

Global Oil Market Outlook

Brace for Turbulence

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IATA Aviation Energy Forum

Baku, Azerbaijan

May 2025





New tariffs and trade disputes have escalated uncertainties

- With ever-evolving policies, investment decisions and sure guidance are incredibly challenging
- Tariffs impacts apparent in “soft data” but not yet “hard data”



Global growth expectations have softened but path is still unclear

- Demand started the year on strong footing keeping cracks robust
- What should we be watching with demand growth expected to weaken?



Supply outlook muddled by questions on OPEC+ quotas and compliance

- How will OPEC+ manage the return of supply to a shaky market?
- Besides OPEC+, how does US shale respond to a lower price environment?



Refining is in a state of flux

- How does the balance of new start-ups and closures shake out?
- What does this balance entail for cracks?

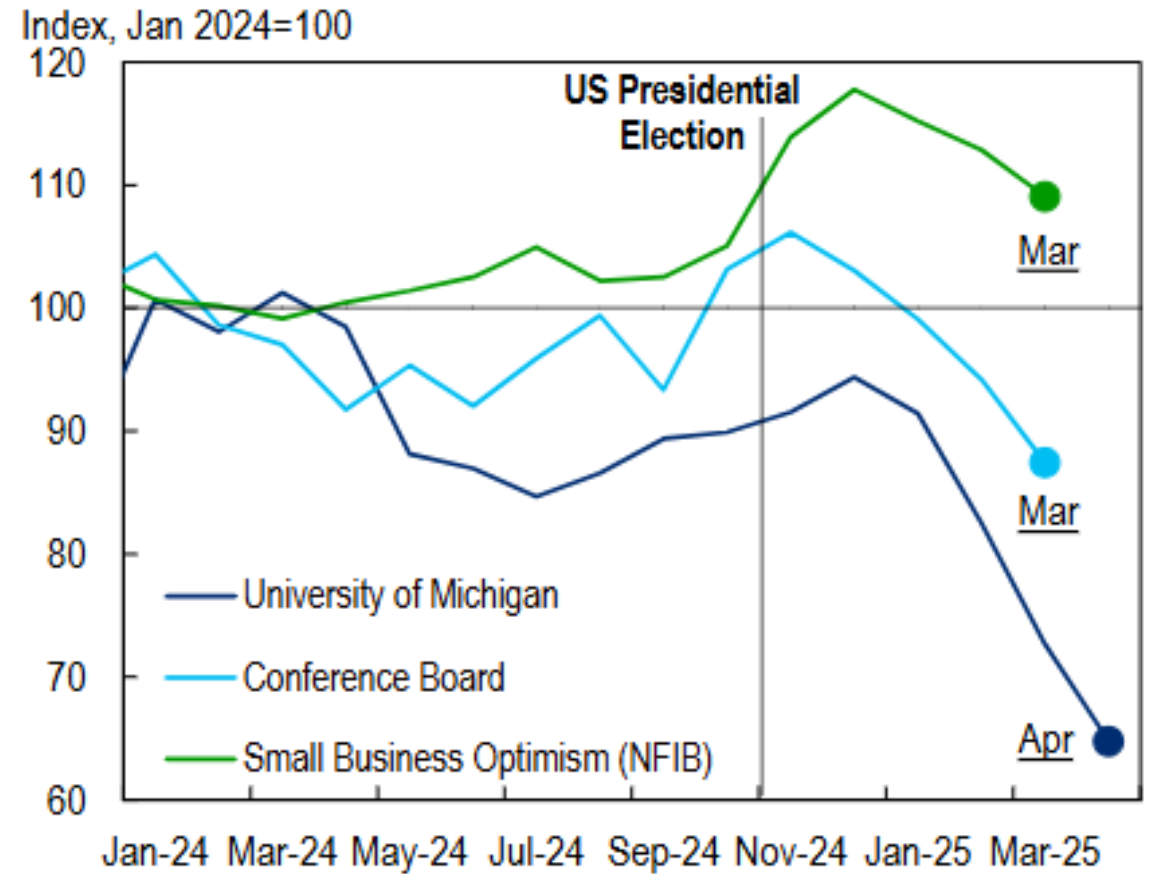
New US trade policies under Trump 2.0 have roiled global markets and introduced historic uncertainty

US Economic Policy Uncertainty Index



Tariffs have pushed US policy uncertainty to early 2020 highs, and negative impacts are emerging through lower consumer and business confidence

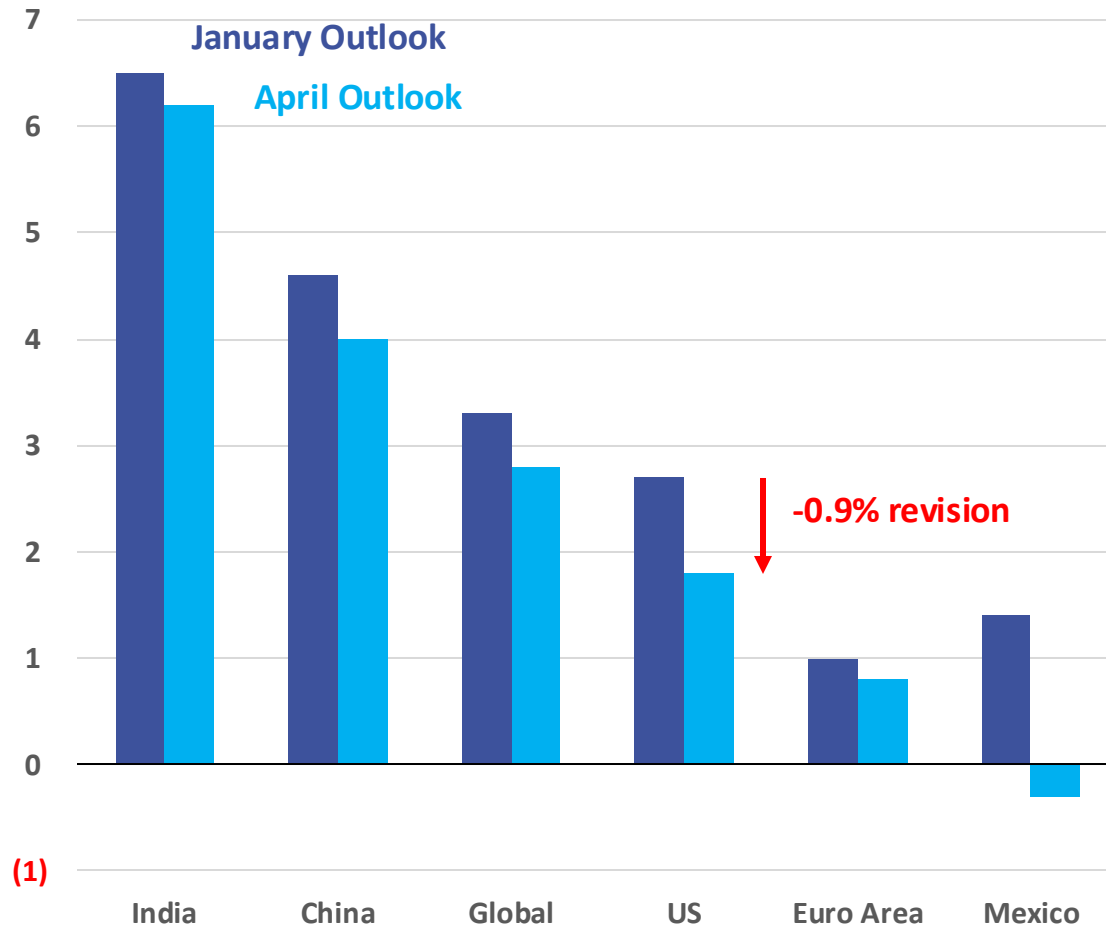
US Consumer & Business Sentiment



After starting the year optimistic, forecasters have trimmed economic and oil demand growth projections

