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OCTOBER 13th, 2025

MONDAY MORNING QUARTERBACK

ENERGY MARKETS CEO BRIEFING NOTE

"End of 5-Year Emergency Era: OPEC+ Redefines Oil Market Management for a New Normal with Much Less Idle Capacity"

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ENERGY MARKETS CEO BRIEFING NOTE – October 13th

"End of 5-Year Emergency Era: OPEC+ Redefines Oil Market Management for a New Normal with Much Less Idle Capacity"

As OPEC+ winds down the post-COVID era of emergency supply management, oil producers enter a new phase of market-share rebalancing inside and outside OPEC+, strategic investment restraint and cautious stability. With China's demand plateauing and investment falling short, the balance between abundance and underinvestment may define the next decade of global energy transformation when idle capacity is a luxury nobody will want to hold too much of.

By Sean Evers, Managing Partner, Gulf Intelligence

The global oil market has entered a period of profound adjustment—no longer in crisis, but not yet secure in a new equilibrium. A confluence of slowing demand, recalibrated OPEC+ strategy, geopolitical fragmentation, and evolving trade relationships is redefining the rules of engagement for producers and consumers alike.

The age of perpetual volatility is giving way to an era of cautious balance, where the challenge is not scarcity, but coordination. The great question confronting policymakers, traders, and investors is whether this apparent calm is the quiet before a structural storm.

The Market Finds Its Range — OPEC+ and the Price Stability Imperative

Oil markets are settling into a restrained rhythm, with Brent crude averaging between $65-$70 per barrel through Q2 and Q3 -- a level that reflects a wary equilibrium between modest demand and managed supply. Gone are the days of runaway rallies or collapses. Instead, the market is oscillating within a controlled corridor, shaped by discipline rather than exuberance.

OPEC+, the architect of this stability, has reasserted its position as the ultimate shock absorber. Through calibrated supply management and an unusual degree of cohesion among its diverse members, the alliance has sustained balance in a world increasingly defined by uncertainty. Its quiet success lies in its flexibility—scaling output up or down in response to subtle market cues rather than political grandstanding.

Having spent several years firefighting—from the pandemic collapse to the Ukraine war—OPEC+ is now transitioning from emergency response to strategic stewardship. This marks the end of the "crisis management era." The group is adopting a steady-state approach that relies less on abrupt interventions and more on predictability, a welcome shift for traders and national budgets alike.

Yet beneath the veneer of stability lurks a persistent supply overhang of around 1.5 million barrels per day. Inventories remain comfortable, and spare capacity—particularly in the Gulf—serves as both a cushion and a ceiling. Prices therefore remain capped, reflecting a market long on barrels but short on conviction.

The irony is that this temporary surplus conceals a deeper problem: underinvestment. Years of capital flight from the upstream sector have set the stage for potential tightness later in the decade. As mature fields decline and new projects languish in the pipeline, today's equilibrium may give way to tomorrow's scramble. Unless capital spending rebounds, the seeds of the next price spike are already being sown.

China's Slowdown and the Waning of the Golden Demand Era

For nearly two decades, China's industrial engine was the heartbeat of global oil demand. That rhythm is now slowing. The country's crude consumption, which peaked around 15 million barrels per day in 2023, has plateaued as the economy matures and policy pivots toward cleaner growth. The result is the end of an era—the closing chapter of oil's "golden age" of Chinese expansion.

This structural plateau does not yet spell decline, but it does change the psychology of the market. Oil traders who once viewed China as the guaranteed demand backstop must now adjust to a flatter trajectory. Electric vehicle adoption, efficiency gains, and a shift from heavy manufacturing to services are eroding the intensity of oil use in China's GDP growth.

At the same time, Beijing's strategic stockpiling continues to cloud visibility. Massive reserve builds have inflated import numbers, masking softer real consumption. When these inventories eventually reverse, the illusion of strong demand could evaporate overnight, amplifying price volatility.

Outside OPEC, the once-relentless rise of non-OPEC supply—led by U.S. shale, Guyana, and West Africa—is also showing fatigue. Cost inflation, regulatory friction, and shareholder discipline are curbing enthusiasm for new drilling. The result is a dual slowdown: demand moderating from China and supply moderating from the United States.

