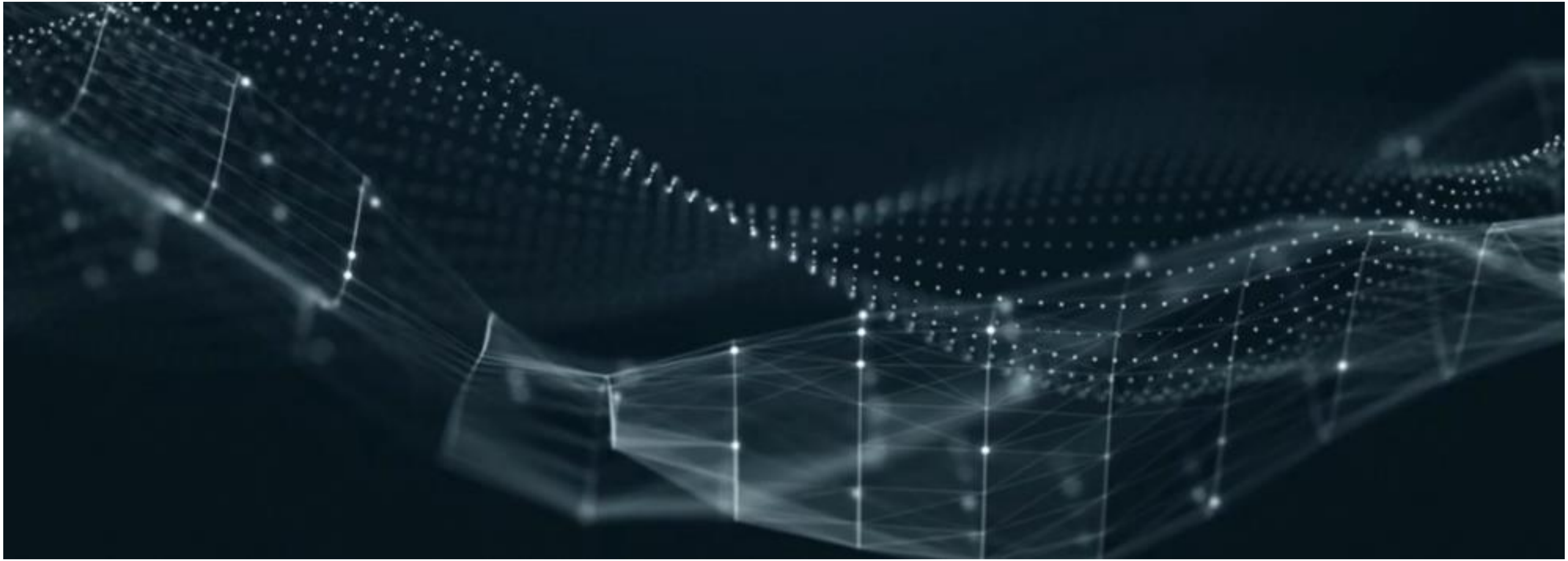
Presentation | April 2025

Geopolitics and energy markets: Cutting through the noise

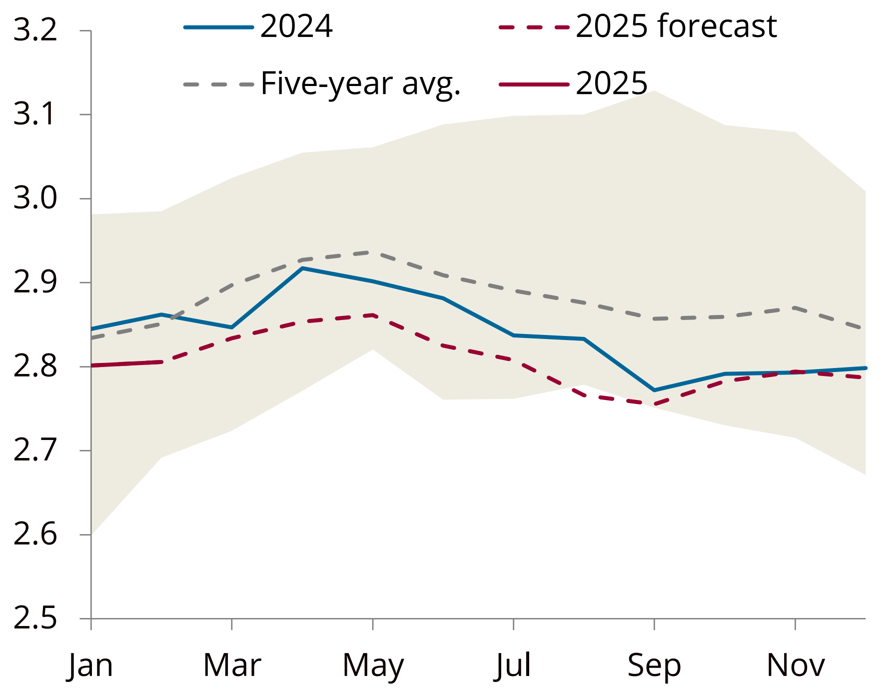


Global oil

We expect oil markets to remain relatively tight this year; a counter-consensus view

Global onshore crude inventories

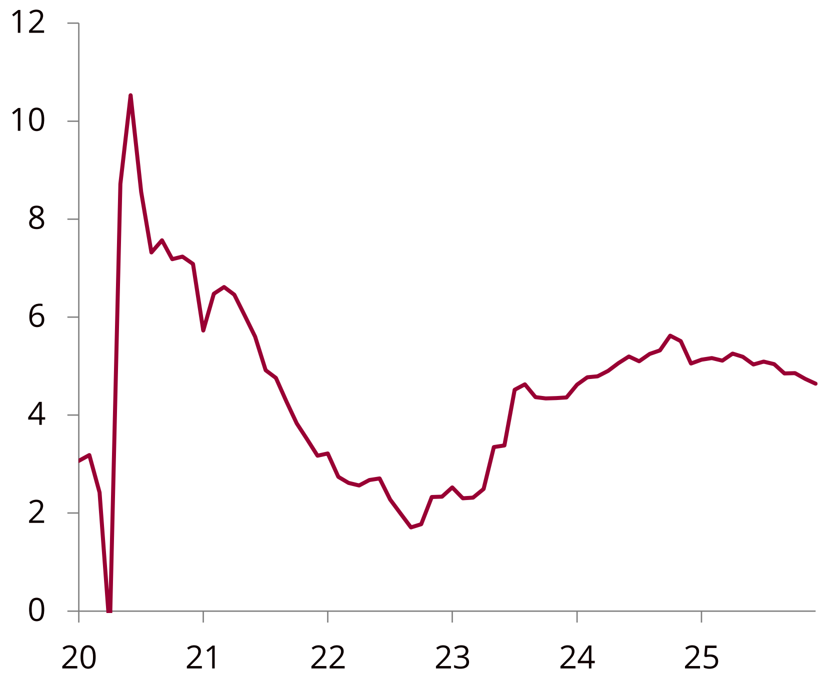
billion barrels



We expect global crude inventories to remain tight over 2025, led by stricter sanctions enforcement, OPEC+ discipline and rising east-of-Suez runs.

OPEC+ available spare capacity

mb/d



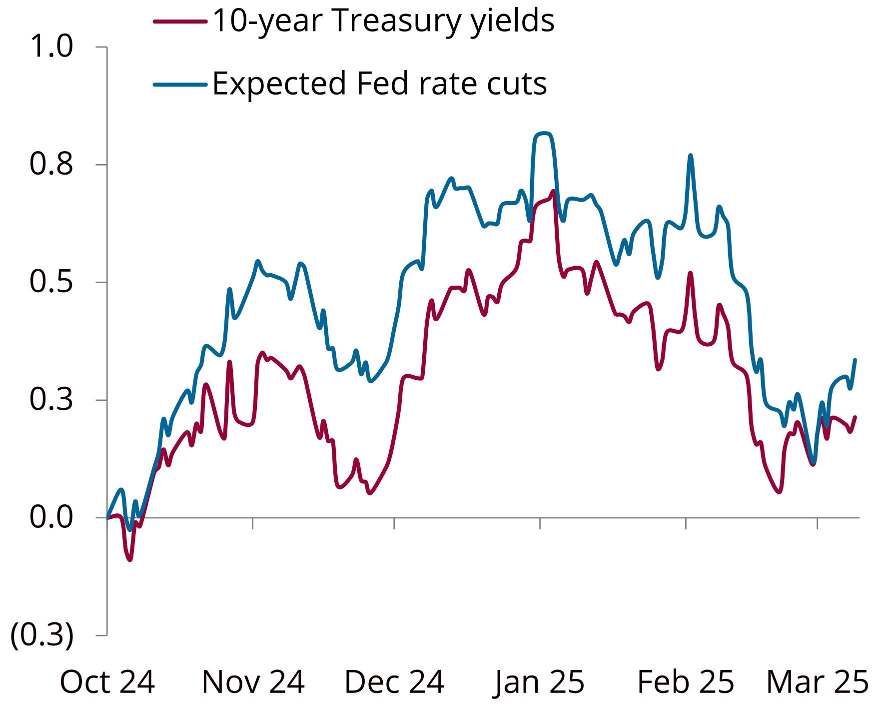
The market is not paying attention to low inventories because of high OPEC+ spare capacity. But actual spare capacity may be less than some assume, even with the slower unwinding of cuts.