IMF World Economic Outlook Growth Projections

Real GDP, annual percent change

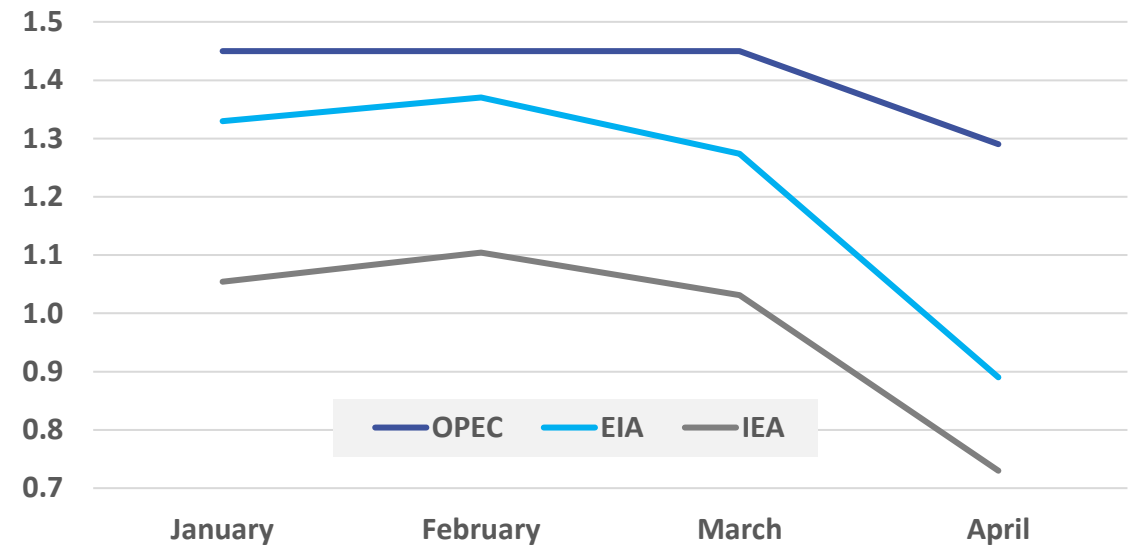


(1)

Sources: IMF, IEA, OPEC, EIA

2025 Annual Global Oil Demand Growth Projections

Million barrels per day



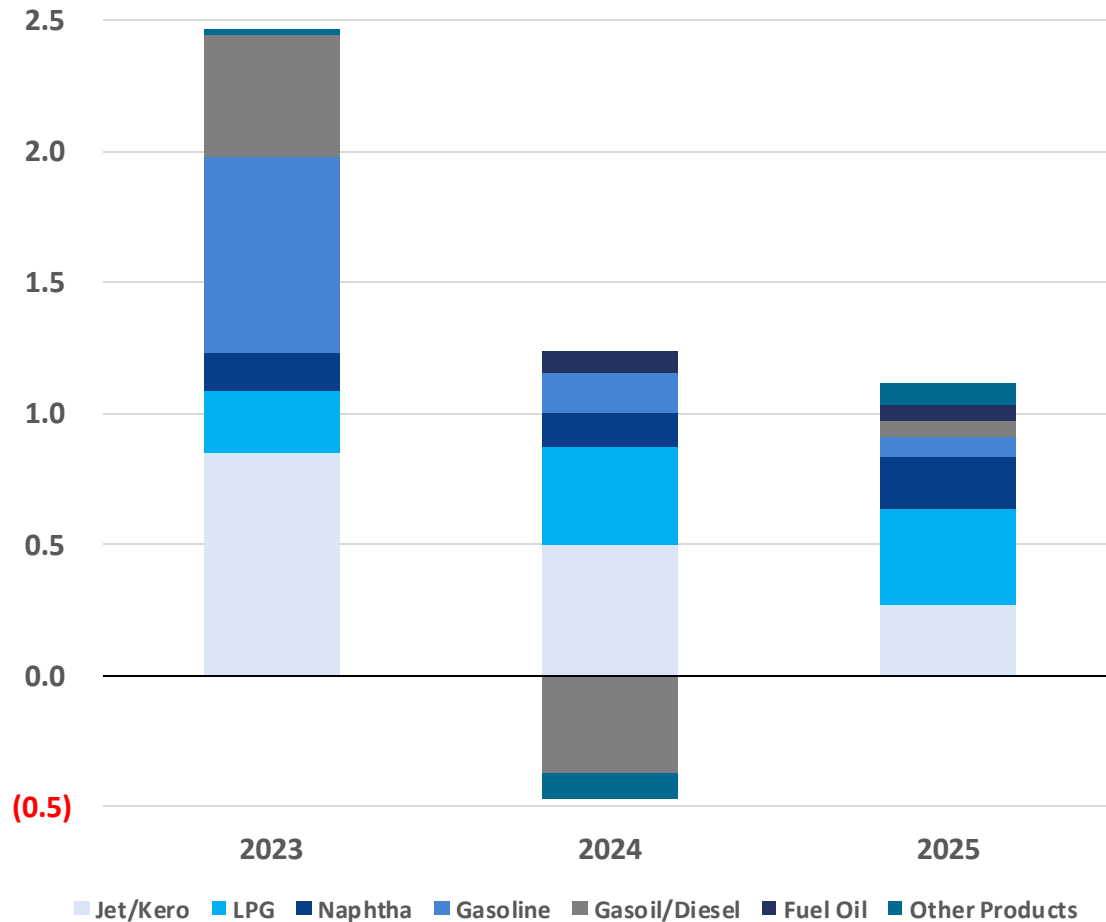
While forecasts have been pared back, they reflect growth expectations well in excess of the recession calls from some analysts in the immediate aftermath of the April tariff announcements



Still much uncertainty around demand growth for this year, but jet and petchems play a large role