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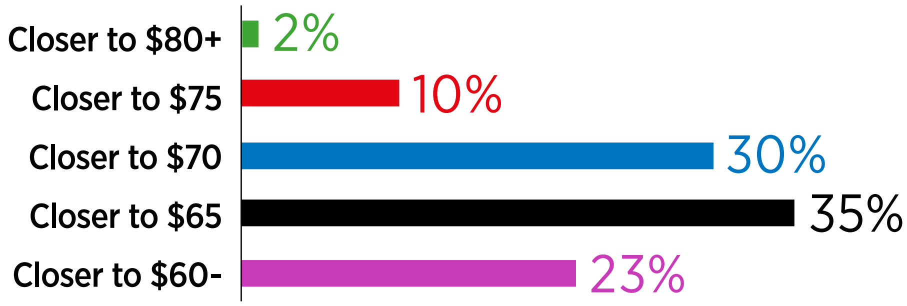
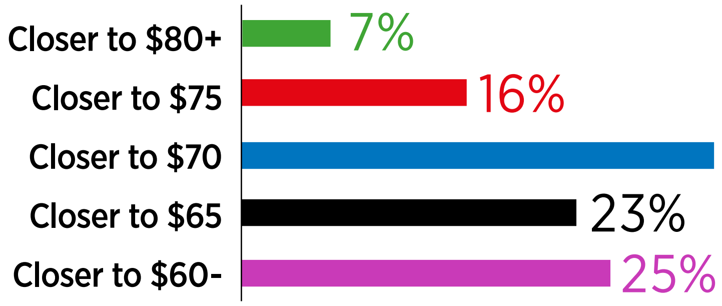
SURVEY RESULTS

"Reimagining Growth in a Disrupted World: Risks & Opportunities?"

What will Brent Crude Oil Price be on the last trading day of 2025 – December 31st?



What will Brent Crude Oil Price average in 2026?



The OPEC+ decision to raise oil supply quotas this year in the face of uncertain demand outlook signals the end of the 5-year COVID emergency oil market management Era?

NB. Survey was conducted with 300 global energy market stakeholders on Oct. 2nd, 2025

This new symmetry gives OPEC+ an unexpected advantage. With shale no longer acting as the agile swing producer of the last decade, the cartel once again holds the steering wheel. U.S. producers, now beholden to Wall Street rather than Washington, are focused on return on capital, not volume. Their restraint aligns unintentionally with OPEC's goal of orderly markets.

Meanwhile, the geopolitical premium in oil prices—once a major determinant of volatility—has virtually disappeared. Even as conflict flickers across Eastern Europe and the Middle East, the market barely flinches. Today's oil price reflects fundamentals, not fear. That resilience underscores the extent to which supply diversification and strategic reserves have insulated the system from sudden shocks.

Still, the absence of risk pricing should not be mistaken for immunity. Geopolitical complacency is itself a vulnerability. As the global map of alliances shifts, particularly with China and India deepening ties to Russia's discounted barrels, the architecture of trade is quietly being rewritten.

Trade Wars, Sanctions, and the Shadow Fleet — The Fractured Global Economy

If OPEC+ sets the rhythm of supply, trade wars and sanctions now shape the tempo of demand. The fracturing of the rules-based trading system is inflicting subtle but widespread damage on the global economy. Tariffs, protectionist policies, and geopolitical rivalries have injected uncertainty into investment decisions, slowing growth and reshaping oil flows.

The escalation of U.S.–China trade tensions has already reduced industrial activity, weakened shipping volumes, and constrained fuel consumption. Manufacturing supply chains are fragmenting, forcing companies to rethink sourcing and logistics strategies. These disruptions feed directly into lower demand for transport fuels, petrochemicals, and bunker fuel.

Although the global economy has thus far shown resilience—rebounding after weak quarters—the cumulative effect of policy unpredictability is corrosive. Investment caution is spreading, particularly in heavy industries that drive hydrocarbon demand. Capital expenditures are being deferred or cancelled outright, leading to a feedback loop of slower growth and weaker energy consumption.

Compounding the uncertainty is the emergence of a vast "shadow fleet" of tankers—estimated to handle nearly 20% of global crude shipments—operating outside international oversight. This clandestine network of vessels carries sanctioned Russian and Iranian oil to buyers across Asia, distorting trade data and undermining the transparency of maritime flows.

The rise of this unregulated fleet brings collateral damage: environmental and safety risks are escalating as uninsured and poorly maintained ships ply congested routes. The risk of spills, collisions, and pollution is rising, but accountability remains murky. In parallel, secondary sanctions aimed at discouraging Chinese and Indian refiners from purchasing Russian barrels have had limited effect. The gravitational pull of cheap energy has outweighed diplomatic pressure, reflecting the growing assertiveness of the Global South in energy geopolitics.

The fragmentation of trade, combined with the improvisation of parallel supply networks, points to a more multipolar oil system—one where enforcement is weaker, data less reliable, and alignment among major powers increasingly fragile.

From Energy Transition to Energy Transformation

Beneath these cyclical tremors lies a more profound structural shift: the global energy conversation has evolved from "transition" to "transformation." Policymakers, industry leaders, and investors are increasingly embracing realism over rhetoric. The notion of a rapid, binary switch from hydrocarbons to renewables has given way to a recognition that the transformation will be gradual, multi-speed, and technology-driven.

This pragmatic turn reflects the hard lessons of recent years—energy crises, supply disruptions, and inflationary shocks have reminded the world that reliability matters as much as sustainability. Oil and gas, far from being relics, remain essential pillars of global energy security. The consensus now forming is one of coexistence, not confrontation: a diversified energy matrix where renewables, nuclear, and hydrocarbons each play to their strengths.

