

# MONDAY MORNING QUARTERBACK ENERGY MARKETS CEO BRIEFING NOTE

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## MONDAY MORNING QUARTERBACK ENERGY MARKETS CEO BRIEFING NOTE

# Oil Markets Still Reeling from OPEC+ Shock & Awe Announcement to Accelerate Supply Increases Amid Mounting Economic Headwinds

By Sean Evers, Managing Partner, Gulf Intelligence

### Saudi Arabia Slashes Crude Prices to 4-Month Lows as OPEC+ Ups Output

In a bold and unexpected move, Saudi Arabia, the world's leading oil exporter, has slashed crude oil prices for Asian markets, injecting renewed volatility into already uncertain energy markets. State-owned Saudi Aramco reduced the May Official Selling Price (OSP) for its flagship Arab Light crude by \$2.30 per barrel, bringing it to just \$1.20 above the Oman-Dubai average. This marks the lowest pricing level in four months and the largest monthly cut in over two years. All other crude grades destined for Asia saw similar reductions, revealing an aggressive pricing strategy aimed at maintaining market share.

This announcement coincided with a sudden decision by OPEC+, the oil-producing alliance led by Saudi Arabia and Russia, to increase crude output by 411,000 barrels per day starting in May — more than triple market expectations. The hike, equivalent to roughly 0.4% of global supply, reverses the group's previous restraint and signals a new phase of internal recalibration. It suggests growing frustration among core members with noncompliance from others and highlights a broader geopolitical recalibration.

This surprise move follows a steep decline in oil benchmarks. The Dubai spot premium averaged only \$1.38 per barrel in March, down from \$3.33 in February. Pricing pressure has been exacerbated by the return of discounted Russian crude into Asian markets, following adjustments in global trading flows due to U.S. sanctions.

Before the OPEC+ decision, market analysts already expected a cut of

between \$1.80 and \$2 per barrel. However, the actual reduction by Aramco went further, reflecting broader unease about weakening demand in Asia, especially from China, and an increasingly uncertain global economic and geopolitical outlook.

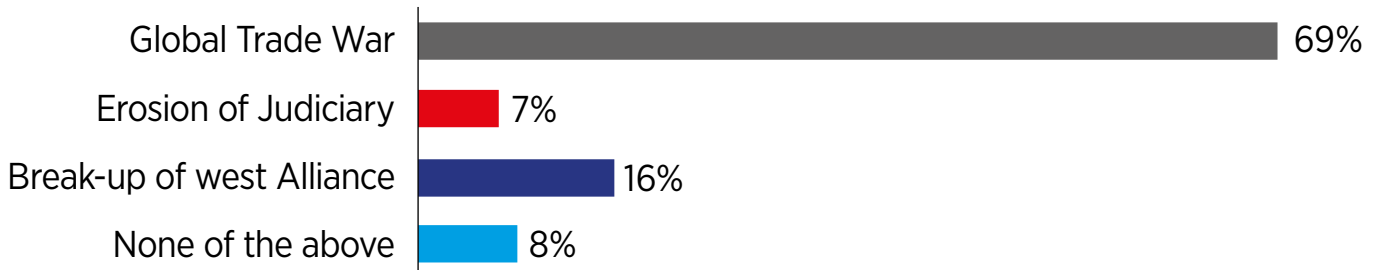
As the price cut and output surge took effect, global crude benchmarks tumbled. Brent crude dropped nearly 11% in the week ending April 4, falling to its lowest point since the early days of the COVID-19 pandemic. The decision sent ripples across financial and commodity markets alike.

Global Recession Fears Deepen as Oil Prices Slide and Trade Wars Escalate  
Oil's decline extended into the following week. On Monday, Brent futures fell another 3.9% to \$63.04 per barrel, while U.S. West Texas Intermediate (WTI) dropped 4.03% to \$59.49 — both hitting their lowest levels since April 2021. The downturn was fueled not only by OPEC+'s surprise output hike, but also by a dramatic escalation in trade tensions between the US and China.

The Trump administration's imposition of sweeping new tariffs on Chinese imports triggered swift retaliation from Beijing, which responded with duties of up to 34% on American goods. The tit-for-tat measures have increased fears of a global trade war, rattling investor sentiment and deepening concerns about a potential global recession.

Underlying the turmoil there is a broader slowdown in demand. Asia, the world's largest crude purchasing region, imported 26.44 million barrels per day in the first quarter of 2025 — down 640,000 barrels per day from the same period in 2024, according to LSEG Oil Research. These

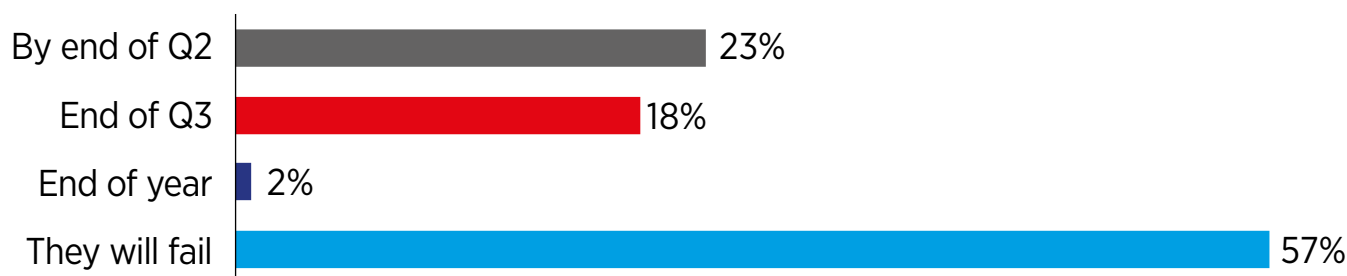
What part of the Trump 2.0 revolution could have the biggest impact on oil prices moving forward?