Global oil demand growth by product

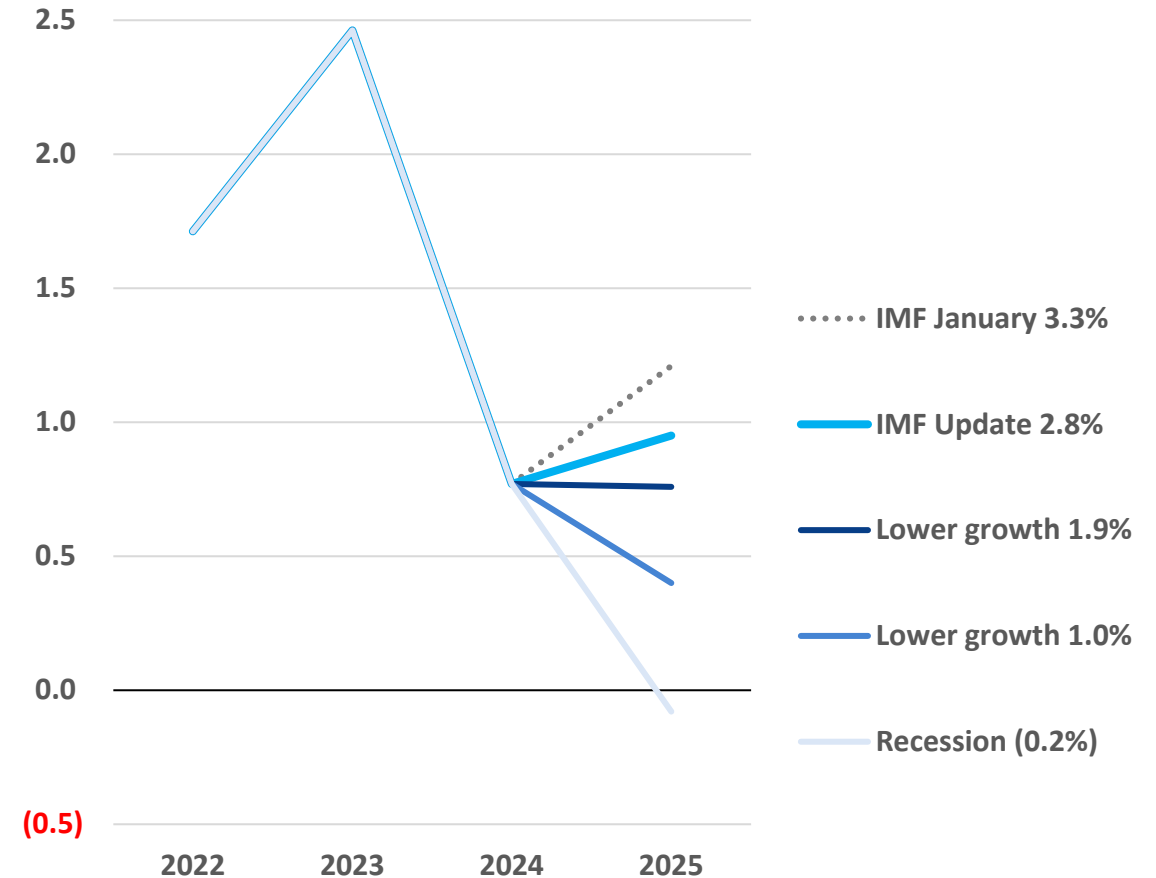
Million barrels per day



Source: Hartree

Demand projections under various growth scenarios

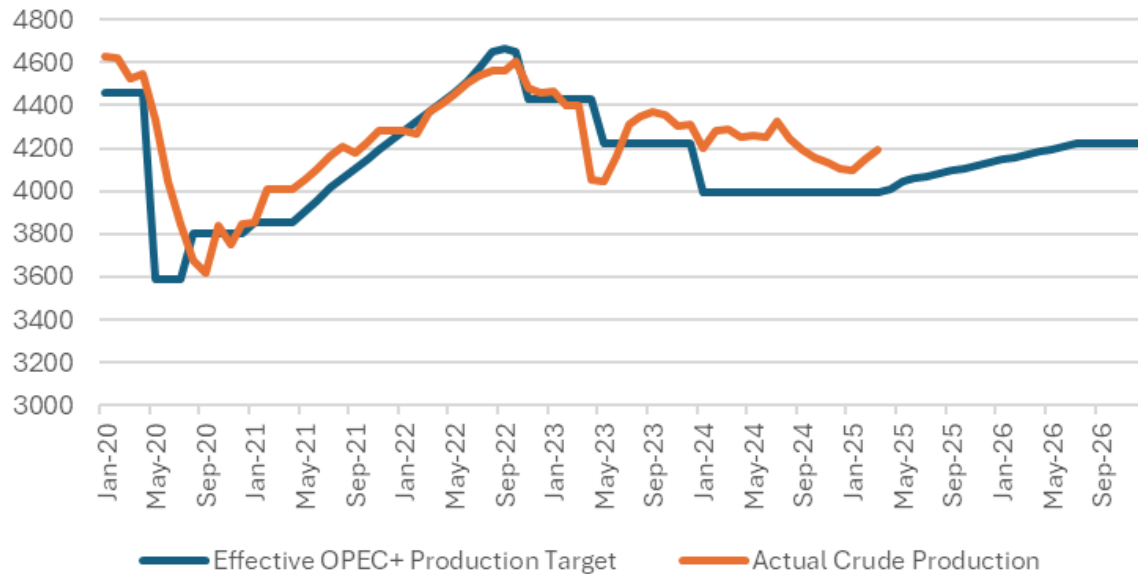
Million barrels per day



OPEC+ adding supply to the market as quotas unwind and compliance remains a concern

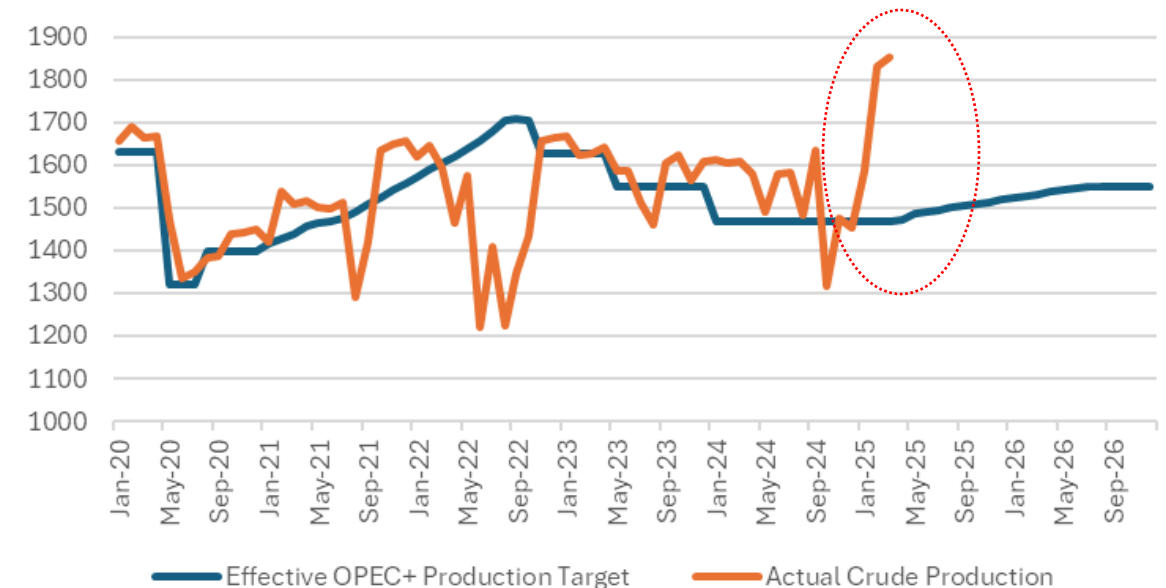
Iraq quota compliance

Thousand barrels per day



Kazakhstan quota compliance

Thousand barrels per day

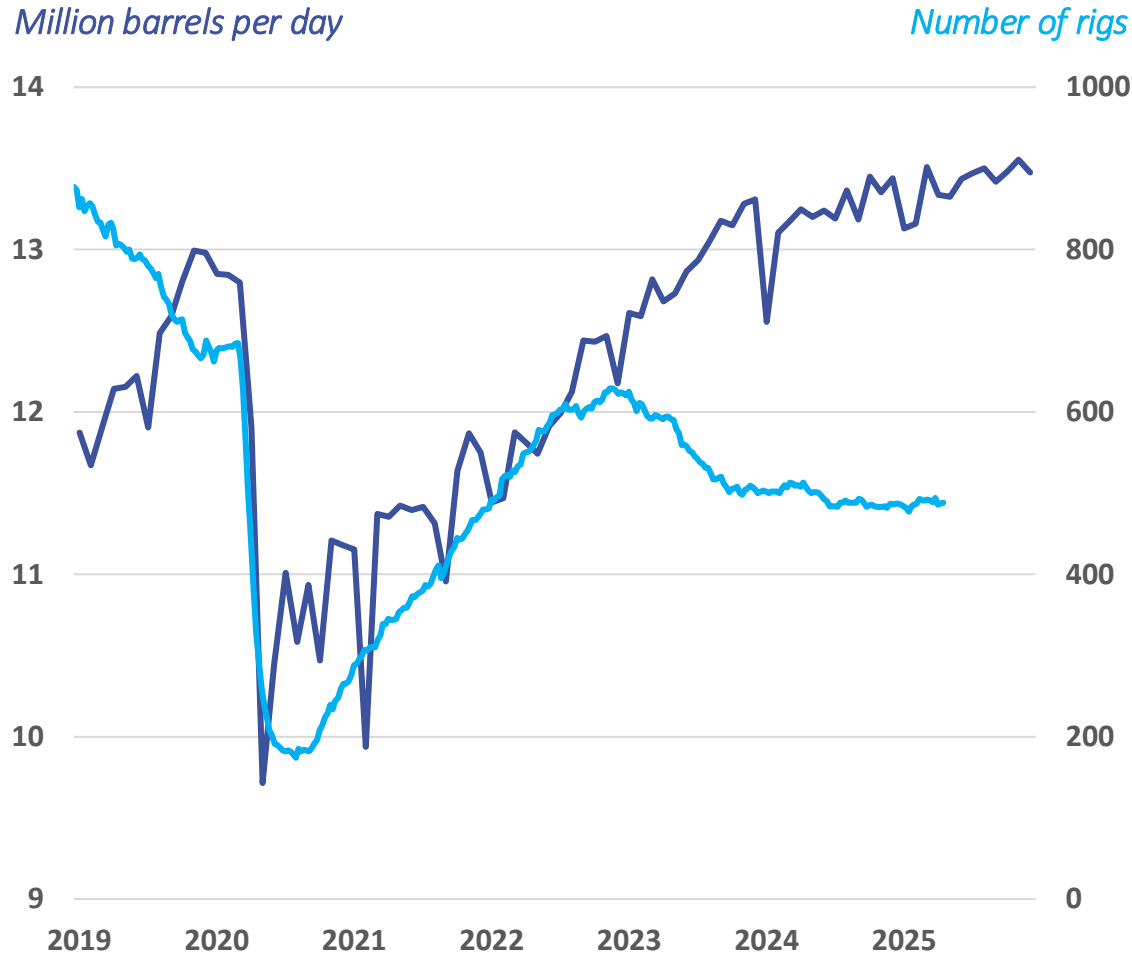


- OPEC+ will continue to manage the market but as non-compliance persists and worsens, Saudi Arabia is showing less willingness to carry the load
- The recent front-loading of supply increases allows for some market share re-capture while steering clear of a volume and price war, as in early 2020



