

Lower for longer? What future for oil prices?

APIC 2025

Daniel Evans, Vice President, Global Head of Fuels and Refining Research

May 15, 2025

Two big questions facing energy markets



How low can the **oil price** go?

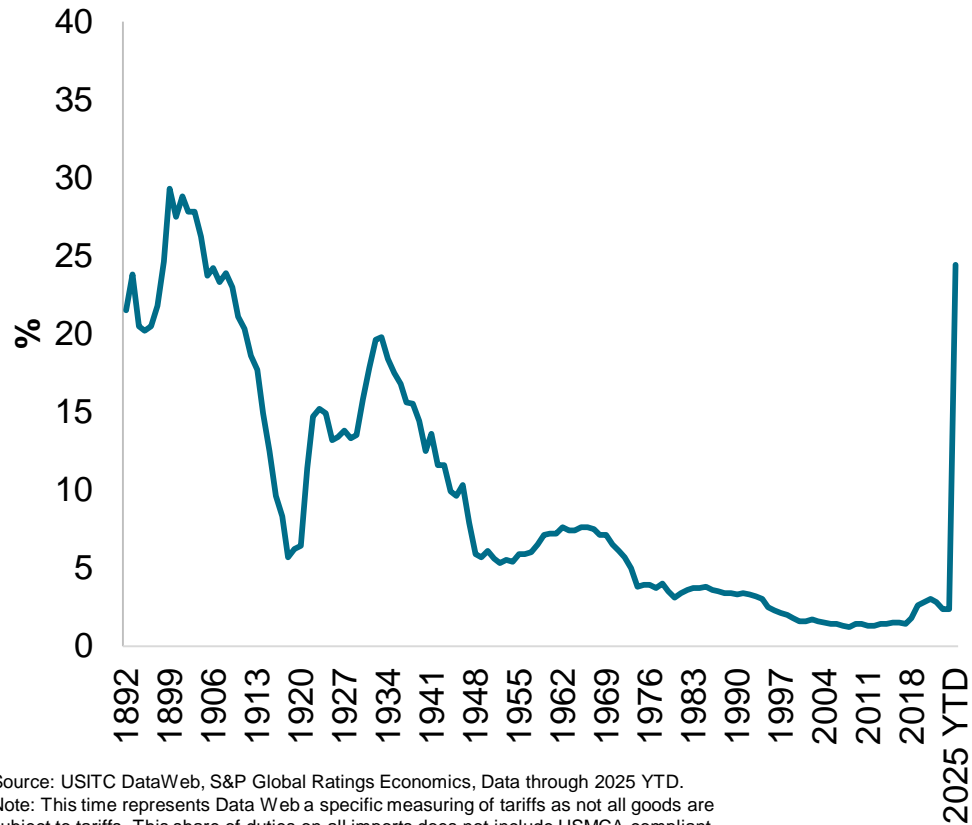


Has the **energy transition** stalled?

How low can the **oil price** go?

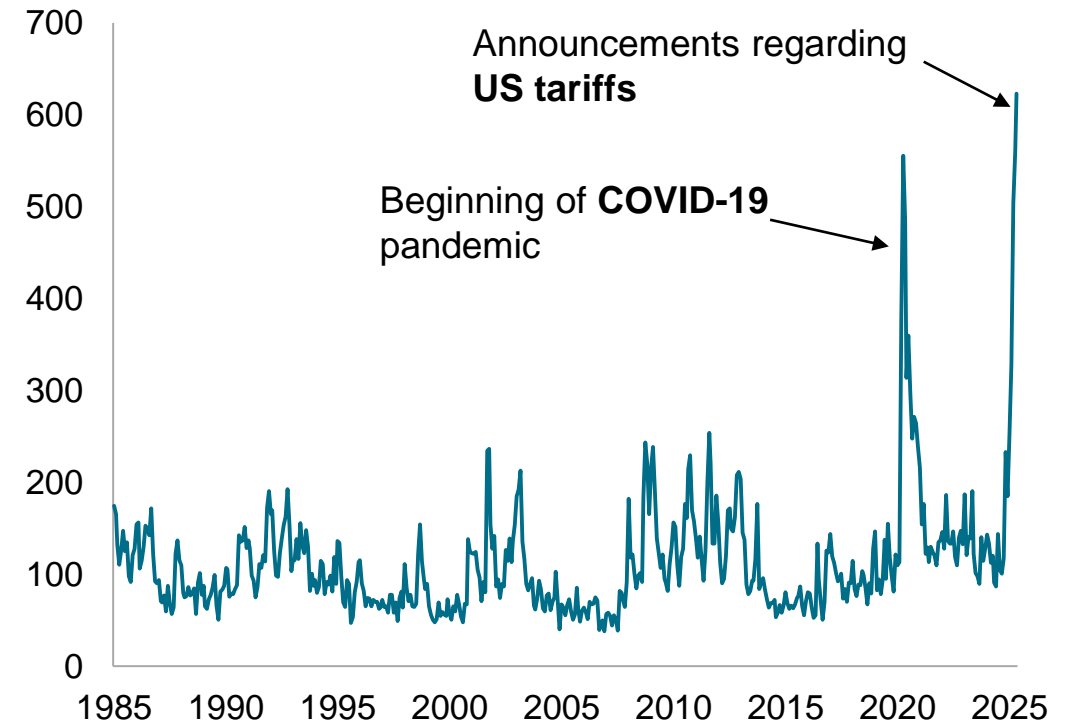
Tariffs are jeopardizing economic growth | Tariffs are at their highest level for over 100 years and uncertainty is soaring

US tariffs (duties as a share of all imports)



Source: USITC DataWeb, S&P Global Ratings Economics, Data through 2025 YTD.
 Note: This time represents Data Web a specific measuring of tariffs as not all goods are subject to tariffs. This share of duties on all imports does not include USMCA compliant.
 © 2025 S&P Global.

