ENERGY RESEARCH

Oil Market View

Source: Pexel (original photo by Gamesh Ramsumair)

Summary

Following U.S. President Trump's tariff announcement, OPEC+'s higher-than-expected production hike and China's retaliatory tariffs, the Brent spot price fell by 14.4% from US$77.27 per barrel on 2 April 2025 to US$66.13 per barrel on 7 April 2025. The Brent spot price has fallen further by 6.9% to US$61.57 per barrel on 2 May 2025 while the WTI spot price has fallen by 17.3% from US$72.12 per barrel on 2 April 2025 to US$59.67 per barrel on 2 May 2025.

Trump's tariffs are expected to weaken global growth thus dampening oil demand growth. Accordingly, the U.S. Energy Information Administration ("EIA"), International Energy Agency ("IEA") and Organization of the Petroleum Exporting Countries ("OPEC") lowered their oil demand growth forecasts for 2025 & 2026. However, OPEC maintained a higher oil demand growth forecast for 2025 than EIA & IEA.

IEA and OPEC provided varying longer-term outlooks for oil demand too. While IEA noted that oil's share of total energy supply is expected to fall from around 29.9% in 2023 to around 7.1–24.3% in 2050 (depending on carbon reduction progress), OPEC indicated that oil's share of total primary energy demand is expected to fall from 30.9% in 2023 to 29.3% in 2050. IEA also differed from OPEC on whether global oil demand would peak by 2050 and whether oil demand growth would slow due to substitution away from oil. Both indicated though that China, India and "Other Asia" are expected to experience some of the highest cumulative oil demand growth from 2023 to 2029 or 2030.

Meanwhile, OPEC announced a higher-than-expected production hike of 411,000 barrels per day ("bpd") for May 2025 and announced another hike of 411,000 bpd for June 2025. The hikes may be intended to lower oil prices, so that Saudi Arabia may penalise Iraq & Kazakhstan for prior overproduction by hurting their oil revenues, appeal to Trump, and allow OPEC+ to regain market share especially from U.S. producers.

With an expected fall in global oil demand growth and rise in global oil supply growth, oil inventories are expected to rise such that oil prices are likely to fall. EIA forecasted that the average Brent spot price will fall from US$76 per barrel in 1Q 2025 to US$61 per barrel by 4Q 2025, and fall further to US$59 per barrel in 2026. Goldman Sachs has also lowered its Brent spot price forecast to an average of US$60 per barrel for the rest of 2025, while Morgan Stanley lowered its Brent spot price forecast to US$62.50 per barrel for 3Q & 4Q 2025.

Oil prices may improve though should U.S.-China trade tensions ease or the Middle East conflict escalate.

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ECONOMIC OUTLOOK

On 2 April 2025, U.S. President Donald Trump announced universal & "reciprocal" tariffs on U.S. trading partners including China. The Straits Times ("ST") reported the next day that U.S.'s tariff hike on China brought "total levies to at least 54 per cent".

In response, "China's finance ministry matched U.S. duties with additional tariffs of 34% on all U.S. goods from April 10, on top of the 10%-15% tariffs it imposed on some U.S. agriculture goods in March and 10%-15% tariffs on some energy and farming machinery in February" according to Reuters.

Reuters also reported that, on 9 April 2025, Trump "hiked new tariffs on Chinese goods to 125%" while he "paused part of his tariff assault on global trading partners, dialing back duty rates on goods from many countries for 90 days to allow room to negotiate lower trade barriers". As separately reported by Reuters, China retaliated by raising its "levies on imports of U.S. goods to 125%" while dismissing Trump's tariff hikes as "a joke".

The International Monetary Fund ("IMF") commented in its latest World Economic Outlook ("WEO") report that the "April 2 Rose Garden announcement forced us to jettison our projections—nearly finalized at that point—and compress a production cycle that usually takes more than two months into less than 10 days".

The IMF added that "based on information available as of April 4, 2025 (including the April 2 tariffs and initial responses)", "global growth is projected to fall from an estimated 3.3 percent in 2024 to 2.8 percent in 2025, before recovering to 3 percent in 2026". U.S. growth was expected to fall from 1.8% in 2024 to 1.4% in 2025 before rising to 1.5% in 2026, while Chinese growth was expected to fall from an indicated[1] 5.0% in 2024 to an indicated 4.0% in 2025 & 2026 as shown in **Exhibit 1**.

IMF also noted that if the "measures announced between April 5 and 14 were considered in isolation from the associated market fallout and policy-induced uncertainty and assumed to be permanent, global growth for 2025 would be about 2.8 percent for 2025 and about 2.9 percent for 2026".

In contrast, IMF projected global growth to be 3.3% for both 2025 & 2026 in its January 2025 WEO[2].

After Trump's tariff announcement, ST noted on 4 May 2025 that "Purchasing manager indexes (PMI) across Asia, along with revised numbers in Europe on Friday (May 2), showed new or persisting contractions in factory activity in April".

For instance, S&P Global reported that South Korea's manufacturing PMI fell from 49.1 in March to 47.5 in April. S&P Global commented that the contraction "marked the third consecutive month of worsening business conditions" and "was the most pronounced since September 2022".

Chinese state media Xinhua reported on 30 April 2025 that China's manufacturing PMI "came in at 49 in April, down from 50.5 in March". Xinhua also quoted a statistician from the National Bureau of Statistics as noting that the April PMI was partly influenced by "the drastic changes in the external environment".

The Financial Times ("FT") remarked on the same day (30 April 2025) that the official manufacturing PMI of 49 in April was the "weakest" since December 2023.

According to FT, Chinese factories "have begun slowing production and furloughing some workers as the trade war unleashed by US President Donald Trump dries up orders for products ranging from jeans to home appliances". FT added that with "most Chinese goods now facing US duties of at least 145 per cent, some factory owners say American customers have cancelled or suspended orders, forcing them to cut production".

[1] According to Rhodium Group, a research provider, Chinese officials may have overstated Chinese growth in 2024.
[2] For reference, the World Bank commented in January 2025 that the global economy was forecasted to "expand by 2.7 percent this year and next—the same rate as in 2024".

Exhibit 1: Breakdown of Forecasted Economic Growth by Selected Countries (2025 & 2026)

Table 1.1. Overview of the *World Economic Outlook* Reference Forecast

(Percent change, unless noted otherwise)

		Projections		Difference from January 2025 WEO *Update*[1]		Difference from October 2024 WEO[1]	
	2024	2025	2026	2025	2026	2025	2026
World Output	**3.3**	**2.8**	**3.0**	**-0.5**	**-0.3**	**-0.4**	**-0.3**
Advanced Economies	**1.8**	**1.4**	**1.5**	**-0.5**	**-0.3**	**-0.4**	**-0.3**
United States	2.8	1.8	1.7	-0.9	-0.4	-0.4	-0.3
Euro Area	0.9	0.8	1.2	-0.2	-0.2	-0.4	-0.3
Germany	-0.2	0.0	0.9	-0.3	-0.2	-0.8	-0.5
France	1.1	0.6	1.0	-0.2	-0.1	-0.5	-0.3
Italy	0.7	0.4	0.8	-0.3	-0.1	-0.4	0.1
Spain	3.2	2.5	1.8	0.2	0.0	0.4	0.0
Japan	0.1	0.6	0.6	-0.5	-0.2	-0.5	-0.2
United Kingdom	1.1	1.1	1.4	-0.5	-0.1	-0.4	-0.1
Canada	1.5	1.4	1.6	-0.6	-0.4	-1.0	-0.4
Other Advanced Economies[2]	2.2	1.8	2.0	-0.3	-0.3	-0.4	-0.3
Emerging Market and Developing Economies	**4.3**	**3.7**	**3.9**	**-0.5**	**-0.4**	**-0.5**	**-0.3**
Emerging and Developing Asia	5.3	4.5	4.6	-0.6	-0.5	-0.5	-0.3
China	5.0	4.0	4.0	-0.6	-0.5	-0.5	-0.1
India[3]	6.5	6.2	6.3	-0.3	-0.2	-0.3	-0.2
Emerging and Developing Europe	3.4	2.1	2.1	-0.1	-0.3	-0.1	-0.4
Russia	4.1	1.5	0.9	0.1	-0.3	0.2	-0.3
Latin America and the Caribbean	2.4	2.0	2.4	-0.5	-0.3	-0.5	-0.3
Brazil	3.4	2.0	2.0	-0.2	-0.2	-0.2	-0.3
Mexico	1.5	-0.3	1.4	-1.7	-0.6	-1.6	-0.6
Middle East and Central Asia	2.4	3.0	3.5	-0.6	-0.4	-0.9	-0.7
Saudi Arabia	1.3	3.0	3.7	-0.3	-0.4	-1.6	-0.7
Sub-Saharan Africa	4.0	3.8	4.2	-0.4	0.0	-0.4	-0.2
Nigeria	3.4	3.0	2.7	-0.2	-0.3	-0.2	-0.3
South Africa	0.6	1.0	1.3	-0.5	-0.3	-0.5	-0.2
Memorandum							
World Growth Based on Market Exchange Rates	2.8	2.3	2.4	-0.6	-0.4	-0.5	-0.3
European Union	1.1	1.2	1.5	-0.2	-0.2	-0.4	-0.2
ASEAN-5[4]	4.6	4.0	3.9	-0.6	-0.6	-0.5	-0.6
Middle East and North Africa	1.8	2.6	3.4	-0.9	-0.5	-1.4	-0.8
Emerging Market and Middle-Income Economies	4.3	3.7	3.8	-0.5	-0.4	-0.5	-0.3
Low-Income Developing Countries	4.0	4.2	5.2	-0.4	-0.2	-0.5	-0.4

Source: IMF (published April 2025)

OIL DEMAND

(I) NEAR-TERM OUTLOOK

Economic growth "has" (or, at least, historically had) a "strong impact on oil consumption" as may be seen in **Exhibit 2**, according to the U.S. Energy Information Administration ("EIA").

In line with the weakened growth outlook, EIA noted that it lowered its global oil consumption forecast to "0.9 million barrels per day (b/d) in 2025 and 1.0 million b/d in 2026" in its April 2025 Short-Term Energy Outlook ("STEO") report, "0.4 million b/d and 0.1 million b/d less" than as forecasted in its March 2025 STEO, respectively. EIA cautioned though that the macroeconomic model it used was "released in mid-March", such that the model did not "completely reflect the tariffs announced on April 2". EIA cautioned too that it used global GDP forecast "which was also completed in mid-March".

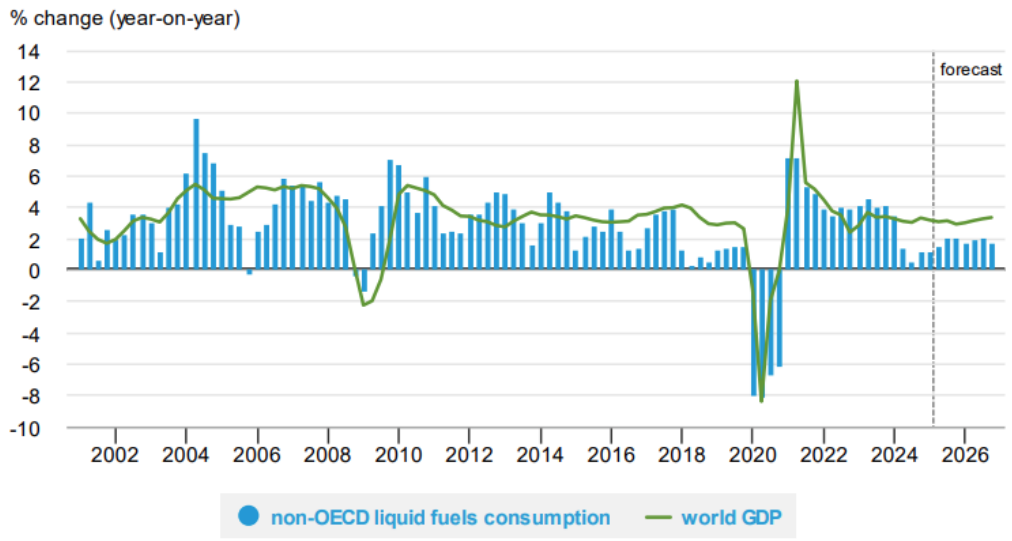
In its May 2025 STEO, EIA noted that consumption of global liquid fuels (which includes "crude oil, lease condensate, natural gas plant liquids, other liquids, refinery processing gain, and other unaccounted-for liquids") is expected to increase "by 1.0 million b/d in 2025 and 0.9 million b/d in 2026", "0.4 million b/d and 0.1 million b/d lower" than as forecasted in its January 2025 STEO, respectively. EIA added that it used S&P Global's "most recent model" which "reflects the tariffs announced on April 2", although the model was "finalized prior to the 90-day temporary suspension of tariffs granted to certain countries".

