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MAY 26th, 2025

MONDAY MORNING QUARTERBACK ENERGY MARKETS CEO BRIEFING NOTE

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Global Energy Markets are Navigating Geopolitical Risks and Shifting Demand Patterns with Relative Calm in Mid-2025

By Sean Evers, Managing Partner, Gulf Intelligence

The global energy landscape finds itself at a critical juncture in mid-2025, marked by profound geopolitical uncertainty, structural shifts in major demand centers, and strategic realignments among key producers. As markets grapple with price volatility and evolving demand dynamics, key actors like OPEC+, the US, China, and emerging demand markets such as India are reshaping the rules of the game. Understanding these developments is crucial for stakeholders aiming to navigate an increasingly complex and unpredictable environment.

Geopolitical Risks: An Unresolved Nuclear Saga

Among the most pressing concerns facing global energy markets is the persistent uncertainty surrounding US-Iran nuclear negotiations. Recent months have seen increasing rhetoric around potential Israeli military strikes against Iranian nuclear facilities, underscoring a scenario that could severely disrupt Middle Eastern oil flows. Any escalation, particularly in critical choke points like the Strait of Hormuz, could spark significant, albeit temporary, spikes in oil prices and trigger broader regional instability.

While a full-scale military conflict remains currently unlikely, the absence of diplomatic breakthroughs between the US and Iran has exacerbated regional tensions. President Trump's administration faces considerable internal political challenges, especially from a hawkish Congress, which complicates any potential nuclear agreement. Moreover, fluctuating US demands regarding uranium enrichment reflect internal policy

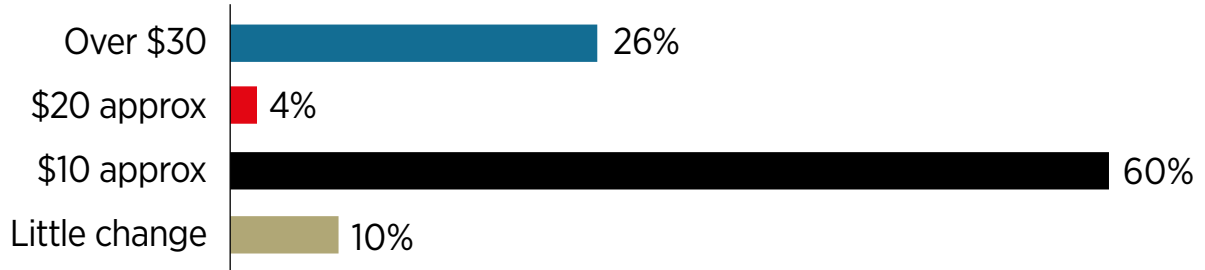
ambiguities, making the prospects of a robust deal even more elusive. The market implications of this diplomatic stalemate are significant, creating persistent uncertainty that deters stable investment planning and market confidence.

Parallel to these tensions, Saudi Arabia's increasing diplomatic assertiveness provides a counterbalance. Riyadh's recent overtures to Iran and progressive normalization with Israel illustrate a strategic pivot toward diplomacy-led stability in the Middle East. This shift is crucial, as regional stability directly translates into steadier global energy markets. Thus, Saudi Arabia's diplomatic maneuvers are increasingly viewed as essential stabilizers amid an otherwise volatile geopolitical climate.

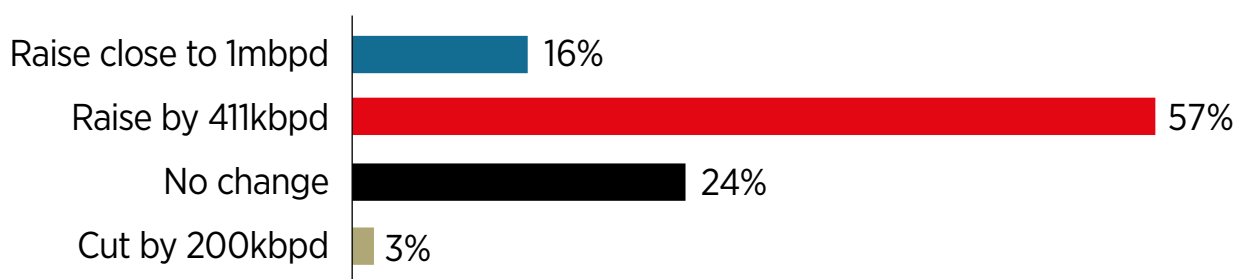
Structural Demand Transformations: China Slows, India Surges