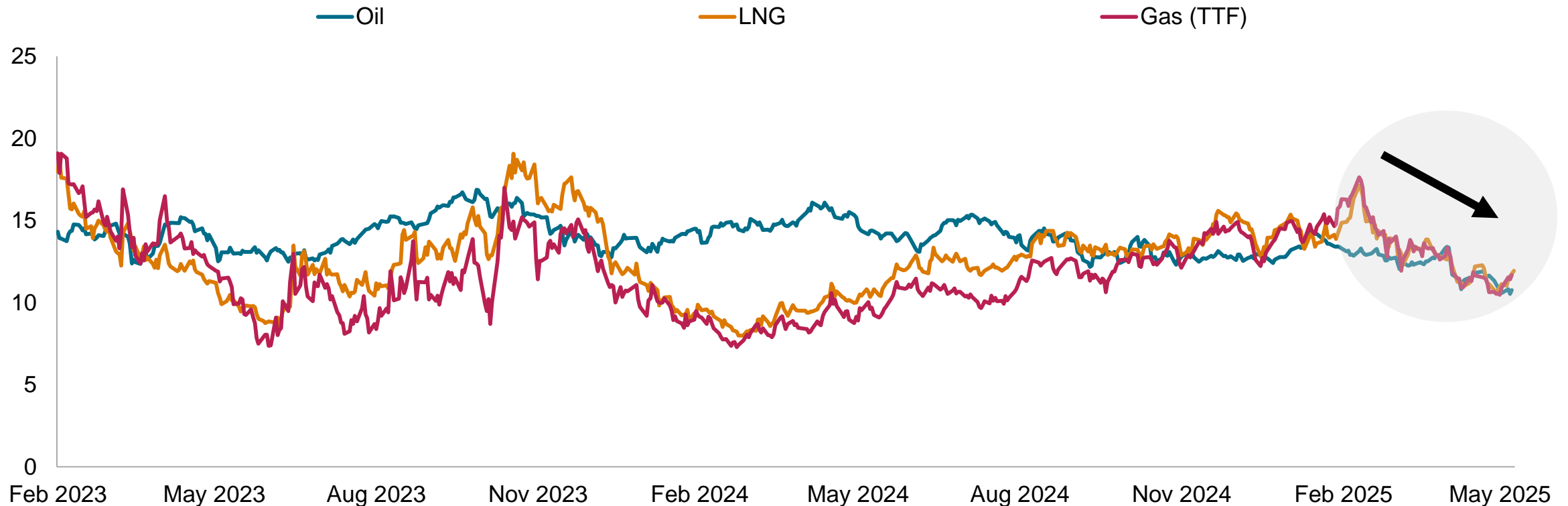
Economic Policy Uncertainty Index for United States



As of May. 06, 2025.
 Monthly data until May 2025 which reflects daily averages through 6 May 2025.
 Source: Federal Reserve Economic Data, Federal Reserve Bank of St. Louis. S&P Global Commodity Insights
 © 2025 S&P Global.

Commodity prices are reflecting a bleaker outlook | Commodity markets have struggled to recover despite tariff climbdown

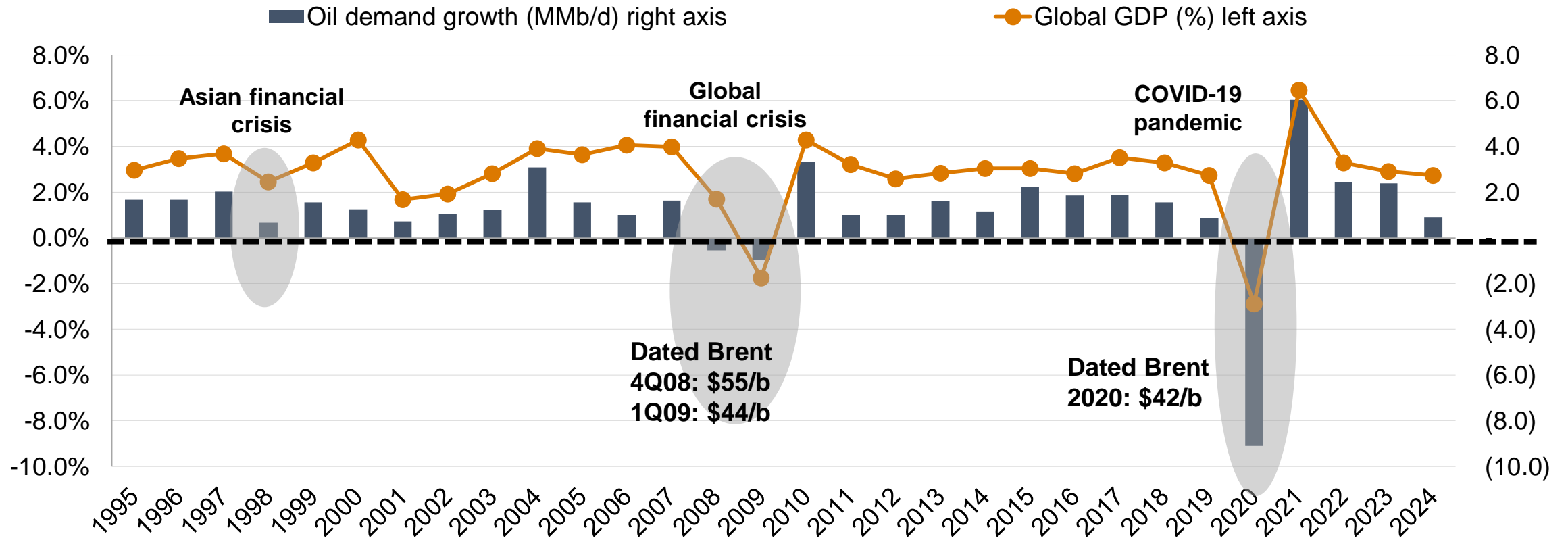
Daily oil and gas prices (\$/MMBTU)



As of May. 09, 2025.
Oil is Dated Brent. LNG is Japan/Korea delivered spot price.
Source: S&P Global Commodity Insights.
© 2025 S&P Global.