Meanwhile, the International Energy Agency ("IEA") commented in April 2025 that it lowered its global oil demand growth expectation for 2025 "by 300 kb/d since last month's Report to 730 kb/d, as escalating trade tensions have negatively impacted the economic outlook". IEA added that global oil demand growth is "expected to slow further in 2026, to 690 kb/d, but risks to the forecasts remain rife given the fast-moving macro backdrop".

Organization of the Petroleum Exporting Countries ("OPEC") commented in April 2025 that the "global oil demand growth forecast for 2025 is revised down slightly to 1.3 mb/d, y-o-y", "mainly due to received data for 1Q25 and the expected impact on oil demand given recently announced US tariffs". OPEC added that the "forecast for global oil demand growth in 2026 is revised down slightly to about 1.3 mb/d".

Based on forecasts provided by EIA, IEA and OPEC, we note that global oil demand is still expected to grow in 2025 & 2026. However, the weakened growth outlook is expected to weigh on global oil demand growth for both years.

Exhibit 2: Economic Growth and Oil Consumption (2001 to 2025; forecasted to 2026)

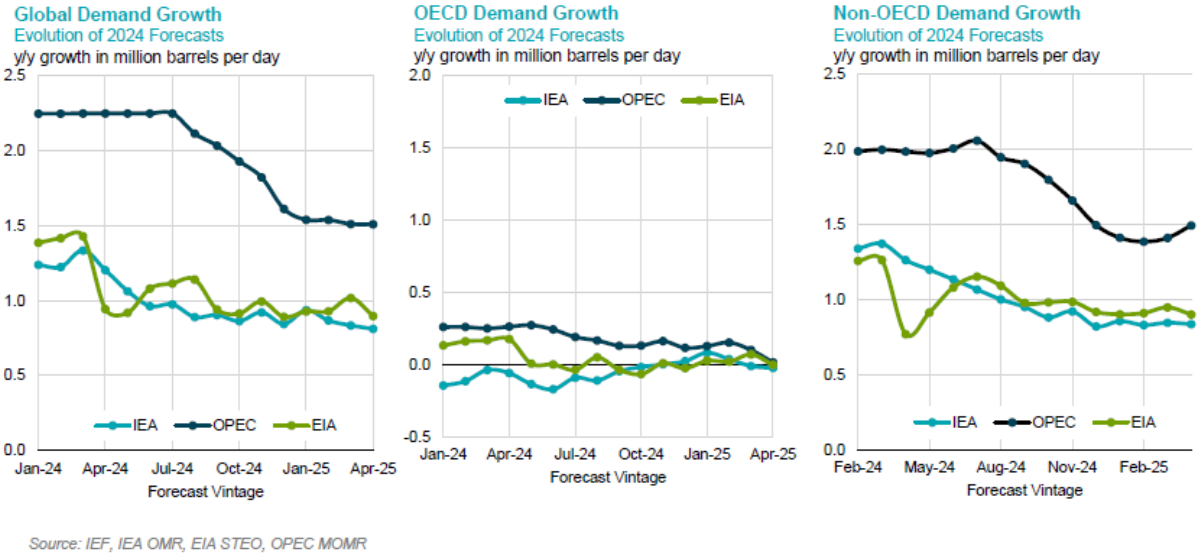


Source: EIA, Oxford Economics (cited by EIA in April 2025)

The International Energy Forum ("IEF") did a "Comparative Analysis of Monthly Reports on the Oil Market" in April 2025 and found that OPEC had consistently provided higher forecasts (or estimates) of global oil demand growth for 2024 & 2025, as shown in **Exhibit 3** and **Exhibit 4** respectively.

Rice University's Baker Institute for Public Policy commented in August 2024 that "institutional biases" may influence each organisation's oil demand forecasts. For instance, OPEC remarked in April 2025 that IEA had been pushing for "ideologically driven net zero goals, ones that have often been accompanied by targets or timelines that lack a grasp of what meeting them truly involves". We note OPEC mentioned back in 2007 that "OPEC was established in 1960 to reflect the concerns of oil-producing developing countries".

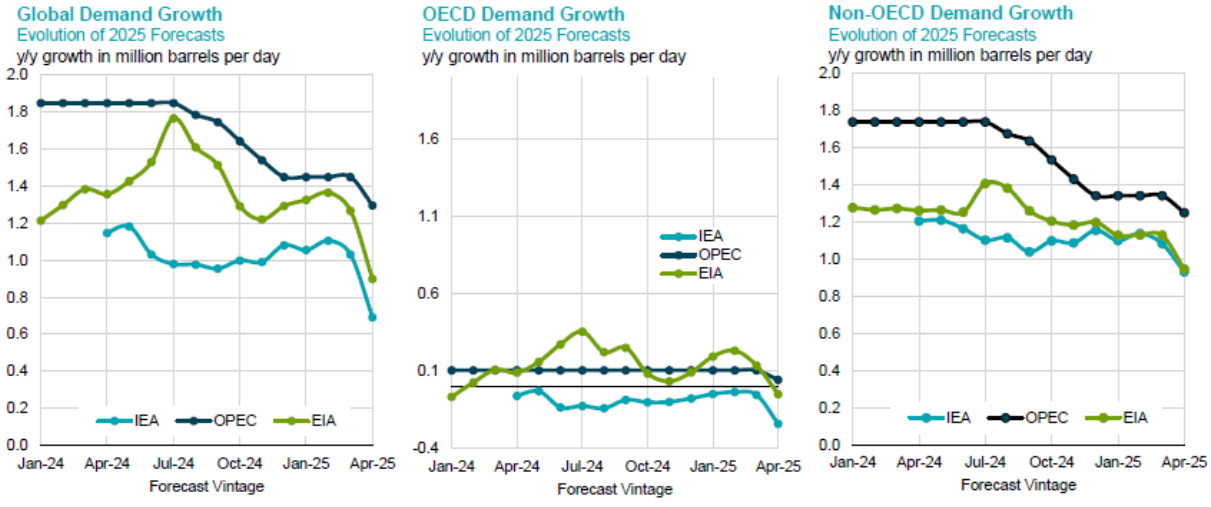
Exhibit 3: Comparison of Oil Demand Growth Forecasts by IEA, EIA and OPEC (2024)



Source: IEF, IEA OMR, EIA STEO, OPEC MOMR

Source: IEA, EIA and OPEC (cited by IEF in April 2025)

Exhibit 4: Comparison of Oil Demand Growth Forecasts by IEA, EIA and OPEC (2025)



Source: IEF, IEA OMR, EIA STEO, OPEC MOMR

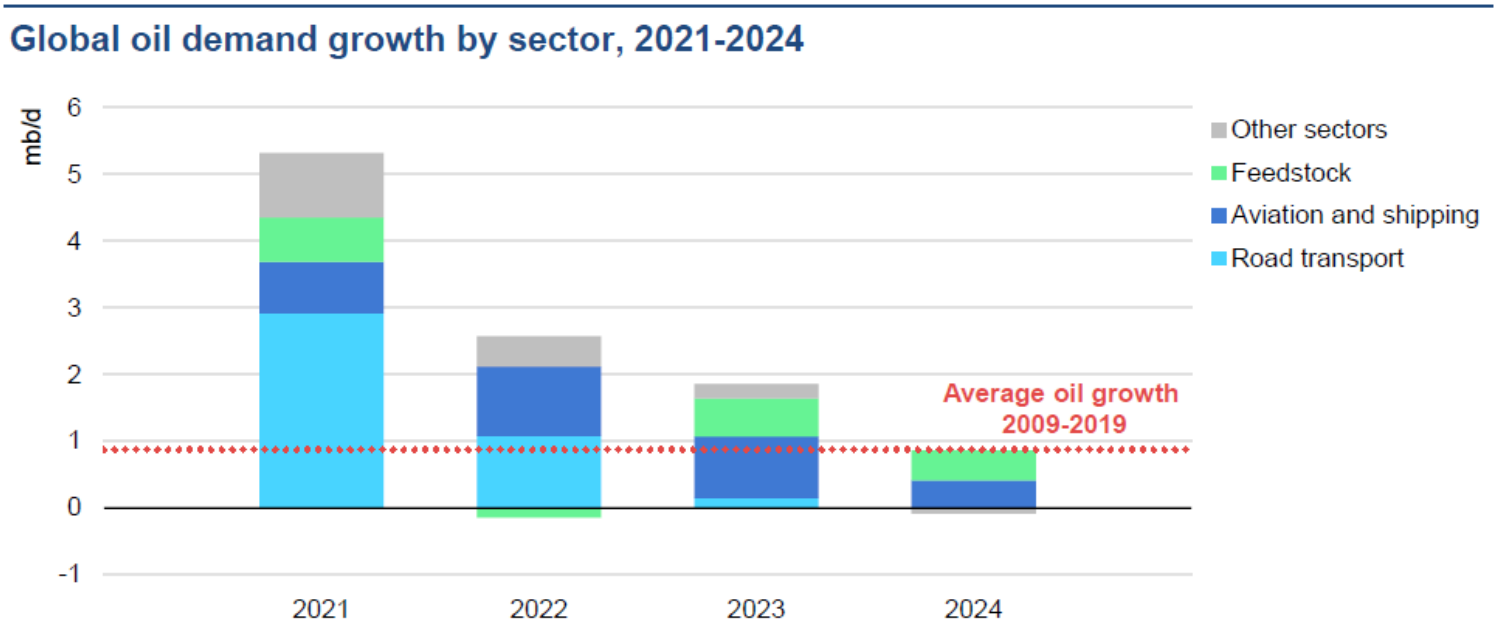
Source: IEA, EIA and OPEC (cited by IEF in April 2025)

(II) MID- & LONG-TERM OUTLOOK

To provide a longer-term perspective on oil demand growth, we draw reference to sources dated before the recent trade-related developments. While the forecasts may be dated up to 11 months ago (i.e., June 2024), we quote from EIA (which commented in April 2025 on its projections dated December 2024): "the purpose of basing projections on laws and regulations as of December 2024 is to provide a comparison point for further analysis; without such a reference point, critical information about incremental changes to energy system outcomes based on new assumptions is lost".

IEA noted in March 2025 that "Oil's share of total energy demand fell below 30% for the first time ever" in 2024, "50 years after peaking at 46%". IEA also noted that global oil demand growth "slowed markedly in 2024" and commented that the slowdown in growth "reflected the end of the post-pandemic mobility rebound, slower industrial growth and the increasing impact of electric vehicles". IEA added that "chemical feedstocks and aviation each accounted for around half of oil demand growth in energy terms (in volumetric terms, the share of feedstocks was higher, at around 70%)" in 2024 as may be seen in **Exhibit 5**.