Source: OilX, EIA, PAJ, IEA, CME, Energy Aspects

The macro: Bearish sentiment amid moderation after Q4 24 asset sugar high

US bond yields and expected Fed rate cuts

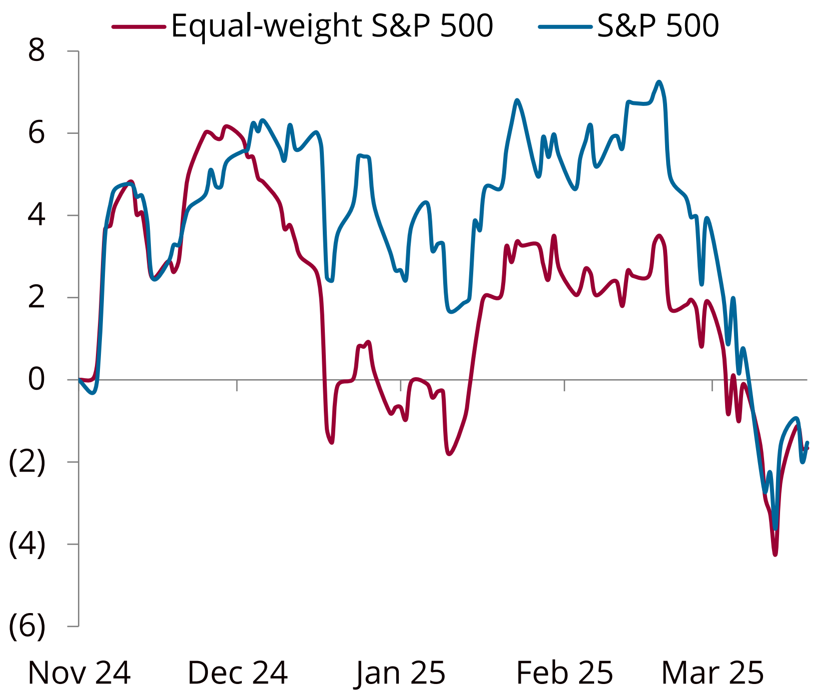
cumulative % change



The prospect of higher inflation from the Trump administration policies pushed yields higher, but rising recession tail risks have dragged Treasury yields back to their pre-election levels.

S&P 500 index

cumulative % change



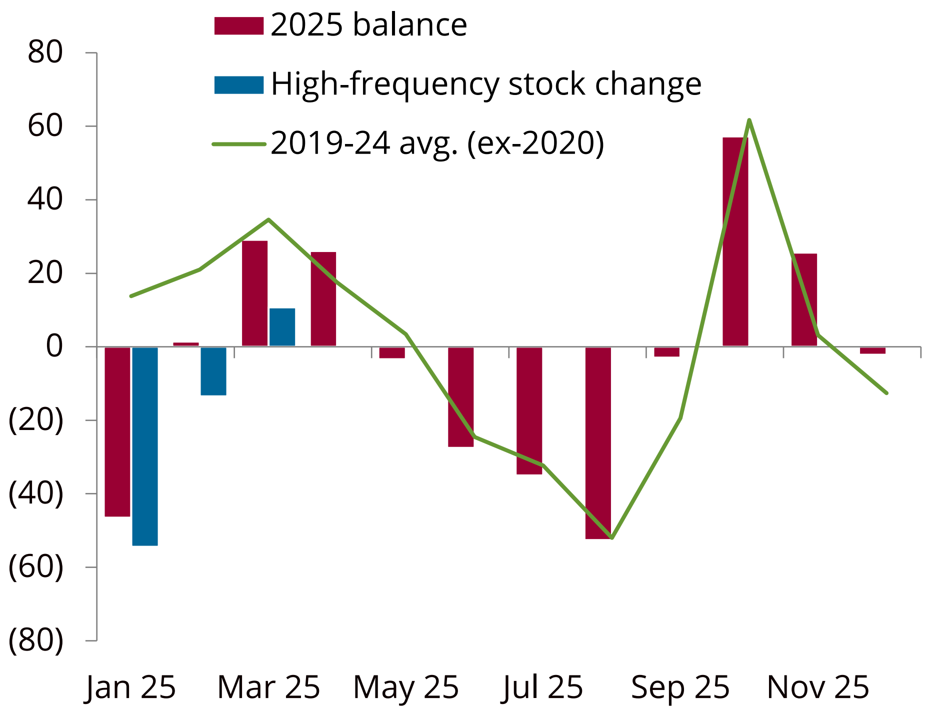
The Magnificent 7 led the strong run in equities over late 2024/early 2025, but the fall in tech equities is now a key contributor to the S&P 500's correction.

Source: Bloomberg, Energy Aspects

The micro: Stock levels are low, products and margins robust with more upside

Global balance and high-frequency crude stock change

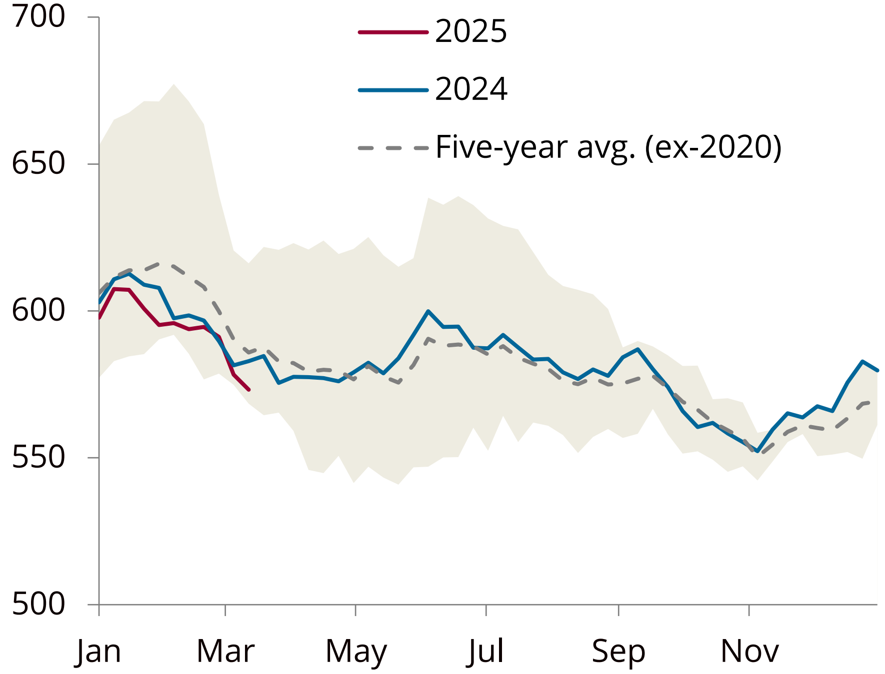
mb



Global crude inventories have counter seasonally drawn in Q1 25, led by China, while high-frequency terminal data, shows even steeper stockdraws than our balances

Global high-frequency products inventories

mb



Available high-frequency global products inventories have drawn at a faster pace than seasonal and sit at the lower end of five-year averages though mid-March.

Source: EIA, PAJ, Enterprise Singapore, Fujairah, Sener, Bloomberg, OilX, Energy Aspects

Trump's policies and statements are currently dominating global markets

A framework for understanding the new administration

- The **Trump factor** is back, adding volatility across markets. Similarities to his first term but with a more ambitious and prepared policy agenda.
- Tariffs, sanctions, foreign policy and government reform have all been major topics of the first month. **The pace will gradually slow**.
- Trump routinely approaches issues by announcing **maximalist demands**, but it is much harder to anticipate what he is willing to accept.
- **Transactional approach** means willingness to put significant pressure on US allies. Equally, limited appetite to get sucked into military conflict.
- Trump has limited levers to achieve his goal of lower oil prices, whether over US production growth or OPEC+ production policy.
- Sanctions enforcement will tighten markets. The aim is to create leverage for Ukraine deal and to contain Iran, neither of which will be easy to achieve.

Source: Energy Aspects

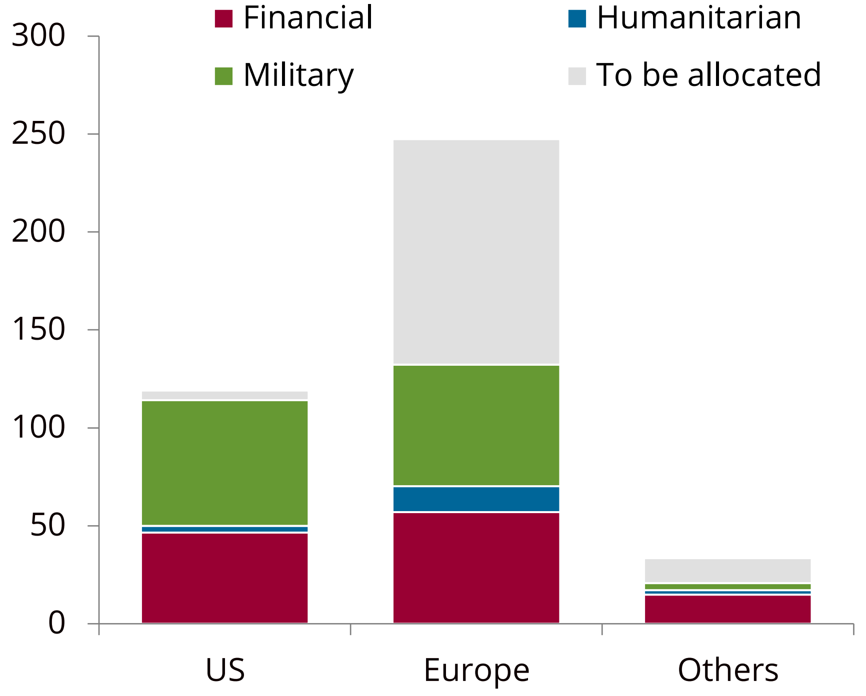
First steps on long road for Russia–Ukraine peace talks

Control of territory and Ukrainian drone attacks

Russian forces are slowly advancing but Ukraine still has a territorial foothold in Kursk and has continued to show it can inflict damage via drone attacks.