How low can oil demand go? | Oil demand has only contracted twice in the last 30 years

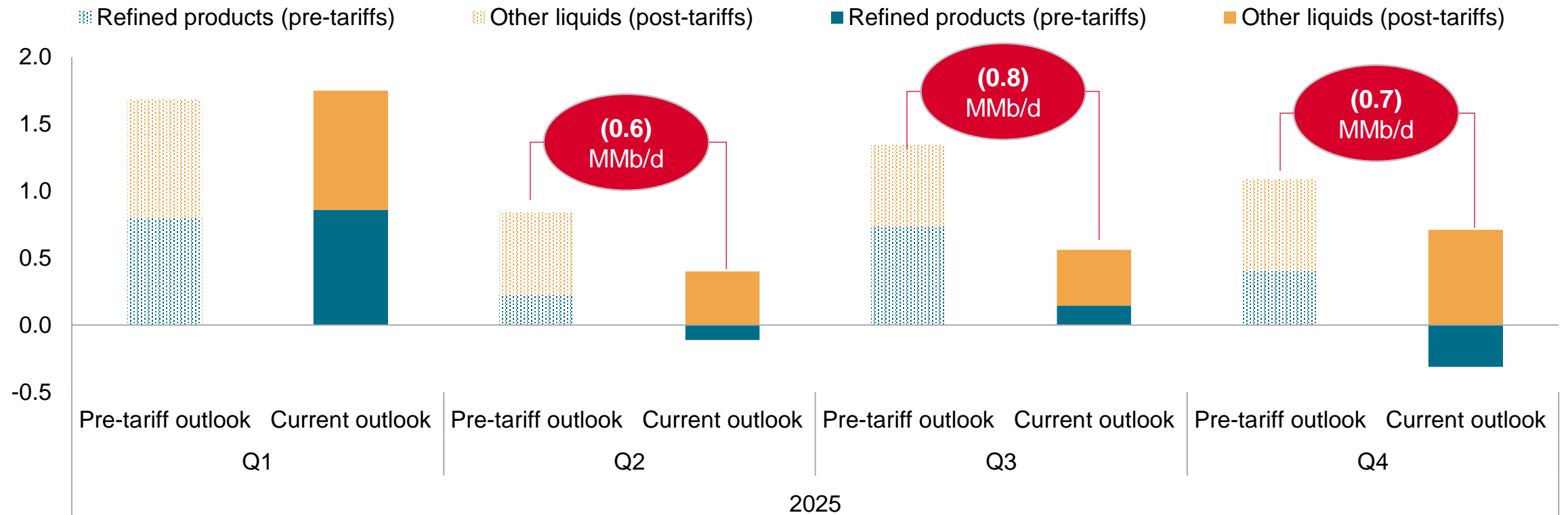
Global Oil Demand vs GDP Growth: 1995-2024



As of March 7, 2025
Source: S&P Global Commodity Insights, S&P Market Intelligence
© 2025 S&P Global.

Our demand outlook is becoming more bearish | Refined products demand growth is expected to be flat for the remainder of the year

Demand growth outlook pre and post-tariffs (million b/d)



As of Apr. 29, 2025.

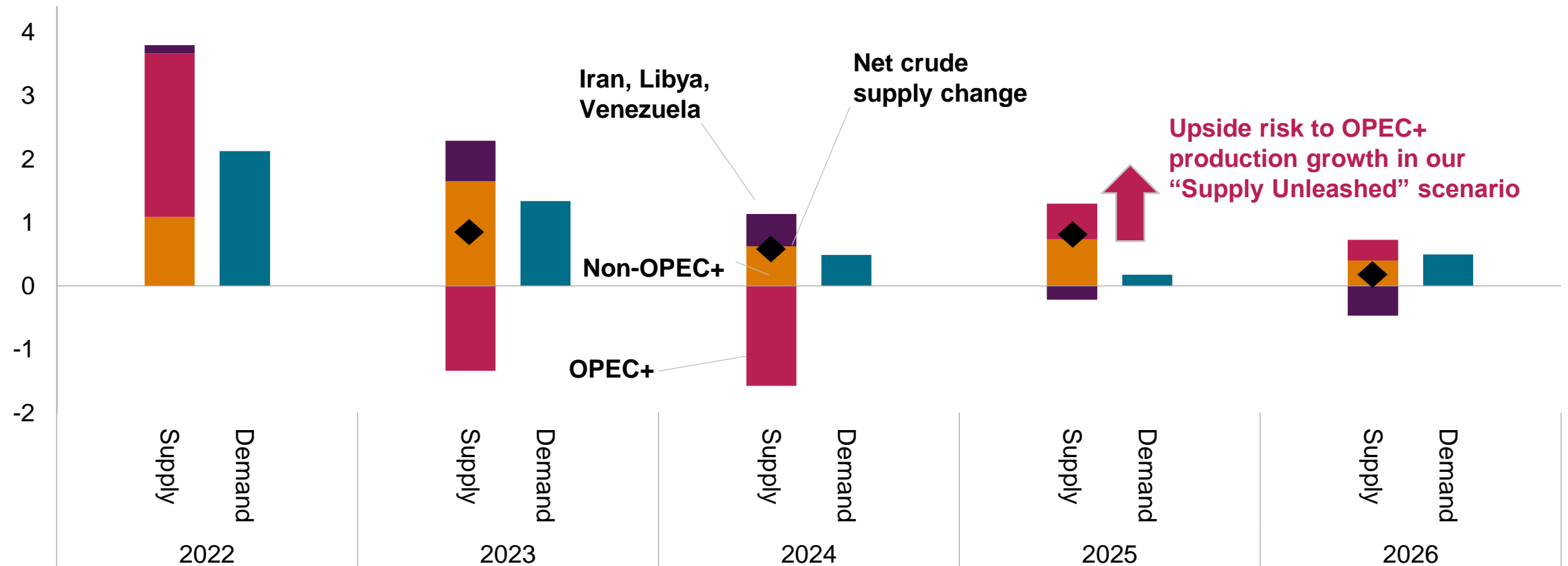
Pre-tariff numbers taken from the April Short-term Outlook. Post-tariff numbers taken from the May 2025 Short-term Outlook.

Source: S&P Global Commodity Insights.

© 2025 S&P Global.

