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WEEKEND READING ENERGY MARKETS CEO BRIEFING NOTE

“Crude Oil Market Supply-Demand Research & Forecasting Faces Crisis of Credibility: Post-Covid Era has delivered fog of war with OPEC+ Massive Supply Cuts followed by Massive Hikes, and an ever louder cry about Peak Oil Demand (in China?)”

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Crude Oil Market Supply-Demand Research & Forecasting Faces Crisis of Credibility: Post-Covid Era has delivered fog of war with OPEC+ Massive Supply Cuts followed by Massive Hikes, and an ever louder cry about Peak Oil Demand (in China?)

This article synthesizes insights gathered from comprehensive interviews with 15 leading energy market analysts and industry stakeholders, aimed at assessing whether current oil market supply-demand research and forecasting remain fit for purpose. The overarching consensus from these expert discussions is clear: systemic issues, persistent inaccuracies, and institutional biases have cast a significant shadow over the credibility of forecasting practices by both multilateral agencies and independent secondary sources. The urgent need for reform has become apparent, highlighting that traditional forecasting methodologies might no longer adequately capture the complexities and rapid shifts within the contemporary global oil market.

By Sean Evers, Managing Partner, Gulf Intelligence

Forecasting Inaccuracy Undermines Market Confidence

Market analysts and stakeholders repeatedly highlighted severe shortcomings in the accuracy of secondary sources used to gauge oil production and demand dynamics. Despite technological advances in satellite tracking and tanker monitoring, these secondary sources remain fundamentally reliant on educated guesswork. Forecasts based upon speculative assumptions around refinery intake, tanker movements, and other indirect indicators frequently fail to accurately capture the realities of the physical market, leading to significant discrepancies between forecasted data and observable market trends. This persistent unreliability severely undermines market confidence and complicates effective decision-making.

One particularly troubling revelation is the existence of opaque two-tier data systems. Several prominent secondary sources reportedly maintain dual datasets—one set provided publicly to multilateral bodies like OPEC, and another more accurate dataset used internally for proprietary analysis. This practice deeply undermines market transparency and reliability, intensifying skepticism among investors, policymakers, and other stakeholders who depend on publicly available information.

Misleading production quotas reported by OPEC further exacerbate the credibility crisis. Producers often exceed their publicly announced quotas, yet officially reported figures remain unchanged, creating confusion and misinterpretation within the market. This practice significantly distorts perceptions of true supply conditions, complicating accurate short-term forecasting, and resulting in persistent confusion among market participants.

Institutional Biases and Demand Forecasting Challenges

Institutional biases in multilateral agencies have consistently skewed medium- to long-term forecasts toward overly optimistic outlooks. Stakeholders pointed out that agencies like OPEC and the International Energy Agency (IEA) frequently reflect inherent institutional narratives in their forecasting, leading to projections that can misrepresent underlying market fundamentals and structural vulnerabilities. This optimism bias often ignores or underestimates emerging economic challenges, creating an unrealistic sense of market stability.

The persistent underestimation of oil demand in emerging markets is another significant flaw identified in current forecasting practices. Analysts traditionally focus heavily

Oil Market Supply-Demand Research & Forecasting are no longer fit for purpose?



(*nb. Polling conducted with 100+ Energy Market Stakeholders July 3)

on established markets such as China, Europe, and the United States, often overlooking strong consumption growth in regions like Africa, Latin America, and Central Asia. By failing to fully recognize and integrate these growing demand centers into global forecasting models, analysts consistently undervalue global demand strength, skewing forecasts toward bearishness that does not accurately reflect actual market dynamics.

Geopolitical factors have also significantly complicated demand forecasting. Unpredictable international trade policies, tariff disputes, and other political uncertainties have increasingly distorted market expectations. Analysts noted that persistent uncertainty surrounding these geopolitical dynamics significantly impedes accurate forecasting, making it difficult for forecasters to reliably predict short-to-medium-term demand fluctuations.

Supply Constraints and Inventory Mismanagement

Forecasting models frequently fail to adequately incorporate logistical and operational constraints that affect actual supply availability. Stakeholders noted that forecasters often overlook critical limitations such as refining capacities, shipping bottlenecks, and production disruptions. These constraints substantially influence market dynamics, yet remain underrepresented or inaccurately accounted for within forecasting methodologies, leading to significant errors in projecting market tightness or oversupply.

Another critical flaw identified by analysts pertains to inventory management and reporting. Forecasts repeatedly anticipate inventory builds that fail to materialize, suggesting systemic shortcomings in how inventory dynamics are modeled. Discrepancies between forecasted and actual inventory levels have persisted, causing significant misalignments in market expectations and actual supply-demand balances. This misalignment further complicates effective strategic inventory management by major consuming regions.

Additionally, analysts expressed concern regarding the opacity surrounding inventory reporting practices. Strategic reserves and fluctuating inventory policies contribute significantly to the uncertainty around reported inventory levels, undermining the accuracy of forecasts that rely heavily on inventory data as a primary indicator of market balance. Such systemic opacity severely impacts the reliability of short-term market availability and price stability projections.

The issue of compliance among OPEC+ producers remains another critical problem area. Non-compliance with production quotas by major producers has consistently obscured actual supply flows, complicating the accurate forecasting of global oil availability. These recurring compliance issues create confusion and speculative assumptions within forecasting exercises, further impairing accurate assessments of market tightness and future production capabilities.

Conclusion and Recommendations:

The extensive interviews conducted with leading industry analysts clearly demonstrate a pressing need to address fundamental flaws in current oil market forecasting practices. Forecast accuracy is compromised by reliance on speculative data sources, opaque reporting practices, institutional biases, and a failure to adequately account for emerging market demand, geopolitical uncertainties, and operational constraints.

To resolve these critical challenges and restore forecasting credibility, stakeholders recommend several key actions:

1. Enhanced Transparency and Accountability:

Secondary sources and multilateral agencies must adopt more rigorous transparency standards, including mandatory public disclosure of methodologies and underlying datasets, to eliminate dual-tier reporting and improve market trust.

2. Broader Data Integration:

Forecasting models should systematically incorporate comprehensive real-time data from a broader range of sources, particularly from emerging markets, and enhance monitoring of geopolitical developments to refine demand and supply predictions.

3. Incorporation of Operational Realities:

Forecasters must better integrate operational and logistical constraints, refining margin dynamics, and strategic inventory management practices into forecasting models to improve their alignment with actual market conditions.

By adopting these recommendations, the oil market forecasting community can significantly improve the reliability, transparency, and accuracy of their predictions, ultimately supporting more informed and strategic decision-making across the global energy landscape. ■