Support for Ukraine by country

€ billion



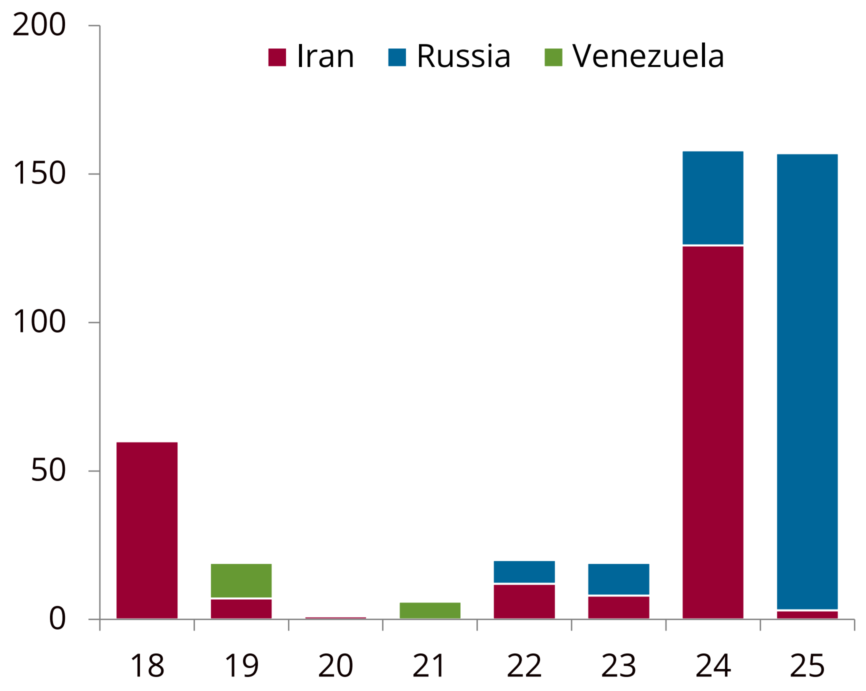
US is the largest single donor to Ukraine, but Europe plays a big role and may add more. Still, Kyiv says it could only continue war for six months if US were to cut off support.

Source: ISW, Kiel Institute, Energy Aspects

We expect Trump to tighten sanctions, particularly against Iran

Sanctioned tankers by programme and year listed

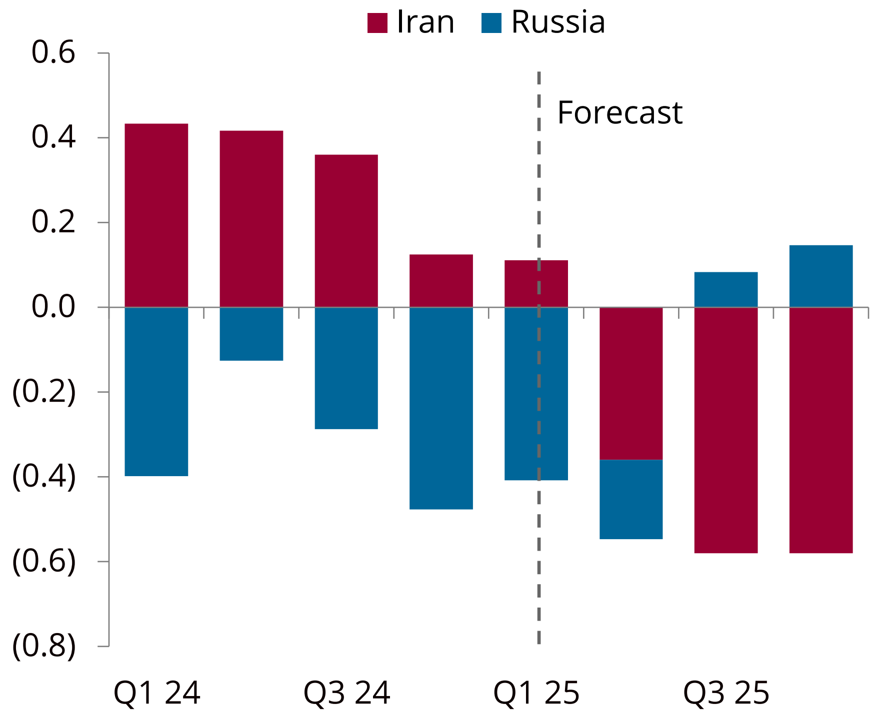
vessels



Trump's announcement restoring "maximum pressure" on Iran follows the rapid recent expansion of sanctioned tanker lists under Biden. New workarounds starting to emerge.

Iran and Russia crude production, y/y change

mb/d



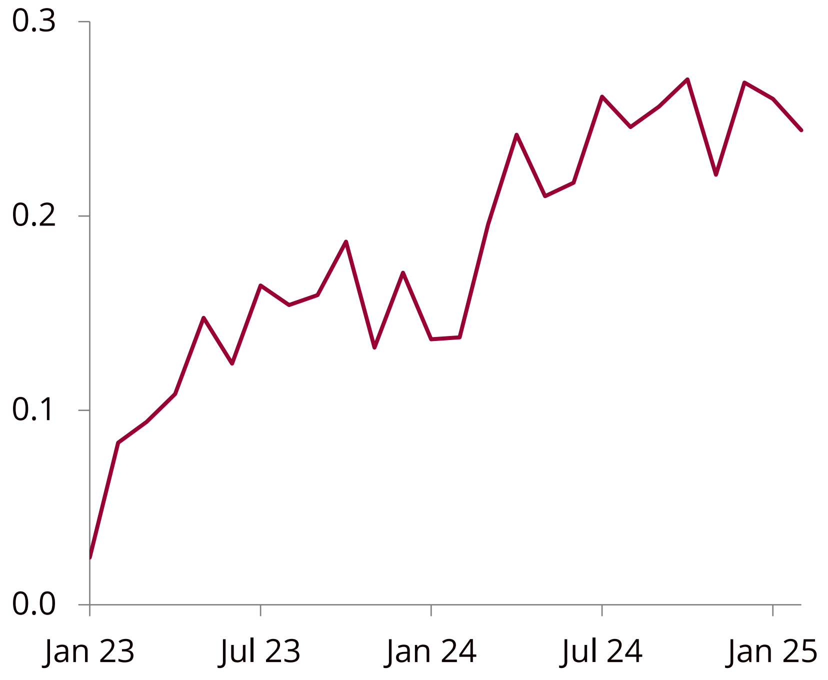
We expect sanctions to gradually force Iranian production lower this year, with first enforcement actions likely within weeks. No cuts to Russia forecasts from sanctions yet.

Source: OFAC, Energy Aspects

Venezuelan oil at risk from sanctions and 'Secondary Tariffs'

US crude imports from Venezuela

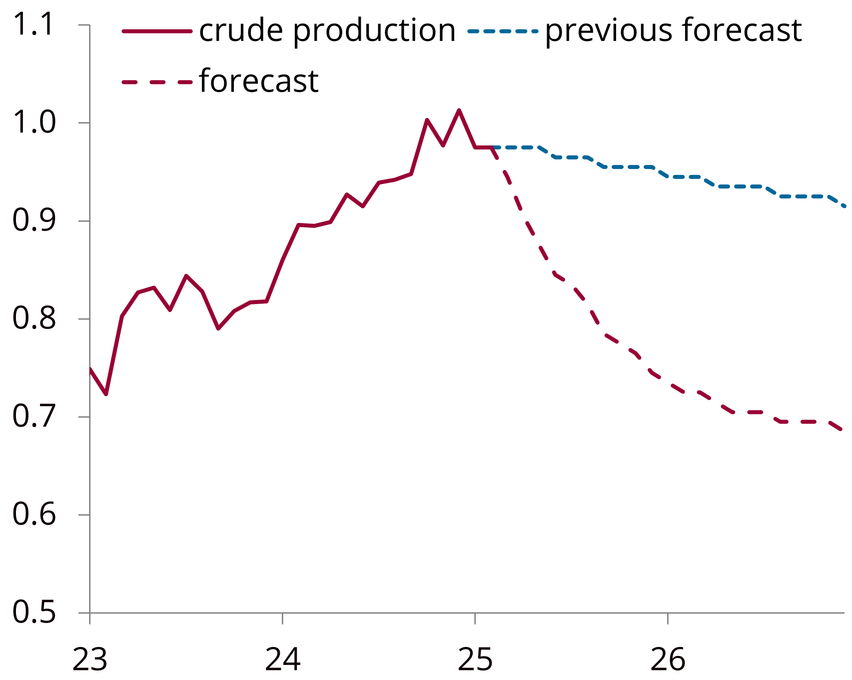
mb/d



US imports of Venezuelan crude rose above 0.2 mb/d in recent months. However, expiry of Chevron Waiver (GL 41) will remove these US-bound barrels after May following extension.

