

MONDAY MORNING QUARTERBACK ENERGY MARKETS CEO BRIEFING NOTE



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Navigating the Complex Interplay of Geopolitics, Market Fundamentals, and Macroeconomic Trends in Energy Markets

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The world's energy landscape has always been closely tied to geopolitical developments, but recent months have seen an acceleration in how diplomatic shifts impact market behavior. One of the most significant events in February 2024 was the high-level U.S.-Russia talks in Saudi Arabia, a momentous shift that signaled a recalibration of diplomatic relations. While Ukraine was a focal point, experts debated whether the realignment was driven by a broader strategic vision to reshape global energy trade.

At the core of this shift is the Trump administration's aggressive policy on tariffs and sanctions. The introduction of tariffs on Canada and Mexico, followed by a sudden pause, introduced volatility into oil markets, leaving OPEC+ and traders reassessing future supply expectations. Further uncertainty surrounds maximum pressure on Iran, as speculation grew over whether U.S. sanctions would severely restrict Iranian oil exports to China—a move that could tighten global supply and support prices.

Another critical area of concern is the ongoing Russia-Ukraine conflict, which continues to exert influence over global energy flows. While a potential ceasefire could lead to a reassessment of sanctions, the energy market remains split on how much Russian supply could be restored. European leaders, grappling with high energy costs, are reconsidering reintroducing Russian gas imports, though political resistance remains strong.

OPEC+ Strategy and Market Balancing

As the geopolitical stage evolves, OPEC+ finds itself at a crossroads, managing a delicate balance between supply discipline and market stability. The upcoming April 2024 decision on production increases remains a contentious topic. While the fundamentals suggest that OPEC+ may begin gradually unwinding production cuts, the group remains wary of global economic conditions and external disruptions.

Compounding this challenge is the surge in Iranian oil exports to China, which rose by 86% in February, defying expectations. Should U.S. sanctions

intensify, however, Iran's exports could fall to between 300,000-400,000 barrels per day, prompting further supply constraints. The SHIP Act, if enforced, could further reduce Iran's ability to maneuver around sanctions, adding another layer of uncertainty to the oil market.

Another factor in supply considerations is the rise of new refining capacity in the Atlantic Basin, including Nigeria, Ghana, and Congo, which poses competitive pressure on Europe's already struggling refining sector. European refiners are grappling with higher costs and a more competitive global market, furthering their vulnerability in a shifting energy trade landscape.

Global Economic Trends and Energy Demand

Beyond supply dynamics, demand-side factors play an equally crucial role in shaping the energy market's outlook. China's economic resilience, despite external skepticism, has maintained steady oil demand. While transportation fuel demand appears stagnant, growth in China's chemical sector is expected to drive incremental increases in oil consumption. However, independent refiners, particularly in Shandong, have faced higher costs due to sanctions on Russian oil, which has impacted their ability to maintain high processing rates.

Meanwhile, India continues to grow as a critical demand center, with its economy expected to expand between 6-6.5% in 2024. As India cements itself as a manufacturing hub, its oil demand will likely remain robust. The country's energy strategy is increasingly intertwined with its ambitions to become a global economic powerhouse, particularly as Western firms shift supply chains away from China.

Monetary Policy and Energy Market Volatility

Macroeconomic trends, particularly central bank policies, are playing a pivotal role in energy pricing and trade flows. The Federal Reserve's stance

Trump will succeed in sealing a deal between Russia and Ukraine by June?



