Middle East Energy & OPEC-plus Research, KPLER

For much of the time, markets operate on the belief that OPEC+ holds infinite spare capacity and that the group will always jump in if there is a massive supply outage somewhere in the world. That assumption has shaped pricing, risk appetite, and expectations around energy security for more than a decade. But the reality is more constrained, and the gap between perception and reality is now coming into focus.

There is likely to be surprise about how much spare idle capacity is actually left in OPEC+. Immediate spare capacity is not evenly distributed across the group. It is being held by only two or three countries, rather than existing as a broad, readily deployable buffer. This concentration fundamentally changes how the market should think about supply shocks, response times, and the limits of OPEC+ intervention.

This is why the 2026–2027 period represents a critical inflection point for the group. OPEC+ is undertaking a formal reassessment of member capacities to address long-standing questions around how much capacity countries hold and how much spare capacity exists at the group level. All members have agreed to participate in this process, which will involve independent audits of production capacity. For most countries, this will be conducted by U.S.-based firms, while alternative auditors will be used for sanctioned producers. In Iran's case, capacity will be assessed using a three-month production average to reflect existing constraints.

> **"We're probably going to be surprised by how much spare idle capacity is left in OPEC+. I think much of the time we think that there is infinite spare capacity and that OPEC is always going to jump in if we have a massive supply outage somewhere in the world. But, the reality is that this immediate spare capacity in the group is being held by two or three countries."**

The process is collectively agreed, rules-based, and designed to be fair, even if some members may be surprised by the findings once capacity is quantified. Based on these assessments, production baselines will be reassigned in 2027.

OPEC+ is moving from assumed spare capacity to audited, verifiable capacity. The likely outcome is that true spare capacity is tighter than markets currently price in. If confirmed, this will reshape expectations around price volatility, supply security, and the group's ability to function as the world's energy shock absorber. ■

Why 2026 will be Defined by Where Oil Builds, Not How Much

Tom Baker
Managing Director, Vitol Bahrain

For much of the past decade, oil markets have revolved around a single question: Is there too much supply or too little? As 2026 unfolds, that framing is increasingly outdated. The more important question now is where oil accumulates—and whether it is accessible to the commercial system.

Last year, global balances suggested meaningful supply builds, yet virtually none of that oil ended up in commercially accessible or Atlantic Basin inventories. This disconnect explains why prices and forward curves continue to signal tightness. Despite apparent oversupply, Brent remains backwardated and refined products stay supported because the barrels that matter most—clean, financeable, and deliverable oil—are still scarce.

> **"Oil is likely to remain range-bound in 2026. Oversupply caps the upside, but if prices move decisively into the low $50s, OPEC—particularly Saudi Arabia—is likely to respond. The market is sensitive at those levels, which anchors my expectations for Brent between $55–$60 range unless a major geopolitical disruption removes accessible supply."**

The market has become structurally bifurcated. Dark barrels, floating storage, and sanctioned supply exist alongside fully commercial oil, but they do not exert equal pricing power. Sanctions regimes, insurance constraints, compliance rules, and self-sanctioning by financial institutions have created parallel systems. Oil can exist in abundance and still fail to depress prices if it cannot reach pricing centers.

Venezuela illustrates this shift. Any normalization there is unlikely to flood the market with new supply. Instead, it would reroute existing barrels—particularly heavy crude—into the US Gulf Coast, displacing other grades and reshaping regional differentials. The impact would be felt at the micro level rather than through a global price collapse.

This dynamic also explains why geopolitics has lost much of its shock value. Events that once moved prices sharply now struggle to break through unless they directly remove accessible supply. Oversupply caps the upside, while producer discipline—especially among core OPEC members—anchors the downside.

In 2026, oil will not be priced by scarcity or surplus alone. It will be priced by connectivity. The critical question is no longer how much oil exists, but how efficiently it can move into the commercial system. ■

Iran's Oil Exports are Holding — But the Risks are Rising

Danial Rahmat
Senior Energy Security Consultant, Iran

Iran enters 2026 still exporting substantial volumes of crude oil — almost entirely to China — despite intensified U.S. sanctions and a tense geopolitical environment. Export continuity may give the impression of stability, but the underlying system is increasingly vulnerable to coercive pressure.

Iran's production has remained steady, and crude exports continue to average roughly 1.6–1.8 million barrels per day. Yet Chinese buying patterns fluctuate. Some days intake rises above that level; on others it drops sharply. As a result, floating storage has become a practical tool for managing the mismatch between consistent production and variable Chinese demand. It is not a strategic choice — simply a mechanism to keep exports flowing when buyers pause or slow purchases.

The real pressure point is not demand. China will continue taking Iranian oil as long as it can physically access it. The greater threat comes from the possibility that the United States shifts from financial sanctions to hard-power enforcement, similar to its recent actions in Venezuela. If Washington adopts that approach, Iran will struggle to maintain its current export levels, and the risk of escalation would rise sharply.

In such a scenario, Iran is unlikely to close the Strait of Hormuz — a step viewed as a last resort and practically unworkable. More realistic responses include targeted maritime disruptions, interference with commercial shipping, or the seizure of vessels linked to Israel or the United States. These actions would raise regional risk without triggering a full shutdown of global flows.

Domestic pressures add further uncertainty. Protests are smaller than those of 2022 but more geographically spread and driven by economic hardship. The threat of U.S. or Israeli intervention — especially if casualties increase — heightens internal tension and limits Tehran's flexibility.

For now, exports continue. But the system is fragile, and its sustainability increasingly depends on geopolitical thresholds rather than market fundamentals. ■

Iran's Oil Export System: Resilient by Design

Dr. Iman Nasseri
Managing Director - Middle East FGENexantECA

Iran's oil export model is often described as fragile, improvised, or on the verge of collapse. It is none of these. Iran has operated under successive sanctions regimes for more than forty years, and its current export system is structural, not tactical.

Despite renewed "maximum pressure" rhetoric and declarations aimed at driving exports to zero, Iranian crude flows have not suffered a decisive decline. The reason is a deeply entrenched global network of intermediaries. This includes Iranian private companies, trustee entities, shipping operators, and counterparties across Asia, the Middle East, and even parts of Europe. These networks handle vessel management, ship-to-ship transfers, re-documentation, and complex payment settlements.

This system is costly, opaque, and inefficient, but it functions. Hefty discounts incentivize participation, and the scale of money involved makes disengagement difficult. Floating storage, often misinterpreted as a sign of distress, is simply a buffer within this non-standard export model. Iranian oil is produced and loaded continuously, with sales occurring when buyers are ready, leading naturally to cycles of build and draw.

Disrupting this system would require either a military-style blockade or direct legal and commercial confrontation with multiple facilitating states—both politically and financially expensive options.

Geopolitics and Internal Pressure: A More Serious Test

Where Iran faces a more uncertain future is not in logistics, but geopolitics and domestic stability. Unlike previous protest waves driven by social or cultural grievances, today's unrest is rooted in economic hardship, inflation, and currency depreciation. These pressures cut across all segments of society, making the challenge broader and potentially more destabilizing.

Externally, recent US actions in Venezuela have fueled speculation that Washington may pursue more coercive, unconventional approaches elsewhere. Even the perception of such a shift can be destabilizing, encouraging internal distrust and power struggles within the Iranian system.

Still, as long as the current regime remains in power and China continues to demand significant volumes of crude, Iran's oil exports will persist. Sanctions may intensify and rhetoric may escalate, but resilience—however costly—remains the defining feature of Iran's oil economy. ■

Iran's Real Risk is a US Strategy Shift, Not China's Buying Power

Jamie Ingram
Managing Editor, MEES

The central risk facing Iran today is not whether China will continue buying its oil, but whether the United States decides to change the rules of the game entirely. Washington appears to be entering a new phase of coercion, one that relies less on compliance-based sanctions and more on unconventional, forceful tactics aimed at middle powers such as Iran and Venezuela.

This shift reflects frustration with decades of pressure that failed to deliver behavioural change. Recent US actions in Venezuela suggest a willingness to experiment with more direct intervention, potentially creating a template that could later be applied to Iran.

Much of the debate around Iranian exports focuses on China, but this misses the point. Beijing has shown no inclination to voluntarily halt purchases of Iranian crude and remains willing to defy US sanctions as long as oil physically reaches the market. The question, therefore, is not Chinese demand, but whether Iranian barrels are allowed to exist in the system at all.

Only unilateral US action that physically blocks or removes Iranian oil from the market would realistically disrupt flows to China. Short of that, exports are likely to continue.

Rather than pursuing full regime overthrow, the emerging US approach appears focused on destabilisation without collapse. By targeting figureheads and exploiting internal divisions, Washington may aim to reshape behaviour through coercion rather than dismantling the system outright.