Venezuela crude production

mb/d



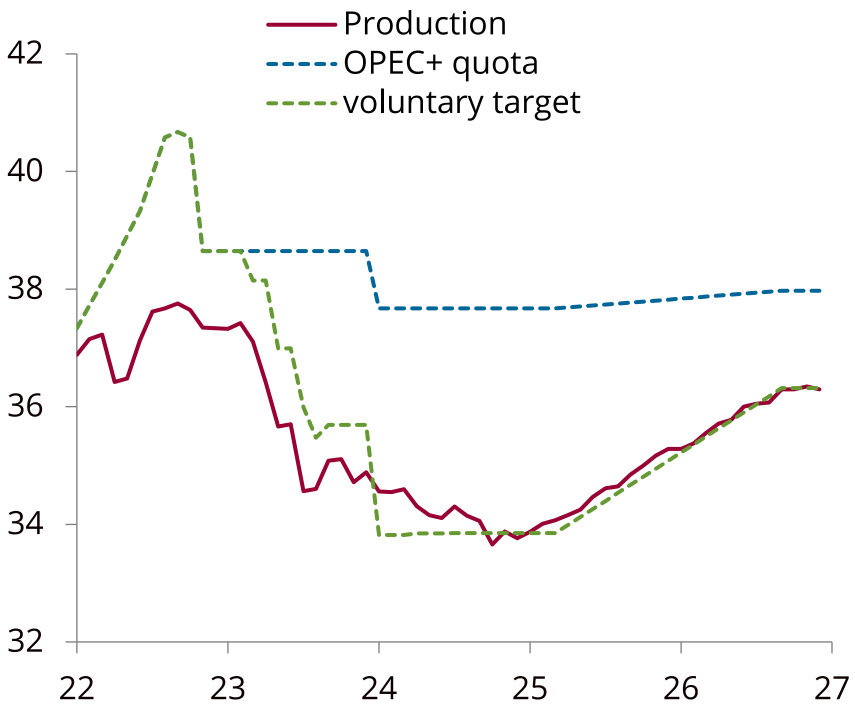
US also threatening 25% tariff on countries that buy Venezuelan oil after 2 April. We expect the combination of sanctions and tariffs to drive significant production declines.

Source: OilX, Energy Aspects

OPEC+ did not change policy based on Trump's desire

OPEC+ crude production and targets

mb/d



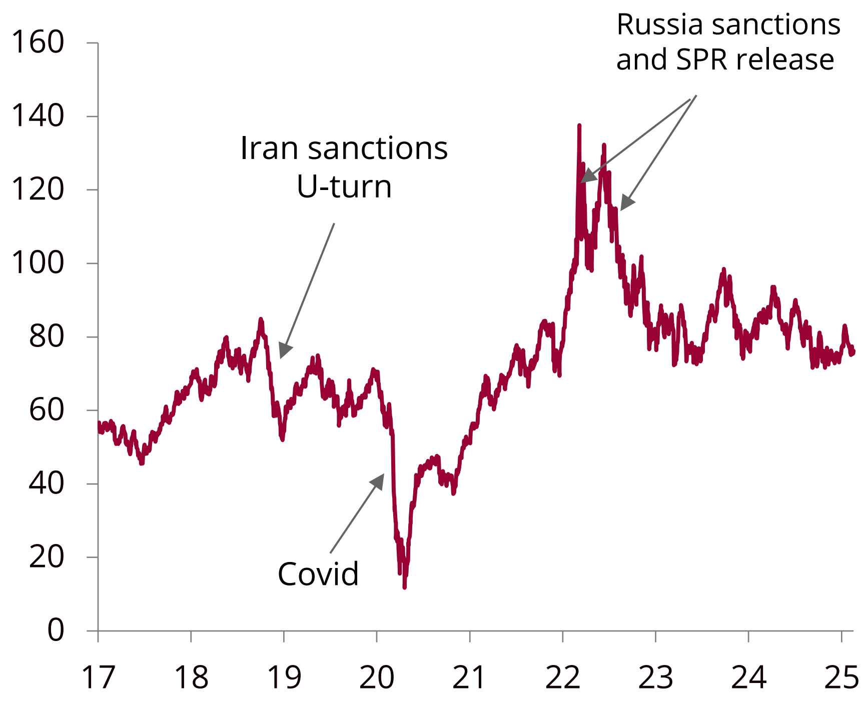
OPEC+ has decided to unwind voluntary cuts, but remains cautious of US sanctions and tariff policy and has the option to pause or even reverse supply increases later in the year.

Note: OPEC+ production only for countries with quotas

Source: OPEC Secretariat, Argus Media Group, Energy Aspects

Brent crude price

$/bbl

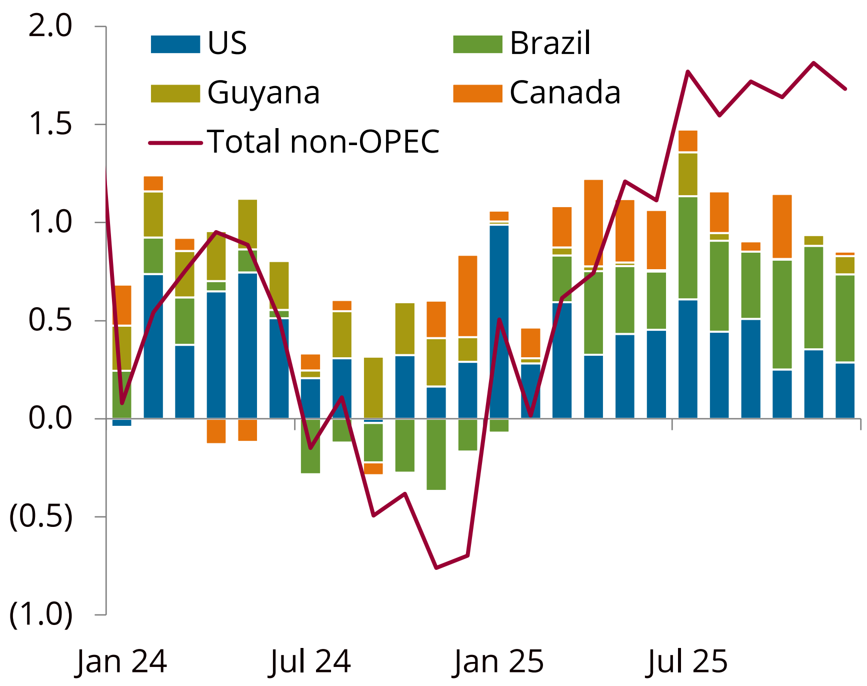


Memories of price collapse in late 2018 mean OPEC+ will not pre-empt sanctions-related losses. Returning demand should help sweet–sour tightness and meet growing Asian demand.

Non-OPEC supply growth forecast robust in 2025, but 2024 disappointed

Non-OPEC crude supply growth, y/y change

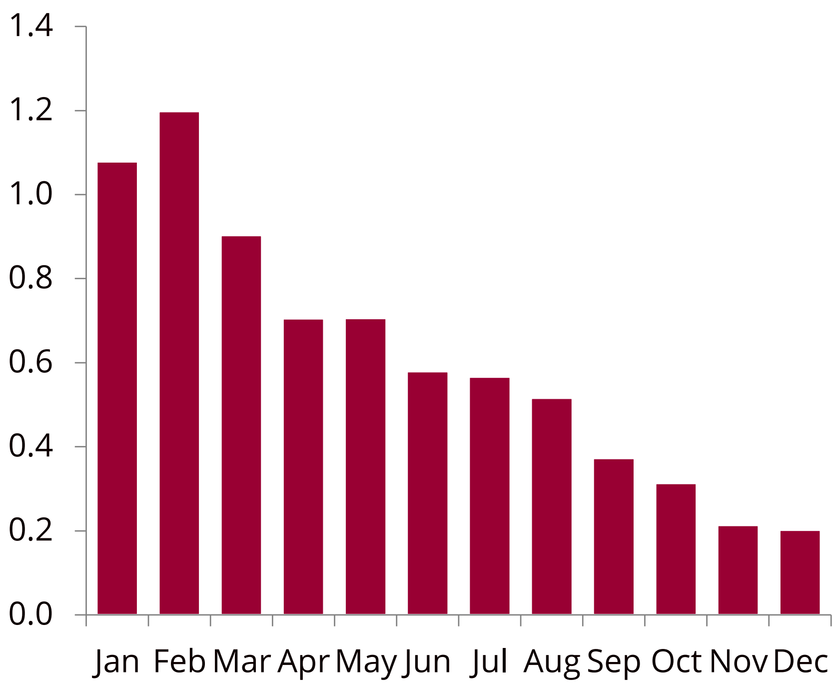
mb/d



Non-OPEC crude supply growth underperformed in 2024, led by the US and Brazil. Both countries are central to our 1.1 mb/d 2025 growth expectations.

2024 non-OPEC crude supply growth, y/y change

mb/d



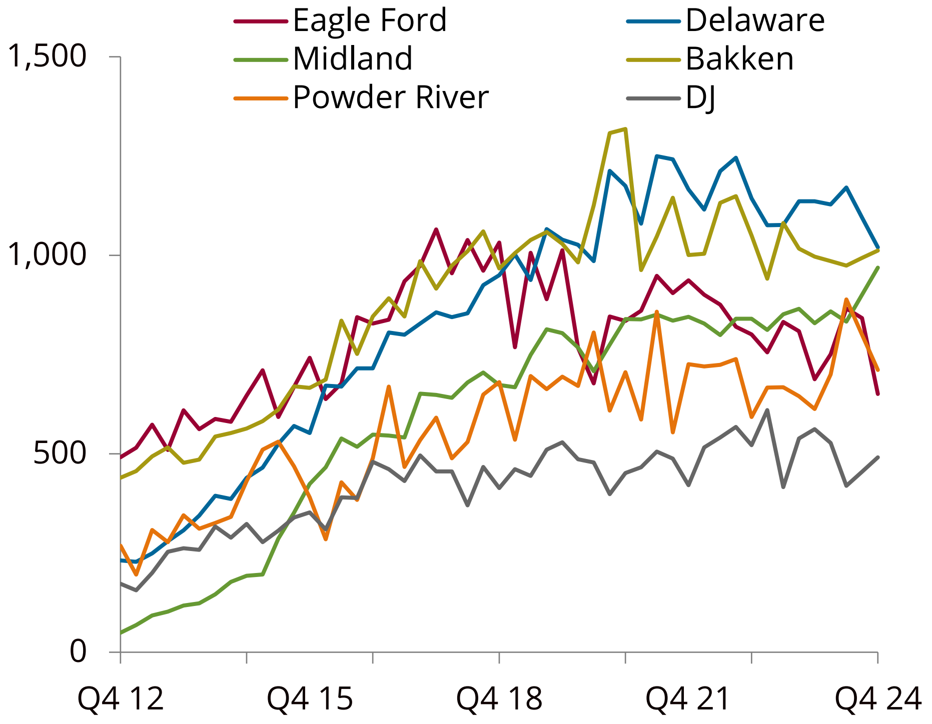
Along with Brazil and the US, production in Mexico and the North Sea struggled, while Russian and Kazakh compliance with the OPEC+ agreement markedly improved.

