MONDAY MORNING QUARTERBACK ENERGY MARKETS CEO BRIEFING NOTE

MARCH 3rd, 2025

GI
Consultancy
Intelligence
Publishing

Consultancy
Intelligence
Publishing

MONDAY MORNING QUARTERBACK
ENERGY MARKETS CEO BRIEFING NOTE

OPEC+ Expected to Extend Oil Supply Cuts Deeper into 2025

By Sean Evers, Managing Partner, Gulf Intelligence

OPEC+ is set to navigate another challenging year in 2025 as the group weighs whether to extend or ease its production cuts. Despite initial plans to increase output in April, weaker-than-expected demand and rising non-OPEC supply will likely prompt the alliance to delay any significant policy shifts until at least the third quarter. With global oil markets remaining oversupplied, OPEC+ will struggle to justify any major production increases without risking a price collapse.

Russia's role in the global oil supply equation will become increasingly pivotal, especially if negotiations with the U.S. result in a partial rollback of sanctions. If Moscow regains broader access to international markets, its crude and product exports could surge, exerting downward pressure on prices and challenging OPEC's ability to manage supply discipline. Meanwhile, the broader market dynamics suggest that OPEC+'s ability to control prices will steadily weaken beyond 2025, as alternative supply sources and shifting demand patterns undermine the group's influence.

Global Energy Flows Back in the Headlines with End of Ukraine War in Sight

The disruptions in global energy flows are set to persist well into 2025 even as talk of a ceasefire in Ukraine gains momentum, with little relief expected for shipping companies navigating the increasingly volatile geopolitical landscape. The ongoing security concerns in the Red Sea and Suez Canal will continue to push vessel operators toward alternative routes, raising costs and extending transit times.

In the liquefied natural gas (LNG) sector, the United States will continue to push exports to Europe and Asia, but growth will be constrained by infrastructure bottlenecks and surging domestic consumption. While European nations have significantly reduced their reliance on Russian pipeline gas, Russian LNG imports remain a growing part of the continent's energy mix. Despite the political rhetoric surrounding energy independence, many European buyers will quietly reintroduce Russian crude and diesel into their supply chains if a ceasefire or peace deal emerges in Ukraine.

Venezuela's oil sector is poised for another setback in 2025 following the U.S. revocation of Chevron's operating license. This move will likely curtail Venezuelan production, tightening the market for heavy crude supplies and placing greater reliance on Middle Eastern barrels. Saudi Arabia, meanwhile, will continue pivoting toward Asia for long-term contracts, securing its role as the primary supplier to China and India as U.S.-Saudi relations become more transactional. India is set to surpass China as the world's largest driver of oil demand growth, thanks to a surge in refining capacity and robust industrial expansion.

Despite intensifying U.S. sanctions on Iran, the Islamic Republic will find new ways to sustain its crude exports, particularly through increased barter trade with China and an evolving network of shipping intermediaries. Meanwhile, the much-anticipated non-OPEC supply growth from Brazil, Guyana, and Canada will likely underperform forecasts due to logistical challenges, regulatory delays, and underinvestment in production infrastructure. U.S. energy policy will also take a more interventionist turn, with escalating tariffs and regulatory measures further complicating global supply chains and reshaping the energy landscape.

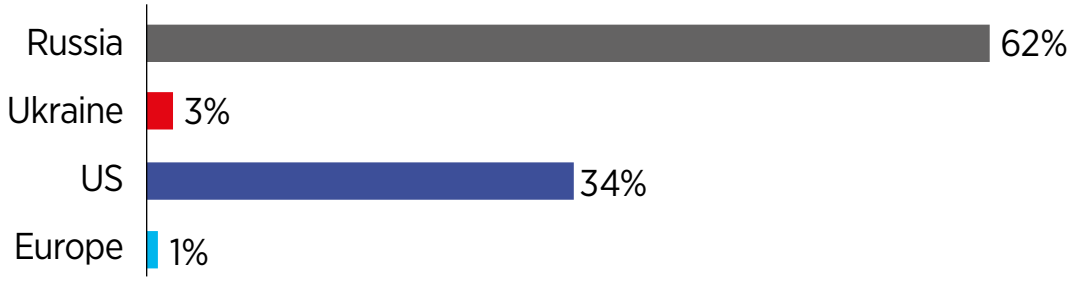
The Resilience of the Dark Fleet to be Tested

The so-called dark fleet—a growing collection of shadow tankers used to transport sanctioned oil—continues to evolve in response to shifting geopolitical and market conditions. Initially driven by Western sanctions on Russian and Iranian crude, this fleet has become a substantial fixture in global oil trading, adapting to price movements, regulatory changes, and strategic shifts in the maritime industry.