Even the perception that such tactics are possible can be destabilising. Fear of internal betrayal, factionalism, and paranoia within Tehran may prove as disruptive as any concrete action—especially as Israeli pressure raises the risk that Iran interprets events as the start of a broader confrontation. As long as a government remains in Tehran, it will attempt to export oil. Hydrocarbon revenues are not optional; they are essential to regime survival. ■

Saudi Arabia's Energy Strategy: Sequencing for Resilience

Toby Iles
Chief Economist, Jadwa Investment

Lower oil prices have forced Saudi Arabia to reassess spending priorities. But this is reprioritisation—not retreat. Vision 2030 remains intact; its rollout is being phased more realistically to reflect fiscal constraints and market conditions.

Some giga projects have slowed, yet strategic energy investments are protected. Hydrogen development is well advanced—one flagship project is over 80% complete and targeting production by 2027. Solar deployment continues at pace, with 10–12 GW expected to come online in 2026, largely through state-backed entities outside the central budget.

> **"While Saudi Arabia will add significant solar capacity—potentially over 10 gigawatts in the near term—and ramp up gas output through Jafurah, the impact on reducing domestic oil burn will be gradual. The transition away from oil-fired power is more likely to become clearly visible from 2027 onward rather than fully materializing in 2026."**

Saudi Arabia's clean energy push is driven by economics, not ideology. Expanding renewables and gas production reduces domestic oil use, freeing crude for export. This aligns transition spending with revenue optimisation. Gas development at Jafurah is pivotal, with Aramco projecting an 80% increase in gas output by 2030. While substitution from oil-fired to gas-fired power will take time to show in the data, the trajectory is clear. From 2027 onward, the impact should become increasingly visible—even as electricity demand grows.

Beyond traditional energy, Saudi aims to become "electricity rich" to support energy-intensive industries like AI and data centers. Competitive power pricing will be key to attracting these sectors.

On the fiscal side, deficits of around 5% of GDP in 2026 are manageable. Debt is rising from a low base, and the Kingdom retains strong buffers and borrowing capacity, allowing gradual adjustment rather than abrupt cuts.

With oil prices likely subdued into 2026 absent major disruptions, discipline and sequencing matter more than ever. Saudi Arabia's strategy is not about doing less—but about doing what matters most, in the right order, under tougher market conditions.

How Sharjah is Building a Resilient, Balanced Energy System

H.E. Khamis Al Mazrouei
CEO, Sharjah National Oil Corporation (SNOC)

For Sharjah and the Northern Emirates, energy security begins with reliability. Ensuring uninterrupted gas supply and strengthening network resilience remain the overriding priorities, supporting population growth, industrial expansion, and Sharjah's role within the UAE's broader energy system. Energy strategy is therefore anchored in infrastructure robustness rather than headline capacity alone.

The development and appraisal of the Hedebah gas field reinforce this approach. Adding a new producing field expands domestic supply, enhances diversification, and strengthens Sharjah's ability to meet rising demand with locally produced gas. A balanced hydrocarbon portfolio—spanning gas, condensates, and LPG—continues to underpin system stability amid evolving global supply dynamics.

Flexibility is becoming increasingly important. SNOC's expanding LPG trading capabilities, including terminal upgrades that enable imports, provide optionality during periods of market volatility while ensuring reliable supply for the Northern Emirates. This adaptability complements long-term security objectives rather than competing with them.

At the same time, decarbonisation is being embedded pragmatically. Renewables are no longer standalone projects but an integral part of Sharjah's energy mix. The 60MW SANA solar plant has already reduced Scope 1 and 2 emissions by 20%, demonstrating how renewable generation can directly support upstream operations and conventional energy infrastructure.

Carbon capture and storage is also being evaluated as a strategic capability, with depleted gas reservoirs offering potential long-term emissions management solutions for power generation and hard-to-abate industries. Hydrogen, particularly white hydrogen, is being assessed cautiously through data analysis and feasibility studies rather than premature deployment.

Underlying this strategy is a focus on people, technology, and innovation. Investment in talent, digital transformation, and AI-driven efficiency supports operational excellence, emissions reduction, and long-term resilience across Sharjah's energy value chain. ■

> **"The oil market will naturally experience a price floor supported by OPEC+ and a price cap driven by additional non-OPEC supply. Global oil demand will continue to increase over the coming years and will not plateau in the next five years, but it could potentially after a 10–15 year horizon."**

U.S.–OPEC+ Rivalry will Define Oil Markets in 2026

Sara Akbar
Chairperson & CEO, OiLSERV, Kuwait

The global energy system is becoming increasingly polarized. A U.S.-led energy dominance strategy is emerging alongside a long-established OPEC+ framework that has shaped oil markets for decades. These two poles are now competing for influence, investment, and market share. By 2026, this rivalry will define price volatility, supply management, and geopolitical risk, marking a decisive shift away from a unified global energy order toward a bifurcated one.

At the heart of this shift is the growing politicization of oil prices. U.S. energy dominance and affordability policies are exerting downward pressure on prices through political channels, particularly during election cycles. Oil pricing has become a domestic political tool rather than a market-clearing mechanism. Yet this strategy has limits. Holding prices at politically acceptable levels is difficult to sustain into 2026 without producer discipline, as prolonged sub-economic pricing is simply unaffordable for exporting states.

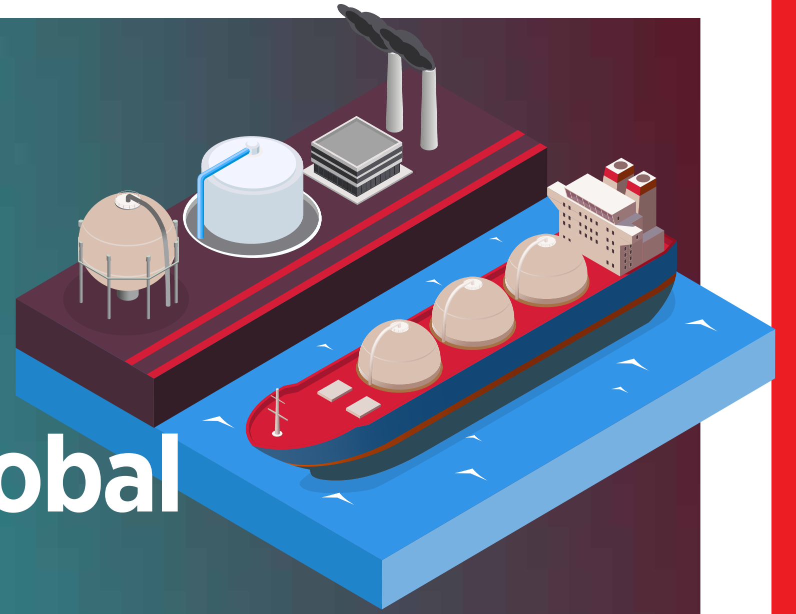
In this environment, OPEC+ has demonstrated resilience rather than fragility. Despite internal tensions and persistent external pressure, the group has remained cohesive, adaptive, and strategically patient. History shows that periods of stress tend to strengthen coordination within OPEC+, not weaken it. Its core mandate remains unchanged: maintaining global energy security while ensuring producers can continue to invest and supply the market.

> **"U.S. energy dominance and affordability policies will exert downward pressure on prices through political channels, particularly around elections. However, maintaining oil prices at politically desirable levels will be difficult to sustain into 2026 without supply discipline, as producers cannot afford prolonged sub-economic pricing."**

The outlook for 2026 is therefore highly demand-dependent. OPEC+ is counting on demand growth next year to unwind voluntary production cuts in an orderly fashion. Without that demand recovery, supply restraint will persist longer than many anticipate. Crucially, spare capacity is far tighter than commonly assumed, with only a small number of producers able to add barrels quickly, limiting short-term supply flexibility.

As this polarized energy order deepens, oil markets will be shaped less by textbook economics and more by power dynamics, political strategy, and control over resources. Rather than fading, OPEC+ will remain a central counterweight in a world where energy governance is no longer singular, but contested. ■

The Eastern Mediterranean's Gas Future is Regional, Not Global



Dr. Charles Ellinas
CEO, Cyprus Natural Hydrocarbons Co. &
Senior Fellow, Global Energy Center - Atlantic Council

The Eastern Mediterranean is often portrayed as a future global gas hub, but this framing increasingly misreads both political and market realities. Recent developments point to a future shaped by regional demand rather than long-term LNG exports.

The Lebanon–Cyprus maritime agreement represents a genuine breakthrough, primarily for Lebanon. By removing legal uncertainty with Cyprus and Israel, it allows Beirut to move forward with new licensing rounds without being hindered by geopolitical disputes. For Cyprus, however, the gains are largely political. Offshore blocks adjacent to the new boundary remain constrained, either commercially unattractive or previously inaccessible due to Turkish naval intervention.