Source: Energy Aspects

US oil growth limited by deteriorating geology and $70/bbl WTI

Peak-month oil volume by first production quarter

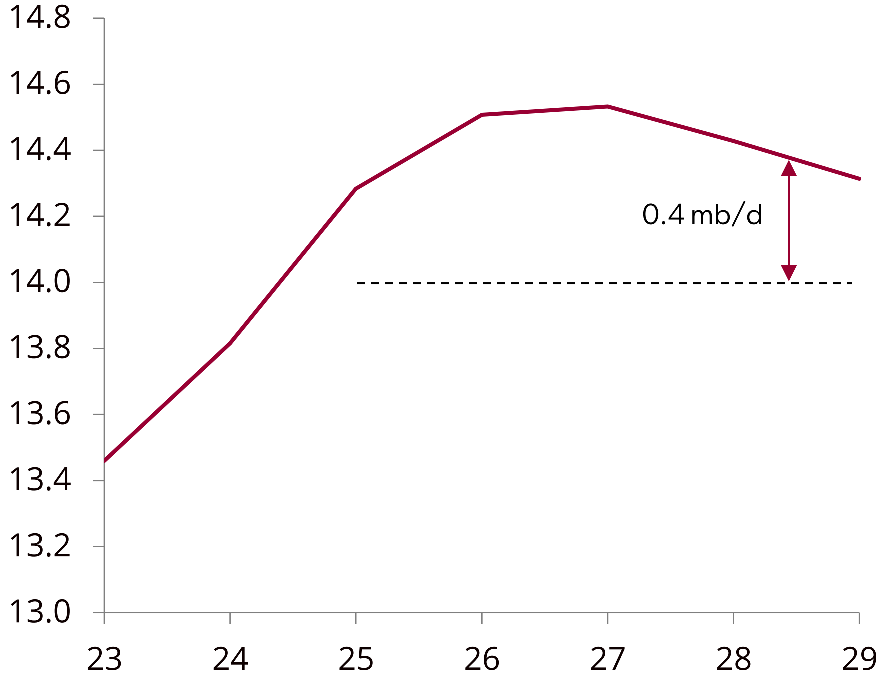
b/d



Oil productivity in most tight oil plays peaked in 2021, as producers increasingly develop lower-tier acreage and target secondary formations, often with higher GORs.

US crude and condensate production

mb/d



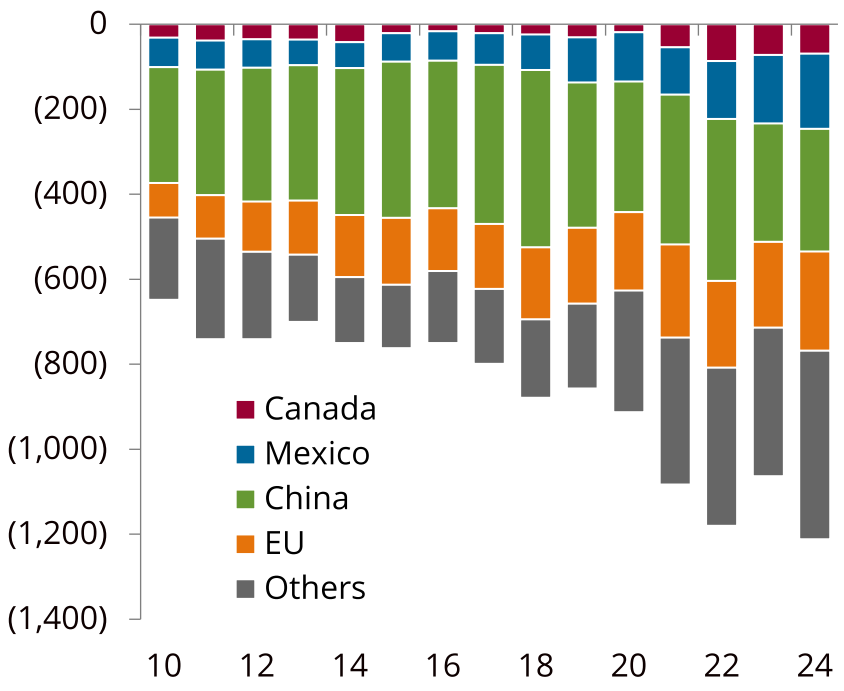
We only expect US crude production of 0.4 mb/d over the next four years as producers struggle with gassier output and need for higher prices to support investment.

Source: Company filings, Novi Labs, Inc., Energy Aspects

Tariff threats drive policy uncertainty and demand concerns

US balance of goods trade by partner

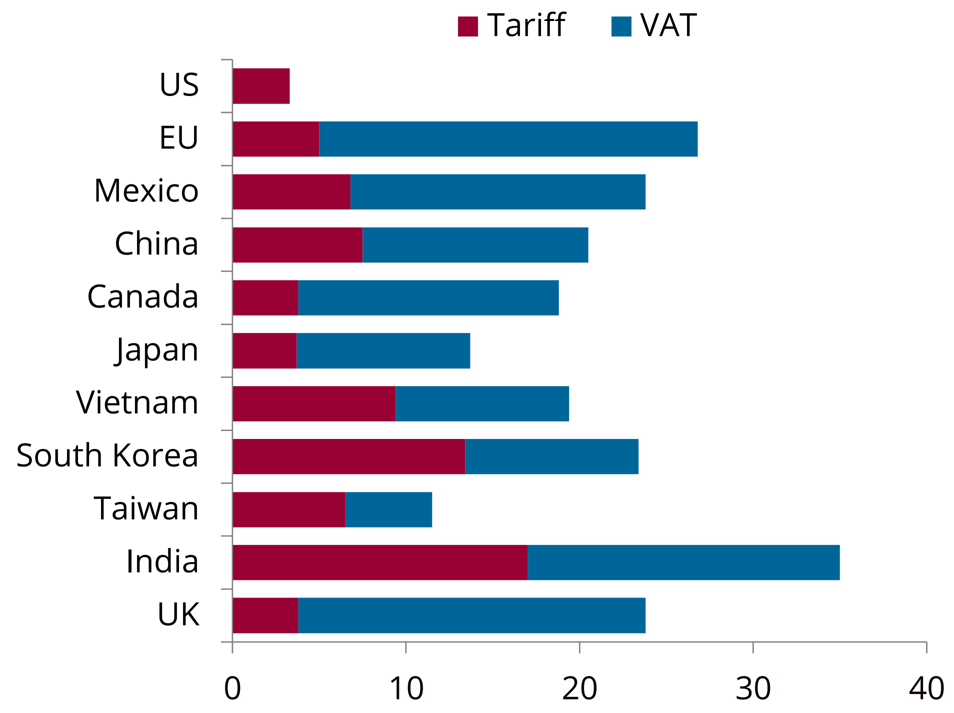
$ billion



Tariffs driven by mixture of negotiating tactics, desire to raise revenues and frustration at US balance of goods trade.

Average MFN tariff and value-added tax rates

%



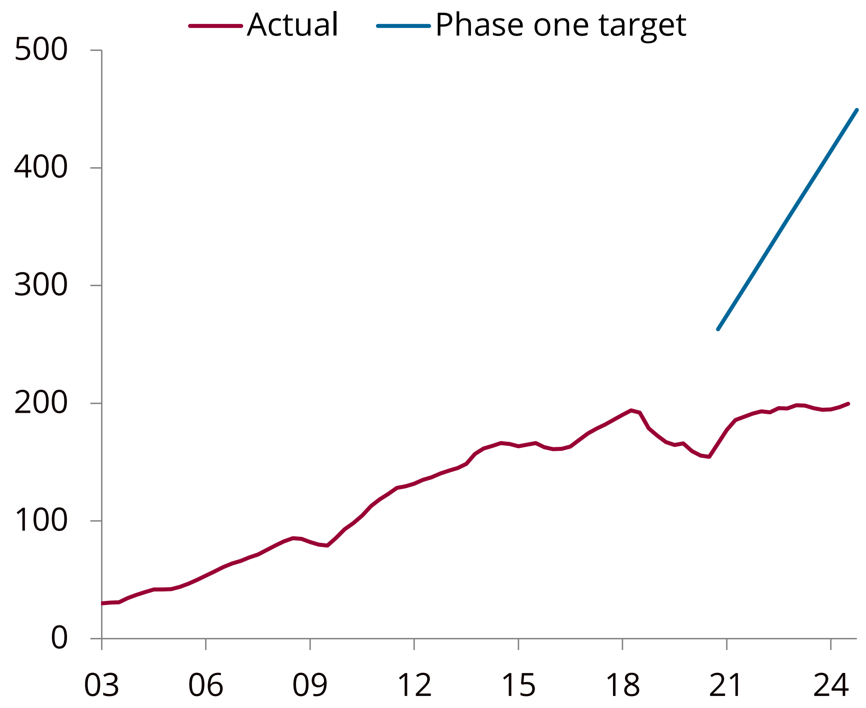
Tariff policy will continue to shift rapidly, further complicating assessments of potential impact. The latest proposals include sectoral and reciprocal tariffs.