US shale shifting into low gear as weaker prices drive producers to curtail field activity

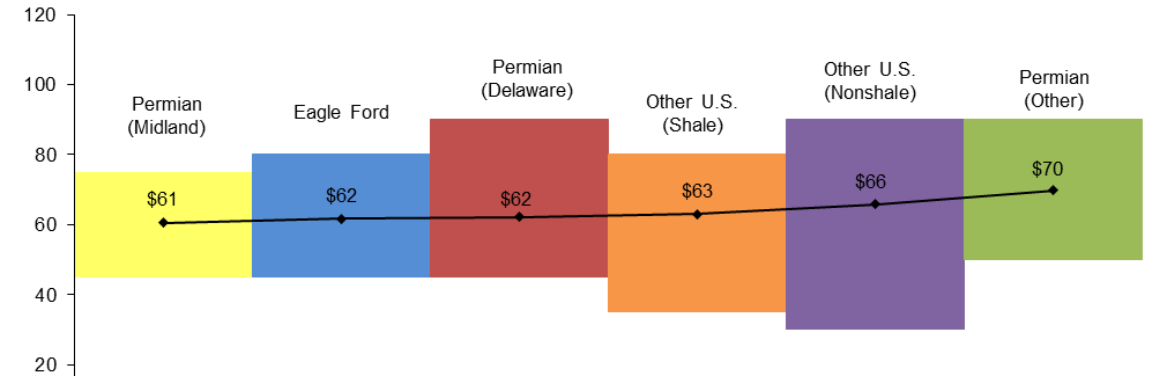
US crude production and active oil rigs



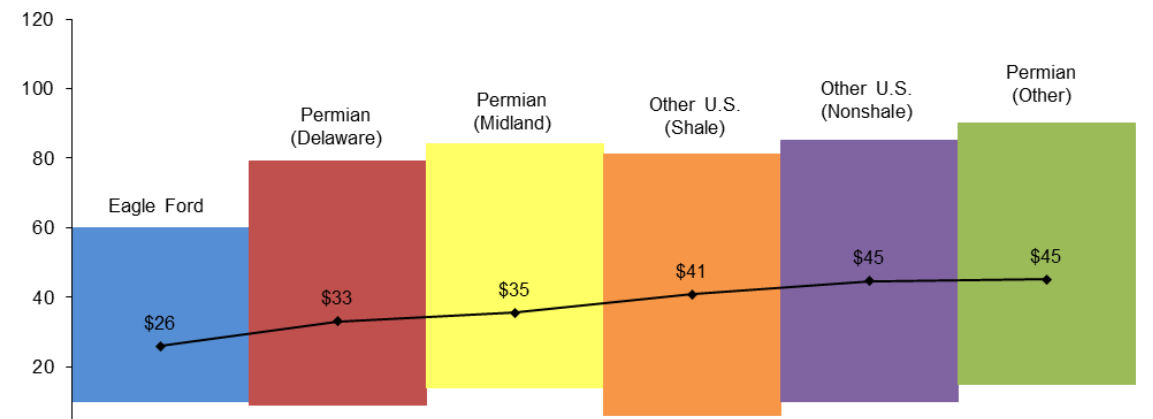
Sources: Hartree, EIA, Baker Hughes, Federal Reserve Bank of Dallas

