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WEEKEND READING

ENERGY MARKETS CEO BRIEFING NOTE

"China Is No Longer the Engine of Global Oil Demand—But It May Still Hold the Wheel?"

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China Is No Longer the Engine of Global Oil Demand—But It May Still Hold the Wheel?

By Sean Evers, Managing Partner, Gulf Intelligence

The Illusion of Everlasting Growth

For two decades, China was the engine that powered the global oil market. From the industrial explosion of the early 2000s to the post-financial crisis supercycle, it seemed China's appetite for crude oil would never stop growing. Tankers lined up to feed its factories, cities, and construction booms. Price rallies were fueled not by geopolitical shock, but by sheer Chinese demand.

But the world has changed. And so has China.

Today, the narrative of China as the ever-hungry consumer of global energy is being quietly retired. In its place emerges a more complex—and arguably more consequential—reality: China as a strategic, calibrated, and price-sensitive actor. One that still matters immensely to oil markets, but no longer drives them blindly upward.

This new China is more resilient, more autonomous, and more unpredictable. For oil producers, investors, and geopolitical strategists, what's at stake is clear: **the rules of engagement with the world's second-largest economy are being rewritten**—and the era of guaranteed demand growth is over.

The New Normal: Tactical, Not Exponential

China's oil demand is not collapsing. In fact, it remains steady at around 15 million barrels per day, split between transportation and petrochemical use. But it is no longer growing at breakneck speed. Forecasts for 2025 suggest a modest 1% increase in consumption—driven by the slow return of domestic travel and targeted economic stimulus.

What's changed is not the baseline, but the trajectory.

Where once China's stimulus meant skyscrapers and superhighways, today it funds birth subsidies, neighborhood renewal, and soft infrastructure. These are vital investments for China's social fabric—but they consume far less oil. The country's industrial pivot toward electric vehicles, artificial intelligence, and high-tech manufacturing further reduces oil intensity, even as the economy modernizes.

Meanwhile, the ongoing shift to EVs is eating into gasoline demand. With over 55% of new car sales being electric in 2025, and a forecast of 75% by 2030, the transformation of China's transport sector is both rapid and irreversible.

These developments mark a strategic recalibration. And for global oil producers still counting on exponential Chinese growth, it's a wake-up call.

The Strategic Buyer: Price Over Passion

China is no longer a passive consumer—it is an opportunistic, tactical buyer. Its behavior during the Israel-Iran conflict in early summer was revealing. Crude oil prices spiked on geopolitical fears, but instead of accelerating imports, China pulled back. It dipped into its vast inventories and waited.

This is not new. China has a consistent record of trimming oil imports by as much as 1 million barrels per day when prices rise beyond a comfort threshold. It resumes buying only when prices ease, often rebuilding reserves during downturns.

In June 2025 China imported over 11 mb/d—an impressive figure, but not necessarily reflective of demand. Much of it was speculative stockpiling, not industrial need. Analysts expect those volumes to decline in Q3 unless prices fall or new stimulus is introduced.

This **price elasticity has massive implications**. It means that crude oil no longer has a guaranteed floor, and that OPEC+ production decisions are being made in a world where China buys tactically, not emotionally.

From Growth Engine to Demand Governor

For decades, oil producers looked to China as a source of upward price pressure. Today, it may serve the opposite role: a **demand governor** that prevents prices from overheating.

OPEC's recent move to raise production quotas and Saudi Arabia's hike in its Official Selling Price (OSP) to Asia were made with an eye on Chinese demand. But China didn't blink. The muted market reaction spoke volumes. The days of Brent rallying $10 on Chinese momentum are gone.

Instead, $70 Brent appears to be the new ceiling, not the floor. And that ceiling is being set in Beijing.

The strategic consequence? Producers must prepare for a structurally capped market, one where financial speculation and macro liquidity play a bigger role than any one nation's consumption. In this new reality, China may not fuel the next oil supercycle—but it will dictate its range.