No more price defense | Crude oil production growth will exceed demand growth in 2025 and could be even higher if OPEC+ unwinds cuts faster

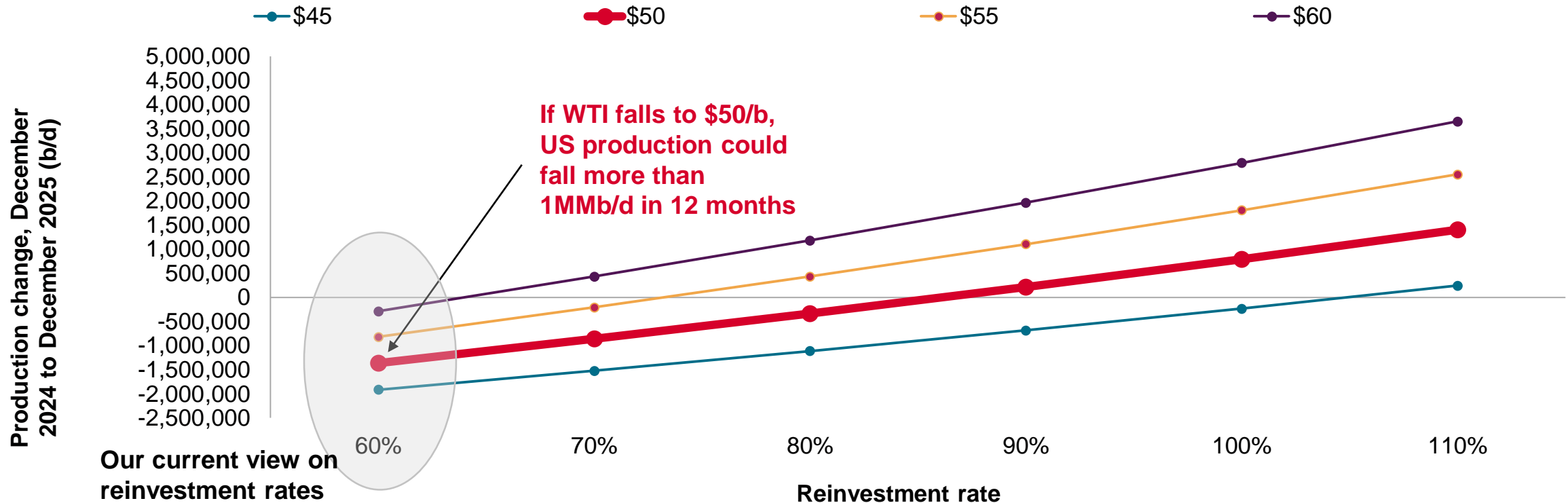
Annual change in global crude oil production and crude oil demand (million b/d)



Data compiled April 29, 2025.
 Condensate is included in crude oil production and demand. Crude oil demand is refining runs and direct use of crude oil.
 Source: S&P Global Commodity Insights.

Will US production fall to quickly balance the oil market? | Only if the price falls far enough

US Lower 48 onshore crude oil production at different WTI prices and reinvestment rates



Data compiled March 2025.

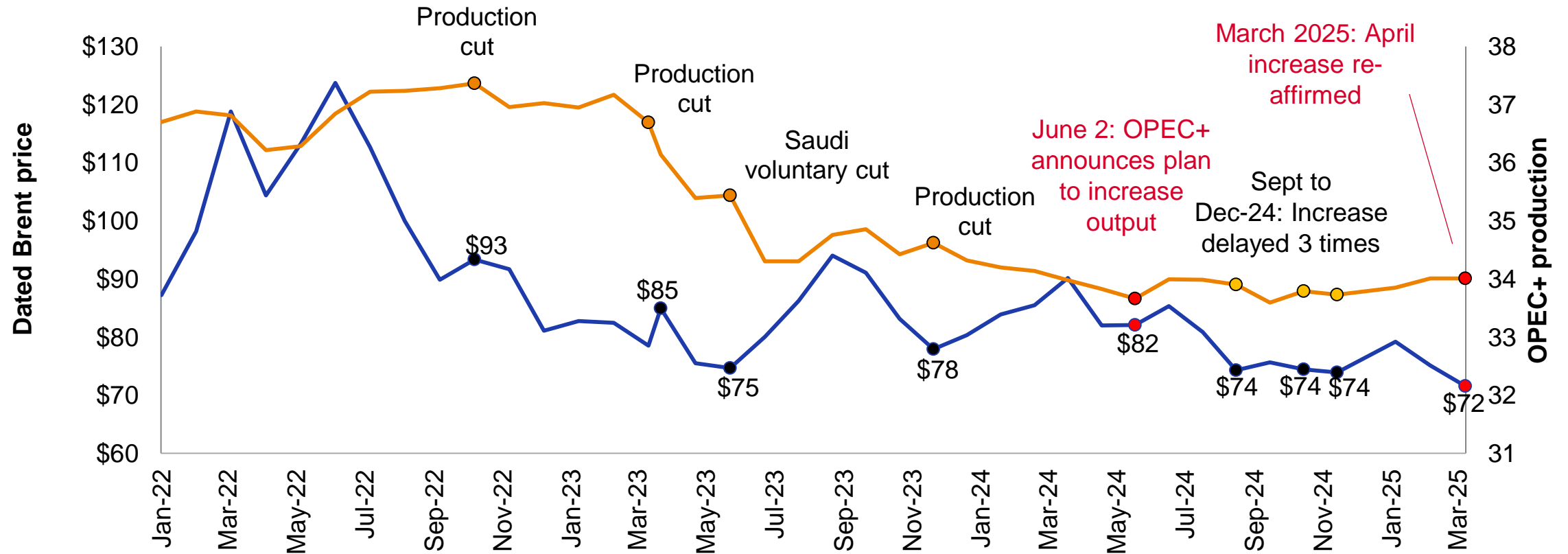
WTI prices are shown in chart legend and are in per-barrel terms. Reinvestment rate is the share of cash flows reinvested by the industry in upstream operations. A reinvestment rate above 100% implies taking on debt to fund upstream operations.

Source: S&P Global Commodity Insights.

© 2025 S&P Global.

OPEC is increasing production even as the oil price falls | Will OPEC+ row back on planned production increases?

