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MONDAY MORNING QUARTERBACK

ENERGY MARKETS
CEO BRIEFING NOTE

"Oil Market Outlook: Navigating Supply-Demand Realities in H2 2025"

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"Oil Market Outlook: Navigating Supply-Demand Realities in H2 2025"

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Stability Amid Geopolitical and Economic Crosscurrents

As we approach the second half of 2025, the global oil market finds itself in a precarious balancing act, navigating a landscape defined by cautious optimism from major producers, resilient demand patterns, and simmering geopolitical tensions. The oil industry is facing a period of measured stability despite the undercurrents of economic uncertainty and trade disruptions, particularly relating to tariffs and global market sentiment.

Key producers like OPEC+ are approaching the upcoming months with calculated caution, attempting to ensure market stability by calibrating their production ceilings meticulously. Despite recent ceiling adjustments, these measures are not expected to significantly alter actual supply levels, underscoring a persistent market tightness. Analysts forecast only modest production growth, indicating that OPEC+ is strategically managing market expectations and safeguarding against potential demand shortfalls.

U.S. shale, traditionally a critical swing producer, maintains an underestimated flexibility. Its production levels are expected to remain relatively stable, buoyed by rapid adjustments in production costs within 12 to 24 months. This dynamic supports a stable price environment, limiting dramatic fluctuations in global supply despite economic headwinds. The shale industry's agility serves as a crucial buffer against market volatility, suggesting that significant price swings are unlikely in the immediate term.

China's Demand Stability: An Anchor or Mirage?

China, a perennial wildcard in global oil dynamics, is projected to maintain its demand around the 15 million barrels per day (mb/d) mark. This stability is underpinned equally by mobility and petrochemical sectors, providing a resilient base amid global uncertainties. However, this headline figure masks underlying structural shifts toward higher efficiency and lower energy intensity in China's economy. While short-term demand remains robust, driven by strategic inventory building for energy security, long-term projections indicate modest incremental growth as China transitions toward high-tech industries and away from energy-intensive sectors.

Chinese inventory strategies also play a crucial role. The nation's strategic oil reserves, aimed at bolstering energy security, artificially inflate apparent consumption figures, creating temporary demand support. Nonetheless, these inventory builds might not reflect sustainable real consumption growth. China's inventory adjustments could also respond rapidly to price increases, introducing volatility into global demand dynamics.

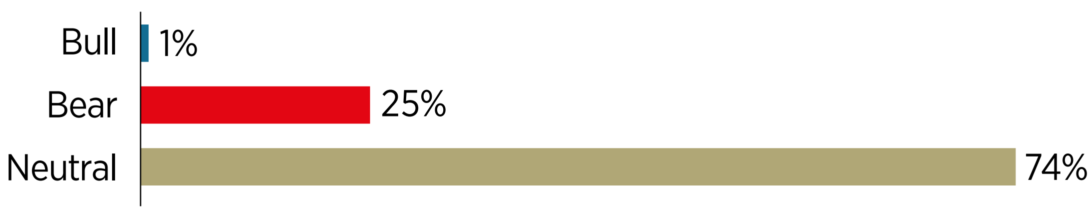
Meanwhile, tariffs and broader trade tensions loom large over the global economic outlook. Although tariffs have not dramatically impacted oil demand yet, they pose risks that could materialize as economic pressures mount, especially between major economies such as the U.S. and China. Short-term speculative demand driven by recent U.S. fiscal stimuli may buoy commodity prices temporarily but could exacerbate demand fluctuations later.

Risks and Realities: Geopolitics and Market Sentiment

Geopolitical tensions, including the ongoing Israel-Iran and Ukraine crises, remain integral to market considerations, yet their impact appears increasingly muted. Markets have demonstrated surprising resilience, suggesting growing indifference or desensitization to short-term geopolitical shocks. Nevertheless, persistent geopolitical instability continues to underpin a baseline of price support, even if immediate reactions are less pronounced.

OPEC+ will be pretty happy with the 'nothing to see here' muted response from the oil markets to the supply+ announcement?