Global Energy Security: A New Fragility

China's transformation also reshapes the landscape of global energy security.

Beijing's diversification of crude sources—ramping up imports from Russia, Brazil, and the Middle East—reflects a clear intention: hedge against volatility and politicized trade. In doing so, China gains leverage in global pricing discussions and reduces dependency on any single route or supplier.

But this strategic autonomy cuts both ways.

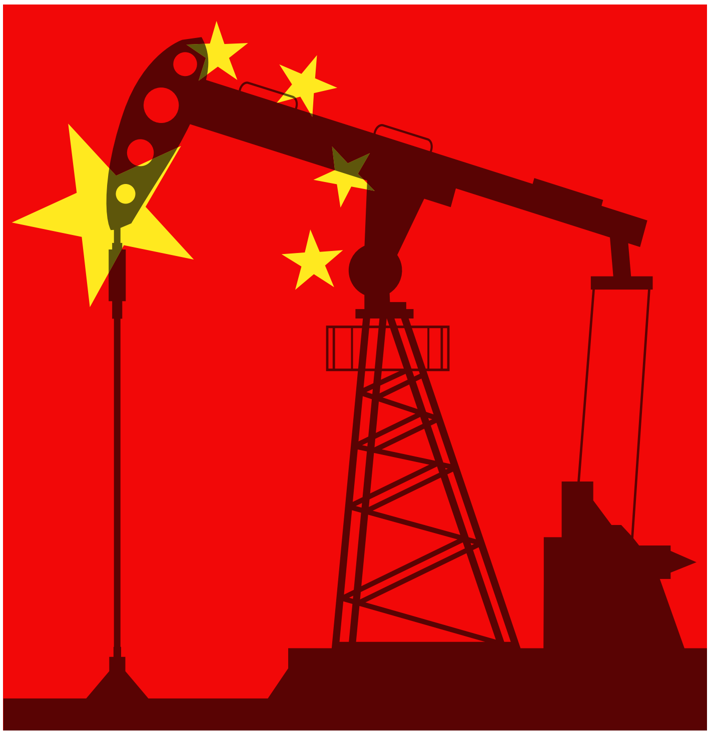
As China grows more selective, producers must compete harder for its business. Mispricing, overproduction, or underestimating China's tactical behavior could lead to **oversupply, price instability, or underutilized infrastructure.**

Moreover, China's deflationary exports—from electric vehicles to solar panels—are subtly undermining the energy economics of oil-intensive manufacturing. Its green tech dominance could accelerate oil displacement elsewhere, deepening the long-term demand challenge.

What's at stake is more than just barrels. It's about influence, trade flows, and the architecture of global energy relationships.

What the World Must Prepare For

The world must adapt to a China that behaves less like a demand engine and more like a market-savvy player.



Investors should recognize that Chinese oil demand will not follow a predictable upward path. It will ebb and flow with prices, policies, and political pressure. Trading strategies must evolve to account for this elasticity and complexity.

Producers—especially OPEC+—must rethink how they manage supply. No longer can they assume that Chinese demand will absorb excess barrels. They need more dynamic pricing mechanisms, stronger coordination, and contingency planning for weaker-than-expected pull from Asia.

And policymakers, especially in Washington and Brussels, must grasp that China's energy transformation is a geopolitical asset. Its reduced reliance on traditional oil markets increases its flexibility in foreign policy, economic diplomacy, and supply chain design.

Conclusion: What's Ultimately at Stake

China's evolving energy posture may not dominate headlines like a sudden supply disruption or a missile strike in the Strait of Hormuz. But its implications are no less profound.

The era of guaranteed growth is over. In its place is a new era of calculated, strategic behavior. China is no longer the oil market's engine—it is its thermostat. And in this colder, more rational marketplace, those who misread China's role will pay a steep price.

If the global oil industry fails to understand this shift, it risks being caught in a perpetual state of overproduction, overconfidence, and underwhelming revenues. The question is no longer whether China will lead the next oil rally—but whether anyone will. ■

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