These constraints stem from Turkey's approach to maritime claims. Ankara has developed a model that effectively ignores the existence of islands such as Cyprus and Crete, extending claims deep into contested waters. Such disputes cannot be resolved through bilateral dialogue alone. Progress will require negotiations supported by external mediation, most likely involving the United States once regional actors exhaust their own diplomatic options.

American engagement will ultimately be driven by commercial interests, particularly those of US oil companies active across Greece, Egypt, Libya, and Cyprus. Unlocking further investment will depend on resolving disputes that continue to block development across the basin.

Energy fundamentals are also shifting. Cyprus is moving ahead with exporting gas from the Kronos and Aphrodite fields to Egypt, with first flows expected by 2028. Yet the idea that Egypt will remain a long-term LNG exporter is fading. Rising domestic gas costs are likely to exceed global LNG prices, making exports increasingly uneconomic.

Future Eastern Mediterranean gas investment will therefore focus on supplying regional demand—particularly Egypt's—rather than competing globally. In an LNG-abundant world, the region's gas future lies closer to home. ■

Lebanon's Gas Future Depends on Thinking Regionally, Not Acting Alone

Laury Haytayan
MENA Director, Natural Resource Governance Institute

Lebanon's offshore gas sector continues to struggle, despite recent positive developments. The maritime agreement with Cyprus was a logical and necessary step. It was a low-hanging fruit that brought legal clarity and sent a signal that Lebanon is willing to move forward. But agreements alone do not bring investment.

The reality is that Lebanon's third licensing round failed to attract bidders, and the government has had to rely on revised arrangements with existing operators. Exploration timelines have been extended, slowing momentum at a time when the country cannot afford delay. Companies remain cautious, not only because of geology, but because of market access and export uncertainty.

This is where Lebanon's strategic thinking must change. Lebanon cannot view itself as a standalone gas market. Its domestic demand is small, and electricity generation alone will not justify large upstream investment. Investors want to know where the gas will go. Without a clear regional role, Lebanon will continue to be a marginal prospect.

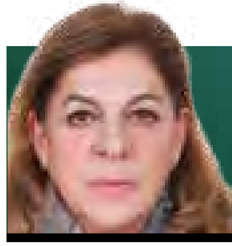
Geopolitically, Lebanon is not "taking sides" by signing maritime agreements. It is acting in its own interest. Regional dynamics are shifting, including evolving relations between Turkey, Egypt, and Syria. Lebanon must position itself within these dynamics rather than remaining on the sidelines. There are opportunities to integrate—whether through transit infrastructure, regional pipelines, or even future LNG options in southern Lebanon.

> **"East-Med Regional energy integration will determine winners, not national self-sufficiency. Eastern Mediterranean gas development must be treated as a single regional system. Countries pursuing isolated, domestic-only strategies will be marginalized as capital flows toward integrated cross-border solutions."**

More broadly, the Eastern Mediterranean should be approached as a single, integrated gas market. Unlocking its potential requires scale, coordination, and political weight. Large international players, particularly US companies, could act as anchors—but only if the region is presented as a coherent investment proposition.

If Lebanon wants a future role in East Med gas, it must move faster, think regionally, and stop treating energy as a purely national project. ■

East Med Energy Faces Demand Limits, Not a Shortage of Deals



Kate Dourian
MEES Contributing Editor & Non-Resident Fellow, The Arab Gulf States Institute in Washington

Recent maritime agreements in the Eastern Mediterranean are often presented as breakthroughs, but legal clarity alone is not enough to unlock new investment. The region's challenge is not the absence of agreements, but the absence of commercially viable pathways in a landscape still shaped by geopolitical uncertainty.

Egypt is frequently described as a regional gas hub, yet in practice it is increasingly dependent on imported gas. Its LNG export capacity is constrained by domestic demand, and any gas that enters the Egyptian system is likely to be absorbed internally. Export volumes depend heavily on Israeli supply, and even that is not guaranteed. Israel prioritizes its own domestic needs before committing volumes for export, which helps explain why large export deals have yet to translate into sustained flows.

From an investor's perspective, the East Med is only one option among many. Egypt is revising fiscal terms to attract capital. Israel is preparing new licensing rounds. Syria is reopening offshore and onshore acreage. In this context, offshore Lebanon — with limited discoveries, inconclusive results, and unresolved export routes — struggles to compete for attention. Capital will flow where terms are clear and where there is a realistic path to monetization.

Turkey remains a structural variable. Ankara's posture is selective and interest-driven rather than broadly conciliatory. Its involvement in Syria and Libya reflects targeted strategic priorities, adding another layer of uncertainty for East Med projects that depend on regional alignment.

> **"Rapid growth in electricity demand from artificial intelligence and data centers – mirrored by Saudi Arabia's aggressive gas development – will increasingly divert gas toward domestic power generation rather than exports."**

Even where gas exists, demand dynamics constrain export ambitions. Most Eastern Mediterranean countries are net importers, and domestic consumption — including rising demand for power generation and energy-intensive technologies — is absorbing available supply. In this environment, large-scale LNG exports from the region appear increasingly limited.

The result is a basin with geological potential but limited commercial clarity. Until domestic-demand pressures ease, export routes stabilize, and geopolitical risks diminish, East Med energy development is likely to remain incremental rather than transformative. ■

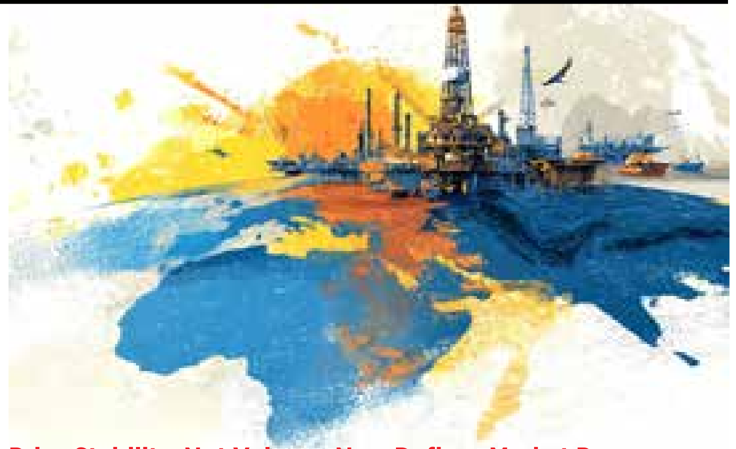
Why Gulf Oil Producers are Right to Keep Expanding Capacity

Dr. Carole Nakhle
Secretary General, Arab Energy Club

At a time when the global energy debate is dominated by talk of peak demand, accelerating electrification, and climate constraints, Gulf oil producers face a deceptively simple question. Should they continue investing billions in capacity expansion, or begin pulling back in anticipation of a shrinking market? The answer, increasingly clear, is that restraint would be the greater strategic risk.

Capacity expansion in the Gulf is not a short term bet on price spikes or cyclical demand rebounds. It is an assertion of relevance over decades. Oil demand is not disappearing. It is evolving. Even in a world moving more aggressively toward decarbonization, hydrocarbons will remain essential. When demand persists, it will gravitate toward barrels that are cheapest, most reliable, and lowest in carbon intensity. That reality places Gulf producers in a uniquely advantaged position.

Crucially, capacity expansion is not just about adding new barrels. It is also about offsetting natural decline. Fields across the world lose productive capacity every year, and without sustained investment, supply erosion becomes inevitable. Choosing not to invest does not preserve balance. It simply creates space for other producers, often higher cost and higher emissions, to step in. From this perspective, Gulf expansion is less about growth and more about defending market share and system stability.



Price Stability, Not Volume, Now Defines Market Power

Concerns that China's clean energy surge will undermine oil demand are understandable but overstated. China remains the primary engine of global demand growth, supported not only by consumption but by sustained commercial and strategic stock building. Even as electric vehicles gain market share, oil demand continues to rise, albeit at a moderated pace. The more relevant question is not whether demand grows, but how quickly supply responds.

That supply demand race will increasingly determine price outcomes. Demand growth remains intact, but the speed at which new supply enters the market will decide whether prices remain stable or come under pressure. So far, there are no indications of systemic supply shortages. On the contrary, potential new barrels from sanctioned producers or previously constrained regions suggest that managing supply growth will be OPEC's defining challenge in the years ahead.

This reality explains why OPEC's strategy has shifted from volume maximization to price defense. Success is no longer measured by how much oil is produced, but by how effectively prices are stabilized. Holding prices within a defensible range while cautiously reintroducing withheld barrels has become the benchmark of effective market management. Aggressive production increases risk undermining revenues, fiscal planning, and political cohesion within the group.