The idea of "energy addition" rather than "energy subtraction" has taken root. Emerging economies, particularly in Asia and Africa, cannot afford to sacrifice growth for idealism. Their path to decarbonization will be evolutionary, not revolutionary—balancing climate goals with access and affordability.

At the same time, the long-term future of oil is beginning to pivot beyond fuel. Its enduring value lies in its chemistry, not its combustibility. As demand for plastics, petrochemicals, and advanced materials continues to rise, oil's destiny will increasingly be as an industrial feedstock—powering manufacturing and technology rather than engines. In this sense, oil's future is not extinction but reinvention.

This reframing of oil's role dovetails with a broader philosophical shift in global energy governance. The question is no longer "when will oil demand peak?" but "how will oil adapt?" Those who invest in adaptation—whether through carbon capture, cleaner refining, or downstream diversification—will emerge as the winners of the transformation era.

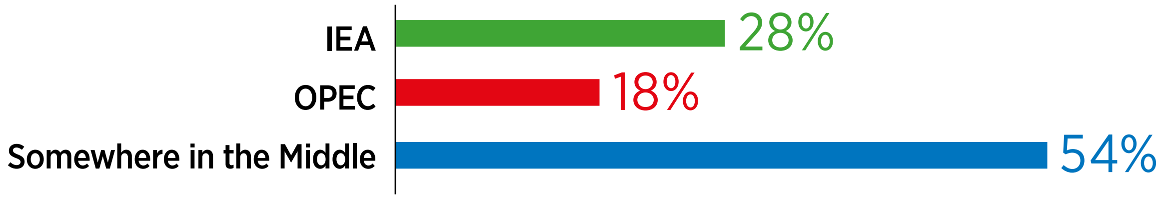
Conclusion — The Calm Before the Reinvention

The global oil market stands at a crossroads between managed stability and latent transformation. Prices are steady, supply is abundant, and OPEC+ discipline prevails—but beneath this surface calm, structural forces are gathering. Investment scarcity, a plateauing China, fractured trade relations, and evolving energy policies all hint at deeper realignments ahead.

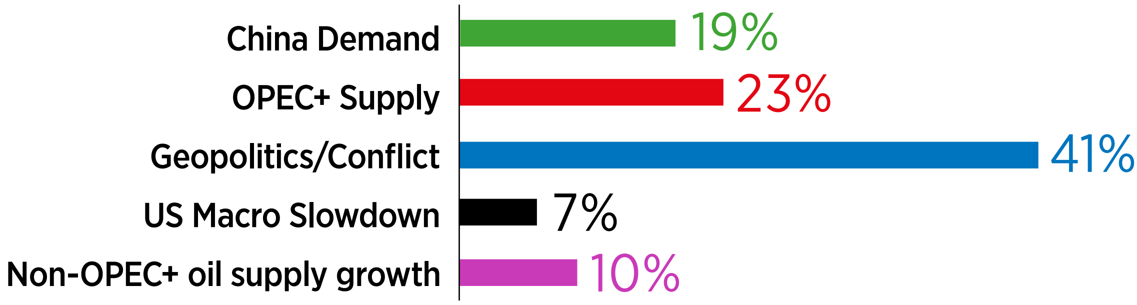
The market's next phase will not be defined by shocks but by shifts—gradual, accumulative, and irreversible. Oil is no longer the uncontested lifeblood of growth, but neither is it a sunset industry. It is becoming a strategic input in a more complex, multipolar, and technology-driven world.

The path forward is not about abandoning hydrocarbons, but about redefining their purpose in the energy transformation narrative. The winners of the next decade will be those who understand that the future of oil lies not in barrels burned, but in barrels repurposed—fueling not just economies, but evolution itself. ■

The IEA has forecast global oil demand growth in 2026 as same as this year at 700 kb/d, while OPEC expects double that amount next year: which is closer to likely outcome?

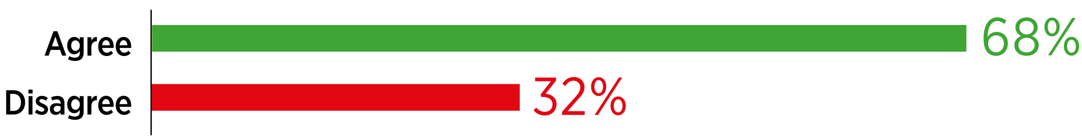


What will have the Biggest impact on direction of oil prices in 2026?



If the US & China increasingly operate outside the global rules-based system, other countries will follow and do the same, leading to rising uncertainty, drags on productivity and lower overall economic growth?

The explosive growth of the "Dark" / "Shadow" Fleet—now estimated to represent close to 20% of the world's oil tankers—poses one of the most urgent challenges to global shipping and trade?



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