Note: Tariff rates are as reported for 2024; VAT rates are for 2022 or later
Source: BEA, OECD, WTO trade profiles, Tax Foundation, Energy Aspects

US–China trade war in its early innings while home sales remain extremely weak

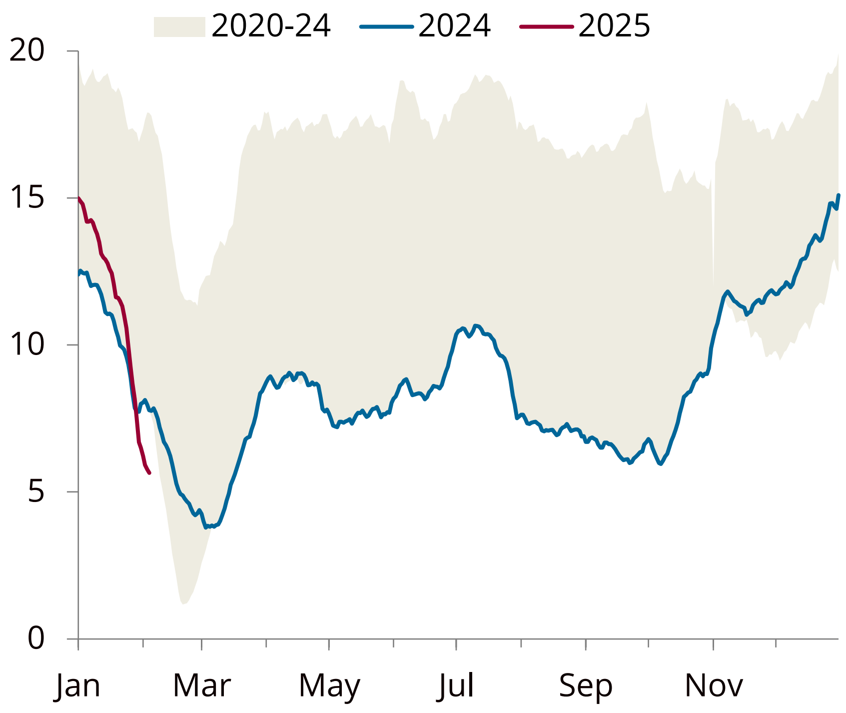
US exports to China

$ billion



China home sales volumes in top 30 cities

30-day rolling sum, million square meters



Rumours of return to phase-one deal likely, but we are sceptical that the two sides will avoid tariff escalation. US will likely steadily increase tariffs to 60% terminal rate by 2026.

Poor real-estate performance in January remains a major concern. That said, real estate was the largest contributor to the Q4 24 GDP improvement.

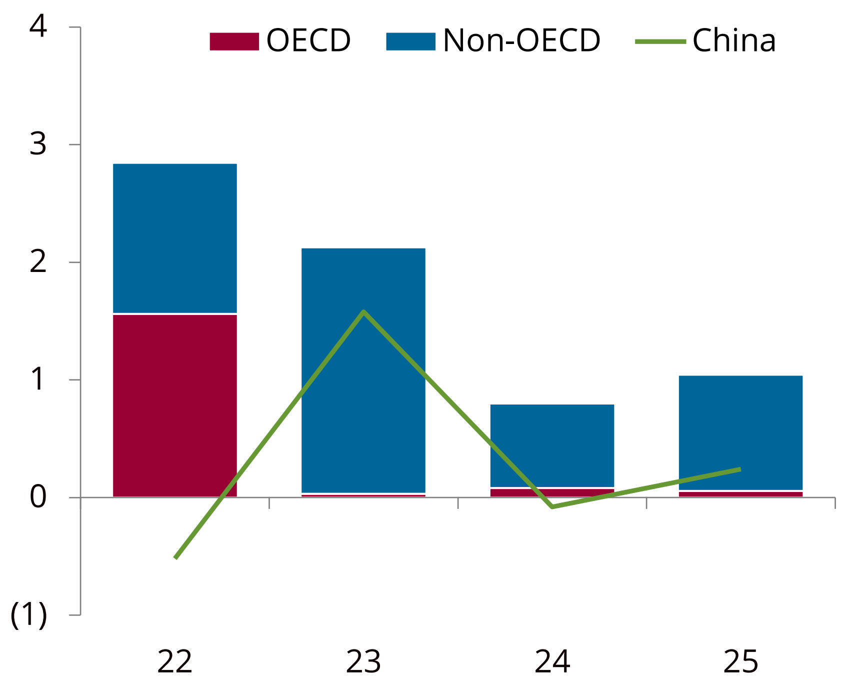
Note: Phase one had explicit targets for 2020–21, implicit targets for 2022–25

Source: USTR, US Census, US Bureau of Economic Analysis, Medley Advisors, Energy Aspects

Oil demand outlook this year is fragile amid risks to global growth

Global liquids demand growth, y/y change

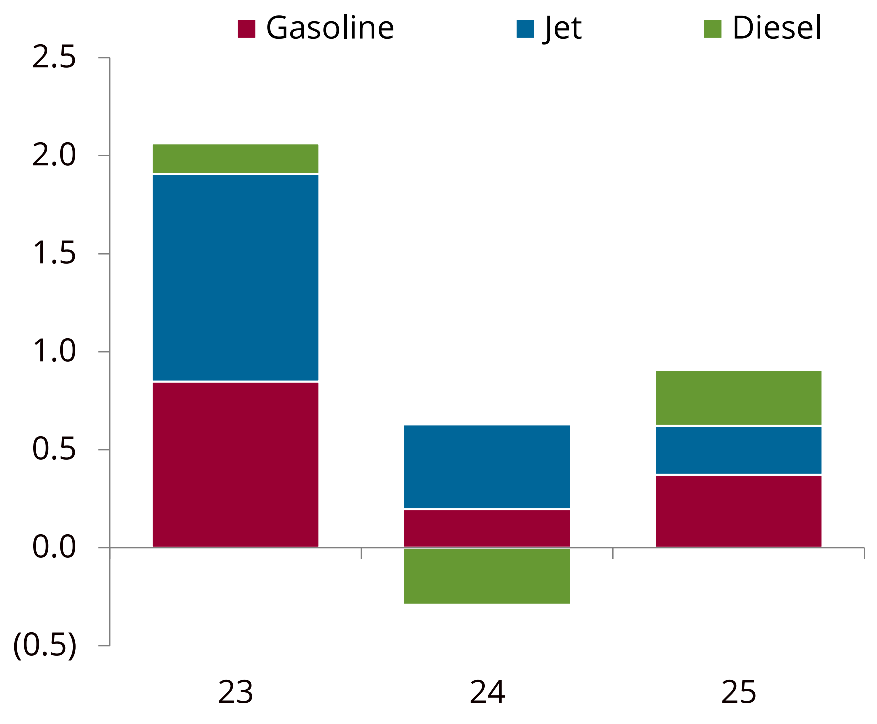
mb/d



A return to demand growth west of Suez and in China is not enough to raise global growth above 1 mb/d.

Global demand by product, y/y change

mb/d



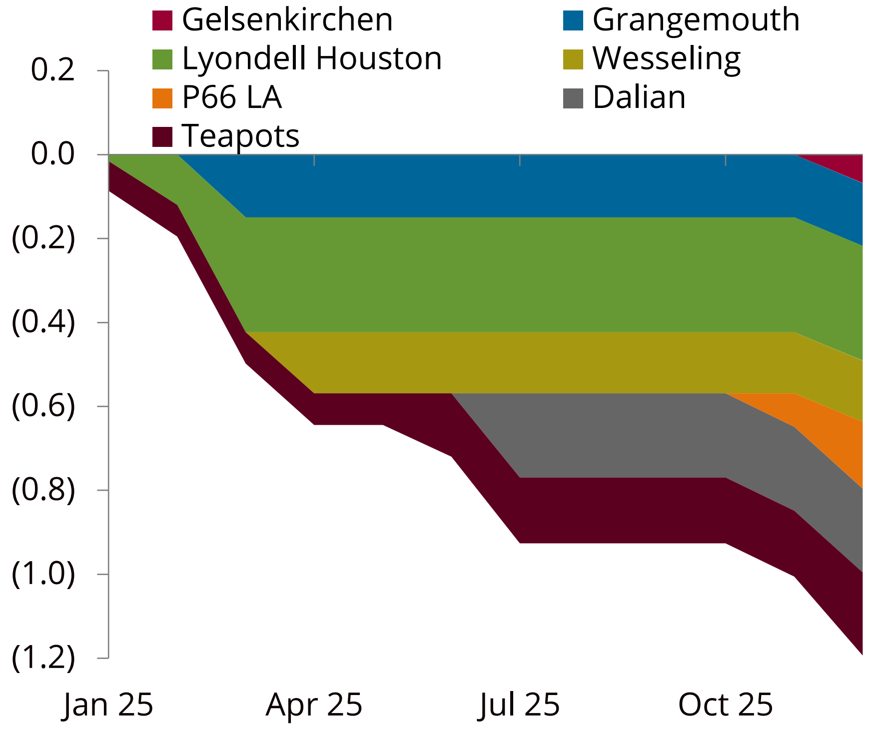
Demand growth more evenly split between products after the weakness in diesel last year. Tariffs pose downside risk to H2 25 and beyond if they weigh on US and global growth.