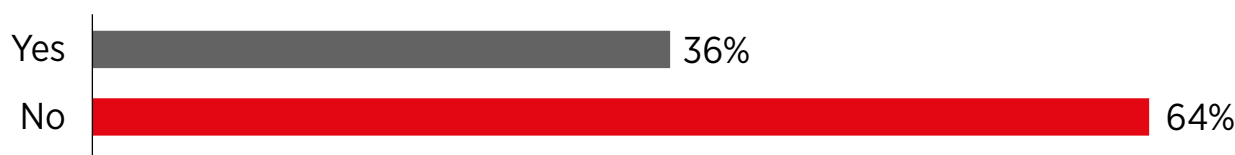
Do you expect the end of hostility in Russia's war in Ukraine this year 2025?



## How long will it take for Trump Administration to successfully close down Iranian oil exports under maximum pressure campaign?



## Do you expect OPEC+ to reverse plans to accelerate oil supply increases after price collapse?



(\*nb. Polling conducted with 100+ Energy Market Stakeholders Mar. 17-Apr. 7)

soft import figures highlight structural challenges beyond headline trade disputes.

Central banks are now in a tough spot. At a journalism conference, U.S. Federal Reserve Chair Jerome Powell noted that the tariffs may cause inflation to rise temporarily while simultaneously dampening economic growth. He said the Fed will proceed cautiously and avoid premature moves on interest rates as the full impact of tariffs remains unclear.

Wall Street has revised its expectations, now projecting as many as five interest rate cuts in 2025 to support slowing economic momentum, even though the Fed's benchmark rate currently stands at 4.3%.

Markets in the Middle East mirrored the global unease. The Tadawul index in Saudi Arabia fell over 6% at the start of the week, while Aramco's stock declined more than 5%, wiping out billions in value. In the UAE, the Dubai Financial Market dropped 5%, and Abu Dhabi's bourse fell 4%, reflecting widespread investor anxiety.

Compounding regional pressure, several Gulf countries now face new U.S. tariffs. Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the UAE are all subject to new 10% duties, while Iraq and Syria face significantly steeper rates, reaching up to 41%. PwC has warned that rising protectionism could undermine the stability and predictability of international trade.

### OPEC+ Sending Message to its Quota Busters: Comply or Collapse?

OPEC+'s decision to raise production is widely interpreted as a direct warning to member states that have failed to comply with previously agreed output cuts. Saudi Arabia, sources say, has grown increasingly frustrated with laggards like Kazakhstan and Iraq, who have consistently breached their quotas despite repeated reminders.

Kazakhstan's overproduction has been largely driven by output increases from major oil fields operated by U.S. giants Chevron and ExxonMobil. Iraq has similarly struggled to meet its reduction commitments. Despite months of warnings from Riyadh, compliance remained weak, forcing Saudi Arabia to shift tactics.

This move, at a time of fragile demand and falling prices, signals a strategic change. The Kingdom is now willing to use production increases not only to pressure noncompliant members but also to reshape internal dynamics within the alliance. It highlights a growing readiness to prioritize long-term cohesion and market discipline over short-term price support.

While current oil prices remain above \$60 per barrel, OPEC+ insiders caution against calling this a price war just yet. However, historical parallels are being drawn to earlier confrontations, including the 2020 rift between Saudi Arabia and Russia and the 2014 battle with U.S. shale producers.

There are limits to how far prices can fall before coordinated action becomes necessary again. A prolonged slump would hurt all players — inside and outside OPEC+ — and could eventually trigger a round of joint market intervention to avoid deeper financial damage.

In response to the economic headwinds, China has appealed for restraint. A lead editorial in the People's Daily argued against panic and emphasized the government's readiness to shield the domestic economy through stimulus tools such as interest rate cuts and infrastructure spending. While the editorial emphasized resilience, there is growing recognition in Beijing that protracted negotiations with Washington may yield little progress in the near term.

### Trump's Tariff Blitz Risks Rewiring Energy Transition in China's Favor

Beyond the immediate headlines, Trump's aggressive tariffs are poised to reshape the global energy landscape. While their economic shockwaves dominate current discourse, the long-term consequences for clean energy development and geopolitical power structures may prove even more significant.

By disrupting global supply chains and injecting uncertainty into world markets, the U.S. is weakening the very international rules-based order it once led. America's allies — especially those with industries and economies built around those rules — now face heightened exposure. China, while absorbing near-term shocks, appears well-positioned to capitalize on the shifting dynamics.

Clean energy sectors are already under pressure. U.S. solar developers are facing mounting challenges sourcing critical modules due to elevated tariffs on Vietnamese imports. Battery manufacturers and those relying on rare earths or strategic minerals also risk supply disruption.

Ironically, these disruptions could reinforce China's position as the dominant player in clean energy. Already the global leader in solar panel, battery, and electric vehicle production, China is now accelerating international investment in green infrastructure to expand its influence. As reliability concerns grow around U.S. trade policy, more nations may pivot to Chinese suppliers to meet their energy and climate goals.

Trump's vision of energy independence based on fossil fuels may provide short-term satisfaction domestically. But it risks sidelining the U.S. from the emerging global energy system, which increasingly revolves around clean technologies. As the Middle East, Europe, and Asia deepen energy and climate cooperation with China, the contours of a new energy order are beginning to take shape — one that may leave America playing catch-up in the decades to come. ■



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