Breakeven price average and range of responses

New well, \$ per barrel WTI

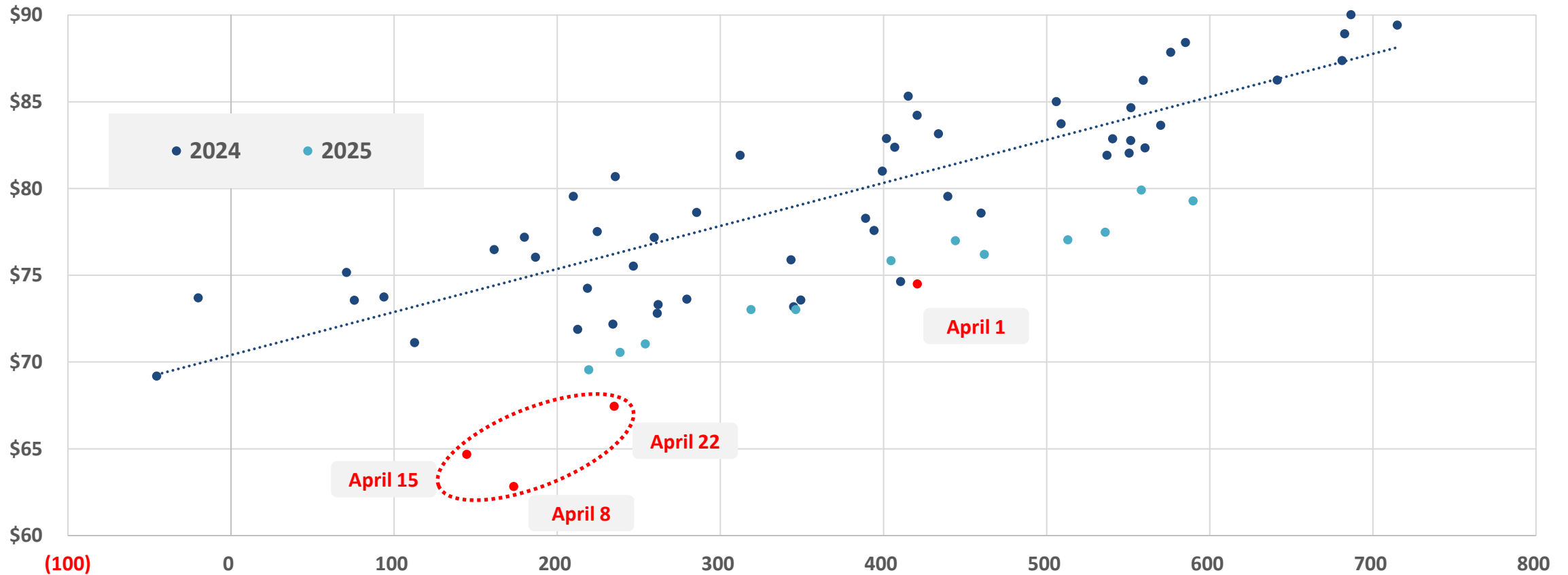


Operating cost, \$ per barrel WTI



Brent price versus total petroleum managed money net length

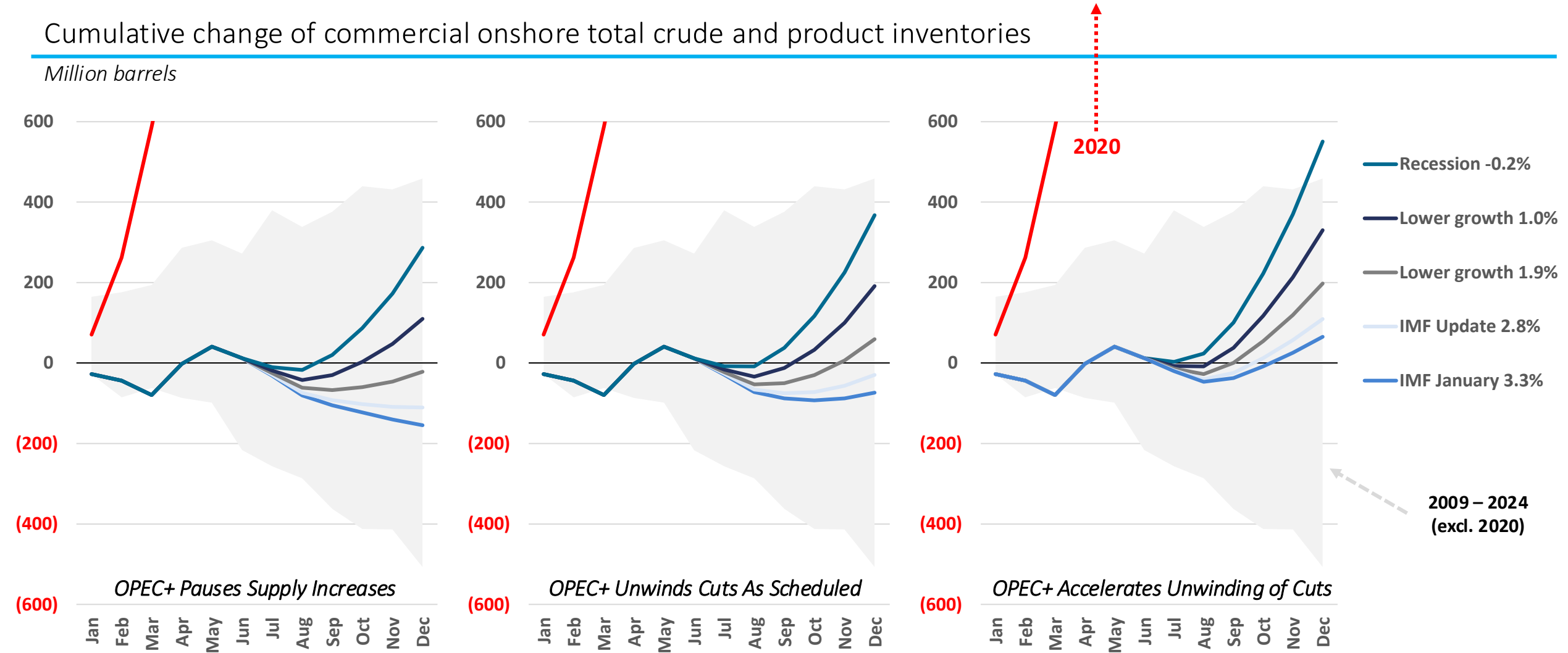
\$ per barrel and thousand contracts



With so many uncertain variables, we forecast inventories under various supply and demand scenarios