Recent data from February 2025 suggests a surprising development: the share of Russian crude transported by traditional Greek-owned private tankers has increased significantly, while the share moved by dark fleet vessels has dropped to its lowest level in 12 months. This shift has been driven by a decline in Urals crude prices, which have averaged near or below the $60 per barrel price cap imposed by the G7 sanctions. With the price cap threshold effectively met, mainstream shipowners, who had previously steered clear of Russian oil to avoid regulatory scrutiny, have re-entered the market, diminishing the need for illicit transport methods.

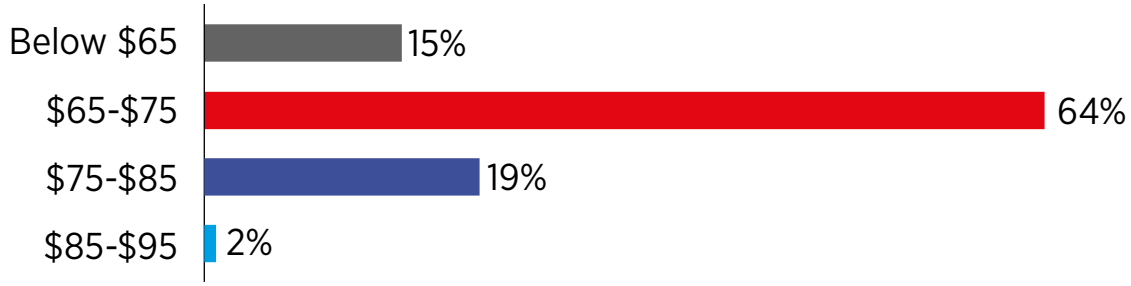
Softer sanctions on Russia, Harsher sanctions on Iran - won't impact oil flows in any significant way?

Who will be the biggest winner from the spoils of War in Ukraine?

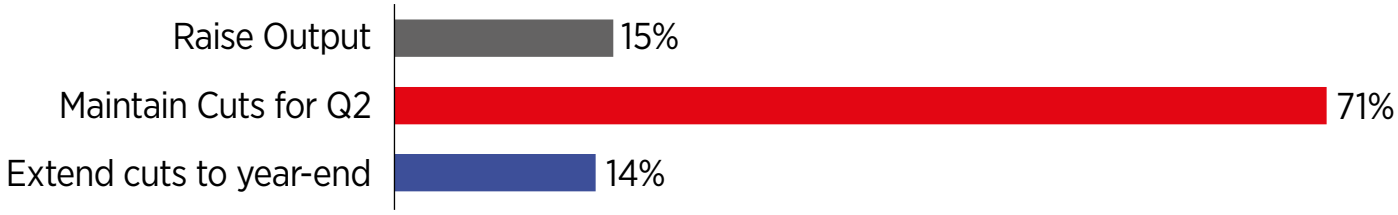


New US Sanctions on Iranian Oil Will Resolve OPEC+ Dilemma on Easing Cuts in April?

Where do you think Dated Brent will be on December 31st 2025?



What will OPEC+ decide to do with Q2 oil supply?



(*nb. Polling conducted with 100+ Energy Market Stakeholders Feb. 24-28)

At the same time, this transition has introduced a new economic incentive structure. The so-called "sanctions premium" on Russian crude shipping rates to India surged from $4.10 per barrel to $7.15 per barrel following the introduction of Biden-era sanctions on January 10, rewarding private shipowners willing to operate within legal price cap limits. This has allowed traditional tanker companies to regain market share, further marginalizing shadow fleets.