Exhibit 5: Global Oil Demand Growth (2021 to 2024)



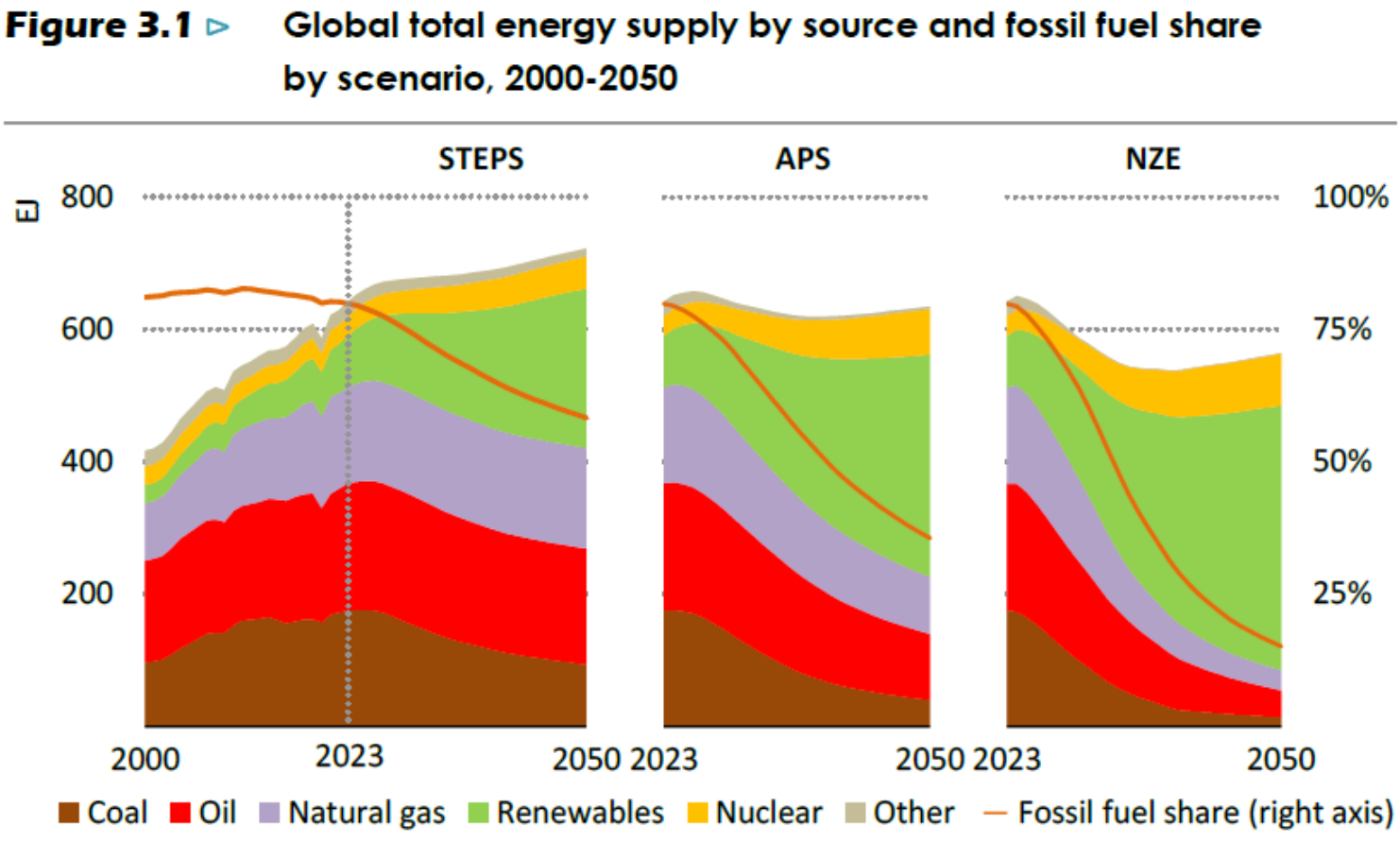
Source: IEA (published March 2025)

Based on data provided by IEA in October 2024 (and as illustrated in **Exhibit 6**), oil's share of total (global) energy supply is expected to fall from 29.9% in 2023 to:

- 24.3% in 2050 in the Stated Policies Scenario ("STEPS"), which "provides a sense of the prevailing direction of travel for the energy sector based on a detailed reading of the latest policy settings in countries around the world";
- 15.7% in 2050 in the Announced Pledges Scenario ("APS"), which also "assumes that all national energy and climate targets, including longer term net zero emissions targets and pledges in Nationally Determined Contributions, are met in full and on time"; or
- 7.1% in 2050 in the Net Zero Emissions by 2050 Scenario ("NZE"), which "portrays a pathway for the global energy sector to achieve net zero CO2 emissions by 2050 which is consistent with limiting long-term global warming to 1.5 °C with limited overshoot (with a 50% probability)".

Meanwhile, OPEC indicated in September 2024 that oil's share of total (global) primary energy demand is expected to fall from 30.9% in 2023 to 29.3% in 2050.

Exhibit 6: Forecasted Total Energy Supply by Source & Scenario (2023 to 2050)



Source: IEA (published October 2024)

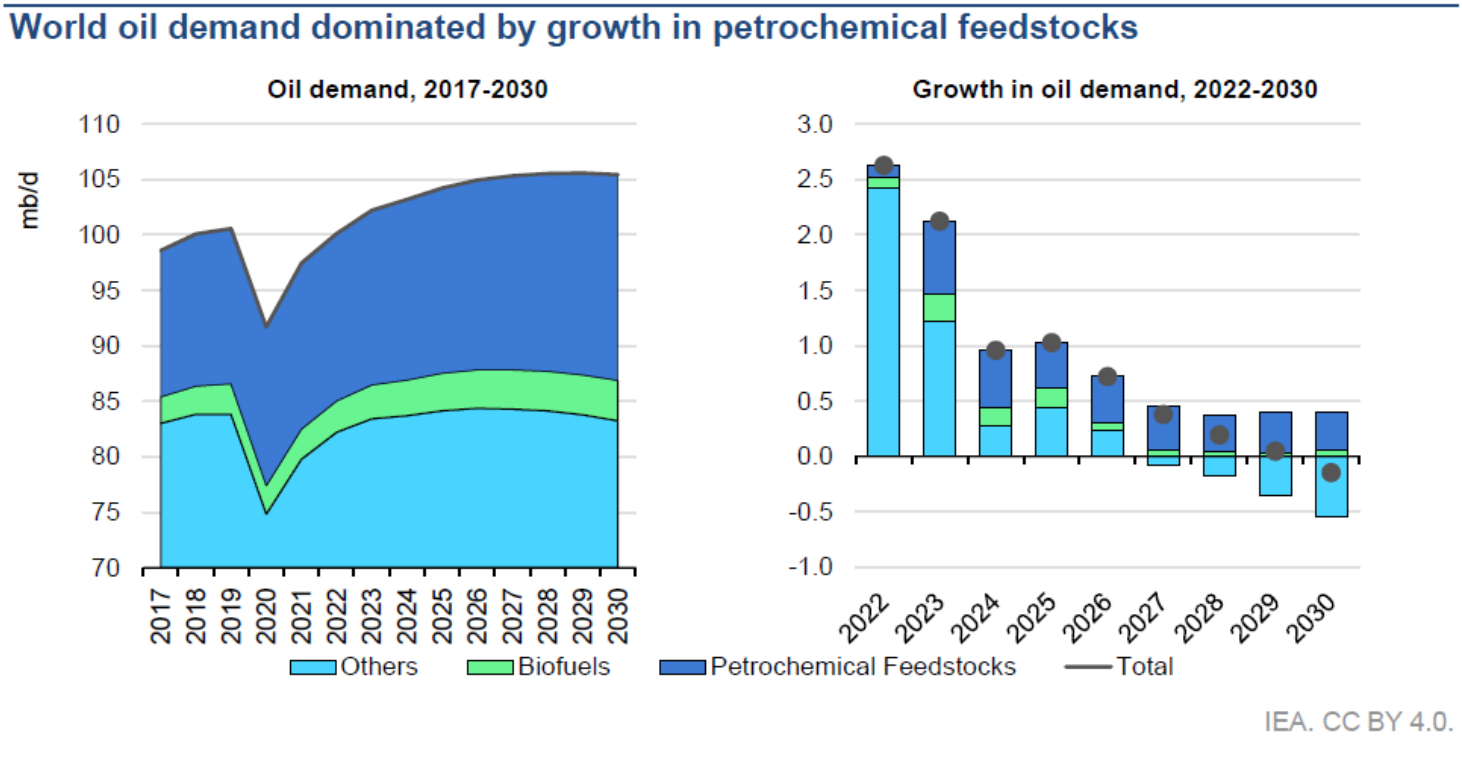
IEA commented in June 2024 that global oil demand was "on course to plateau by 2030" as shown in **Exhibit 7**. IEA noted that the "post-pandemic rebound has faded, macroeconomic drivers remain weak and the accelerating deployment of clean energy technologies weighs heavily on key sectors and regions". IEA also noted that growth is expected to be "dominated by non-OECD Asian economies, especially India and China, as oil demand's decades-long pivot to emerging markets continues".

IEA noted too that demand growth for petrochemical feedstocks is expected to "be the largest force for growth in oil demand during the medium-term", with the projected "2023-2030 gains of 2.8 mb/d" being "equivalent to about three-quarters of the overall increase in oil consumption".

IEA added that "plastic consumption rises most sharply as an economy enters middle-income status and, as with overall oil use, gains in polymer end-use will be highly concentrated in non-OECD nations", due to factors such as rising income & cities' growth boosting packaging demand and growth in "relatively polymer intensive" manufacturing (e.g., "EVs and solar panels") raising polymer demand.

According to EIA, petrochemical feedstocks are "Chemical feedstocks derived from refined or partially refined petroleum fraction, principally for use in the manufacturing of chemicals, synthetic rubber, and a variety of plastics". The American Fuel & Petrochemical Manufacturers ("AFPM") also noted that "Ethylene, propylene and butylenes, along with benzene, toluene and xylenes, are the fundamental building blocks of plastics" which can be "made into plastics, nylons, polyesters, etc., that are then transformed into items like bicycle helmets, lightweight car bumpers, space suits, medical devices and wind turbines".