Cumulative change of commercial onshore total crude and product inventories

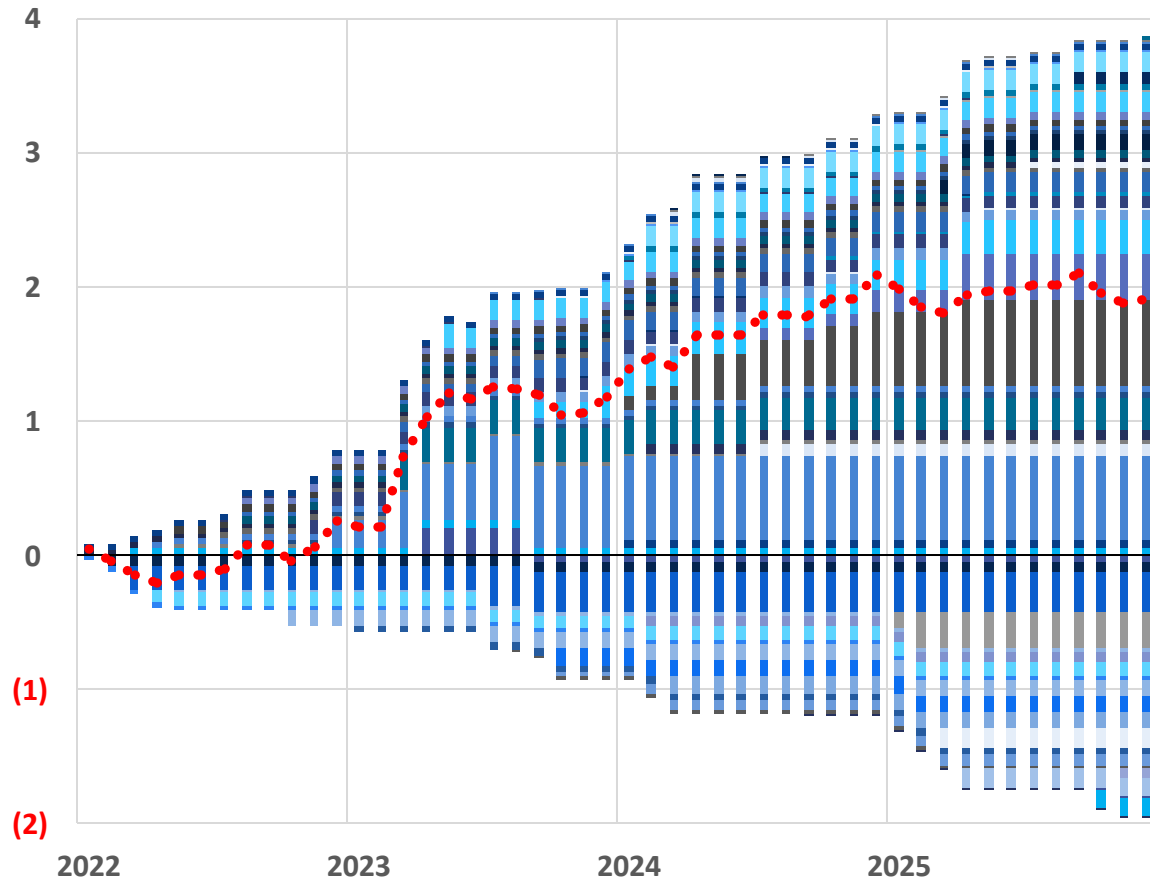
Million barrels



Refinery closures this year offset added capacity from new starts and expansions

Net CDU Capacity change since end-2021, excl. China

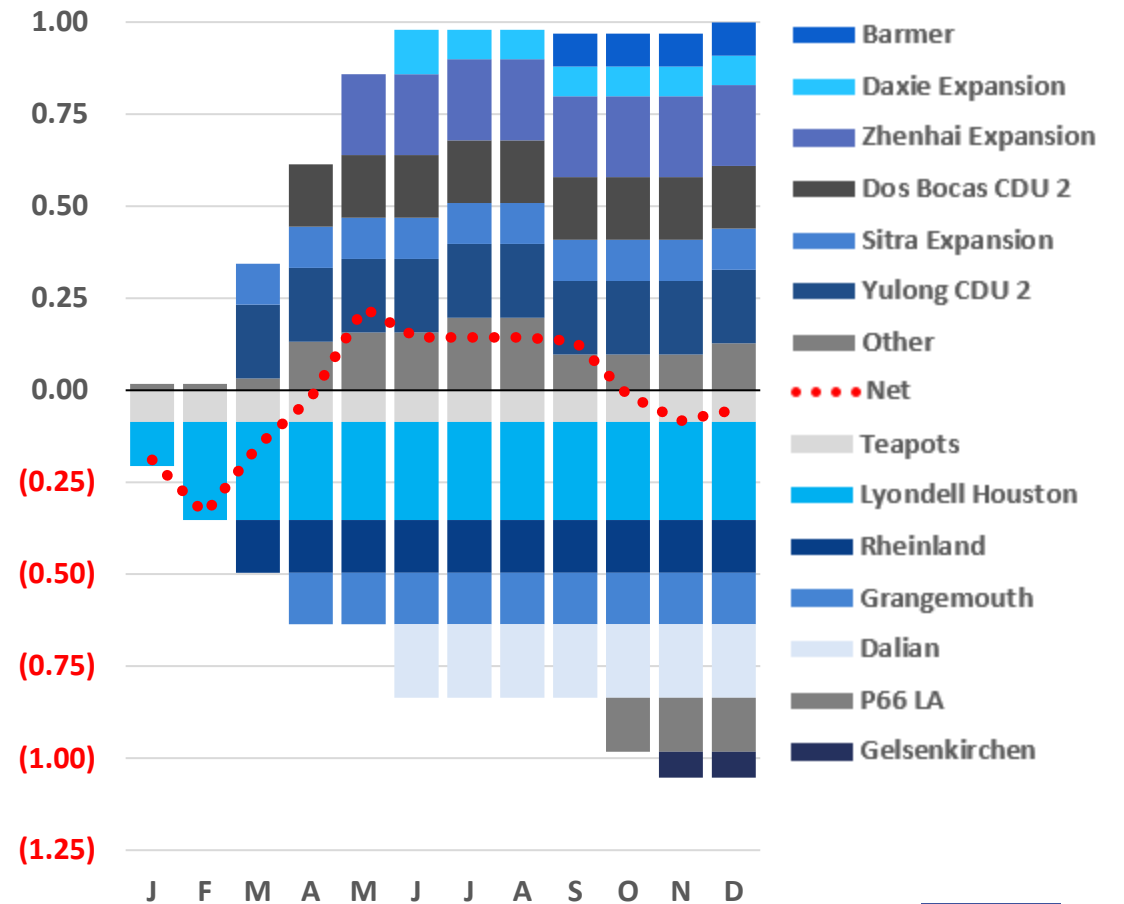
Million barrels per day



Source: Hartree

2025 Global net refinery CDU capacity change

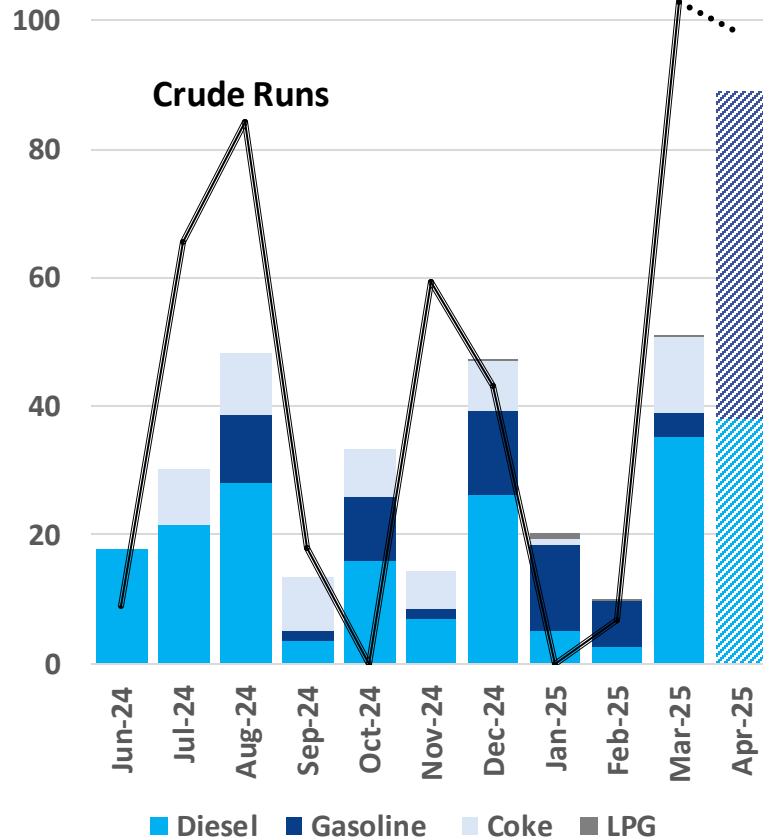
Million barrels per day



Additional capacity does not always mean new runs, while the existing kit faces issues of its own