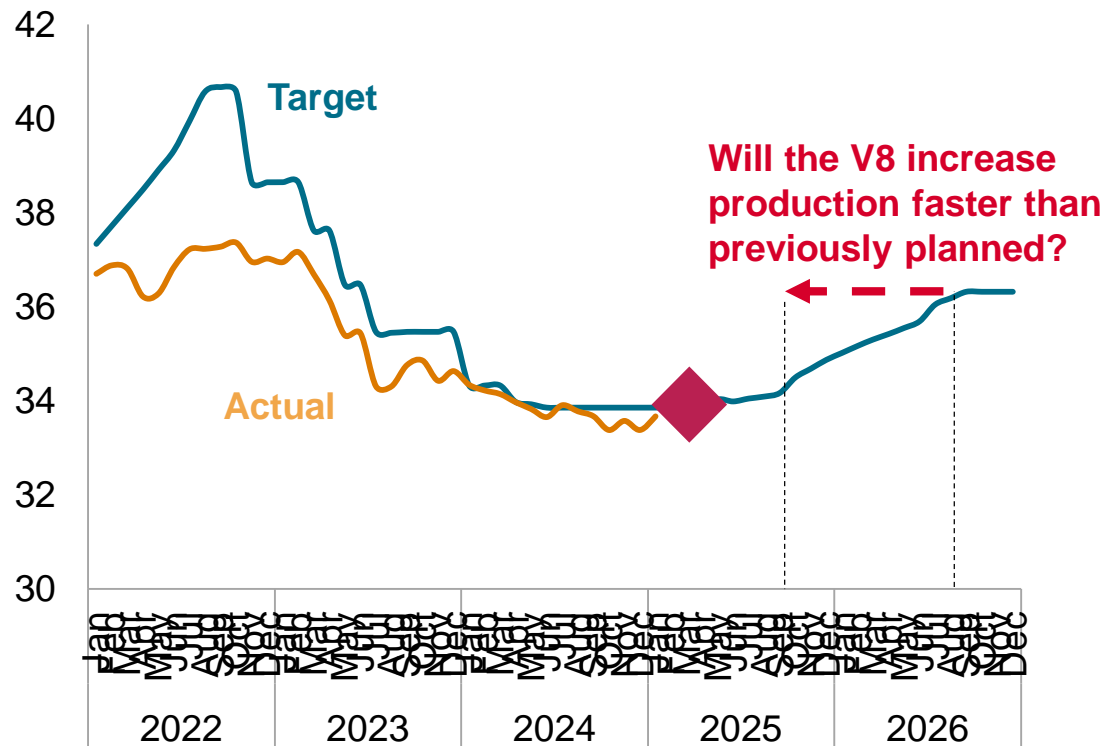
Oil price per barrel and OPEC+ crude oil production in million b/d



Data compiled March 10, 2024. All figures are on a monthly average basis. Monthly average prices are rounded. Source: Platt's for price history and S&P Global Commodity Insights oil market research team for OPEC+ production. Angola is not included. March 2025 price is through March 7. March 2025 OPEC+ production is a projection.

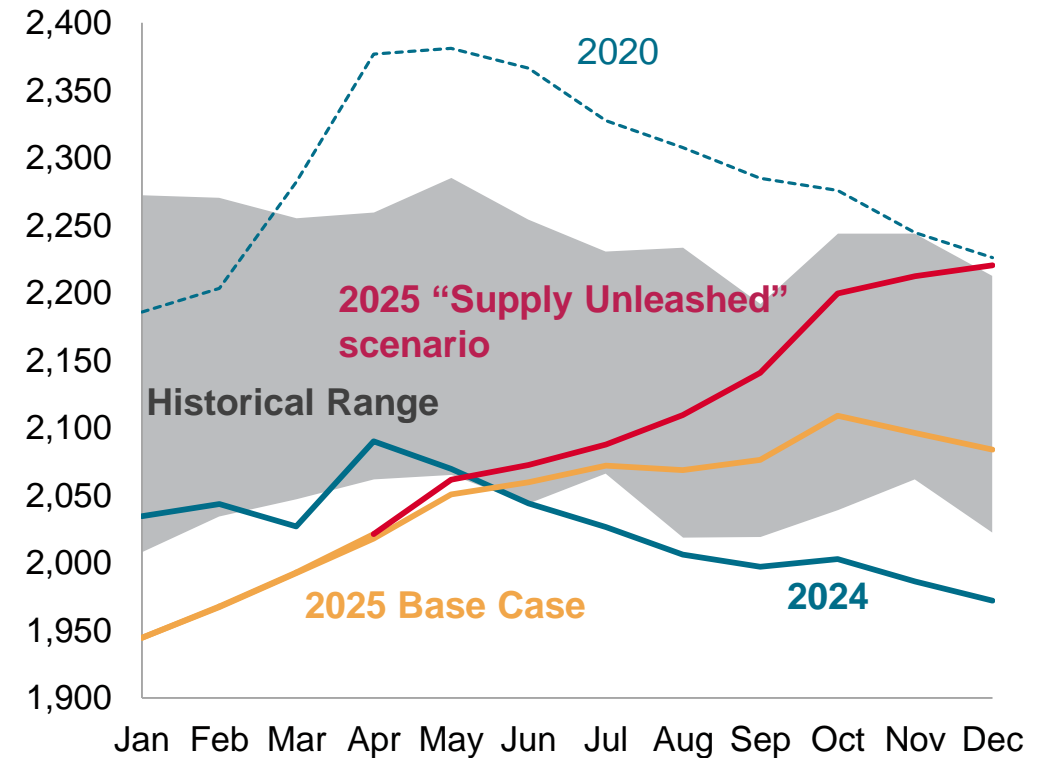
An accelerated unwinding of production cuts would see inventory soar | Will the V8 stick to plans to accelerate the unwinding of production cuts?

OPEC+ crude oil production vs. target (million b/d)



Data compiled April 29, 2025.
 The targets illustrated for 2025 are based on the 2.5 million-b/d plan to increase production.
 Iran, Libya and Venezuela do not participate in OPEC+ supply management, so they are not included.
 Source: S&P Global Commodity Insights.