Exhibit 7: Forecasted Oil Demand Growth (2023 to 2030)



Source: IEA (published June 2024)

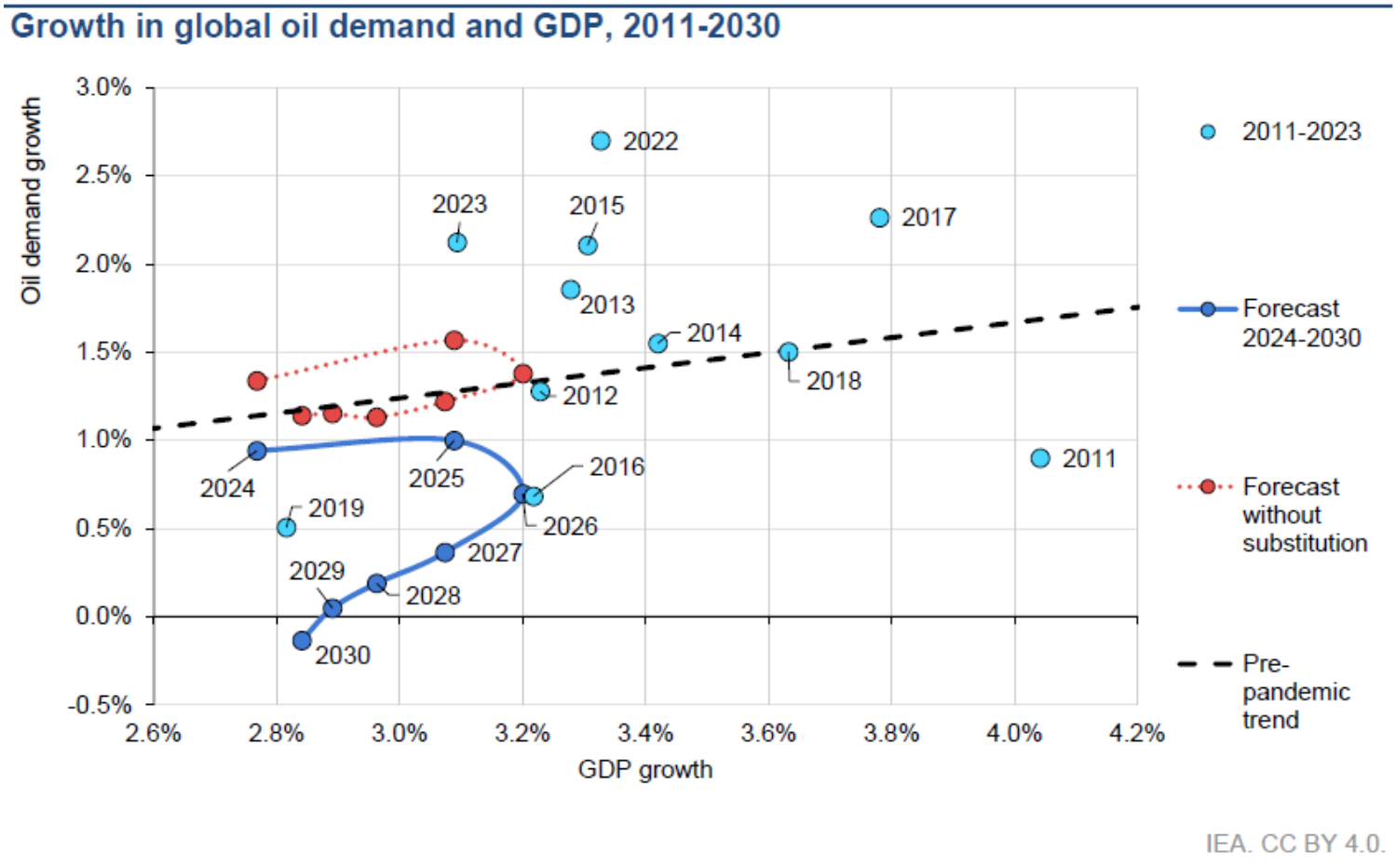
IEA also noted that the "substitution away from oil in transport and power generation" would push "oil demand growth towards zero, and eventually into decline", such that oil consumption "effectively decouples from GDP from 2026 onwards" as shown in **Exhibit 8**.

IEA commented that the substitution effect would be "especially prominent in transport – the mainstay of oil demand – with road fuel demand already plateauing" in 2024, "and total transport close behind". For instance, IEA pointed out that "EV sales are set to continue their stellar growth trajectory, resulting in significant fuel savings", although IEA added that the "EV phenomenon remains primarily a Chinese one".

IEA commented too that the "displacement of oil used in electricity generation will also play a major role in shifting global demand to a plateau", noting that "Saudi Arabia has plans that would see about 1 mb/d cut from direct crude, fuel oil and gasoil use in power plants by 2030" as least partly through a "large increase in utilisation of domestic gas and renewable resources".

In contrast with the growth rates indicated in **Exhibit 8** though, we note that IMF projected global growth to be "about 2.8 percent for 2025 and about 2.9 percent for 2026" if the "measures announced between April 5 and 14 were considered in isolation from the associated market fallout and policy-induced uncertainty and assumed to be permanent". Therefore, oil demand growth in 2025 & 2026 are likely to be lower than as indicated in **Exhibit 8**.

Exhibit 8: Decoupling of Global Oil Demand Growth and GDP Growth (2024 to 2030)



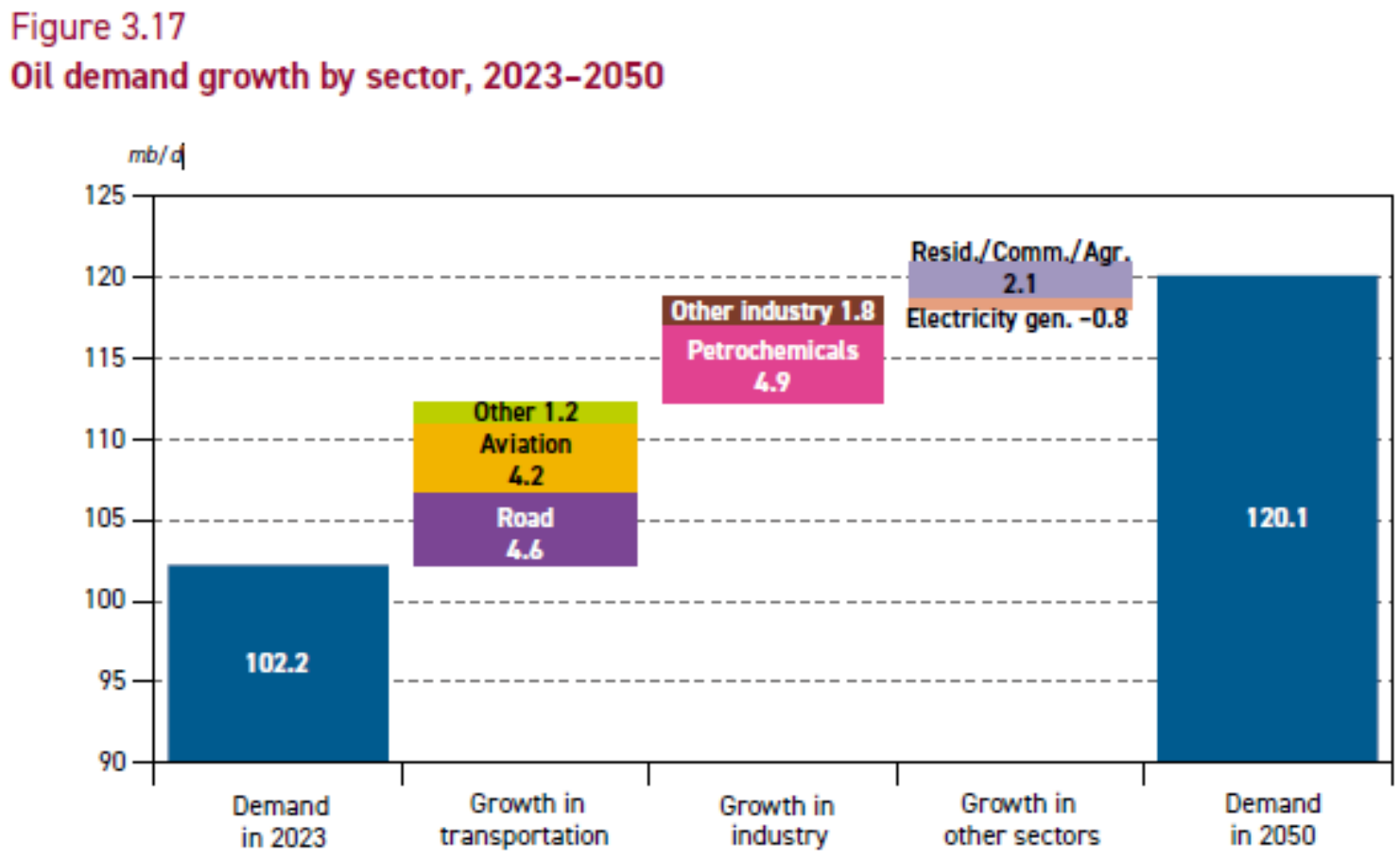
Source: IEA (published June 2024)

Meanwhile, OPEC projected in September 2024 that oil demand would continue growing to 2050. OPEC remarked that "petrochemicals, road transportation and aviation" are expected to "account for 76% of incremental global demand between 2023 and 2050" as may be seen in **Exhibit 9**, mainly due to a "lack of technologically viable and economically affordable substitution options".

OPEC commented that while "EVs and potentially fuel cell electric vehicles (FCEVs) will increasingly compete with ICE-based vehicles", "recent developments and discussion among market participants have put a question mark on how fast they will initially penetrate new sales and, in turn, gain a significant share in the fleet composition". OPEC added that "the penetration of costly EVs" is expected to be "largely be concentrated in countries with higher per capita income, mainly in OECD and China, while the largest part of the vehicle fleet expansion will materialize in the developing world".

OPEC similarly noted though that petrochemicals are expected to be the largest contributor to oil demand growth. OPEC noted that petrochemicals demand growth is likely to be supported by "an expected substantial demand increase for petrochemical products on the back of projected growth in GDP, population and income levels, as well as a broadening of the areas with extended use of these products, especially the construction sector". However, petrochemicals demand growth may be "partly offset by regulations and actions related to environmental concerns, such as the push to increase recycling, bans on single-use plastics, agreements to end plastic pollution and new technologies to substitute oil- and gas-based plastics".

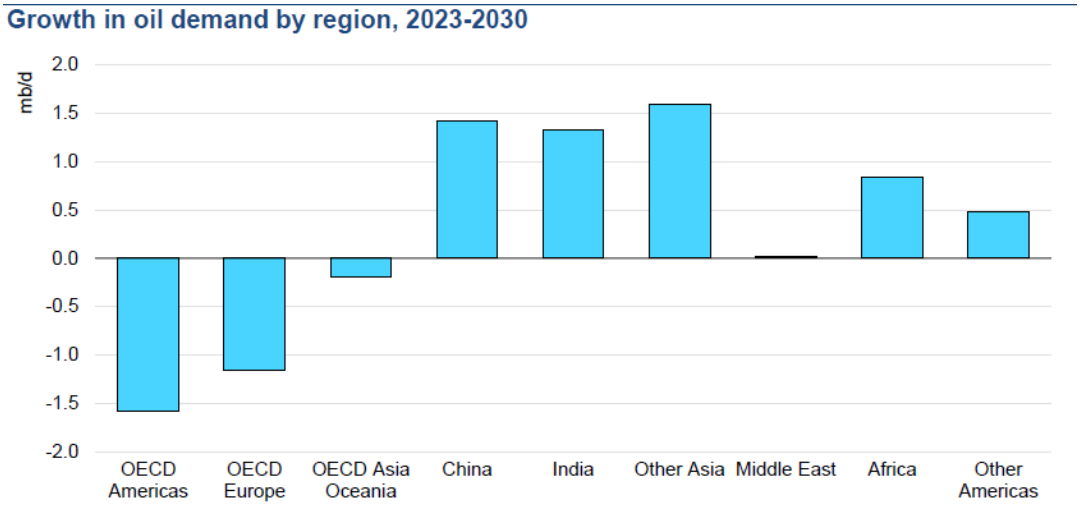
Exhibit 9: Breakdown of Oil Demand Growth by Sector (2023 to 2050)



Source: OPEC (published September 2024)

As broken down by regions, IEA indicated in June 2024 that China, India and "Other Asia" are expected to have the highest cumulative oil demand growth from 2023 to 2030 as shown in **Exhibit 10**. IEA noted that China "will continue to dominate growth in petrochemicals and gains of 1.4 mb/d in feedstock products will be close to the country's overall increase to 2030", although the "rapid deployment of clean energy technologies will balance strong underlying mobility growth". IEA also noted that India's expected growth in population, average incomes and car ownership is expected to support transport fuels demand growth.