Carbon Intensity and New Supply Risks Reshape Competition

Yet price management alone will not define competitiveness. Carbon intensity is rapidly emerging as a parallel metric to cost. In a more climate conscious global economy, buyers and regulators alike are paying closer attention to the emissions embedded in each barrel. Producers that combine low lifting costs with low carbon intensity will be better positioned as climate linked trade measures expand. This dynamic quietly but decisively favors the Gulf over higher emissions producers.

Over time, oil demand itself will become more selective. Consumption will persist, but trade flows will increasingly tilt toward lower carbon barrels. This shift will reshape market hierarchies, creating a two tier system in which producers that fail to address emissions intensity face growing disadvantages, regardless of reserves or historical influence.

Against this backdrop, the prospect of Venezuela's return to the market adds another layer of complexity. While its reserves are vast, a rapid supply surge is unlikely. Years of underinvestment, infrastructure degradation, complex crude quality, and weaker project economics will constrain any rebound. Unlike Iraq's post sanctions recovery, today's market is structurally different, more competitive, and less forgiving.

Even so, Venezuela poses strategic questions for OPEC. If United States involvement deepens and sanctions ease, Caracas could either drift away from OPEC discipline or remain formally inside the group while effectively ignoring quotas. Either scenario would strain cohesion at a moment when unity is central to price stability.

The competitive impact of Venezuelan barrels would also be uneven. Heavy crude producers such as Russia and Canada would feel the pressure most acutely, given crude quality similarities. Gulf producers, by contrast, benefit from diversified markets, advanced refining systems, and the ability to process a wide range of crude grades. That structural flexibility acts as a buffer against market disruption.

In the end, the Gulf's strategy is less about resisting change and more about shaping it. Capacity expansion, emissions reduction, refining sophistication, and disciplined market management form a coherent response to an evolving energy system. Far from being a contradiction, investing in oil capacity today may be the most pragmatic way to ensure stability for producers and the global economy alike in an era defined by transition, uncertainty, and uneven demand. ■

EUROPE

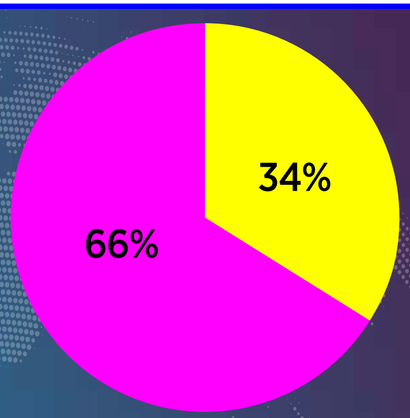
Turkey's Strategic Autonomy will Shape Europe's Energy and Security Future in 2026

Mehmet Öğütçü
Chairman, London Energy Club

Europe likely to return to Russian gas supply in due course in the aftermath of any Peace Agreement between Russia & Ukraine as access to cheap energy will be critical to compete globally in G2 World?

Answer:

- Agree
- Disagree



GI Survey conducted with 500 international energy markets stakeholders on Jan. 8th, 2026

As Europe continues to grapple with the consequences of Russia's invasion of Ukraine, one country sits uncomfortably at the center of its unresolved energy and security dilemmas: Turkey. Neither fully embedded in Europe's energy architecture nor willing to remain a passive transit state, Turkey is asserting strategic autonomy at a moment when Europe can least afford ambiguity.

Despite hopes in Brussels, Turkey has not been structurally integrated into Europe's post-Ukraine energy system. It remains viewed as a peripheral conduit rather than a strategic partner. Yet Europe's ambition to fully de-risk from Russian gas by 2027 faces a hard reality: Turkey hosts the only remaining Russian pipeline into Europe via TurkStream and possesses import capacity far beyond its domestic needs. Ignoring Turkey does not eliminate dependency risks—it merely displaces them.

In 2026, Ankara's real energy focus will not be the politically charged Eastern Mediterranean, but the Black Sea. With an estimated 750 billion cubic meters of gas already discovered and production underway, Turkey's Black Sea reserves represent its most credible path to energy sovereignty. By contrast, Eastern Mediterranean gas remains hostage to unresolved maritime disputes and exclusionary regional alliances that risk turning Turkey from stakeholder into spoiler.

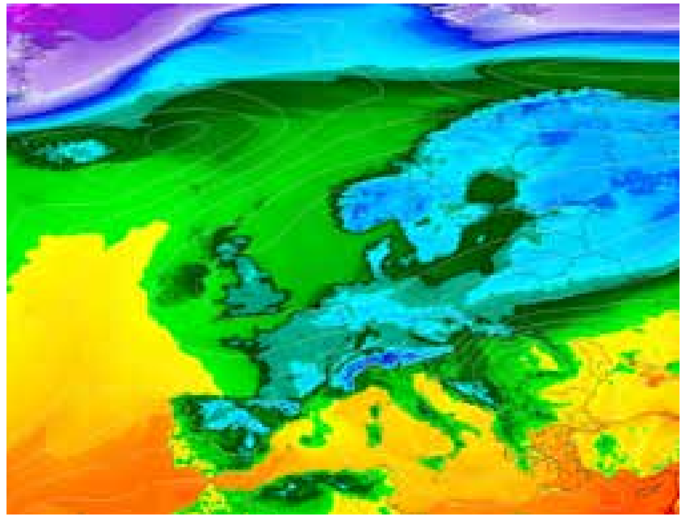
Geopolitically, Turkey's role may be even more consequential. A Ukraine–Russia settlement is likely in 2026, and if it happens, Turkey will be among the principal facilitators—quietly, deliberately, and behind the scenes. No other NATO member maintains working trust with Moscow, Kyiv, Washington, and Europe simultaneously.

> **"Turkey's global role in 2026 is evolving from transit state to strategic autonomous power, leveraging energy sovereignty, Black Sea diplomacy, and unique multi-polar credibility to act as a decisive middle power in Europe-Eurasia geopolitics."**

Even with peace, however, Russia's rapid reintegration into Europe's energy system is unlikely. The scars of the conflict run too deep. That leaves Europe with a strategic choice: continue treating Turkey as a marginal player or acknowledge it as a central pillar of regional energy security.

In a fragmented world, strategic autonomy is no longer an ambition—it is leverage. In 2026, Turkey intends to use it. ■

Weather and Demand Now Outweigh Russian Supply in European Gas Pricing



Anne-Sophie Corbeau
Global Research Scholar, Center on Global Energy Policy, Columbia University

Europe's energy relationship with Russia has crossed a point of no return. Following Russia's invasion of Ukraine, repeated attacks, and the systematic testing of European defences, trust has collapsed. Even under a hypothetical peace agreement, political and security realities make any meaningful return to Russian gas flows highly unlikely.

This reality is already embedded in policy. Europe's gas phase-out from Russia is structured and irreversible. LNG imports are being eliminated first, with remaining pipeline gas set to end by September 2027. Any peace deal would not materially change flows before then, leaving Europe's near-term gas balance largely unchanged.

Today, European gas prices are driven far more by weather and demand patterns than by Russian supply. Prices have fallen below €30 per megawatt hour despite lower storage levels and periods of cold weather. Europe's real vulnerability is not geopolitics in isolation, but a late-winter cold snap—particularly in March, when storage is depleted and withdrawal capacity is constrained. In such a scenario, Europe could be forced into aggressive competition for LNG, triggering sharp price spikes.

> **"Most of the additional LNG coming to the market in 2026 – predominantly from the US – is going to go to Asia rather than Europe."**

Europe's LNG imports reached record levels in 2025, with more than half sourced from the United States. While this reduced reliance on Russia, it increased exposure to global LNG competition and geopolitical risk. Muted Chinese LNG demand in recent years helped stabilise Europe's market, but a rebound in Chinese imports as prices fall could quickly tighten global balances again.

Looking ahead, the LNG market faces two competing futures: unconstrained demand absorbing new supply, or a looming oversupply glut. Outcomes will hinge on geopolitics, Asian demand growth, and whether new LNG volumes can genuinely displace coal. What is clear, however, is that Europe's break with Russian gas is already locked in. ■

Sanctions Risk Losing Credibility Through Inconsistent Enforcement

Adi Imsirovic
Director, Surrey Clean Energy & Senior Associate, CSIS

Sanctions are only as effective as the rules that govern their enforcement. Recent developments suggest that those rules are becoming less clear, not more.

The boarding of a tanker in the North Atlantic linked to Venezuelan sanctions — and later found to be reflagged to Russia mid-voyage — exposed the growing legal and operational ambiguity surrounding enforcement. When a vessel's status can change during transit, questions arise not just about jurisdiction, but about where enforcement thresholds actually sit. This is no longer a technical issue; it is a credibility one.