Source: Argus Media Group, LSEG, Energy Aspects

But refinery closures double to 1.2 mb/d in 2025, supporting margins

CDU capacity closures by site

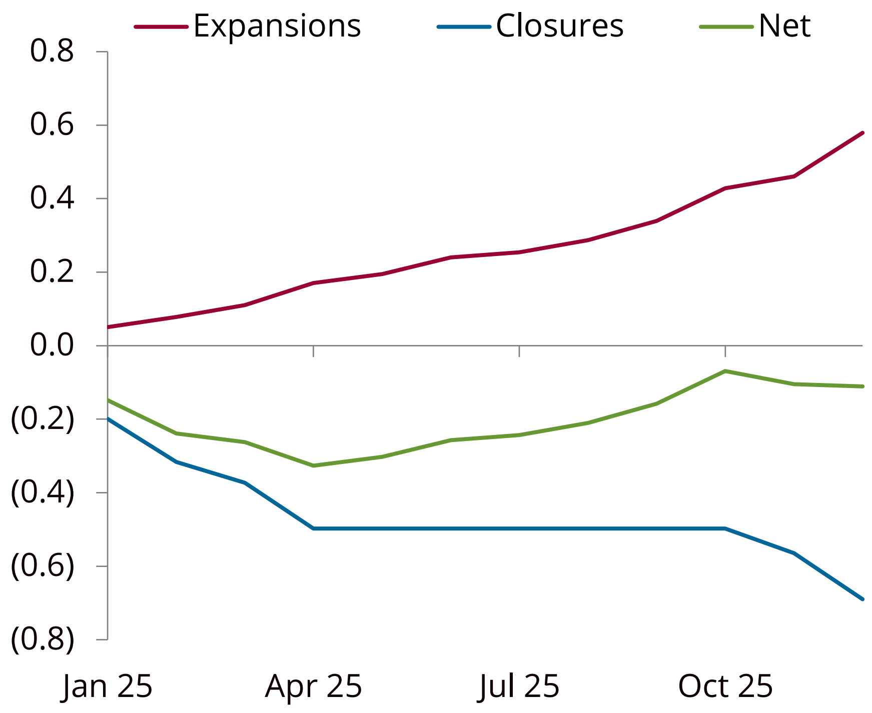
mb/d



Global capacity closures will reach 1.2 mb/d across 2025, 0.8 mb/d of which is in Europe and the US.

Global (ex-China) runs from capacity changes vs Dec 24

mb/d



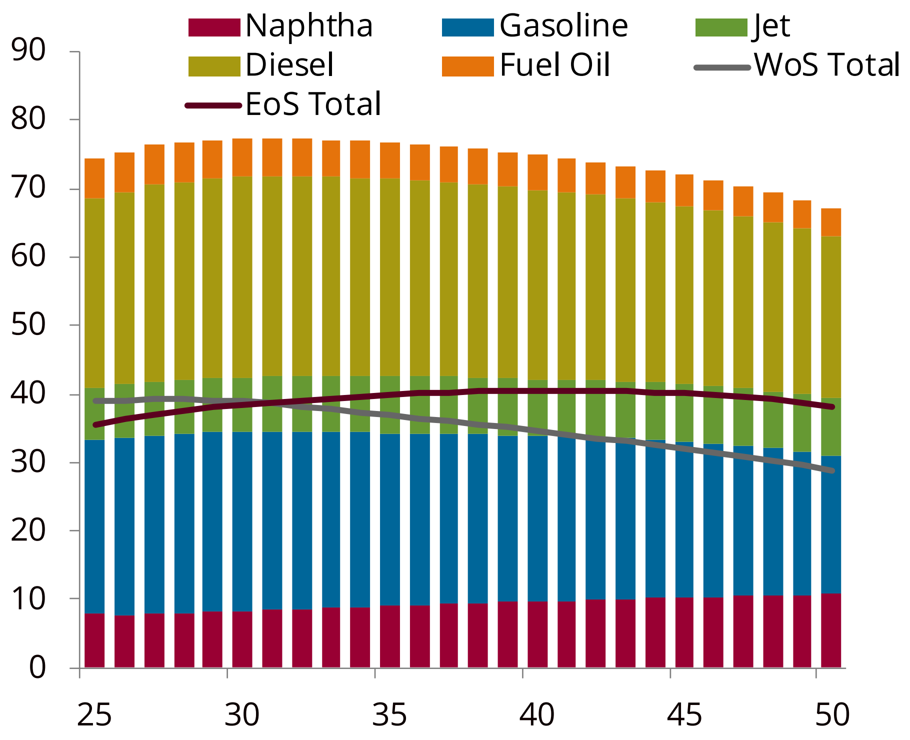
Global (ex-China) runs loss from closures to outpace new capacity through 2025.

Source: Energy Aspects

Global oil products demand peaks in 2031; WoS declines outpace EoS increase

Global liquids demand by fuel type (ex biofuels)

mb/d

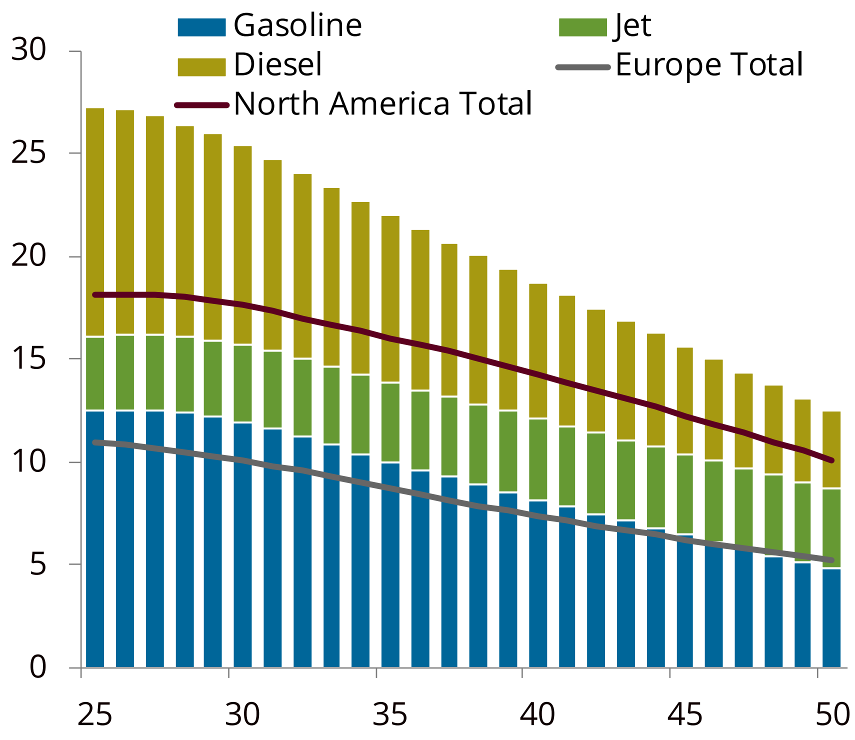


Transportation fuel demand revised for the medium term, with call on refining demand diminished on biofuels growth.

Source: Energy Aspects

NA and EUR clean product demand (incl biofuels)

mb/d



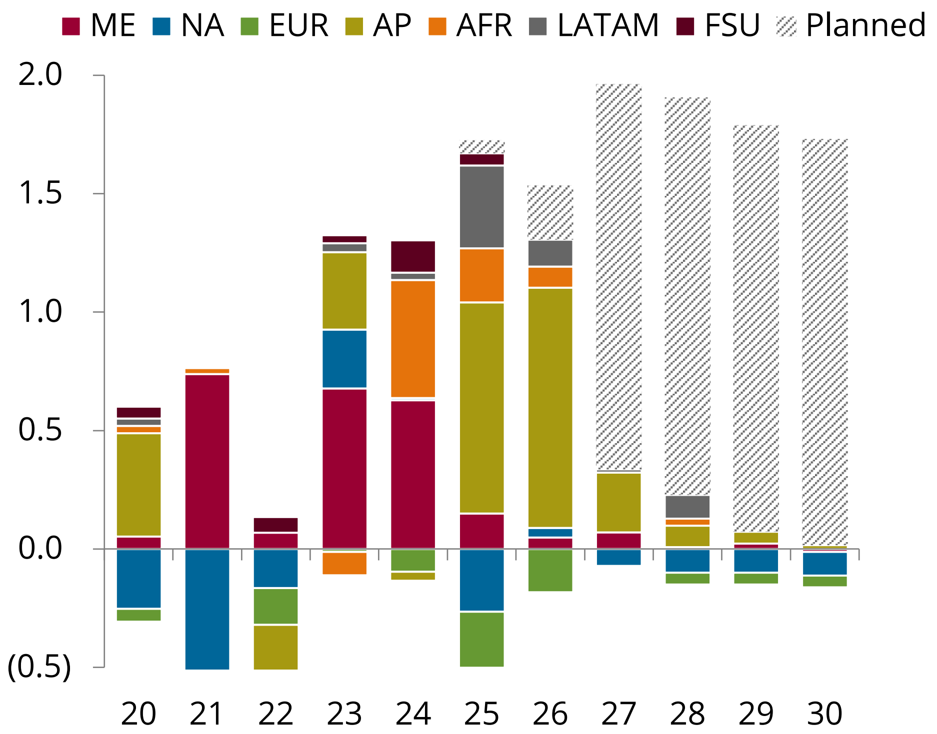
Gasoline demand peaks in 2026 in North America while European diesel demand in decline already, jet demand stable.