Traditionally, China's voracious appetite for oil has underpinned global energy markets. However, significant structural shifts in China's energy landscape, primarily driven by rapid adoption of electric vehicles and improvements in petrochemical efficiencies, have reduced the pace of its oil demand growth. This structural change is not merely cyclical but represents a fundamental realignment in China's energy consumption patterns. For producers worldwide, this transformation necessitates a recalibration of strategies previously centered around sustained Chinese demand.

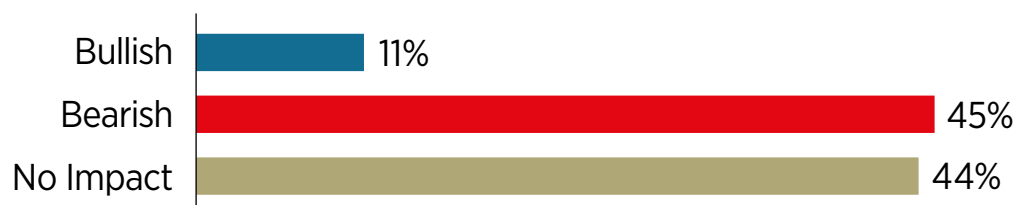
How much would oil prices spike higher on the day if Israel bombed Iranian nuclear facilities?



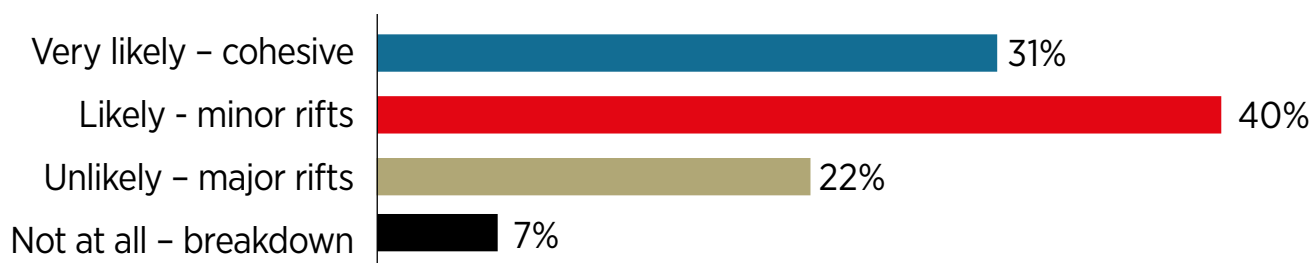
What decision will OPEC+ likely make on oil supply at next week's meeting?



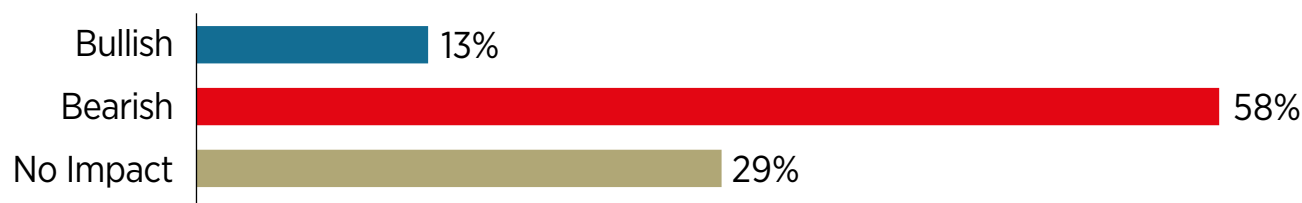
How will Moody's downgrade of US Credit Rating impact oil markets?