Europe has already paid a high price for sanctions. It no longer imports Russian crude or products and is now tightening restrictions on fuels refined from Russian oil. These measures increase compliance burdens and costs, yet they do little to resolve a central challenge: once oil is blended, refined, and moved across multiple jurisdictions, tracing origin becomes close to impossible. Enforcement increasingly relies on judgment calls rather than clear, repeatable rules.

Sanctions are most effective when applied consistently and backed by coordinated financial pressure. Secondary sanctions have historically been powerful tools, but uneven application creates space for adaptation rather than deterrence. Selective enforcement does not eliminate sanctioned trade — it reshapes it.

Overlaying all of this is uncertainty around policy direction. Enforcement actions appear reactive and situational, making it difficult for markets, governments, and companies to

understand what will trigger intervention and what will not. That unpredictability weakens deterrence and raises the risk of miscalculation.

Sanctions do not fail overnight. They erode when rules become discretionary. The real danger is not that enforcement becomes tougher, but that it becomes less coherent — and therefore less credible. ■

Europe's Russia Sanctions Face a Structural Test, Not a Sudden Collapse

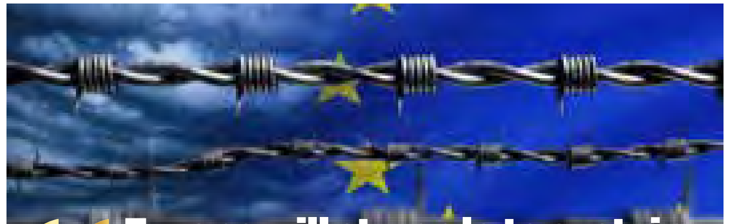
Arne Lohmann Rasmussen
Chief Analyst and Head of Research, Global Risk Management

Europe's sanctions regime against Russia is entering a more difficult phase — not because sanctions have failed, but because sustaining them over time is structurally challenging. The real pressure points lie less in oil markets and more in gas, enforcement limits, and political cohesion within the European Union.

On oil, Europe has largely adapted. Crude and refined products can be sourced elsewhere, and while sanctions have disrupted trade flows, price impacts have been manageable. Gas, however, is a different story. Energy-intensive industries — particularly in Germany — have seen output fall by roughly 25% over the past four years. High gas prices are not the sole cause, but they have materially eroded Europe's industrial competitiveness, creating mounting pressure from manufacturers for relief.

Sanctions enforcement also faces hard limits. New EU measures restricting products refined from Russian crude raise compliance hurdles, but tracing molecular origin remains virtually impossible. Ship-to-ship transfers and blending obscure provenance, making perfect enforcement unrealistic. These steps, tighten the screw but do not eliminate circumvention.

Political mechanics add another layer of fragility. Many EU sanctions require renewal every six months and unanimous agreement among 27 member states — a process that grows more complex as national interests diverge. By contrast, measures embedded in EU law, such as restrictions on LNG, are harder to reverse and therefore more durable.



"Europe will struggle to sustain unified sanctions enforcement through 2026 without US OFAC alignment as financial institutions and banks will not risk exposure to OFAC penalties."

The shipping and bunker markets illustrate this divide. A sanctioned "shadow fleet" operates alongside compliant vessels, creating a bifurcated system that raises regulatory and environmental risks, particularly in congested waters like the Baltic Sea.

Europe's challenge is not whether sanctions exist, but whether they can be sustained consistently over time. Oil markets can adjust. Gas dependence, political unity, and enforcement capacity are far harder to replace. ■

Sanctions are Shifting from Ships to Systems

Michelle Wiese Bockmann
Senior Maritime Intelligence Analyst, Windward

The future of sanctions enforcement is no longer about adding more ships to watchlists. It is about exploiting legal vulnerabilities in how illicit oil actually moves. Stateless vessels—those operating with false or invalid flags—have emerged as the weakest link. Under international law, these ships can be boarded and seized, making them far more exposed than properly flagged tankers operating in legal grey zones.

Recent seizures underscore this shift. They are not symbolic gestures, but targeted actions against vessels that lack legal protection.

With more than three-quarters of the dark fleet already sanctioned, designation has largely run its course. Enforcement is now replacing listing as the primary tool. This marks a transition from passive sanctions policy to a more muscular, operational phase focused on real-world disruption.

Operators are adapting quickly. The reflagging of the tanker Bella 1 to Russia mid-voyage highlights how dark-fleet actors exploit jurisdictional ambiguity to shield assets once enforcement risk rises. Moscow's broader reabsorption of shadow tankers under its own flag signals a strategic recalibration of risk—one that shifts exposure from vessels to the networks that support them.

"We're at the beginning of a nascent trend that could reorganize the Dark Fleet, especially when we see that Trump has effectively cut off oil to China with that quasi-naval blockade of Venezuela."

Despite unprecedented sanctions, oil from Russia, Iran, and Venezuela continues to flow. In December alone, roughly 30% of Russian oil and products were carried on EU-owned vessels as prices dipped below the cap. This exposes a structural weakness: the price cap limits revenue but does not reliably restrict volumes.

As a result, the cap is losing relevance. Regulators are increasingly focused on the enablers of sanctions evasion—insurers, financiers, brokers, and service providers—rather than ships alone.

This evolution points to a broader objective. Europe is moving toward full energy decoupling from Russia, even if it requires a long and complex adjustment. Sanctions are no longer about vessels. They are about dismantling the systems that keep oil moving. ■

Why the Oil "Glut" Debate is Really a Demand Data Problem

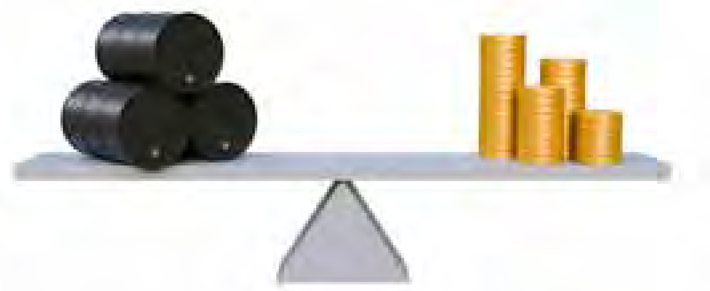
Neil Atkinson
Former Head of Oil Markets Division, International Energy Agency

Concerns that the oil market could slip into a sustained contango in 2026 appear overstated. Greater transparency in oil supply has reduced the likelihood of significant miscounting, with satellite tracking now offering far clearer visibility than in past cycles. As a result, supply itself is unlikely to be the source of persistent imbalance.

The real challenge lies on the demand side. Oil demand is inherently difficult to measure, spanning every country, sector, and fuel type, which leads to persistent undercounting. Historical revisions consistently show that global demand was higher than initially reported, often eliminating the so-called "missing barrels" that dominate surplus narratives.

These demand revisions are not confined to any single region. Past upward adjustments have emerged across both

> **"The oil market will move into balance through 2026, not sustained oversupply. While a modest surplus may appear early in 2026 --around one million barrels per day-- improving demand recognition and slower non-OPEC supply growth will bring the market back into balance as the year progresses."**



OECD and non-OECD countries, from Africa to the Middle East, underscoring that undercounting is a global phenomenon rather than a regional anomaly. As revised data is incorporated, implied surpluses typically shrink.

Underlying demand strength helps explain why the market has absorbed supply growth without a sustained build in inventories. Once demand revisions are accounted for, actual surpluses tend to align more closely with OPEC's estimates than with those implied by IEA or EIA balances.

Geopolitical risk premiums also appear overstated. Despite ongoing tensions, oil continues to flow from Russia, Iran, and Venezuela. Even a complete loss of Venezuelan production—now below one million barrels per day—would have limited global impact and would not materially alter balances.

With demand stronger than reported and non-OPEC supply growth slowing, the conditions required for a prolonged contango are absent. Any temporary market softness is unlikely to persist, reinforcing the view that 2026 will be characterized by balance rather than sustained surplus. ■

Oil Markets are Being Driven by Narrative, Not Physical Surplus

Paul Hickin
Chief Economist & Editor-in-Chief, Petroleum Economist

The dominant narrative in oil markets today is one of oversupply. Yet despite repeated claims of a glut, the physical evidence remains elusive. Balances point to surplus, but barrels have been difficult to locate in storage or flows. This disconnect has allowed sentiment to outweigh fundamentals in shaping prices.

OPEC+ is often portrayed as constrained or reactive, but it remains an active manager of supply. Production targets are not static outcomes; they are tools that can be adjusted as conditions change. While the group does not defend a specific price level, it has shown a clear willingness to respond when prices weaken materially, reinforcing its role as a stabilising force rather than a passive observer.

Opacity continues to complicate market assessment. Improved tracking has helped, but large parts of the system remain difficult to measure accurately. Chinese import behaviour, sanctioned flows, and inconsistencies between reported production and actual movements regularly distort the picture. As a result, perceived surpluses often appear only after the fact, forcing revisions and reinforcing uncertainty.