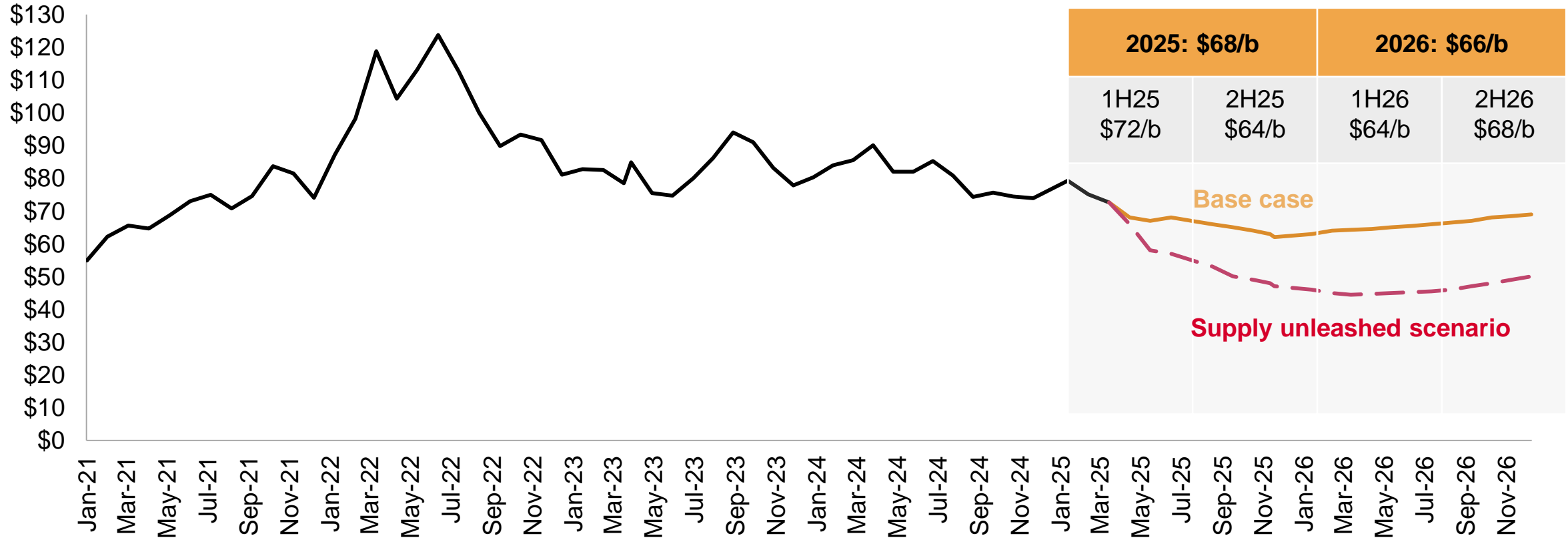
Onshore commercial crude stocks outside of China (million barrels)



As of May 5, 2025.
 Historical range is 2018–19 and 2022–23
 Source: S&P Global Commodity Insights.

Fragile prices | More supply and less demand will lead to lower prices... ...faster unwinding of OPEC+ cuts could see Brent below \$50/b

S&P Global Commodity Insights Dated Brent price outlook (\$/b)

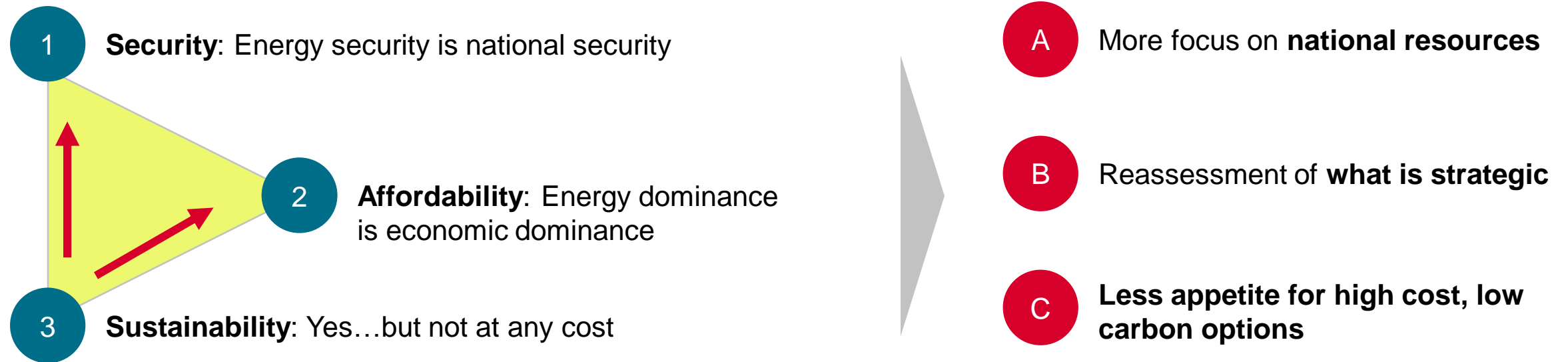


Data compiled April 29, 2025.
Historical Dated Brent prices from Platts.
Source: S&P Global Commodity Insights.

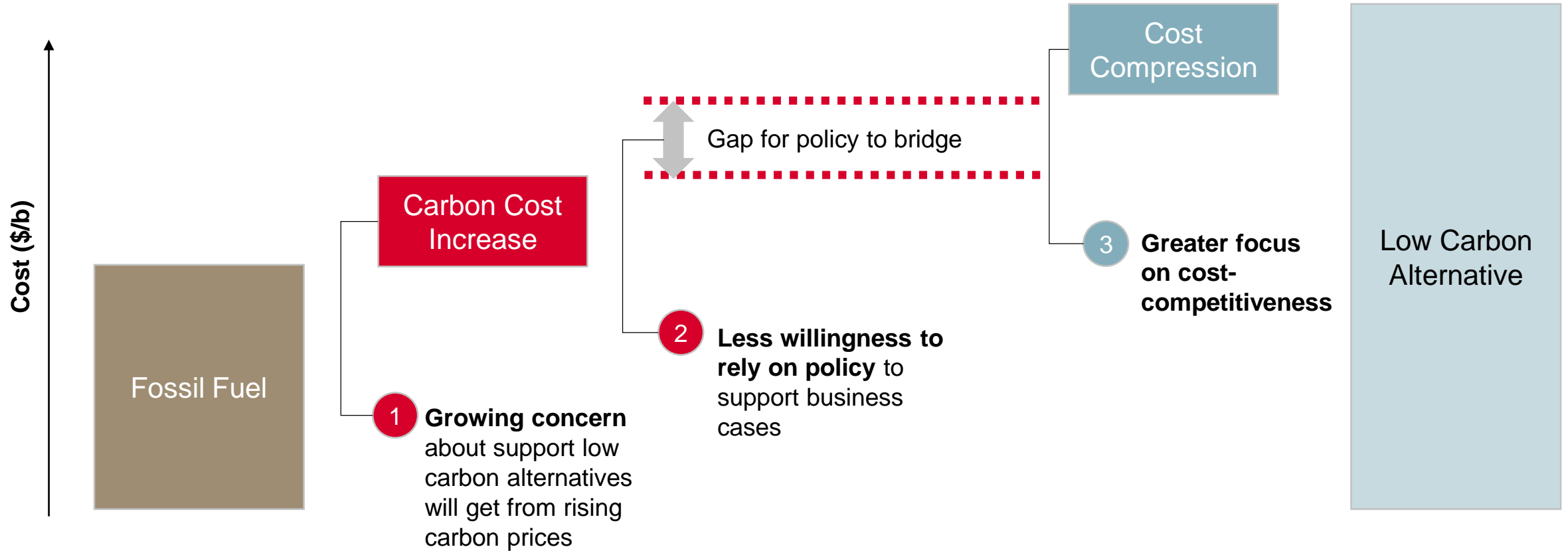
Has the **energy transition** stalled?