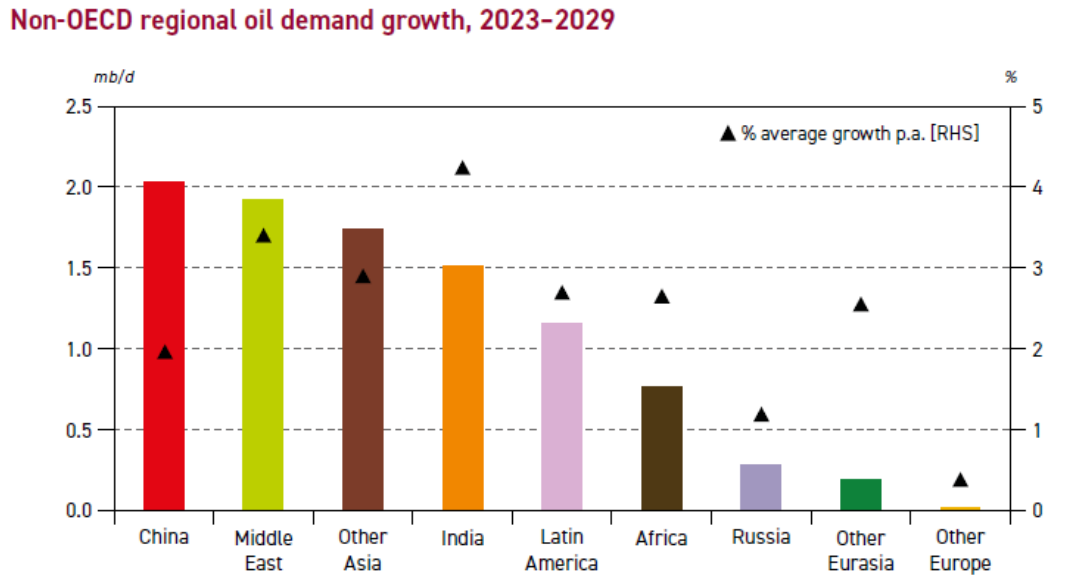
Exhibit 10: Breakdown of Oil Demand Growth by Region (2023 to 2030)



Source: IEA (published June 2024)

Meanwhile, OPEC projected in September 2024 a higher oil demand growth for the Middle East as shown in **Exhibit 11**. OPEC commented that Middle East "incremental demand is expected to be largely concentrated in the road transportation and petrochemical sectors". OPEC added that the "strong sales of new vehicles from the past few years is set to continue with an expansion of the region's vehicle fleet", resulting in "growing oil demand, especially during the current decade".

Exhibit 11: Breakdown of Non-OECD Oil Demand Growth by Region (2023 to 2029)



Source: OPEC (published September 2024)

OIL SUPPLY

(I) RECENT DEVELOPMENTS

(a) OPEC-related developments

On 3 April 2025 (one day after Trump's tariff announcement), OPEC announced that "to start a gradual and flexible return of the 2.2 million barrels per day voluntary adjustments" from 1 April 2025, the "eight participating countries" (Saudi Arabia, Russia, Iraq, UAE, Kuwait, Kazakhstan, Algeria, and Oman) will raise oil production by 411,000 barrels per day ("bpd") in May 2025.

Reuters reported on 3 April 2025 that the production hike was higher than the 135,000 bpd hike expected by the oil market. Citing analysts, Reuters added that the hike "partly reflects OPEC+ leaders' wish to improve compliance with production quotas".

EIA noted in April 2025 that the Brent spot price fell after OPEC+'s production hike, along with Trump's tariff announcement and China's retaliatory tariffs. Based on EIA's data, the Brent spot price fell by 14.4% from US$77.27 per barrel on 2 April 2025 to US$66.13 per barrel on 7 April 2025.

OPEC later announced on 16 April 2025 though that its Secretariat received "updated compensation plans from Saudi Arabia, Russia, Iraq, the United Arab Emirates, Kuwait, Kazakhstan, and Oman".

Reuters commented on 16 April 2025 that "Should the latest cuts be made in full, the compensation plan would to a large extent offset a planned 411,000 bpd output increase being made by other members of OPEC+ in May". However, Reuters cautioned that "OPEC+ has repeatedly revised the plan after countries did not make the cuts as pledged".

On 3 May 2025, OPEC announced another production hike of 411,000 bpd for June 2025.

Reuters estimated on 3 May 2025 that the "June increase from the eight will take the total combined hike for April, May and June to 960,000 bpd, representing a 44% unwinding of the 2.2 million bpd cut". Reuters noted from OPEC+ sources that "Saudi Arabia is pushing OPEC+ to accelerate the unwinding of earlier output cuts to punish fellow members Iraq and Kazakhstan for poor compliance with their production quotas".

Reuters indicated separately that higher OPEC+ oil production could lead to a fall in oil prices, thus hurt the export revenue of individual oil producers (if they continue to produce the same or lower amounts of oil).

Bloomberg also cited on the same day a Rystad analyst as saying that Saudi Arabia may have been seeking to "ingratiate with President Trump's push for lower oil prices". Bloomberg noted that Saudi Arabia had long sought "deeper security ties with Washington", as the U.S. could "ultimately ease sanctions" on the oil trade and "strengthen" the "regional standing" of "Saudis' regional rival and fellow OPEC member, Iran".

Bloomberg added that "OPEC+ nations may also be seeking to recoup market share that the group yielded during years of cutbacks, and fend off the growth of rival producers in the US and other parts of the Americas".

Reuters reported on 6 May 2025 that oil prices "fell by more than $1 a barrel on Monday to settle at over four-year lows as an OPEC+ decision to expedite its output hikes stoked fears about rising global supply at a time when the demand outlook is uncertain". Reuters noted too from OPEC+ sources that the "group could fully unwind its voluntary cuts by the end of October if members do not improve compliance with their production quotas".

(b) Non-OPEC-related developments

Meanwhile, Reuters reported on 11 April 2025 that the U.S. oil industry "is actually starting to think about cutting output and jobs" despite Trump's pursuit of "Drill, Baby, Drill", due to a "double whammy of higher crude output from OPEC and on-again, off-again tariffs that have dented demand".

Reuters commented that the "market has been rattled by a steep slump in U.S. crude futures to near $55 a barrel this month from about $78 the day before Trump was sworn in", noting that companies said they "cannot drill profitably if oil prices fall under $65 a barrel". Reuters also noted from industry sources that Trump's tariffs "will make it more expensive to buy steel and equipment", which "could further discourage drilling unless oil prices rise substantially".

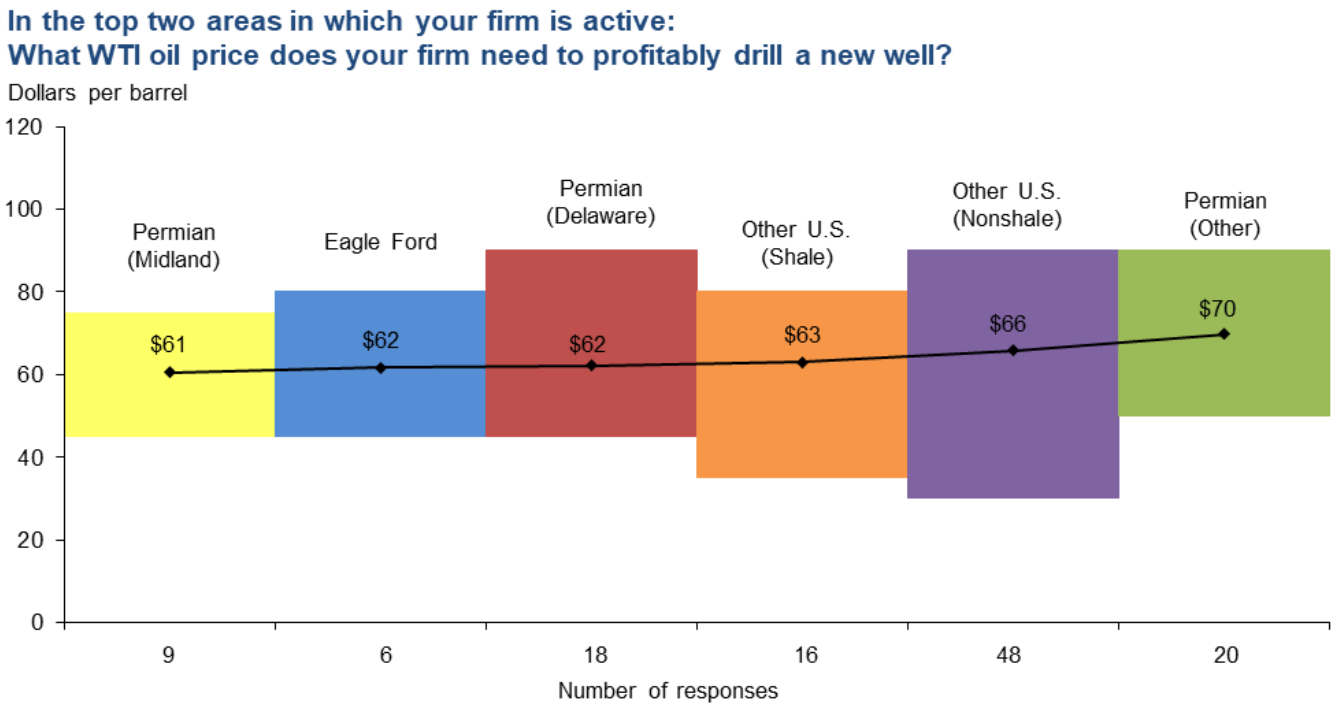
Reuters quoted a Rystad vice president as saying "In reality, even a company operating on $40 breakeven acreage would be inclined to slow down activity when prices fall below $65 per barrel, as their level of dividend coverage would be at risk".

According to the Dallas Fed Energy Survey for 1Q 2025, the Federal Reserve Bank of Dallas noted that "firms need $65 per barrel on average to profitably drill". The breakdown of breakeven WTI oil price across U.S. regions is shown in **Exhibit 12**.

Based on EIA's data, the WTI spot price fell by 15.3% from US$72.12 per barrel on 2 April 2025 to US$61.05 per barrel on 7 April 2025 after OPEC+'s production hike, along with Trump's tariff announcement and China's retaliatory tariffs.

On 6 May 2025, FT cited a chief executive from Diamondback Energy, one of the "largest producers in the west Texas Permian basin, the largest US oilfield", as saying "it is likely that US onshore oil production has peaked and will begin to decline this quarter". FT noted that Diamondback "estimated the number of US fracking crews had already fallen by 15 per cent this year and would continue to decline unless there was a rapid turnaround in prices".

Exhibit 12: Breakeven WTI Oil Price by U.S. Regions (1Q 2025)



NOTES: Lines show the mean, and bars show the range of responses. Executives from 81 exploration and production firms answered this question during the survey collection period, March 12–20, 2025.
SOURCE: Federal Reserve Bank of Dallas.

Source: Federal Reserve Bank of Dallas (published March 2025)

According to EIA, OPEC can “significantly influence oil prices by setting production targets for its members”. EIA noted separately that OPEC members “produce about 40 percent of the world's crude oil”. EIA mentioned too that OPEC “attempts to manage its member countries' oil production by setting crude oil production targets, or quotas, for its members”, but “OPEC member compliance with OPEC quotas is mixed because production decisions are ultimately in the hands of the individual members”.

EIA added that the “difference between oil market demand and supply from non-OPEC sources is often referred to as the call on OPEC”. EIA commented that OPEC’s “likely ability to influence prices” increases the larger the call on OPEC is.

Reuters reported in May 2024 though that OPEC would switch to “call on OPEC+” from May 2024.

EIA noted that oil prices may be affected by “indications of changes in crude oil production from Saudi Arabia, OPEC's largest producer” (as may be seen in **Exhibit 13**), as well as by changes in non-OPEC oil production (as may be seen in **Exhibit 14**).