How likely is OPEC+ to maintain unity if oil prices fall further in 2025?



What Impact would a Russia-Ukraine ceasefire have on oil markets?



(*nb. Polling conducted with 100+ Energy Market Stakeholders May 19-23)

As China moderates its oil consumption trajectory, India emerges as the new pivotal demand center. India's burgeoning middle class, expanding industrial base, and rapid growth in air and road transportation underpin significant incremental oil demand. Even as the country pushes toward renewable energy and electric mobility, oil consumption continues to grow robustly, positioning India prominently on the global energy map. This shift effectively offsets part of the demand slowdown from China, reshaping global oil demand dynamics and redirecting the focus of major producers like OPEC+.

India's rise comes at a critical time for OPEC+, which has been steadily and strategically increasing production. Despite relatively subdued global prices, the cartel, driven predominantly by Saudi Arabia, continues to pursue market share growth, especially in emerging Asian markets. This strategy underscores a cautious yet assertive approach, balancing market stability, internal compliance, and long-term strategic objectives. Thus, India's demand surge dovetails neatly with OPEC+'s broader strategic aim of consolidating market presence in growing Asian economies.

Navigating New Dependencies and Market Volatility

As Europe rapidly attempts to reduce its dependency on Russian energy, new strategic dependencies have emerged. Europe's increasing reliance on alternative suppliers, notably US liquefied natural gas (LNG) and Middle Eastern producers such as Qatar, highlights fresh geopolitical vulnerabilities. While Europe has significantly reduced Russian gas imports since the Ukraine crisis began, completely eliminating this dependency remains practically challenging and strategically complex.

Furthermore, the aggressive US tariff policies under the Trump administration exacerbate global economic uncertainty, affecting international trade relations and indirectly influencing energy demand patterns. Trump's tariff-heavy strategy increases market volatility and economic unpredictability, making planning more difficult for both energy producers and consumers globally. The resulting uncertainties ripple across commodity and financial markets, highlighting the interconnected vulnerabilities of today's global economic systems.

The current environment has also brought renewed attention to physical energy security. Heightened geopolitical tensions, evident

through threats against critical infrastructure, underline the necessity for enhanced physical security measures and more resilient supply chains. Policymakers worldwide are increasingly focusing on securing energy infrastructure against sabotage and disruptions, emphasizing the criticality of stable, secure, and diversified energy networks to overall market stability.

Toward a Balanced and Pragmatic Energy Transition

Even as geopolitical volatility dominates short-term market perceptions, the long-term energy transition remains an imperative. Yet, current low oil price environments present significant challenges for the economic viability of renewable and alternative fuels. Lower fossil fuel costs dampen incentives for immediate transition investments, potentially slowing progress toward global decarbonization objectives.

Nonetheless, specific sectors like sustainable aviation fuel (SAF) demonstrate how targeted policies can effectively encourage transitions, even amidst broader economic pressures. The EU and UK have successfully implemented mandates for SAF use, creating substantial market growth opportunities. This regulatory-driven approach underscores how policy interventions remain crucial to accelerating decarbonization efforts despite prevailing market conditions.

In this context, the Middle East, with its abundant resources and established infrastructure, is strategically positioned to lead in the sustainable aviation fuels market. Saudi Arabia and the UAE are already exploring ways to capitalize on this emerging opportunity, aligning their economic diversification strategies with global sustainability trends. Such initiatives underscore the importance of pragmatic energy transitions that balance immediate economic realities with long-term sustainability goals.

Conclusion

As global energy markets navigate this intricate web of geopolitical risks, shifting demand patterns, and transitional dynamics, strategic foresight and adaptive policymaking become increasingly vital. Understanding these converging forces enables stakeholders to mitigate risks effectively, capitalize on emerging opportunities, and contribute to a stable and sustainable global energy future. ■



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