Financial positioning has amplified this dynamic. Speculative funds have accumulated short positions, particularly in WTI, even as physical indicators fail to confirm a large, sustained surplus. Prices have therefore reflected narrative momentum more than observable excess supply.

U.S. shale underscores this tension. Output has continued to rise despite falling rig counts, driven by efficiency gains. But those gains are no longer sufficient to offset lower prices indefinitely. At current levels, growth is slowing and approaching a natural limit.

The result is a market where conviction about oversupply runs ahead of evidence. Until narratives reconnect with physical realities, oil prices are likely to remain shaped more by perception than by barrels. ■

2026: The Year the Illusion of Balance Breaks in Global Energy Markets

Dave Ernsberger
President, S&P Global Energy

The defining feature of global energy markets entering 2026 is not stability, but the illusion of it. The fragile equilibrium that characterized 2025—flat headline prices masking deep structural imbalances—cannot persist. Markets cannot indefinitely absorb mismatches between supply growth and demand growth without consequence. In 2026, that reckoning arrives.

For much of last year, prices appeared remarkably calm across oil, gas, and commodities, even as inventories built, forward curves shifted, and supply capacity quietly expanded. But price stability without balance is unsustainable. Markets must ultimately reconcile supply, demand, and price. When that alignment breaks down, prices are forced to move.

That adjustment is already underway. Dated Brent is expected to average around $59 per barrel in 2026, down from roughly $69 in 2025. This is not a collapse driven by demand destruction, but a correction—a search for the clearing price that can reconcile excess supply with slower, though still positive, demand growth. Lower prices are not the end of the story; they are the mechanism through which markets rebalance.

Crucially, demand growth is not disappearing. It is recovering modestly. Global oil demand is expected to grow by approximately 1 million barrels per day in 2026, up from around 700,000 barrels per day last year. This improvement reflects the simple reality that lower prices stimulate consumption, particularly in a world increasingly dominated by price-sensitive buyers.

“We expect Global oil demand to grow by around 1 million barrels per day in 2026, up from approximately 700,000 bpd in 2025, as lower prices will revive price-sensitive demand, especially in Asia.”

India sits at the center of this dynamic. As one of the fastest-growing major oil consumers, India is emerging as the world’s marginal demand stabilizer. When prices fall, Indian buyers respond quickly, absorbing barrels that might otherwise weigh on the market. Southeast Asia and parts of the United States also contribute to this consumption-led recovery, reinforcing the idea that real end-use demand—not speculative storage—will drive growth in 2026.

This distinction matters. The intense debate of recent years over whether inventory builds constitute “real demand” has obscured a more fundamental truth: over time, it is molecules consumed—not barrels stored—that determine market direction. Storage influences timing and flows, but sustained demand trends are anchored in actual consumption across transport, industry, and petrochemicals.

On the supply side, the strategic landscape is shifting. After years dominated by price defense, market share is back. Producers are increasingly balancing revenue maximization between price and volume. This marks a structural shift where defending position in global supply once again sits alongside price discipline as a core strategic objective.

That reality sharpens competition. In a market where supply capacity can grow by more than two million barrels per day annually while demand grows at roughly half that pace, the winners are clear: lowest-cost producers. Economics will increasingly dictate outcomes. High-cost barrels will struggle to compete, even as diversification and geopolitical considerations provide limited insulation.

Nowhere is this more evident than in U.S. shale. Despite consolidation, improved balance sheets, and disciplined capital allocation, sustained lower prices will pressure higher-cost producers. U.S. output is expected to flatten—or decline—in 2026 as drilling activity slows and marginal projects are deferred. Ironically, policies aimed at lowering consumer prices ultimately constrain domestic supply growth.

Meanwhile, geopolitical risk continues to dominate headlines but has had surprisingly little impact on prices. From Middle Eastern tensions to renewed attention on Venezuela, market reactions remain muted. The reason is structural: today’s supply buffers are large enough that no single geopolitical event, absent a direct and sustained supply disruption, can tip markets into deficit. Even Venezuela’s potential return remains a late-decade story, unlikely to materially affect 2026 balances.

The deeper message of 2026 is not volatility, but realism. Energy markets are moving away from narratives of perpetual tightness and toward a world defined by competition, cost discipline, and consumption-led demand growth. The illusion of balance is breaking—and in its place, a clearer, more economically grounded energy landscape is emerging. ■

PODCASTS

Global Energy Security: Demand vs Supply?

Fortress America and the Fracturing of Global Energy Markets

Karen Young
Senior Research Scholar, Center on Global Energy Policy
Columbia University

The most consequential risk shaping U.S.–Gulf relations today is not diplomatic tension or shifting alliances, but Washington's growing misreading of how global energy markets actually function. U.S. energy policy is increasingly shaped by a hemispheric, inward-looking vision that underestimates the deeply global, interconnected nature of oil and gas markets. That miscalculation threatens market stability, producer confidence, and long-term energy security.

Efforts to fragment energy markets along geopolitical lines may serve domestic political narratives, but they distort pricing mechanisms and weaken coordination. Energy markets do not respond to ideology; they respond to supply, demand, capital flows, and confidence. When policy attempts to override these fundamentals, volatility increases and investment horizons shorten—outcomes that undermine both producers and consumers.

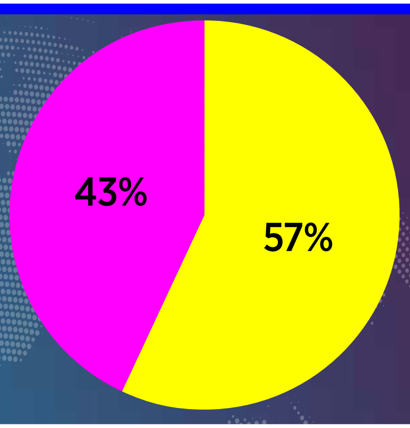
From Global Energy Leadership to Fortress America

This strategic blind spot is unfolding as the traditional foundations of U.S.–Gulf relations erode. The long-standing assumption that the United States provides a durable security umbrella in exchange for stable energy supply no longer holds. Gulf states increasingly operate on the premise that U.S. protection is conditional, episodic, and activated only during moments of acute crisis rather than as a standing guarantee.

Compounding this uncertainty is Washington's increasingly transactional approach to allies. Relationships are framed less as strategic partnerships and more as ad-hoc exchanges: investment for access, cooperation for attention, alignment for temporary reassurance. While this may offer flexibility for Washington, it undermines trust and makes long-term planning far more difficult for Gulf capitals.

> **"The US move on Venezuela is a renationalization of the country's oil industry that has cut out IOCs and potential investors and deciders on where the industry in Venezuela could go!"**

The "D"onroe doctrine will include a Western Hemisphere oil bloc that could challenge OPEC's role in managing the global energy markets?



GI Survey conducted with 500 international energy markets stakeholders on Jan. 8th, 2026

At the core of this tension lies a persistent misalignment of priorities. U.S. policymakers remain focused on keeping oil prices low for domestic political reasons, even when that objective clashes directly with the fiscal stability of producer economies. Producer revenue, investment certainty, and long-cycle project planning are secondary considerations. For Gulf states pursuing economic diversification and fiscal reform, this divergence is structural rather than cyclical.

The concept of "energy dominance" further complicates the relationship. Rather than reinforcing leadership within a global market system, the U.S. increasingly interprets dominance through a Western Hemisphere lens. This inward turn weakens appreciation for global trade flows and undermines multilateral market frameworks that historically stabilized prices and investment. For exporters, it introduces uncertainty precisely when clarity is most needed.

Capital, China, and the Fragmentation Risk

As a result, the Gulf's perceived value to Washington has shifted. Energy supply is no longer the primary currency of the relationship. Instead, Gulf states are increasingly viewed as sources of capital—providers of sovereign investment, infrastructure financing, and funding for U.S. energy and technology ventures. This financial interdependence is meaningful, but it is not a substitute for strategic alignment or security assurance.

Technology cooperation, particularly in artificial intelligence and data infrastructure, exemplifies this shift. These partnerships are economically and strategically important, yet they do not translate into defense guarantees. Critical infrastructure collaboration expands interdependence without restoring the security frameworks Gulf states continue to seek.

Meanwhile, U.S. policy toward the region has become increasingly crisis-driven and personality-led. Decisions often hinge on presidential intervention rather than institutional process, making outcomes difficult to anticipate. Gulf governments are left waiting for engagement that may arrive suddenly—or not at all—undermining long-term strategic autonomy.

Overlaying these dynamics is the growing complexity of China's role. Washington now recognizes the depth of Gulf–China economic ties, particularly in energy, infrastructure, and renewables. Yet intensifying U.S.–China rivalry places Gulf states in a delicate balancing position. While energy flows to Asia are unlikely to shift abruptly, longer-term demand changes and geopolitical polarization introduce new vulnerabilities.