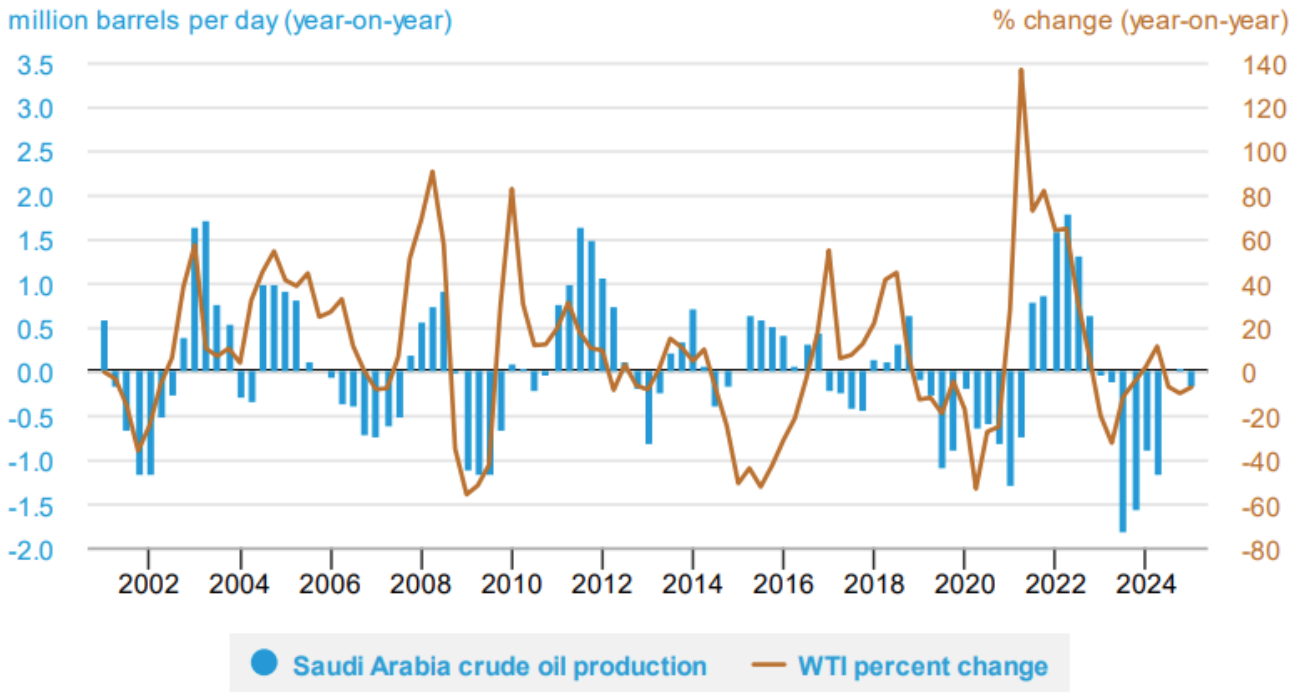
However, EIA added that in “contrast to OPEC oil production, which is subject to central coordination, non-OPEC producers make independent decisions about oil production”.

EIA noted too that while OPEC production is “mostly in the hands of national oil companies (NOCs)” which “many” may “have additional objectives such as providing employment, infrastructure, or revenue that impact their country in a broader sense”, non-OPEC production is mainly done by “international or investor-owned oil companies (IOCs)” which “seek primarily to increase shareholder value and make investment decisions based on economic factors”.

Perhaps accordingly, EIA commented that non-OPEC producers “respond to market prices rather than attempt to influence prices by managing production” (thus, we note that OPEC producers may “attempt to influence prices by managing production”).

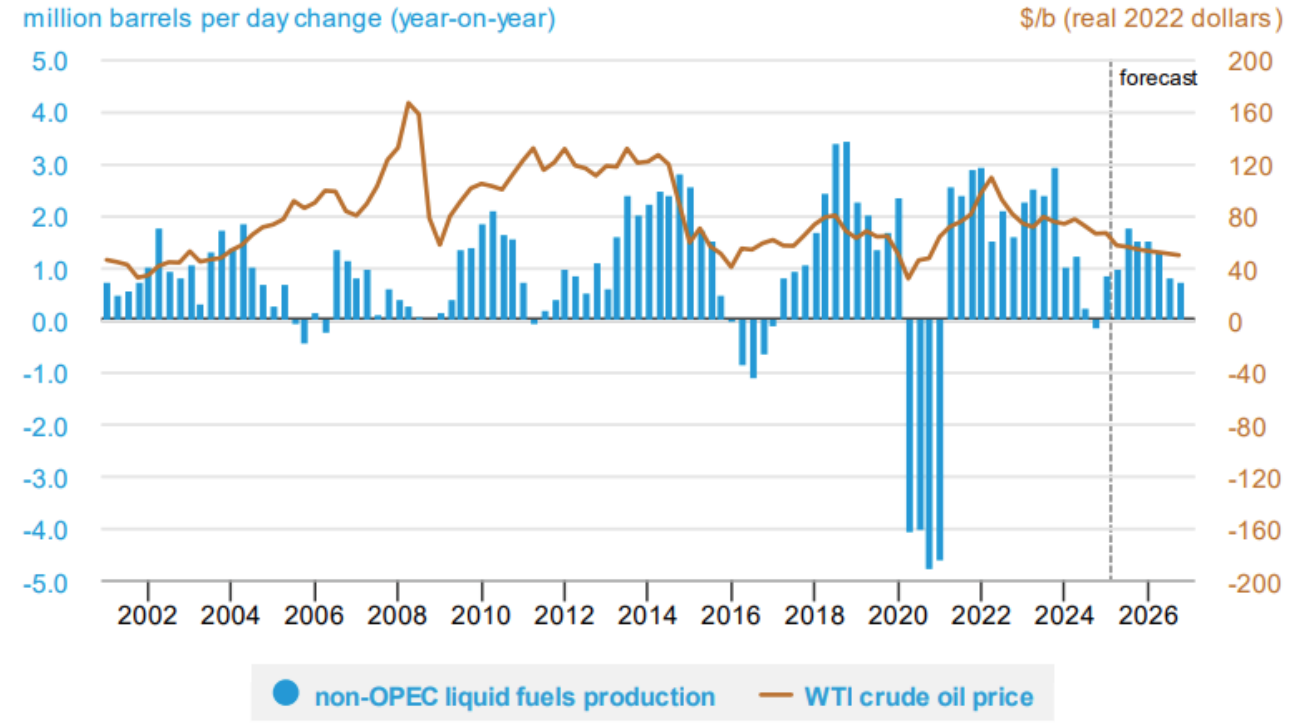
We also note that non-OPEC production may have higher breakeven prices, as EIA mentioned that “most of the lower cost conventional oil resources are in OPEC member countries”. Thus, coupled with how IOCs “seek primarily to increase shareholder value”, non-OPEC production may be more sensitive to changes in crude oil prices.

Exhibit 13: Y-o-Y Change in Saudi Arabia Crude Production vs in WTI Crude Oil Price (1Q 2001 to 1Q 2025)



Source: EIA, Refinitiv (cited by EIA in April 2025)

Exhibit 14: Non-OECD Liquid Fuels Production vs WTI Crude Oil Price (1Q 2001 to 1Q 2025)



Source: EIA, Refinitiv (cited by EIA in April 2025)

(II) NEAR-TERM OUTLOOK

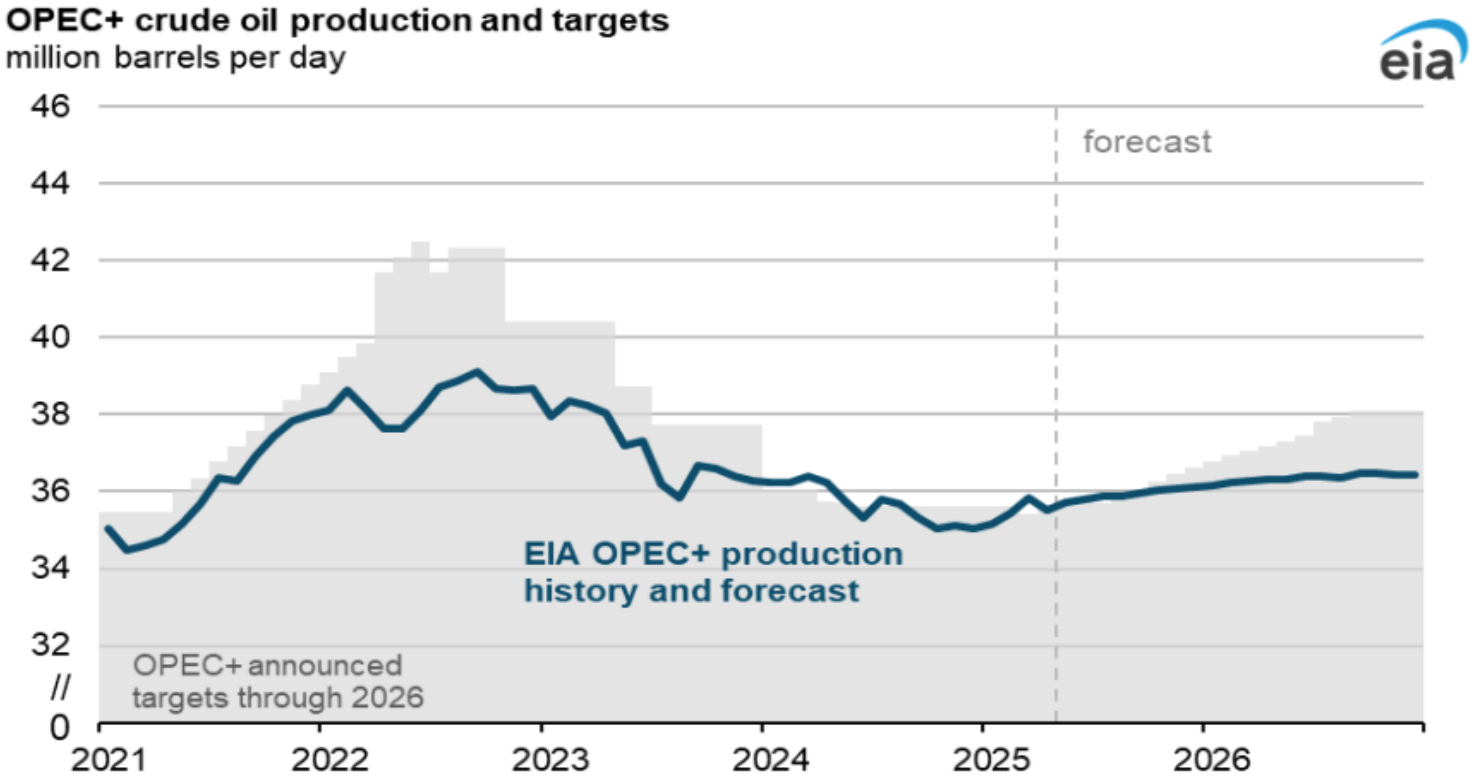
Following OPEC's production hike in April & May 2025, EIA noted in May 2025 that it forecasted global liquid fuels production to rise "by 1.4 million barrels per day (b/d) in 2025 and 1.3 million b/d in 2026" (exceeding EIA's respective projected liquid fuels consumption growth for each year). EIA noted though that its modelling and analysis was completed "before OPEC+ announced on May 3 that it would raise production in June".

EIA noted that it "still" expected OPEC+ to "produce below the current target path" despite the announced June production hike, such that OPEC+ crude oil production is expected to rise by 0.1 million bpd in 2025 and 0.6 million bpd in 2026, as "compared with a decrease of 1.4 million b/d in 2024".

EIA commented in April 2025 that it expected OPEC+ to "produce below their current target path during most of the next two years to limit increases in global oil inventories and support prices". OPEC+'s announced production targets and EIA's latest OPEC+ production forecast are shown in **Exhibit 15**.

EIA added in May 2025 that it expected liquid fuels production growth to "be led by countries outside of OPEC+, increasing by 1.2 million b/d in 2025 and by 0.6 million b/d in 2026". EIA also mentioned that it expected the U.S., Canada, Brazil, and Guyana to "drive production growth over the forecast period".