Have we seen this Tariff movie before - what does it mean for oil markets this time?



Does Trump Tariff chaos make $70 a floor or ceiling for oil market?

*(*nb. Polling conducted with 100+ Energy Market Stakeholders)*

The overall market sentiment reveals cautious optimism mixed with underlying bearishness. Analysts predict a subdued price environment, forecasting oil to hover around a $70 per barrel ceiling, conditioned by persistent uncertainties related to tariffs, geopolitical stability, and OPEC+ production actions. A weak U.S. dollar further supports this price stability, making oil more affordable for international buyers and indirectly bolstering demand.

However, risks of complacency linger. The broader economic consequences of tariff disputes and geopolitical tensions, though currently absorbed by markets, could erupt unexpectedly, creating significant disruptions. Reduced spare production capacity underscores a tighter market environment than previously estimated, challenging earlier bearish narratives and suggesting market vulnerability to sudden shifts.

What's at Stake?

The critical stakes for the global oil market lie in managing this delicate balance between resilient demand and constrained supply against a backdrop of unpredictable geopolitical and economic forces. OPEC+'s disciplined approach in adjusting production ceilings and managing sentiment indicates a strategic focus on maintaining market stability rather than maximizing immediate output. This caution reflects broader concerns about medium-term demand uncertainties, which tariffs and economic stress could exacerbate.

The stakes for major consumers, particularly China and India, center around maintaining stable demand amid tariff disruptions and potential economic slowdowns. Their continued robust consumption is pivotal in providing baseline support for global markets. However, their exposure to tariff-related economic risks could quickly shift their demand profiles, significantly affecting global oil balances.

For producers, particularly U.S. shale and OPEC+ members, the primary challenge is navigating a landscape defined by limited spare capacity and cautious production strategies. With seasonal refinery demand expected to peak sharply in Q3 2025 and then decline rapidly, producers must carefully anticipate demand fluctuations to avoid exacerbating volatility.

In summary, the second half of 2025 promises a cautiously stable oil market environment, underpinned by disciplined production strategies, resilient demand profiles, and relatively muted reactions to geopolitical disruptions. Nevertheless, underlying risks remain significant. Any unexpected intensification of tariff impacts, geopolitical crises, or economic slowdowns could swiftly unsettle this balance, highlighting the fragile equilibrium on which the current market stability depends. Stakeholders across the supply-demand spectrum must remain vigilant, ready to adapt swiftly to evolving market realities.

OPEC OIL MARKET MONTHLY REPORT JULY 15th, 2025

World Oil Demand

The global oil demand growth forecast for 2025 remains at 1.3 mb/d, year-on-year (y-o-y), unchanged from last month's assessment. Some minor adjustments were made, mainly due to actual data for 1Q25 and 2Q25. In the OECD, oil demand is forecast to grow by about 0.1 mb/d in 2025, while non-OECD demand is forecast to grow by about 1.2 mb/d in 2025. In 2026, global oil demand is forecast to grow by 1.3 mb/d, y-o-y, unchanged from last month's assessments. The OECD is forecast to grow by about 0.1 mb/d, y-o-y, while the non-OECD is forecast to grow by 1.2 mb/d, y-o-y.

World Oil Supply

Non-DoC liquids production (i.e., liquids production from countries not participating in the Declaration of Cooperation) is forecast to grow by about 0.8 mb/d, y-o-y, in 2025, unchanged from last month's assessment. The main growth drivers are expected to be the US, Brazil, Canada, and Argentina. The non-DoC liquids production growth forecast for 2026 is also unchanged at 0.7 mb/d, with the US, Brazil, Canada, and Argentina as the main growth drivers. Meanwhile, natural gas liquids (NGLs) and non-conventional liquids from countries participating in the DoC are forecast to grow by 0.1 mb/d, y-o-y, in 2025, averaging 8.6 mb/d, followed by a similar increase of about 0.1 mb/d, y-o-y, in 2026, to average 8.8 mb/d. Crude oil production by countries participating in the DoC increased by 349 tb/d in June, m-o-m, to average about 41.56 mb/d, according to available secondary sources. ■

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