The cumulative effect is a gradual reordering of the global energy landscape. If U.S. unilateralism continues, it risks accelerating an East–West divide among producers, weakening collective coordination mechanisms such as OPEC. Fragmented producer blocs would diminish leverage, distort investment signals, and fundamentally reshape how oil is priced, traded, and financed.

For Gulf producers, the challenge is no longer simply how to respond to Washington's signals, but how to operate in a system where those signals are inconsistent, transactional, and increasingly detached from global market realities. The era of strategic certainty has passed. What replaces it will determine whether global energy governance adapts—or fractures under the weight of geopolitics. ■

Venezuela at the Fault Line of Power, Energy, and Coercion

Jose Chalhoub
Analyst, Jose Parejo & Associates

For Venezuela, the recent airstrikes in Caracas mark a rupture unlike anything seen in modern history. Even amid decades of political confrontation, sanctions, and anti-imperialist rhetoric under Hugo Chávez and Nicolás Maduro, the direct targeting of military assets in the capital represents a psychological and strategic escalation. The streets of Caracas today are defined not by protest or mobilization, but by a tense calm driven by uncertainty.

The most immediate concern for ordinary Venezuelans is not geopolitics, but economic survival. The currency continues its relentless collapse, eroding purchasing power daily, while inflation accelerates in the absence of credible policy intervention. Political ambiguity compounds this anxiety. There is no clarity on whether the current strikes are a singular event or the precursor to a broader campaign. The fear of a second wave hangs heavily over the population.

Venezuela's oil revival faces a $150 billion reality check

From an energy perspective, expectations of a swift Venezuelan recovery are detached from reality. PDVSA's infrastructure is degraded across the entire value chain, from upstream production to ports and tankers. Estimates suggest total required investment of around $150 billion to restore capacity, a figure that dwarfs any short-term appetite from international oil companies. Even under an assumed political transition, the absence of security guarantees, institutional reform, and access to international financing makes rapid normalization implausible. ■

> **"Within the next 12–18 months, Venezuela's oil sector will remain structurally paralyzed despite any political transition. Without control of the armed forces and a full overhaul of PDVSA management, foreign investment will stay minimal."**

Washington's Gamble: Energy Leverage Without a Stability Plan

Rachel Ziemba
Adjunct Fellow, Center for a New American Security

For many Americans, the escalation in Venezuela came as a surprise. While specialists could see pressure building through sanctions, blockades, and financial isolation, the operational details and speed of the move caught even seasoned observers off guard. What is clearer is that Venezuela has become a test case for a new kind of U.S. coercive strategy, one that blends military pressure with direct intervention in energy revenue flows.

The most striking development is Washington's willingness to act as a de facto intermediary in Venezuela's oil sector, using escrow-style mechanisms that echo earlier Iran sanctions but go further in asserting control. This raises fundamental questions about ownership, governance, and legitimacy. Who ultimately benefits from these assets, and when, if ever, do revenues flow back to the Venezuelan people?

Venezuela will not move markets, but it changes the rules

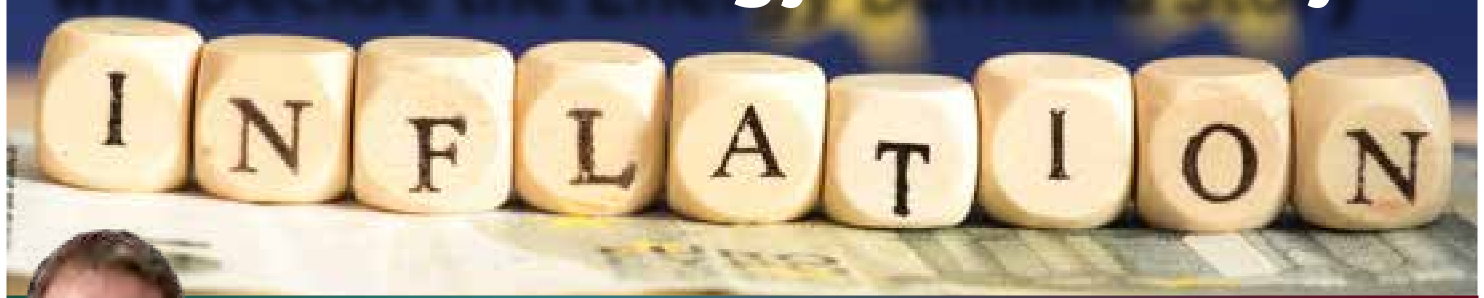
From an energy markets standpoint, the short-term impact is limited. Venezuelan production will not rebound quickly, and global supply balances remain shaped more by growth in Brazil, Guyana, and North America. However, the precedent matters. High-cost producers and politically exposed suppliers now face greater uncertainty about how geopolitical power might override commercial norms.

> **"Over the next six months, the US will institutionalize escrow style control over Venezuelan oil revenues, prioritizing U.S. firms while restricting cash flows to Caracas. This will deter broad international participation and reinforce a de facto blockade aimed at limiting Chinese involvement rather than accelerating Venezuelan supply growth."**

There is also a humanitarian risk. Restricting revenue flows without a clear transition plan could worsen living conditions and deepen instability, undermining the very governance reforms international oil companies require before committing capital.

In the absence of a credible long-term stabilization framework, Venezuela risks becoming less a model for energy dominance and more a warning about the limits of coercion without strategy. ■

Inflation, Not Geopolitics, will Decide the Energy Demand Story



Christof Rühl
Senior Research Scholar, Center on Global Energy Policy, Columbia University

After half a decade of shocks—from pandemics to wars to tariffs—it is tempting to believe that geopolitics will once again dominate the outlook for global energy demand. But the macro factor that will matter most in the years ahead is far more prosaic: inflation in advanced economies.

Global growth itself is not collapsing. In fact, over the long run, the world reliably delivers something close to 3% growth. What changes, and what matters for energy demand, is where that growth comes from and how it is financed. In 2026, the United States is likely to grow somewhat faster than trend, supported by political incentives ahead of midterm elections and a still-resilient economy. Europe, too, may surprise on the upside, driven by fiscal expansion, infrastructure spending, and rearmament. China and parts of Asia, by contrast, are entering a phase of structurally slower growth.

> **"The picture for energy demand this year, is not looking that great for oil, is looking very good for natural gas, and nuclear to some extent, and is mixed but positive for coal."**

The key risk is that this growth mix is increasingly debt-financed. Advanced economies have accumulated heavy debt burdens, and history suggests that populist governments tend to suppress interest rates for too long. The result is not an immediate crisis, but mounting inflationary pressure. That matters for energy because inflation reshapes consumption patterns, investment decisions, and ultimately demand growth—often more decisively than tariffs or trade disputes.

For oil, this implies continued demand deceleration, as slowing emerging-market growth is only partially offset by consumption in OECD economies. Electricity, however, tells a different story. Inflation has not stopped the surge in power demand, driven by electrification and the rapid expansion of AI and data centers. This underpins strong prospects for natural gas, mixed but positive demand for coal, and a gradual revival of interest in nuclear.

In short, the next phase of energy demand will be shaped less by headline geopolitical drama and more by how advanced economies manage inflation in a debt-heavy world. ■

Why the Oil Surplus Never Showed Up

Paul Horsnell
Chairman of the Board, The Oxford Institute for Energy Studies

For more than a year, oil markets have been braced for a glut that never quite arrived. Forecasts warned of millions of barrels per day in surplus, yet prices refused to collapse, inventories failed to balloon, and the forward curve stubbornly avoided a sustained contango. This disconnect is not a mystery—it is a misdiagnosis.

The starting point is that the surplus itself was overstated. Modelled balances projected large excess supply, but those barrels never materialised in observable OECD commercial inventories. Had the glut been real, it would have left a clear footprint: rising stocks, a front-end price collapse, and strong incentives to store oil. None of these signals emerged. Instead, physical markets remained tight at the prompt, with buyers willing to pay more for earlier delivery—hardly the hallmark of oversupply. Much of the supposed "missing oil" can be explained without invoking a glut. Some barrels were never produced in the first place, reflecting miscalibrated supply-demand models. Others flowed into strategic stockpiles or became embedded within longer and more complex trade routes. These barrels are effectively removed from short-term market circulation and therefore irrelevant to near-term price formation.

> **"US oil supply has peaked and is not putting on any incremental growth. That's a big change in the dynamic — Non-opec supply growth this year will be virtually nothing."**

Floating storage has also been misunderstood. Oil at sea is not synonymous with surplus. Most barrels on water are in transit or linked to sanctions-driven logistics, not stored for economic gain. Crucially, no one is placing oil into storage because the curve rewards them for doing so. Without contango, storage is not a market signal—it is just plumbing.