The energy transition is being reset | Shift in global geopolitics is driving a reevaluation of how decarbonization competes with other priorities

The cost and complexity of an unrepresented energy transition are becoming apparent



Policy versus technology | Focus on cost-competitiveness is increasing as concern about policy stability rises

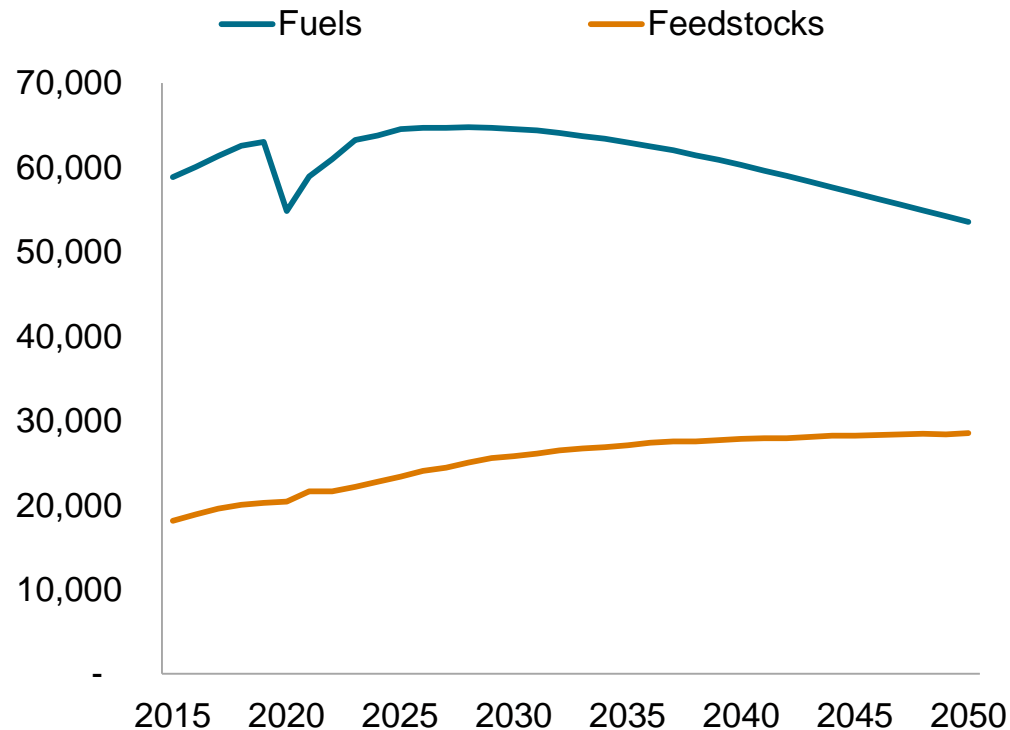


Technology outlook | While there is a path to competitiveness for several key technologies, others will continue to rely on policy support



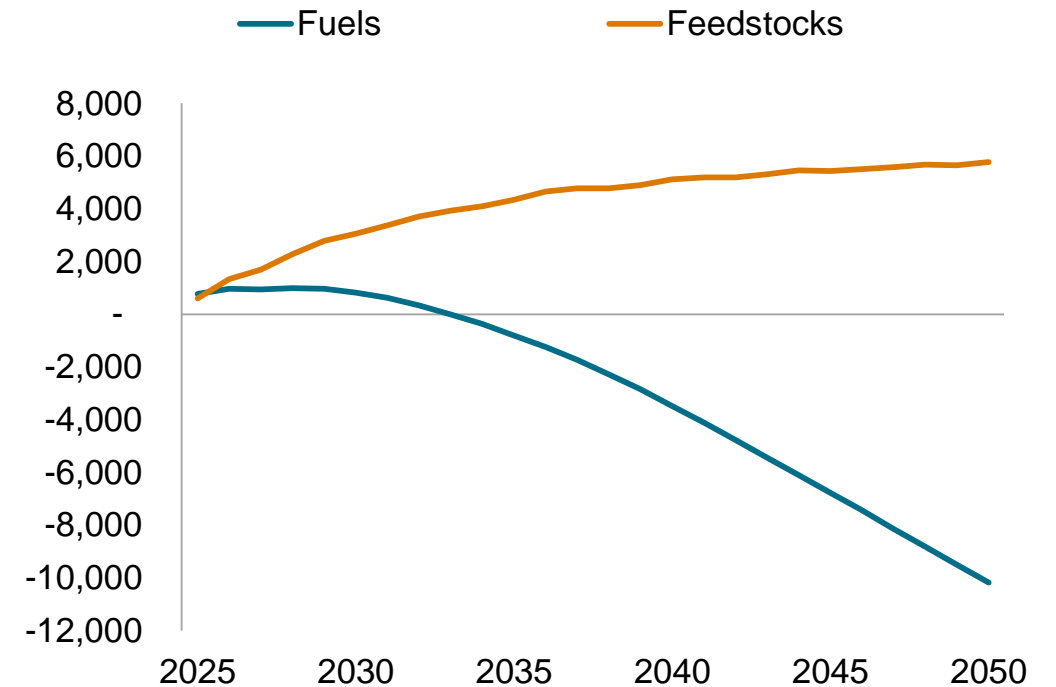
Peak fuel but no peak polymer | A more pragmatic energy transition means a slower goodbye to oil in transportation. Feedstock growth to remain strong

Global fuels and feedstock demand (thousand b/d)



As of May. 05, 2025.
 From Annual Strategic Workbook, 2025 vintage. Fuels = MOGAS + gasoil + jet (all include biofuels and synthetic fuels).
 Feedstock = Ethane + LPG + naphtha.
 Source: S&P Global Commodity Insights.
 © 2025 S&P Global.