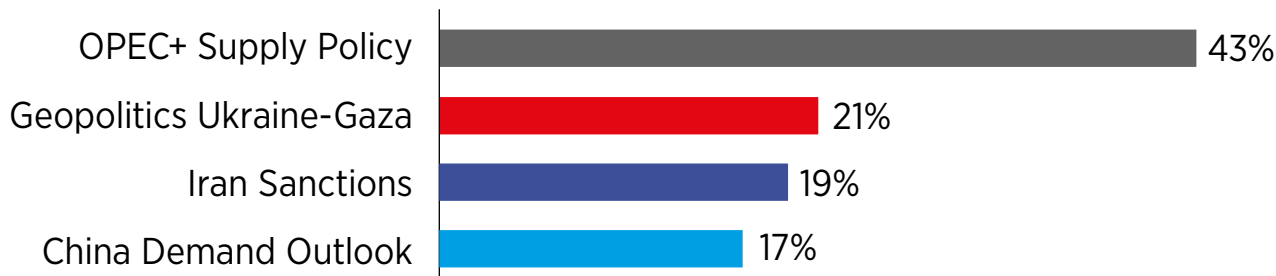
What is top of agenda in US - Russia talks:



OPEC+ will not be able to increase volumes in April as volatility from Trump policy uncertainty will continue?



What is likely to have the biggest impact on the direction of oil markets through the end of Q1:



OPEC+ likely to postpone adding volumes until Q3 to allow time for market volatility to settle?



(*nb. Polling conducted with 100+ Energy Market Stakeholders Feb. 17-21)

on interest rates remains a key factor in shaping risk sentiment. While inflationary concerns have prompted caution, the overall weakness of the U.S. dollar could provide support for oil prices in the near term. Investors remain uncertain about the Fed's future actions, and any shifts in policy could have ripple effects on commodity markets.

Meanwhile, Red Sea shipping disruptions caused by Houthi attacks continue to create logistical bottlenecks, increasing the cost of transporting crude. The Suez Canal remains a contested route, with higher insurance costs and security measures limiting its viability. Some crude carriers and dry bulk ships have resumed passage, but the container shipping industry remains hesitant to fully return to pre-crisis operations.

Competition for the Spoils of War in Ukraine

The war in Ukraine has created a new battleground, not only for territorial control but for the vast energy and industrial resources that remain within its borders. As negotiations progress, major global players are positioning themselves for the economic and resource-driven opportunities that may emerge in a post-war Ukraine.

Western nations, particularly the United States and the European Union, are exploring long-term investment strategies in Ukraine's energy infrastructure. These plans focus on rebuilding damaged oil and gas facilities, integrating Ukraine into the European power grid, and securing alternative energy routes that circumvent Russian influence.

Meanwhile, Russia, despite its economic isolation, is expected to retain control over parts of Ukraine's industrial heartlands, including key energy-producing regions. The potential easing of sanctions in the event of a peace settlement could pave the way for Moscow to resume energy exports under revised terms, further reshaping global supply chains.

China has also entered the equation, leveraging its growing economic influence to secure stakes in Ukraine's mineral wealth, grain exports, and infrastructure projects. As part of its broader Belt and Road Initiative, China sees Ukraine as a crucial link between Europe and Asia, underscoring the complex geopolitical contest at play.

The competition for Ukraine's resources is expected to play a critical role in defining energy security in Europe and beyond, adding yet another layer of complexity to an already volatile global energy landscape.

TOP 10 NOW INSIGHTS

The intersection of geopolitical developments, market fundamentals, and macroeconomic policies continues to define the trajectory of global energy markets. The past week's discussions underscored ten critical takeaways:

1. OPEC+ remains cautious about production increases, likely delaying or phasing in additional supply in 2025.
2. Iranian oil exports to China surged in February, but future U.S. sanctions could significantly disrupt these flows.
3. Europe is facing growing internal divisions over Russian gas imports, as energy affordability pressures mount.
4. U.S.-Russia diplomatic talks in Saudi Arabia signal potential shifts in global energy realignments.
5. Trump's tariffs and trade policies are creating substantial energy market volatility, forcing reassessments of supply chains.
6. China's oil demand is stabilizing, with a shift toward chemical-sector-driven consumption.
7. India's economy is expected to grow at 6-6.5%, maintaining strong energy demand fundamentals.
8. European refining is facing long-term decline, as operational costs and competition from emerging refineries increase.
9. Red Sea shipping routes remain unstable, leading to increased transport costs and supply chain disruptions.
10. The Federal Reserve's interest rate policy is a major wildcard, with its influence extending beyond energy into broader commodity markets.



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