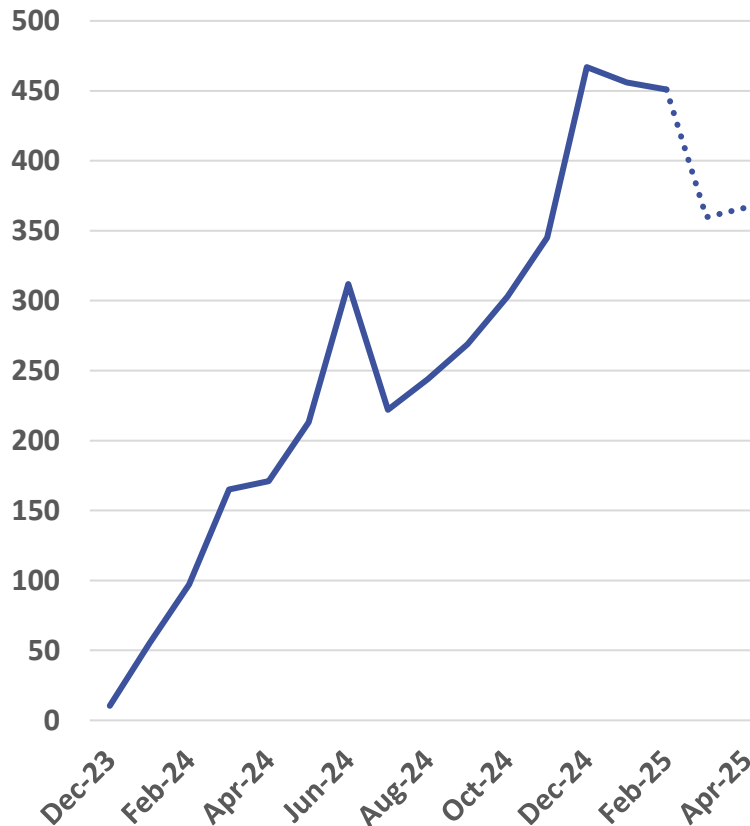
Dos Bocas operations

Thousand barrels per day



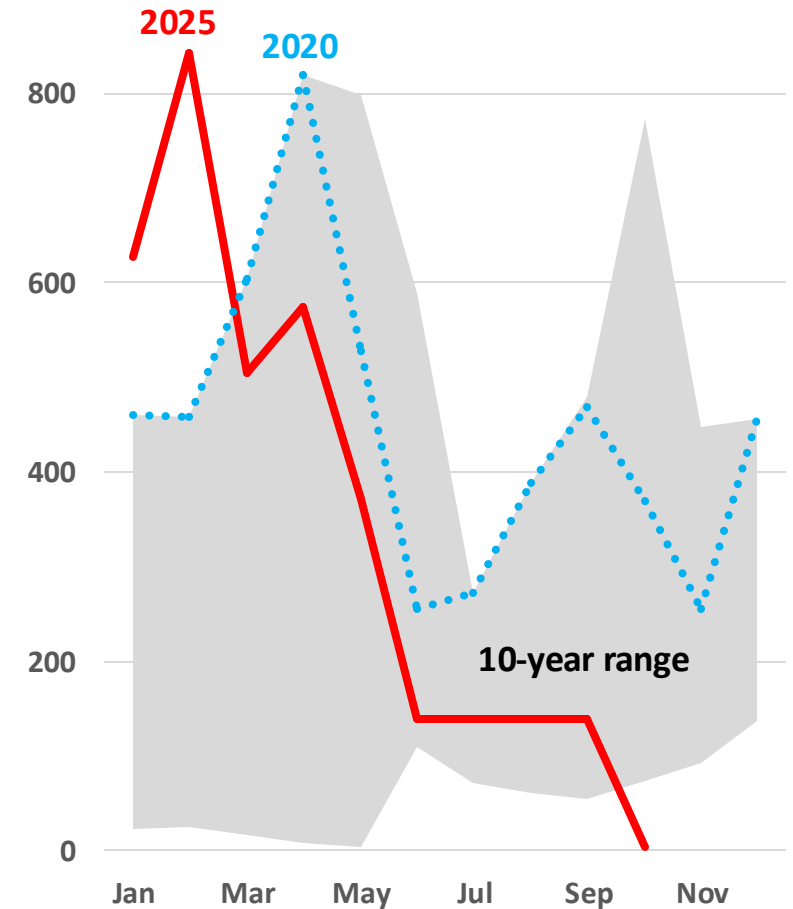
Dangote estimated crude runs

Thousand barrels per day



W. Europe unplanned CDU outages

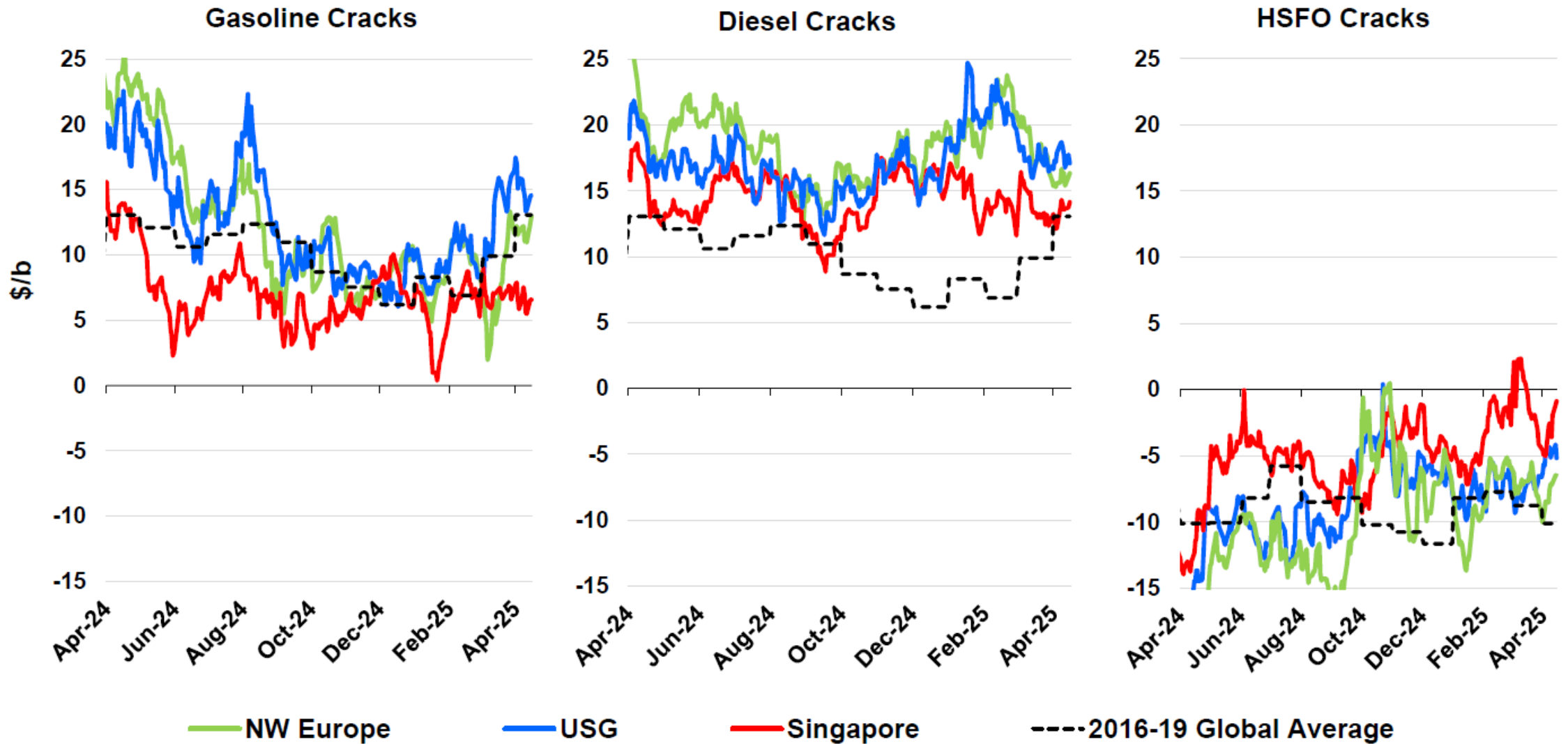
Thousand barrels per day



Sources: Pemex, IIR, Genscape, Hartree Research, JODI, Kpler, Kayros



Despite concerns about future demand, cracks have been robust to start the year



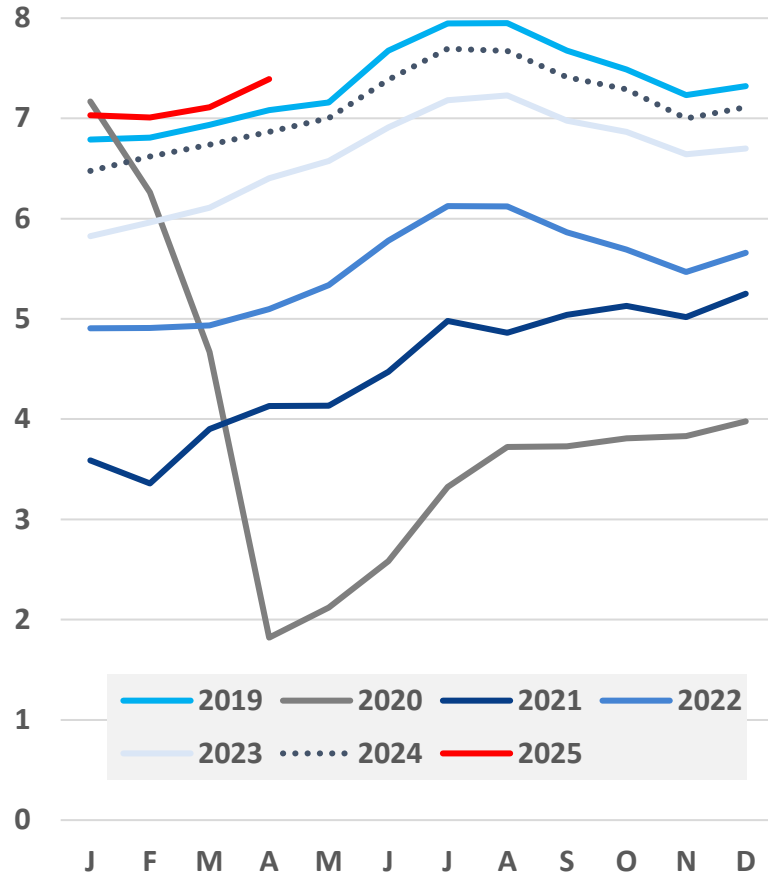
Source: S&P Global Commodity Insights



This year we have finally seen jet fuel demand complete the recovery from 2020...