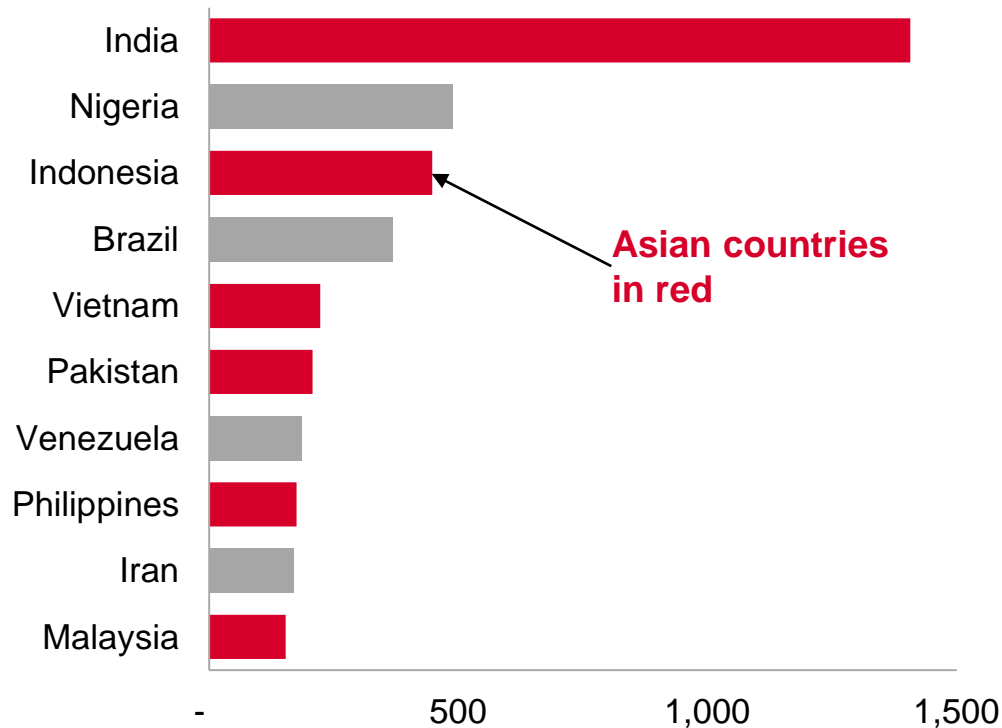
Change in global fuels and feedstock demand versus 2024 (thousand b/d)



As of May. 05, 2025.
 From Annual Strategic Workbook, 2025 vintage. Fuels = MOGAS + gasoil + jet (all include biofuels and synthetic fuels).
 Feedstock = Ethane + LPG + naphtha.
 Source: S&P Global Commodity Insights.
 © 2025 S&P Global.

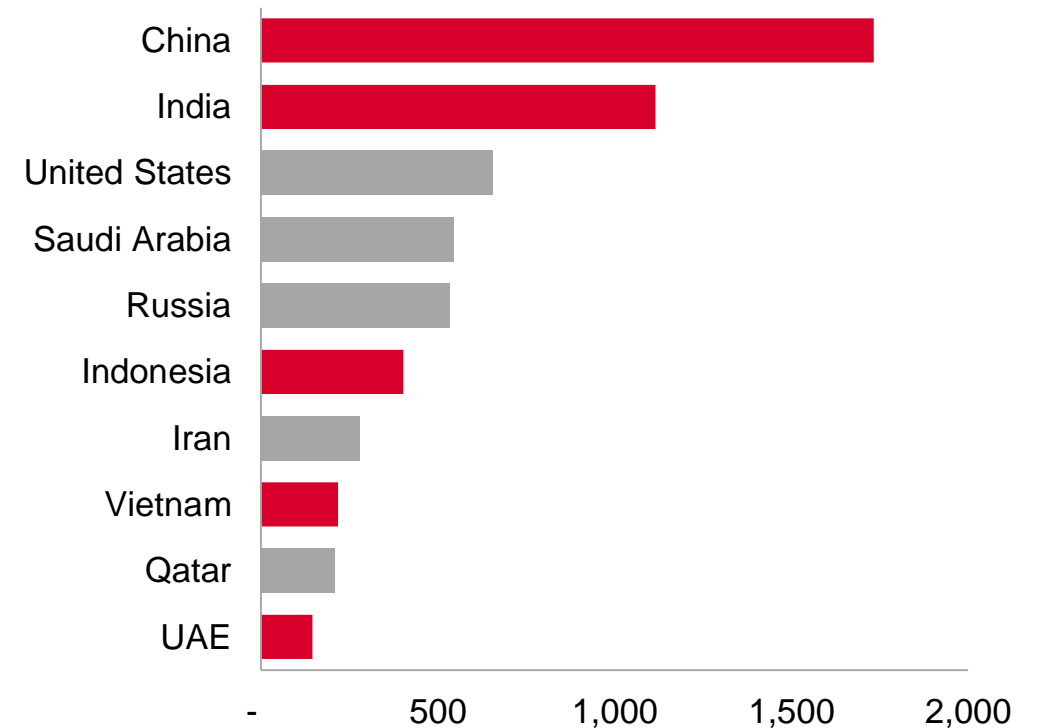
Asia will drive growth for fuels and feedstocks | Asian countries dominate growth for fuels and feedstocks to 2050

Change in fuels demand 2024-2050 (thousand b/d)



As of May. 07, 2025.
 From ASW2025. Fuels = motor gasoline + gasoil/diesel + jet.
 Source: S&P Global Commodity Insights.
 © 2025 S&P Global.

Change in feedstocks demand 2024-2050 (thousand b/d)



As of May. 07, 2025.
 From ASW2025. Feedstocks = ethane + naphtha + total LPG.
 Source: S&P Global Commodity Insights.
 © 2025 S&P Global.

Final thoughts

1

How low can the **oil price** go?

2

Has the **energy transition** stalled?

