

MONDAY MORNING QUARTERBACK ENERGY MARKETS CEO BRIEFING NOTE

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OPEC+ at a Crossroads: Geopolitics, Market Uncertainty, and the Global Energy Outlook

By Sean Evers, Managing Partner, Gulf Intelligence

OPEC+ has historically been an economic group focused on price stability, but recent decisions suggest that politics may be exerting greater influence than ever before. The group's unexpected announcement to increase production starting in April caught markets off guard, given that Brent crude had been struggling to hold above \$70 per barrel. The timing of this decision aligns with recent high-level discussions between major oil producers—Saudi Arabia, Russia, and the United States—raising speculation that Saudi Arabia and its allies were waiting for clarity from the Trump administration before adjusting their supply strategy.

This move also reflects OPEC+'s desire to reclaim market share lost to U.S. shale producers, a longstanding concern among Middle Eastern exporters. However, with oil prices slipping from early-year highs, analysts are now questioning whether OPEC+ may be forced to reverse its production increase if the market remains weak. The response to these planned increases has been cautious, with traders awaiting further signals on whether demand will be strong enough to absorb the additional barrels.

The Geopolitical Balancing Act: Middle East and Beyond -- OPEC+'s decisions are also being shaped by growing tensions in the Middle East, particularly regarding Iran and Israel. If hostilities in the region escalate, oil supply chains could be significantly disrupted, creating an upside risk for prices. Meanwhile, Saudi Arabia is positioning itself as a key mediator in global diplomacy. Trump's planned visit to Riyadh in the coming weeks—potentially

including discussions with Putin and Zelensky—suggests that Saudi Arabia sees itself as a broker in both the Ukraine conflict and global energy security negotiations.

A Ceasefire on the Horizon? In parallel to trade and supply challenges, the Ukraine war remains a key geopolitical factor. With U.S. military aid to Kyiv facing suspension, there is growing speculation that Ukraine may be forced into a ceasefire or peace negotiations. A settlement could involve territorial concessions and Western security guarantees, fundamentally reshaping the geopolitical energy landscape. Should the war de-escalate, sanctions on Russian oil could be relaxed, opening the door for increased flows of Russian crude and natural gas back into European markets. Already, European leaders are quietly discussing whether to resume pipeline gas imports from Russia, a move that could impact global LNG investment and reshape long-term energy strategies.

Oil Prices in Limbo: Range-Bound Trading and Uncertain Market Sentiment

The current oil price environment reflects deep uncertainty in the global energy outlook. WTI crude remains trapped between \$68.50 and \$75 per barrel, with neither bulls nor bears able to take firm control. Market sentiment shifts daily, largely dependent on geopolitical headlines, trade war developments, and OPEC+'s supply strategy.

China's National People's Congress will finally deliver bazooka stimulus this week to lift consumer consumption and energy demand?



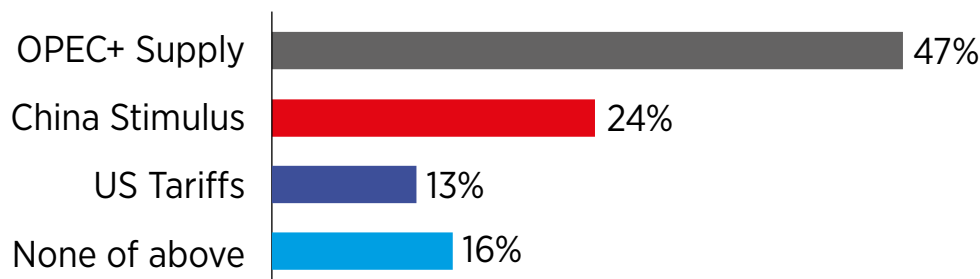
Will OPEC+ be compelled to reverse plans to raise output April 1st as Brent crude oil falls below \$70 a Barrel through March?



If oil prices drop and hold below \$70 for most of March, OPEC+ may have no choice but to reinstate its production cuts?



What will win tug of war to have most influence on direction of oil prices?



US pledge to 'collapse' Iran's economy will weaken its economic position in China tariff tit-for-tat?



(*nb. Polling conducted with 100+ Energy Market Stakeholders Mar. 3-7)

With prices failing to establish a clear trend, financial actors remain hesitant to enter the market. Hedge funds and institutional investors, who previously poured capital into energy commodities when momentum was strong, are now largely sidelined. However, analysts suggest that if oil prices break out of their current range—either upward or downward—significant financial flows could return, injecting volatility into the market.

At the same time, U.S. oil production appears to be nearing a peak. The shale revolution, which reshaped global supply dynamics over the past decade, is now facing limitations as available drilling opportunities decline and regulatory pressures increase. The Trump administration's move to tighten sanctions on Iran and Venezuela—potentially removing up to 1.6 million barrels per day from global supply—presents an opportunity for OPEC+ to step in and fill the gap.

Trade War Threats and China's Countermoves

Beyond supply constraints, the greatest immediate risk to global oil demand may come from escalating U.S.-China trade tensions. Trump's latest tariffs on Canada, Mexico, and China threaten to dampen global economic growth, potentially reducing industrial activity and energy consumption.

China, in response, is restructuring its energy supply chains to minimize exposure to U.S. policies. Beijing has signaled a willingness to impose retaliatory tariffs on U.S. crude, a move that could disrupt trade flows and place downward pressure on American oil prices. Already, China has been diversifying its crude imports, favoring Russian and Middle Eastern suppliers over U.S. exports.

Moreover, Chinese refiners have been adjusting their logistics strategies to circumvent U.S. sanctions on Iranian and Russian oil. Despite tighter Western enforcement, China's shadow fleet and complex financial networks continue to facilitate crude imports from sanctioned countries. China's economic outlook remains a critical wildcard for global energy demand. While the government reported 5% GDP growth in 2024, analysts estimate that the actual

figure is likely closer to 2-2.5%, with widespread concerns about consumer confidence and industrial momentum.

To address slowing growth, Beijing has announced a moderate stimulus package, including a budget deficit increase to 4% of GDP. However, many observers believe these measures are too limited to meaningfully revive demand. The impact of this lackluster stimulus is already visible in China's soft LNG imports and sluggish oil consumption growth, as industries remain cautious about expanding.

Despite these concerns, China's private sector could play a key role in economic revitalization. The government has signaled a renewed commitment to supporting non-state enterprises, particularly in technology and manufacturing. If successful, these efforts could help restore domestic demand, although skepticism remains about Beijing's willingness to truly open its economy.

A Market at a Crossroads: What's Next?

Despite these uncertainties, one thing remains clear: the global energy market is at a pivotal moment. OPEC+ faces the difficult task of balancing production increases with maintaining price stability, while geopolitical shifts—from Ukraine to China to the Middle East—are influencing supply-demand dynamics in unpredictable ways.

For market participants, this means heightened volatility and greater uncertainty. Whether oil prices break out of their current range will depend on how the U.S.-China trade war unfolds, the pace of China's economic recovery, the trajectory of the Ukraine war, and the ability of OPEC+ to manage production cuts effectively.

In the coming months, investors, policymakers, and industry leaders must navigate a world where energy markets are no longer dictated solely by fundamentals. Instead, politics, diplomacy, and economic brinkmanship are increasingly shaping global oil flows.

As Q2, 2025 approaches, the oil market stands at a critical inflection point—and the next major geopolitical development could send shockwaves through energy prices once again. ■



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