The persistence of the glut narrative, then, says more about sentiment than fundamentals. Financial markets latched onto headline balances, building short positions even as physical evidence contradicted them. Until that narrative adjusts, prices may remain subdued. But the absence of inventories, contango, and storage incentives tells a clear story: the oil glut was largely an illusion. ■

Geopolitics is Driving a Shift Toward Decentralised Power Investment

Nadia Martin Wiggen
Director, Svelland Capital

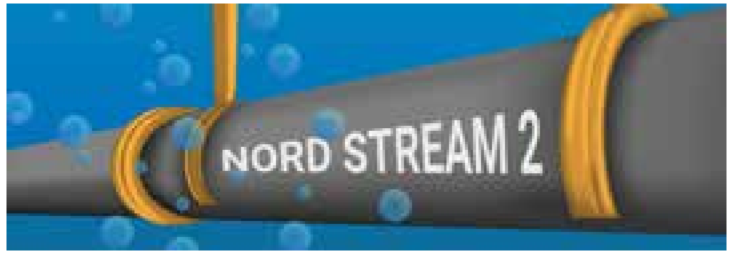
Investor appetite for energy is widening rapidly beyond oil. Capital is flowing across gas, LNG, power generation, grids, batteries, and critical materials as investors search for exposure along an increasingly complex and interconnected energy value chain. Despite price volatility, energy remains a core portfolio allocation, supported by structural demand from electrification, AI, and infrastructure buildout.

This shift is unfolding alongside a broader regionalisation of energy markets. Outside oil and LNG, global integration is fragmenting into regional systems across Asia, Europe, and the United States. This is reshaping infrastructure investment decisions, trading behaviour, and strategic positioning across the supply chain.

Geopolitical risk is no longer confined to oil and gas flows. Threats to cross-border power cables and centralised electricity systems are elevating energy security concerns within power markets themselves. This is strengthening the investment case for local generation, microgrids, and decentralised power infrastructure designed to improve resilience and reduce single-point vulnerabilities.

AI-driven electricity demand is intensifying these pressures. Rapid data-centre expansion is exposing grid fragility, accelerating the need for investment in generation, transmission, and storage capable of managing volatility, intermittency, and peak load.

Battery storage is becoming essential to grid stability, particularly in Europe where negative pricing, demand surges, and outage risks are prompting regulatory change. France is leading efforts to incentivise battery backup alongside renewables, with broader adoption expected.



"Due to rising sabotage, by 2026–2027, European power markets will shift investment from large interconnected transmission, toward more local resilience such as microgrids and enhanced physical security for subsea cables."

At the same time, nuclear power is returning to the investment agenda as a reliable baseload option, even with long development timelines. Rising carbon prices are testing political limits in Europe, highlighting the constraints of fuel switching as gas and LNG carry a growing share of the transition burden. In this environment, decentralised and resilient power assets are becoming increasingly attractive to investors. ■

Power First, Planning Later: the Dangers of Headline Geopolitics

Dr. Raad Alkadiri
Managing Partner, 3TEN32 Associates

The intervention in Venezuela reflects a broader shift in U.S. foreign policy thinking: power projection over process, leverage over legitimacy. Oil is central, but it is not the sole driver. This move aligns with a worldview rooted in spheres of influence, where the United States asserts control over its near abroad with minimal concern for institutional consensus or long-term governance.

Venezuela was chosen not because it is easy to fix, but because it is easy to dominate militarily. It poses no direct threat, offers headline impact, and allows the administration to demonstrate resolve at low immediate cost. The danger lies in confusing tactical success with strategic sustainability. Running a country, or even an oil sector, requires far more than coercion and control of revenues. Even with far greater planning, post-invasion governance in Iraq proved deeply destabilizing. Today, there is little evidence of comparable preparation for Venezuela. Control mechanisms may resemble escrow accounts used elsewhere, but coercion is not governance, and leverage is not legitimacy.

For OPEC and major producers, the implications are unsettling.

"By 2027, the US will formalize control over Venezuelan oil revenues through a New York–based custodial mechanism, using disbursement as political leverage, and lack of planning will cap production recovery below one million b/d through 2030."

While Venezuelan output will not disrupt markets in the near term, the longer-term risk is fragmentation, including the possibility of Venezuela exiting OPEC altogether. More broadly, this approach signals a willingness to prioritize political leverage over market stability.

Foreign policy driven by headlines rather than institutions rarely ends where it begins. The real test will come not in the first strike, but in the years that follow. ■

US Energy Interference in Latin America Reshapes Control Not Legitimacy

Aldo Flores-Quiroga
Former Deputy Secretary of Energy for Hydrocarbons, Mexico's Ministry of Energy & Non-Resident Fellow, Baker Institute

As Washington reasserts itself across Latin America's energy landscape, the immediate effect may look like renewed influence and leverage. But beneath the headlines, a deeper tension is emerging. The United States may be able to impose control in parts of the region's energy sector, yet it is struggling to build legitimacy and without legitimacy long term energy cooperation in Latin America remains inherently unstable.

This is not a new dilemma. Latin America's political memory is long, and energy has always been inseparable from questions of sovereignty, national identity, and institutional autonomy. Recent US actions from Venezuela to broader rhetoric aimed at Mexico, Colombia, and beyond are therefore being interpreted less as commercial interventions and more as geopolitical assertions. As one senior regional voice put it during a recent forum, "these actions bring control, but do not win the hearts and minds of those that are in the same neighborhood."

That distinction matters. Control can be exercised through sanctions, licenses, exemptions, or diplomatic pressure. Legitimacy, however, cannot. It must be built through participation, trust, and institutional credibility qualities that are in short supply when energy policy is driven by unilateral decision making.

Venezuela as a Test Case of Legitimacy

Venezuela has once again become the focal point of this debate. While the country holds some of the world's largest hydrocarbon reserves, few in Latin America view its partial re entry into global energy markets as a simple oil story. Instead, it is seen as a stress test for whether externally driven energy engagement can succeed without local political ownership.

The challenge is not geological it is institutional. Venezuela's energy sector has suffered from years of mismanagement, underinvestment, and political distortion. Reversing that decline requires more than foreign capital or policy recalibration. It requires a governance framework that Venezuelans themselves recognize as credible and durable.

> **"Venezuela's oil future is not constrained by geology but by policy, institutions, and legitimacy; without a stable framework defined with Venezuelan participation, investment will remain fragile and the episode will matter more for the international order than for global oil supply."**

As was emphasized in the discussion, "if it doesn't have participation of the Venezuelans themselves in defining it, it's hardly sustainable long term and that will affect the prospects for investment." Any arrangement that restores flows without restoring legitimacy risks becoming another temporary workaround rather than a foundation for recovery.

Compliance Is Not Cooperation

Across the region, there is a clear awareness that external pressure can compel short term compliance. History offers multiple examples where decisive intervention produced immediate outcomes but failed to generate lasting political alignment or institutional reform. Energy, despite its technical complexity, is no exception.

Latin American governments may comply tactically when faced with economic or diplomatic pressure, but that does not translate into deeper cooperation. Instead, it reinforces a transactional mindset engage when necessary, hedge when possible, and avoid overdependence.

This dynamic is particularly relevant as the Western Hemisphere emerges as the main driver of global oil supply growth. While production across the Americas is reshaping global energy flows, there is little appetite in Latin America for a US led energy bloc or an OPEC style coordination mechanism. National strategies remain fragmented, politically sensitive, and closely guarded.

Sovereignty Still Shapes Energy Politics

The reaction across Latin America is best described as cautious apprehension rather than ideological resistance. Governments across the political spectrum emphasize sovereignty and self determination, even when they recognize the commercial logic of closer energy ties with the United States.

This helps explain why aggressive energy diplomacy often backfires. Actions perceived as coercive raise political risk, elevate investment uncertainty, and ultimately increase the cost of capital the opposite of what long term energy development requires.

Moreover, unilateral approaches weaken multilateral platforms designed to absorb tension and build shared understanding. As dialogue based international energy institutions lose influence, the vacuum is not being filled by stronger cooperation, but by greater fragmentation and mistrust.

Control Without Legitimacy Is Fragile

The central paradox is this US energy influence in Latin America may be growing at the same time that its political legitimacy is eroding. While Washington can shape outcomes through power and policy, it cannot easily shape consent. And in a region where energy is inseparable from politics, consent matters as much as contracts.

Without legitimacy, investment horizons shorten, alliances remain shallow, and cooperation becomes conditional. Control may reshape flows in the short term, but it does not anchor stability.

Latin America's energy future will be determined not only by reserves and infrastructure, but by institutions, trust, and political inclusion. Any strategy that overlooks that reality risks repeating a familiar pattern decisive intervention, temporary gains, and long term instability. ■

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