However, the dark fleet is far from obsolete. While its role in transporting Russian crude may have diminished, its operations in facilitating Iranian exports to China remain as robust as ever. With Iranian crude prices still under sanction pressure and discounted relative to benchmark grades, demand for these covert shipping operations remains high. Furthermore, geopolitical uncertainty—including the possibility of new U.S. sanctions under the Trump administration—could once again revive dark fleet activity if traditional shipping companies pull back due to legal risks.

Looking ahead, the future of the dark fleet will largely depend on two factors: the price of Russian crude and the G7's willingness to enforce sanctions. If oil prices rise significantly, pushing Urals above the price cap, sanctioned shipments may once again require clandestine logistics, reviving dark fleet operations. Conversely, if the market continues to naturally comply with price cap limitations, traditional shipping firms may further displace shadow fleet tankers, particularly in the Russian oil trade.

Ultimately, 2025 is shaping up to be a pivotal year for shadow oil logistics, as shifting economic incentives, geopolitical maneuvering, and regulatory enforcement will determine whether the dark fleet continues to thrive or begins to fade into irrelevance.

China's Energy Demand Flat at Best in 2025

China's oil demand growth is expected to remain subdued in 2025, staying well below the levels seen in the early 2010s. Structural economic challenges, including a struggling real estate sector and weak consumer spending, will limit any significant recovery in crude imports. While Beijing has the capacity to unleash large-scale economic stimulus, policymakers are expected to proceed cautiously, focusing on targeted interventions rather than broad-based spending sprees. However, if U.S. tariffs on Chinese goods escalate, Beijing may be forced to implement aggressive measures to counteract slowing exports, which could provide a temporary boost to oil demand.

The country's long-term energy strategy will continue to emphasize security and diversification. In the LNG market, China will increase its reliance on long-term contracts with Middle Eastern and Russian suppliers, reducing its exposure to the volatile spot market. Meanwhile, Chinese refiners will accelerate efforts to decouple from U.S. crude imports, favoring supplies from the Middle East, Russia, and Africa.

Electric vehicle adoption will also play a crucial role in shaping China's energy demand. With EV penetration rising rapidly, gasoline consumption is expected to peak by 2025 before entering a plateau. The shift toward LNG-powered freight transport will further erode diesel demand, capping overall middle distillate consumption. Meanwhile, China's growing investments in "low-carbon" refining technology will reshape global product flows, allowing the country to become a major exporter of refined products while rebalancing its crude import mix toward lighter, sweeter grades.

Energy "Transition" is being Replaced by Energy "Transformation"

The momentum behind the global energy transition will slow considerably in 2025 as economic realities and geopolitical shifts take precedence over decarbonization policies – more transformation than transition. Oil majors, once at the forefront of green energy investments, will continue to scale back their commitments to renewables, prioritizing shareholder returns and fossil fuel production. BP's recent shift away from ambitious climate targets is a sign of things to come, with more companies expected to follow suit as government incentives wane and investor pressure mounts.

Global energy policy will shift its focus from aggressive decarbonization to energy affordability and security. In Europe, policymakers will adopt a more measured approach to climate goals as high energy costs and economic competitiveness concerns take center stage. Even the EU, historically one of the most vocal proponents of green policies, will soften its stance as industrial lobbies push back against costly regulations.

China will remain the dominant player in the clean energy market, continuing its lead in solar, battery, and EV production. However, its own transition to a low-carbon economy will face setbacks due to infrastructure constraints and an overreliance on coal. The country's plans for a rapid shift toward renewables will be tempered by the need for energy security, ensuring that coal and LNG remain critical components of its power mix well into the next decade.

Despite high expectations, the global EV market will hit a plateau in 2025 as rising interest rates, supply chain bottlenecks, and declining government subsidies slow adoption rates. While demand for electric cars will remain strong in Europe and China, emerging markets will struggle to build the necessary charging infrastructure, keeping oil demand for transportation resilient.

At the same time, hydrogen and carbon capture technologies will continue to attract investment, but their large-scale deployment will remain limited. The U.S. and Middle East will lead the charge in developing these technologies, but questions around cost-effectiveness and long-term viability will prevent widespread adoption in the near term. For now, fossil fuels will continue to dominate the global energy mix, with the transition to cleaner alternatives progressing more slowly than originally envisioned. ■


GI
Consultancy
Intelligence
Publishing