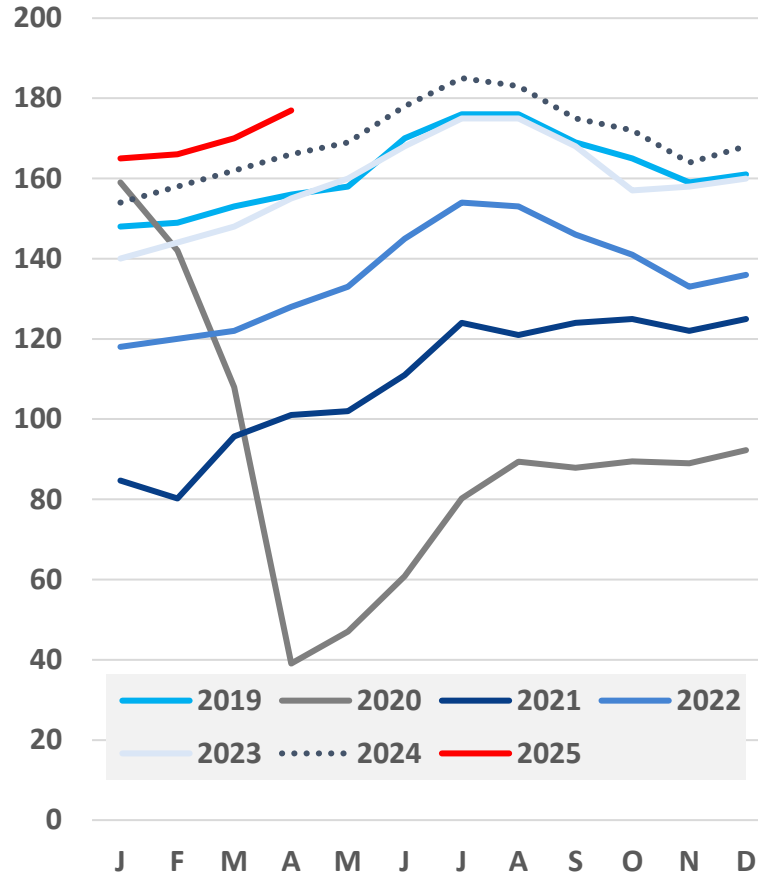
Jet fuel demand

Million barrels per day



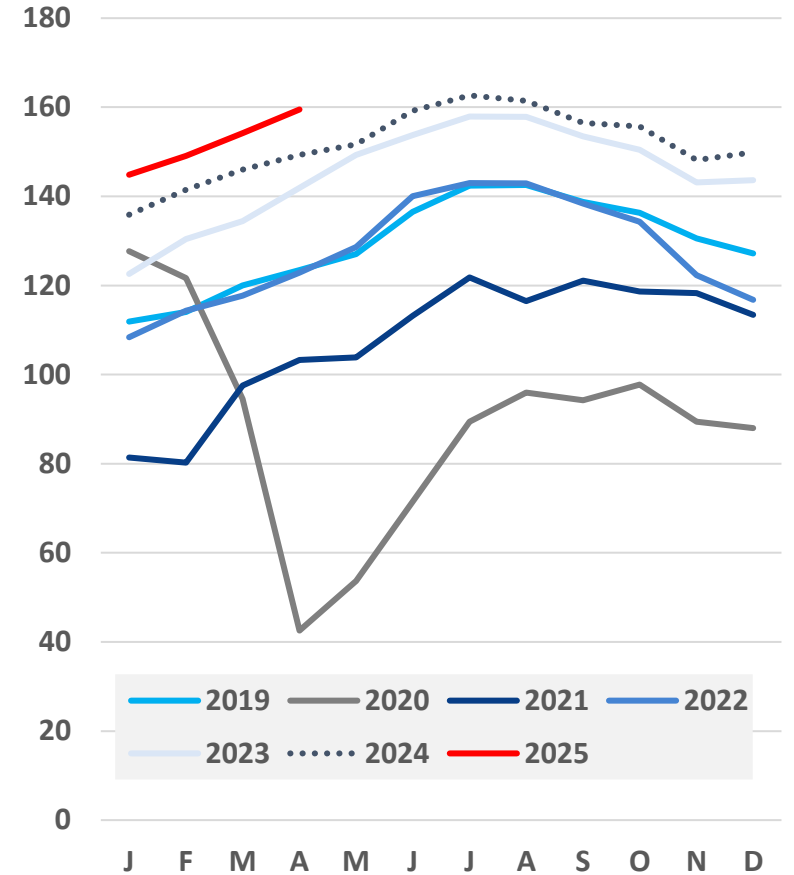
Flight miles

Million kilometers per day



Flight counts

Thousand per day



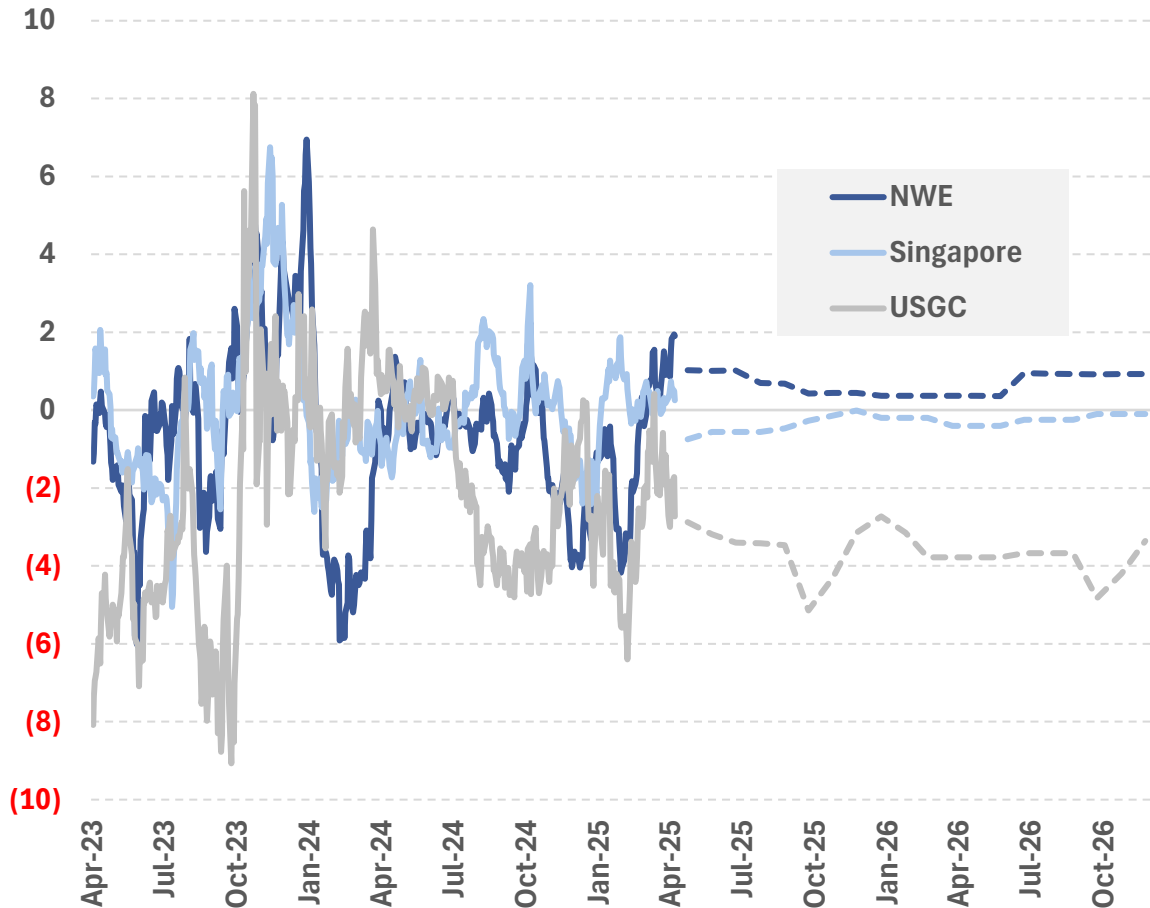
Source: Kayrros



...but there are new risks as we head into summer that the market is not yet pricing

Spot jet regrades / differentials

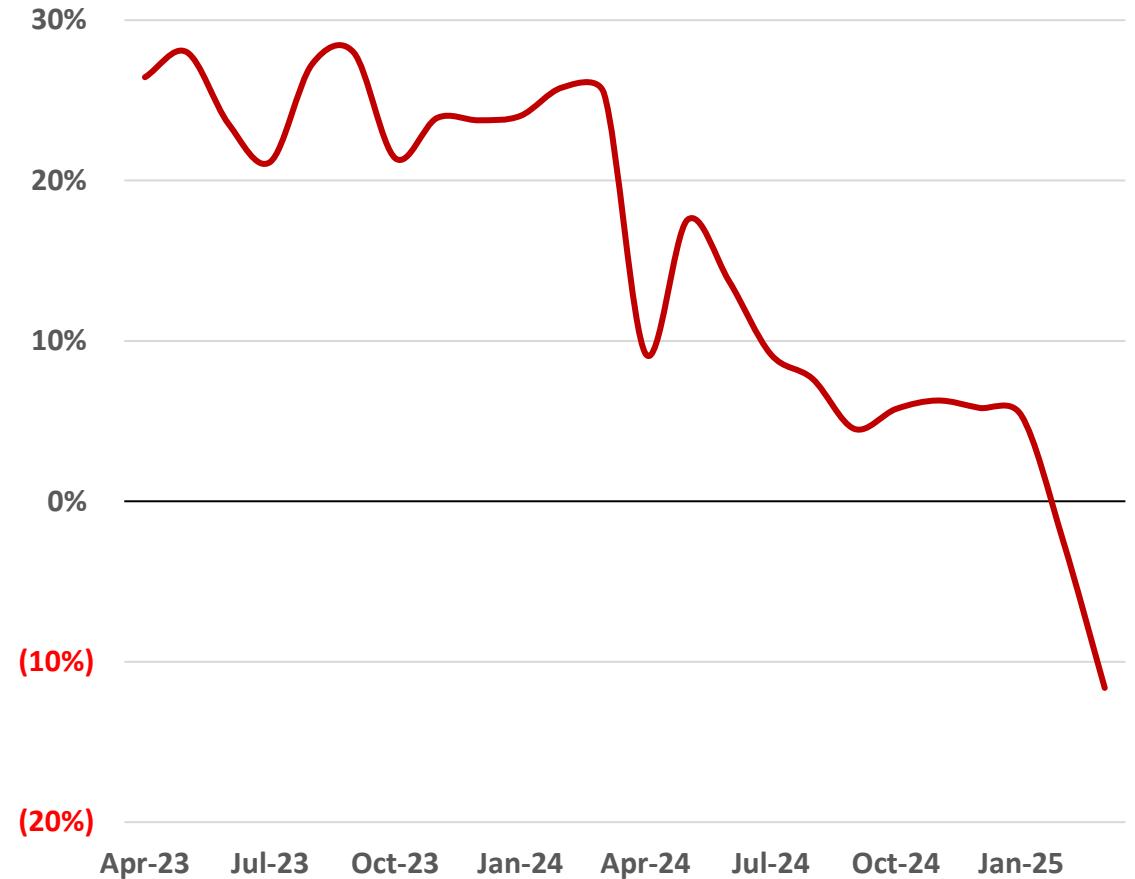
\$ per barrel



Sources: Platts, US Chamber of Commerce International Trade Administration

Overseas visitors to the US

Year-on-year change, %





We are certainly living in uncertain times

- The trajectory will clarify as deals are forged but headline bingo will linger for some time
- Much of the economic destruction is already irreversible even if we see a policy shift from the US



Global growth slower but not derailed

- Economic downshift and consumer fears should weigh on distillates
- Near-shoring and national security priorities could lead to some pockets of outperformance



OPEC+ will manage the market but not yield share

- Compliance will be a major focus but management may become more difficult after the summer
- US production growth to slow down but the impact of lower prices will be gradual



Refining will stay tight but respond to lower demand in later months

- Capacity additions and closures nearly balance out in 2025 before accounting for hiccups
- Cracks should hold up heading into summer demand but later slowdown could lead to curtailments



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IATA Annual Energy Forum

May 2025

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