Exhibit 15: OPEC+ Crude Oil Production Targets and Forecasted Production (until end-2026)



Source: EIA (published May 2025)

EIA also forecasted in May 2025 that global crude oil production will rise by 0.84 million bpd in 2025 and rise by 0.68 million bpd in 2026 as shown in **Exhibit 16**. Based on EIA's data, global production growth is expected to be led by non-OPEC+ countries in 2025 and to be led by OPEC+ members in 2026.

IEA noted OPEC+'s production hike of 411,000 bpd, but also noted in April 2025 that the "actual increase may be much smaller, as a number of countries, including Kazakhstan, the United Arab Emirates and Iraq are already producing well above their targets". IEA added that global supply growth was forecasted to be 1.2 million bpd while production in 2026 "is set to rise by 960 kb/d" (also exceeding IEA's respective projected oil demand growth for each year).

Meanwhile, OPEC noted in April 2025 that "Non-DoC liquids supply (i.e. liquids supply from countries not participating in the DoC) is expected to expand by about 0.9 mb/d in 2025 to average 54.1 mb/d" with growth "set to be driven by the US, Brazil, Canada and Argentina" and the "main decline anticipated in Angola". OPEC also mentioned that "non-DoC liquids supply" in 2026 "is forecast to grow by 0.9 mb/d to average 55.0 mb/d (including 30 tb/d in processing gains)", with the "main liquids supply growth drivers" being "set to be the US, Brazil, Canada and Argentina".

Exhibit 16: Forecasted Crude Oil Production (2025 & 2026)

	Actual/Est.	Forecast	2024 vs 2025		Forecast	2025 vs 2026	
(in million bpd)	2024	2025	Change	%	2026	Change	%
U.S. total crude oil production	13.21	13.42	0.21	1.6%	13.49	0.07	0.5%
Non-OPEC+ production (excl. U.S.)	27.34	27.86	0.52	1.9%	27.89	0.03	0.1%
Non-OPEC+ total production (est.)	**40.55**	**41.28**	**0.73**	**1.8%**	**41.38**	**0.10**	**0.2%**
OPEC+ total crude oil production	35.68	35.79	0.11	0.3%	36.36	0.57	1.6%
World total crude oil production	**76.23**	**77.07**	**0.84**	**1.1%**	**77.75**	**0.68**	**0.9%**
Share of world oil production:							
U.S. total crude oil production	17.3%	17.4%	-	-	17.4%	-	-
Non-OPEC+ production (excl. U.S.)	35.9%	36.1%	-	-	35.9%	-	-
Non-OPEC+ total production (est.)	**53.2%**	**53.6%**	**-**	**-**	**53.2%**	**-**	**-**
OPEC+ total crude oil production	46.8%	46.4%	-	-	46.8%	-	-
World total crude oil production	**100.0%**	**100.0%**	**-**	**-**	**100.0%**	**-**	**-**

Note: sums may not tally due to rounding.
Source: EIA (data updated May 2025), FPA

OIL PRICES

(I) NEAR-TERM OUTLOOK

Due to Trump's tariffs, global growth is expected to slow in 2025 & 2026 such that global oil demand growth for both years is likewise expected to fall. Meanwhile, OPEC+'s higher-than-expected production hikes in recent months, partially to punish overproduction by member countries, are expected to raise global oil supply.

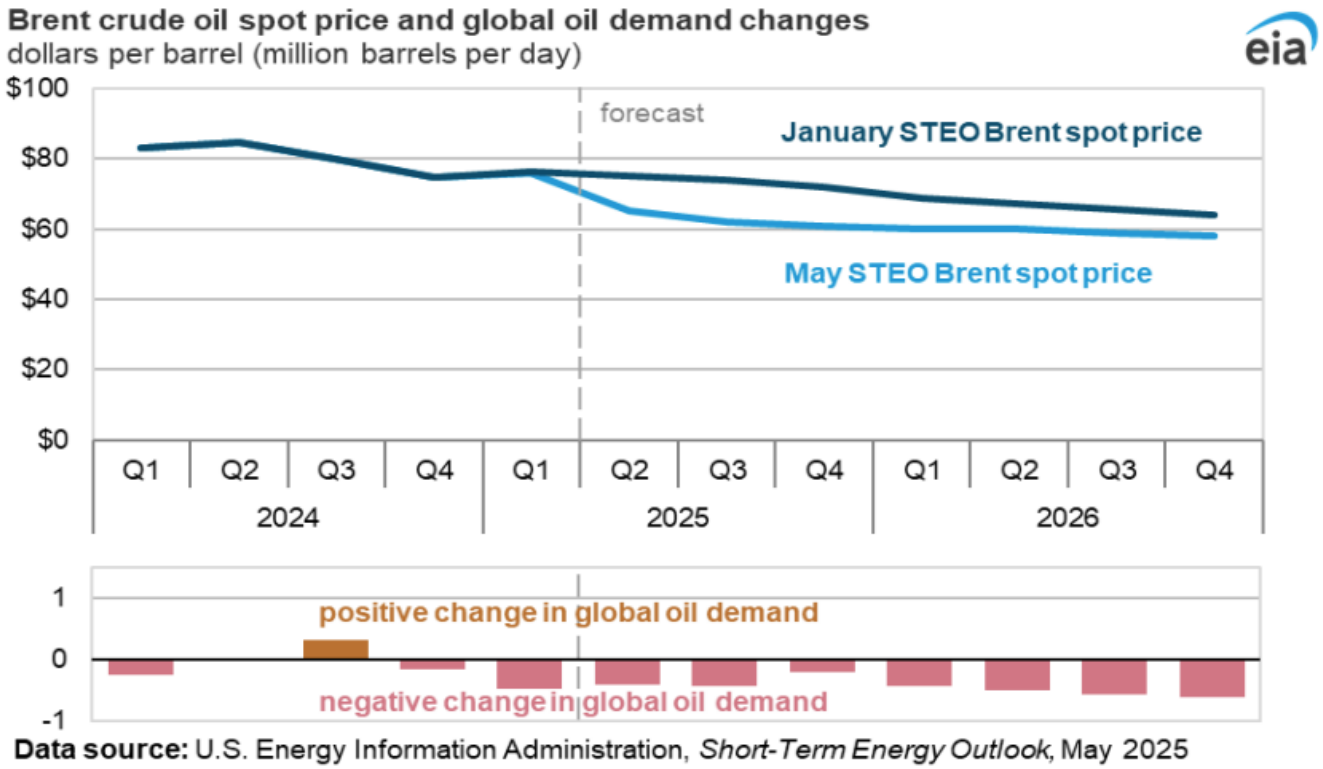
With an expected fall in oil demand and rise in oil supply, EIA noted in May 2025 that global oil inventories are expected to "grow on average by 0.4 million b/d in 2025" and rise by "0.8 million b/d on average in 2026". EIA added that as global oil inventories are expected to increase, the Brent crude oil price is expected to "fall from an average of $76/b in 1Q25 to an average of $61/b by 4Q25" and to "average $59/b overall" in 2026 as may be seen in **Exhibit 17**.

EIA cautioned though that the "effect that new or additional tariffs will have on global economic activity and associated oil demand is still highly uncertain and could weigh heavily on oil prices going forward". EIA added that the "implementation of energy-sector sanctions on Russia and Iran as well as the wind down of Chevron's Venezuela oil exports have increased uncertainty in the short term while markets and trade patterns adjust". EIA noted too that the "pace at which OPEC+ decides to unwind production cuts and the level of adherence to announced production targets continues to evolve".

Meanwhile, Reuters reported on 5 May 2025 that Goldman Sachs lowered its Brent spot price forecast to "average $60 per barrel for the rest of 2025 and $56/bbl in 2026", "down by $2 from its previous estimate".

ST also reported on the same day (5 May 2025) that Morgan Stanley "reduced price forecasts following the Opec+ move, predicting US$62.50 a barrel for Brent in the third and fourth quarters of 2025".

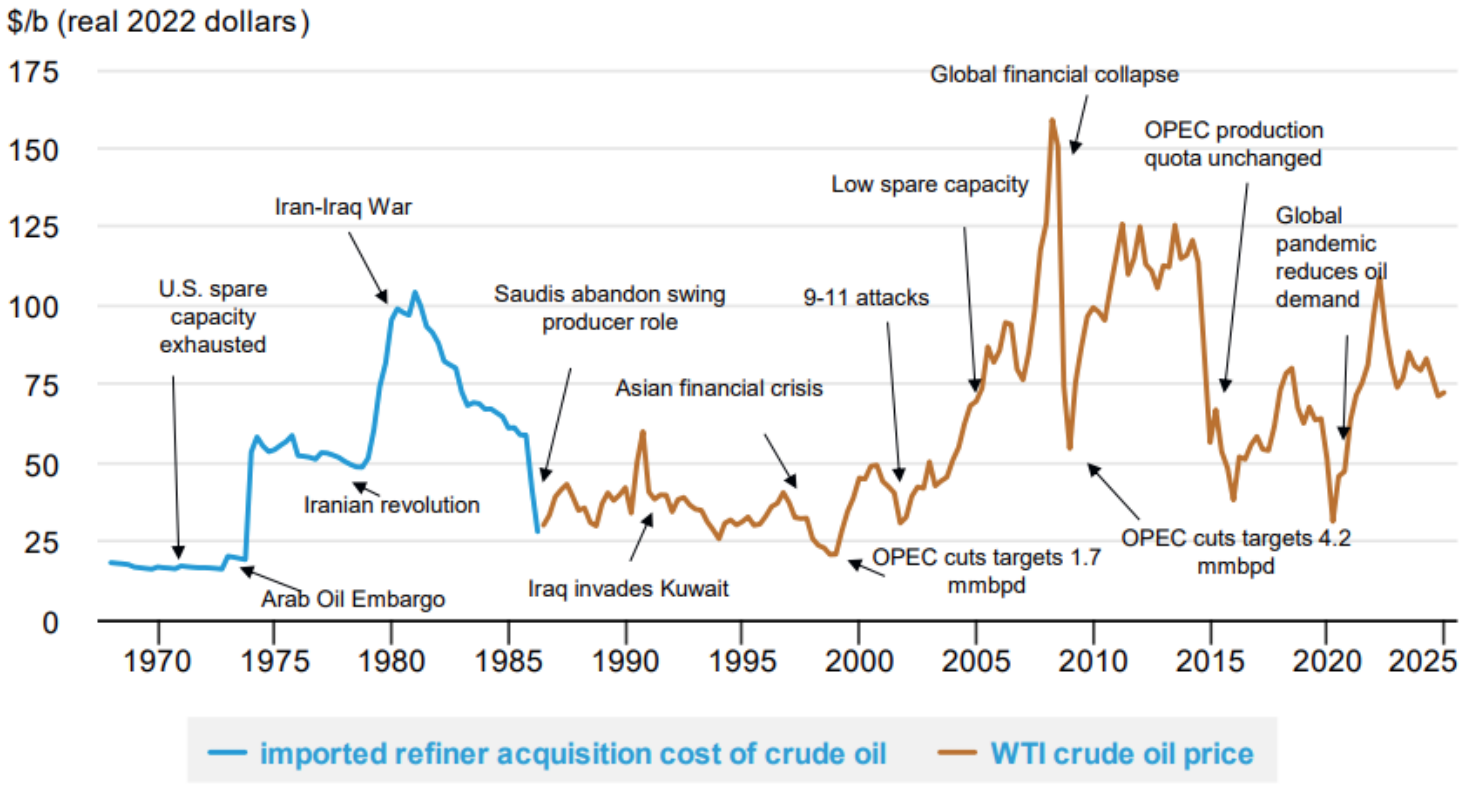
Exhibit 17: Forecasted Brent Spot Price (2Q 2025 to 4Q 2026)



Source: EIA (published May 2025)

EIA noted separately that crude oil prices can "be affected by events that have the potential to disrupt the flow of oil and products to market, including geopolitical and weather-related developments", as shown in **Exhibit 18**. For instance, the COVID-19 pandemic previously dampened oil demand and led the WTI crude oil price to fall to $31.31 per barrel (in real 2022 dollars) in 2Q 2020. EIA indicated that the WTI crude oil price was $72.28 per barrel (in real 2022 dollars) in 1Q 2025.

