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MONDAY MORNING QUARTERBACK ENERGY MARKETS CEO BRIEFING NOTE

2025: The Year Energy Markets Must Adjust to a Post-China Growth Reality

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For the first time in more than three decades, the global oil market is beginning the year with the expectation that China's oil demand will not grow significantly. The era of red-hot Chinese demand—where the country added 800,000 to 900,000 barrels per day (bpd) annually—has firmly come to an end. Analysts now forecast little to no growth in 2025, marking a structural shift in the market. This change forces oil producers, refiners, and traders to adapt to a world where China is no longer the unchallenged engine of demand growth.

GI polling shows Brent crude is expected to average between $70 and $75 per barrel in 2025, down from around $80 in 2024. The absence of strong demand growth from China contributes to this softer outlook. However, despite bearish sentiment from China's stagnation, prices are unlikely to collapse due to OPEC+'s strategic supply management and geopolitical risks that continue to lurk in the background. The global market will have to find a new equilibrium, with China playing a reduced role in setting the pace for oil demand growth.

The slowdown in China's energy consumption is part of a broader economic deceleration that is impacting consumer goods industries globally. Major companies such as Pernod Ricard and Carlsberg have warned that they see few signs of a pick-up in consumer demand, reinforcing a gloomy outlook for 2025 as executives navigate growing trade tensions. Weak consumer spending in China—exacerbated by youth unemployment and a real estate crisis—has had a ripple effect across industries, particularly luxury goods, consumer products, and clothing manufacturers.

Despite multiple rounds of stimulus measures rolled out by Beijing in the second half of 2024 to revive the property sector, executives see no significant recovery. The property slump has weighed heavily on consumer confidence, leading to cautious spending habits that further dampen demand across various sectors—including oil consumption, which is intricately linked to industrial and economic activity. The days when China's infrastructure boom and real estate expansion drove massive energy demand are now firmly in the past, leaving the global economy to adjust to a China that is growing at a much slower pace.

As China's oil demand slows, many have looked to India as the next big driver. However, India's economic growth has also begun to lose momentum, casting doubt on its ability to fill the gap left by China. The Indian government has been steadily lowering its full-year real GDP forecasts, following disappointing economic growth in the quarter ending September, when GDP expanded by just 5.4%—its slowest pace in two years.

The latest projection, released in January, trimmed growth estimates for the current fiscal year to 6.4% from 7.2%, marking the worst economic performance in four years. At the same time, inflation projections were raised to 4.8% from 4.5%, indicating that price pressures remain a concern. These revisions reflect the fragility of India's economic expansion, which, while still growing, may not be strong enough to drive significant oil demand growth. India is expected to add only 150,000 to 200,000 barrels per day in 2025, a fraction of the demand China once contributed. Structural differences—such as per capita consumption, industrial energy use, and infrastructure—mean India cannot replicate China's historic role in shaping global oil markets. This reality means that the oil industry cannot simply replace one giant demand engine with another, and the broader market will need to adjust.

At the same time, the United States is entering a period of regulatory uncertainty that could significantly impact its oil and gas sector. As the country transitions into a new administration, one of the most consequential areas of change is the Inflation Reduction Act (IRA) and its policies on methane emissions. Originally introduced to curb greenhouse gas emissions, the IRA's penalties on methane leaks posed a significant challenge to the industry, with 40% of U.S. production coming from older infrastructure prone to leaks. The financial burden of compliance threatened to take a substantial portion of supply offline. However, in the final stretch of Biden's term, efforts were made to reconsider and ease some of these penalties due to their potential economic impact.

Now, as the Trump administration takes over, the question arises: What happens next? The IRA remains law, but as history has shown, enforcement is a separate issue. While methane penalties exist, a shift in policy focus could mean they are simply not enforced, allowing companies to continue operations without immediate consequences. This regulatory uncertainty mirrors past instances, such as the rollout of Dodd-Frank financial regulations, which created a prolonged period of ambiguity for commodity traders and market participants.

A comparable dynamic unfolds with the IRA. While the methane penalties remain in place, the expectation is that the new administration will deprioritize enforcement, allowing the industry to operate as usual while policymakers explore ways to amend or roll back the law. Unlike an executive order, which can be reversed swiftly, undoing a legislated policy requires a more methodical approach—either through amendments in Congress or regulatory reinterpretations that weaken its impact.

For the oil and gas sector, this regulatory limbo means that companies with older wells may hold off on costly compliance efforts, betting on a more lenient enforcement landscape. Meanwhile, investors and traders will be watching closely, as the degree of enforcement could directly impact U.S. production levels and market stability. While the IRA's methane penalties were designed to enforce stricter environmental standards, political realities suggest a different outcome. The industry now finds itself in a familiar space—operating under laws that exist on paper but may be ignored until a clearer policy direction emerges.

Beyond the U.S. regulatory landscape, OPEC+ is expected to continue managing supply carefully to balance the market. With weak demand growth, the group is likely to double down on supply discipline to keep prices stable. Rather than engaging in a price war, OPEC+ is expected to leverage refined product exports as a strategic tool to exert market control. By strengthening their grip on refined fuel markets in Asia and Europe, OPEC+ members aim to counterbalance excess crude supply without having to make dramatic production cuts.

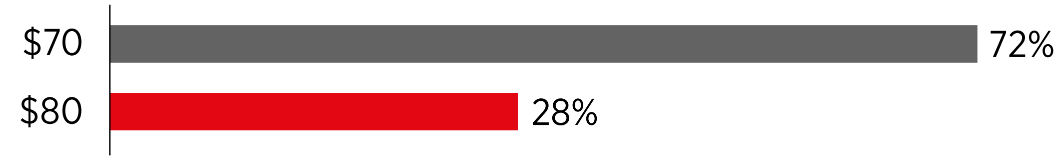
While 2024 was seen as a turning point year, 2025 is shaping up to be a tipping point in global energy markets. With China's dominance fading, India's economic struggles, OPEC+ supply management, U.S. regulatory uncertainty, Asian refining consolidation, and shifts in global trade patterns will shape the new market order.

For oil and gas producers, traders, refiners, and policymakers, the key takeaway is clear: the global energy industry can no longer count on China—or even India—to drive demand growth. The year ahead marks the first true test of a post-China growth reality, where hydrocarbon markets must adjust to new demand drivers, shifting trade flows, and increasingly complex geopolitical pressures. ■

Do you expect Trump's Tariff war to disrupt oil supplies?

Trump was bluffing on Canada & Mexico Tariffs or he won Concessions?

What is Brent crude oil more likely to hit first?



Energy Markets are underestimating the geopolitical risk that Trump's radical plans for the Middle East could have on regional oil flows?

OPEC+ will need to keep ALL oil supply cuts in place through to end of year to see Brent crude average above $70 in 2025?

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