MONDAY MORNING QUARTERBACK ENERGY MARKETS CEO BRIEFING NOTE

APRIL 21st, 2025

Consultancy
Intelligence
Publishing

Consultancy Intelligence Publishing

MONDAY MORNING QUARTERBACK
ENERGY MARKETS CEO BRIEFING NOTE

Repricing the Future: What Oil Markets Must Get Right in 2025?

By Sean Evers, Managing Partner, Gulf Intelligence

As oil markets settle into a new, uncertain equilibrium, the traditional forces of supply and demand are being reshaped by geopolitics, macroeconomic instability, and long-term structural shifts. Brent crude's bounce from recent lows near $60 to just under $70 offers temporary relief, but the path forward remains clouded. Industry leaders, investors, and policymakers must now recalibrate expectations, strategies, and risk frameworks to withstand what could be a prolonged era of turbulence.

Strategic Supply Realignment in a Shifting Geopolitical Order

The OPEC+ alliance faces a defining moment. Despite a weakening demand outlook, the group is ramping up production, risking internal discord and further market destabilization. This move echoes 2014's miscalculation, where oversupply led to a deep price collapse. OPEC must swiftly align policy with macroeconomic realities, enforce quota discipline, and communicate clearly to restore credibility and stabilize prices.

Meanwhile, the U.S. shale sector—once a formidable force—shows signs of fatigue. Falling rig counts, maturing basins, and tighter capital access are constraining output growth. Without renewed investment and policy support, production could decline by 500,000 barrels per day or more. Policymakers and companies must prioritize infrastructure renewal and investor confidence to extend shale's longevity.

Tariffs have quietly raised the cost structure of American oil production. Steel import duties and other trade barriers have inflated input costs, pushing breakeven prices higher and making U.S. oil less competitive globally. Trade policy must avoid penalizing domestic producers, especially in a market already under macro pressure.

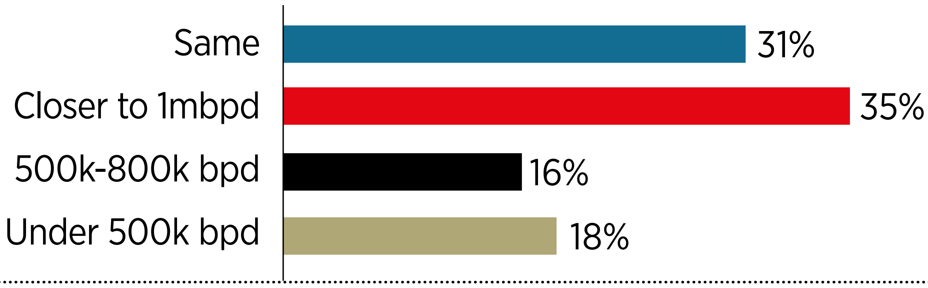
Elsewhere, China's energy pivot requires careful attention. While GDP growth remains robust, structural trends—like rising EV penetration and waning demand for gasoline and diesel—signal a shift. Exporters who relied on China as a growth engine must now diversify and track evolving demand dynamics in petrochemicals and electricity-intensive sectors.

The Gulf states have so far managed to absorb lower oil revenues through disciplined fiscal strategies. Saudi Arabia and the UAE have issued sovereign debt and reprioritized mega-projects to maintain momentum. However, a prolonged sub-$70 environment may strain budgets and force project recalibrations. Continued fiscal reform, tax diversification, and efficiency will be critical.

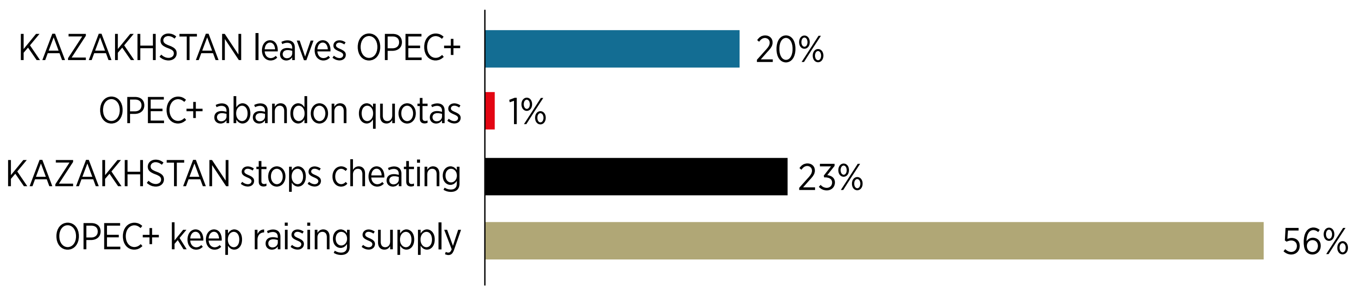
Uncertainty in U.S. policymaking—particularly around trade, monetary policy, and international diplomacy—has created volatile spillovers into global energy markets. Markets crave predictability. Without it, long-term investment in upstream and midstream assets becomes highly risky. Stability in U.S. policy execution will be key to restoring global market confidence.

Even as markets debate short-term price floors and ceilings, one range stands out: $60–$70 Brent appears to be the new norm. This mid-band offers just enough incentive for low-cost producers while squeezing high-cost operations. Industry stakeholders must design operations and hedging strategies around this more modest but likely sustainable range.