Exhibit 18: Drivers of Crude Oil Prices (1Q 1968 to 1Q 2025)



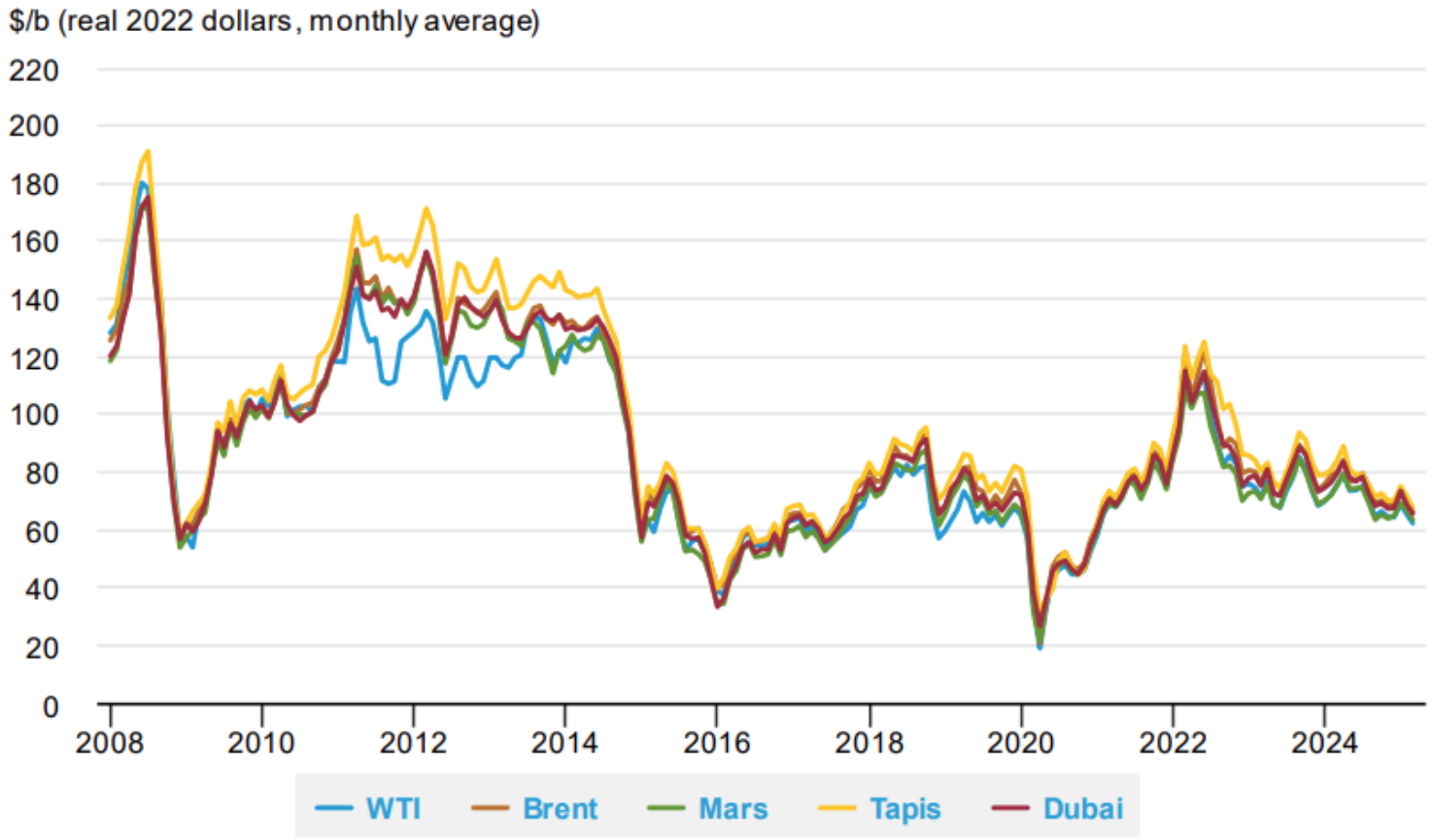
Source: EIA (dated March 2025)

EIA also noted that global oil prices "move together due to arbitrage" as may be seen in **Exhibit 19**. However, price differentials may persist due to "Variations in quality and location" (e.g., between "light-weight, low-sulfur (light-sweet) grades and heavier, higher-sulfur (heavy-sour) crudes that are lower in quality").

Based on EIA's data, the Brent spot price has fallen by 20.3% from US$77.27 per barrel on 2 April 2025 (or fallen further by 6.9% from US$66.13 on 7 April 2025) to US$61.57 per barrel on 2 May 2025.

Meanwhile, the WTI spot price has fallen by 17.3% from US$72.12 per barrel on 2 April 2025 (or fallen further by 2.3% from US$61.05 on 7 April 2025) to US$59.67 per barrel on 2 May 2025.

Exhibit 19: World Oil Prices (2008 to 2025)



Source: Bloomberg, Refinitiv (dated March 2025; cited by EIA in April 2025)

One implication of the expected fall in oil prices is the potential fall in U.S. oil production.

Should the Brent spot price continue to fall as forecasted by EIA, the WTI crude oil price may fall further below U.S. oil producers' average breakeven price of US$65 per barrel such that U.S. oil production may fall. A fall in U.S. oil production may soften the expected fall in oil prices.

For reference, EIA forecasted in May 2025 that U.S. oil production will grow by 0.28 million bpd from 2024 to 2026 as shown in **Exhibit 20**.

Exhibit 20: Forecasted U.S. Oil Production (2025 & 2026)

	Actual/Est.	Forecast		2024 vs 2026	
(in million bpd)	2024	2025	2026	Change	%
Appalachia region	0.16	0.17	0.13	(0.03)	(18.8%)
Bakken region	1.23	1.21	1.17	(0.06)	(4.9%)
Eagle Ford region	1.17	1.16	1.17	-	-
Haynesville region	0.03	0.03	0.02	(0.01)	(33.3%)
Permian region	6.30	6.51	6.69	0.39	6.2%
Rest of Lower 48 States	2.14	2.13	2.05	(0.09)	(4.2%)
Other Lower 48 States (excl. GOA)	**11.02**	**11.20**	**11.25**	**0.23**	**2.1%**
Alaska	0.42	0.42	0.44	0.02	4.8%
Federal Gulf of America	1.77	1.80	1.81	0.04	2.3%
U.S. total crude oil production	**13.21**	**13.42**	**13.49**	**0.28**	**2.1%**

Note: sums may not tally due to rounding.
Source: EIA (data updated May 2025), FPA

(II) POTENTIAL IMPROVEMENT IN OIL PRICES

Oil prices are currently expected to fall due to Trump's tariffs and OPEC+'s production hikes. However, oil prices may improve should any of the following scenarios materialise:

(a) Easing of U.S.-China trade tensions

FT reported on 7 May 2025 that "Washington and Beijing will this week hold their first trade talks since US President Donald Trump launched a trade war against China that has rattled financial markets and triggered concerns about supply chains". FT added that the "meeting marks the first real effort to tackle the trade war that has seen Washington impose a 145 per cent tariff on imports from China and Beijing slap a retaliatory tariff of 125 per cent on American goods".

However, FT quoted U.S. Treasury Secretary Scott Bessent as cautioning "that the discussions would be an effort to lower tensions rather than negotiations about a broader trade deal".

While the upcoming meeting may not result in the lowering of tariffs on either side, efforts to ease trade tensions may lead to an eventual lowering of tariffs by both sides such that global growth prospects improve. Accordingly, oil demand growth and oil prices may improve.

(b) Escalation of Middle East conflict

Reuters reported on 5 May 2025 that the Israeli Prime Minister Netanyahu "said on Monday an expanded offensive against Palestinian militant group Hamas would be "intensive" after his security cabinet approved plans that may include seizing the Gaza Strip and controlling aid".

Reuters also reported on 4 May 2025 that "Iran's Defence Minister Aziz Nasirzadeh said on Sunday that Tehran would strike back if the United States or Israel attacked", "after Israeli Prime Minister Benjamin Netanyahu vowed to retaliate against Iran for the Tehran-backed Houthi group firing a missile that landed near Israel's main airport".

Previously, Reuters reported on 1 October 2024 that oil prices "jumped about 4% on Tuesday following reports Iran was preparing to launch a missile attack on Israel". However, FT updated on 28 & 29 October 2024 that the Brent crude price dropped "more than 6%" after "Israel's attack on Iran at the weekend avoided oil and nuclear facilities and Tehran gave a measured response to the strikes".

Should the Middle East conflict escalate, fears of oil supply disruption may grow; thus, oil prices may improve.

CONCLUSION

Following U.S. President Trump's tariff announcement, OPEC+'s higher-than-expected production hike and China's retaliatory tariffs, the Brent spot price fell by 14.4% from US$77.27 per barrel on 2 April 2025 to US$66.13 per barrel on 7 April 2025. Based on EIA's data, the Brent spot price has fallen further by 6.9% to US$61.57 per barrel on 2 May 2025 while the WTI spot price has fallen by 17.3% from US$72.12 per barrel on 2 April 2025 to US$59.67 per barrel on 2 May 2025.

Trump's tariffs are expected to weaken global growth, and oil demand growth has historically correlated with economic growth. Thus, while oil demand is still expected to grow, EIA, IEA and OPEC have lowered their oil demand growth forecasts for 2025 & 2026. However, OPEC maintained a higher oil demand growth forecast for 2025 than EIA & IEA. Perhaps not-so-coincidentally, OPEC members are oil producers.

IEA and OPEC also provided varying longer-term outlooks for oil demand. While IEA noted that oil's share of total energy supply is expected to fall from around 29.9% in 2023 to around 7.1–24.3% in 2050 (depending on carbon reduction progress), OPEC indicated that oil's share of total primary energy demand is expected to fall from 30.9% in 2023 to 29.3% in 2050. IEA noted that global oil demand would peak in 2030 while OPEC indicated that oil demand would continue growing to 2050. OPEC was also less optimistic than IEA on the substitution away from oil as OPEC expected a more muted pace of EV adoption than IEA.

Both IEA and EIA indicated though that China, India and "Other Asia" are expected to experience some of the highest cumulative oil demand growth from 2023 to 2029 or 2030.

Meanwhile, OPEC announced a higher-than-expected production hike of 411,000 bpd for May 2025 and announced another production hike of 411,000 bpd for June 2025 The hikes may be intended to lower oil prices, so that Saudi Arabia may penalise Iraq & Kazakhstan for prior overproduction by hurting their oil revenues, appeal to Trump, and allow OPEC+ to regain market share especially from U.S. producers.

With an expected fall in global oil demand growth and rise in global oil supply growth, oil inventories are expected to rise such that oil prices are likely to fall. EIA forecasted that the average Brent spot price will fall from US$76 per barrel in 1Q 2025 to US$61 per barrel by 4Q 2025 and fall further to US$59 per barrel in 2026. Goldman Sachs has also lowered its Brent spot price forecast to an average of US$60 per barrel for the rest of 2025, while Morgan Stanley lowered its Brent spot price forecast to US$62.50 per barrel for 3Q & 4Q 2025.

Oil prices may improve though should U.S.-China trade tensions ease or the Middle East conflict escalate.

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