The 2025 Global oil demand growth was forecast to be between 1-1.5mbpd before US-China Trade War kicked off -- what will it be now?

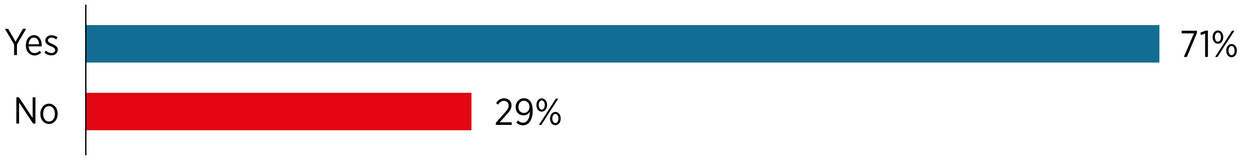


Kazakhstan is still producing 400k+ bpd above its OPEC+ commitment -- what will most likely happen next?



Have we already seen the 2025 low for Brent crude oil price?

Oil markets will recover to a $70-75 range in H2 once the dust settles on final reciprocal tariffs?



Oil markets soared this week as Trump headline fatigue allowed traders to focus on fundamentals?

*(*nb. Polling conducted with 100+ Energy Market Stakeholders Apr. 14-18)*

Macro-Economic Uncertainty and the Demand Transformation

Risk-off sentiment continues to dominate markets. The combination of elevated interest rates, geopolitical flashpoints, and trade war rhetoric has investors fleeing cyclical assets like oil. Until macro clarity returns, expect heightened volatility. Hedging, flexibility, and cautious exposure to energy-linked assets are prudent in this climate.

Interestingly, physical crude markets remain stronger than futures indicators suggest. Despite falling prices, medium sour grades continue to fetch premiums due to robust Asian demand and refining preferences. This divergence underlines the importance of watching physical benchmarks, not just paper markets, for real-time demand signals.

One key vulnerability is petrochemical feedstock demand. Previously expected to drive Asian growth, LPG and ethane flows into China are weakening under the weight of tariffs and margin pressure. Exporters must adapt to shifting preferences and explore new destinations or substitute products like naphtha to preserve market share.

Global inventories offer a temporary cushion. While not at critically low levels, stockpiles have not ballooned, suggesting the market is not yet flooded. This buffer gives producers a brief window to correct course. Inventory monitoring should remain a top priority for traders and analysts in assessing market tightness.

Fears of a global recession are no longer fringe. The IMF and leading investment banks continue to revise GDP forecasts down. Energy demand forecasts have followed, falling to as low as 500,000 barrels per day of growth—half of what was projected in Q1. Companies must incorporate conservative demand outlooks into their capital planning.

Inflation and recession aren't the only threats. Structural misreads on demand, particularly in developed economies, are surfacing. Forecasters routinely overestimated post-COVID rebounds. Demand forecasting must become more dynamic, integrating behavioral, technological, and policy-driven factors in real time.

On the bright side, consumers are benefiting. Lower pump prices ease inflation and boost disposable income, especially in oil-importing nations. This countercyclical effect may soften broader macro downturns, but it also means producers must brace for extended pricing pressure if demand elasticity remains muted.

Geopolitics remains the joker in the deck. From U.S.–Iran nuclear diplomacy to Saudi–Iran thawing relations, regional flashpoints could abruptly shift oil flows and pricing. Energy security policies must remain agile and account for multiple conflict and resolution scenarios. Iran's potential return to legal markets could add millions of barrels overnight.

Resilience through Innovation, Diversification, and Discipline

In times of uncertainty, technology is a safe haven. Energy firms must now focus on digital transformation to enhance margins and improve real-time decision-making. AI-driven analytics, predictive maintenance, and supply chain visibility tools are no longer optional—they are essential to navigating volatility and reducing operational costs.

Capital is following this logic. Private equity and institutional investors are retreating from traditional upstream bets and entering cleantech, digitization, and energy efficiency verticals. Companies that demonstrate margin resilience, low-carbon adaptability, and data maturity will attract capital even in a tight environment.

Supply chains are another vulnerability. Trade disruptions, port bottlenecks, and regional rerouting are slowing delivery of energy components and raw materials. Firms must diversify suppliers, invest in logistics resilience, and reduce reliance on high-risk corridors to weather further disruptions.

LNG flows, too, are changing. China is pulling back from U.S. gas imports amid political tensions, turning instead to Qatar and Russia. This shift underlines the fragility of long-distance energy ties and the growing importance of political alignment in securing long-term contracts. Exporters must double down on relationship management in Asia.

Finally, the U.S. shale cost curve is a decisive metric. Many operators are producing near breakeven levels. As hedge books roll off and capital remains scarce, production could decline further. Monitoring cost thresholds, hedging trends, and financial health of shale independents will be key to anticipating future supply movements.

Conclusion

The international oil market stands at a historic inflection point. Geopolitical realignment, macroeconomic headwinds, and structural shifts in consumption are challenging old playbooks. Success in this new landscape will depend on adaptability, discipline, and strategic foresight. These 20 imperatives provide a framework to not just survive—but thrive—in the energy markets of tomorrow. ■

Consultancy
Intelligence
Publishing