Source: Energy Aspects

Refinery capacity additions will fail to keep up with demand growth in medium term

Refining capacity growth, y/y

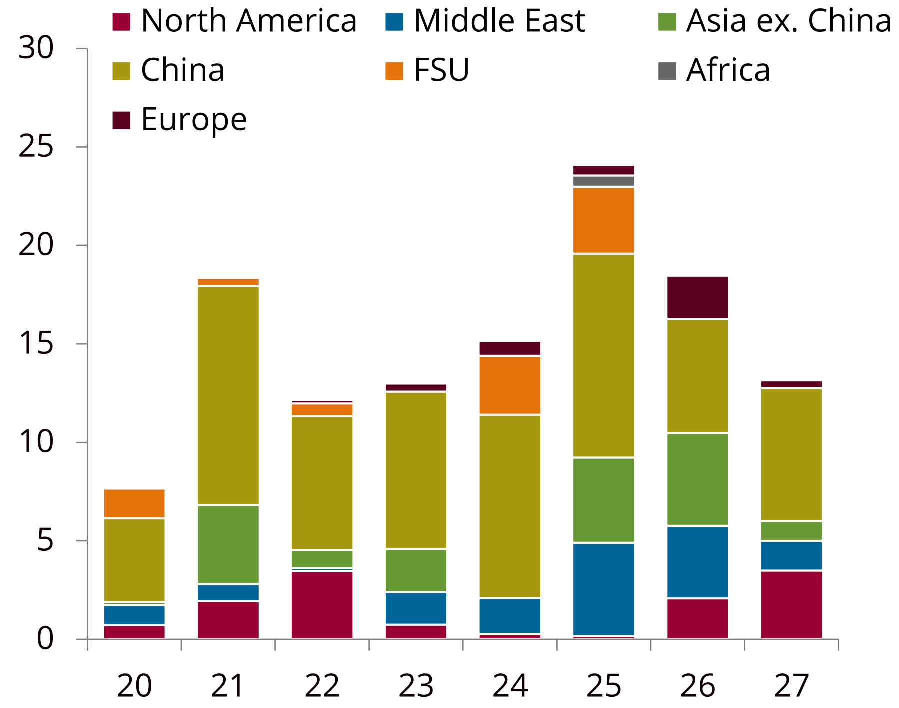
mb/d



Growth in non-OECD capacity beyond 2026 will be slow. Over 2.5 mb/d of additional projects have been announced in the ME but are unlikely to be completed before end-decade.

Global petchem capacity additions, y/y

Mtpa



Strong petrochemical capacity growth led by China will keep petrochemical margins capped. China will take greater share of the Asian market and encourage consolidation of older sites.

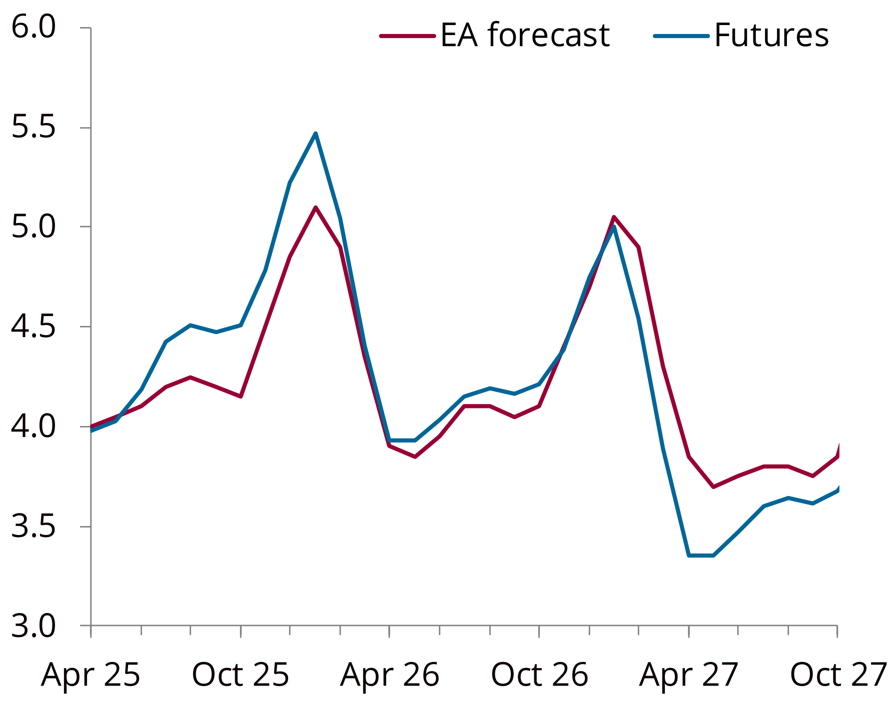
Source: Energy Aspects

Global gas

Henry Hub rallied on financial flows in March, but fundamentals reasserting control

Henry Hub price forecast

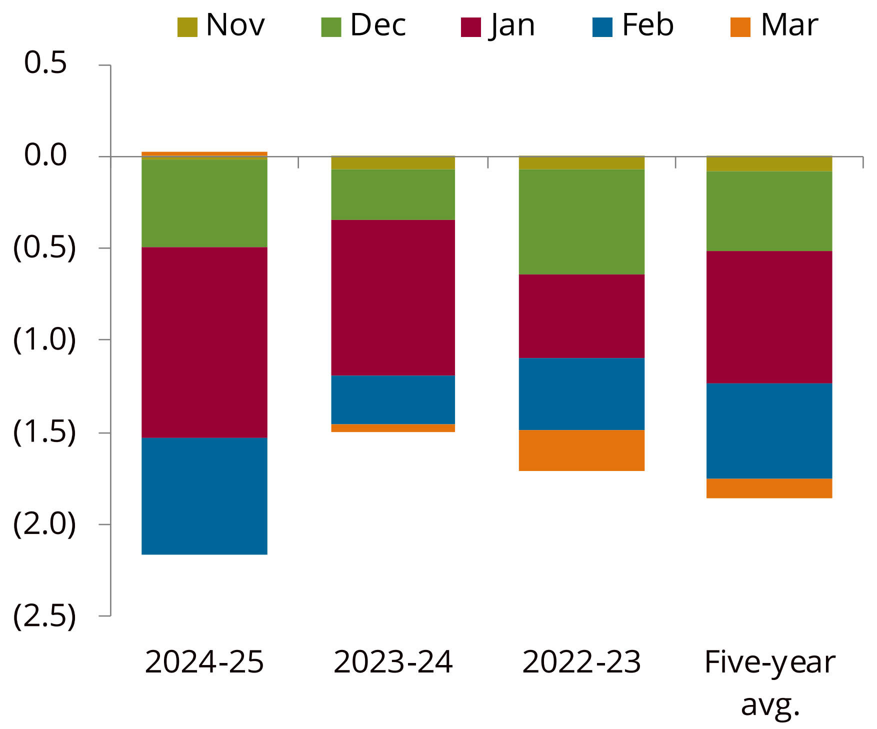
$/MMBtu



Prices ran up understandably on winter cold, but the rally has continued in March despite record production and very mild weather, as technical factors are driving recent gains.

Lower 48 withdrawals by month

tcf



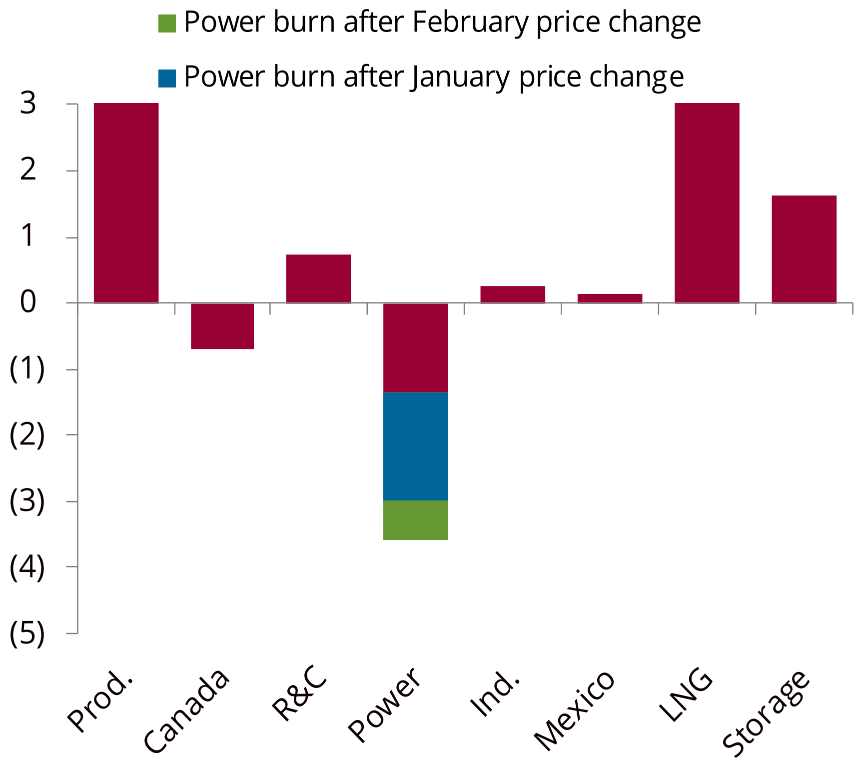
March is already eating the storage deficit that peaked above 625 bcf y/y. We expect the gap to close to 200 bcf by end-October given our current carryout forecast of 3.67 tcf.

Source: EIA, ICE, LSEG, Energy Aspects

Winter tightening requires larger summer build to keep market supplied into 2026

2025 US injection-season balances, y/y

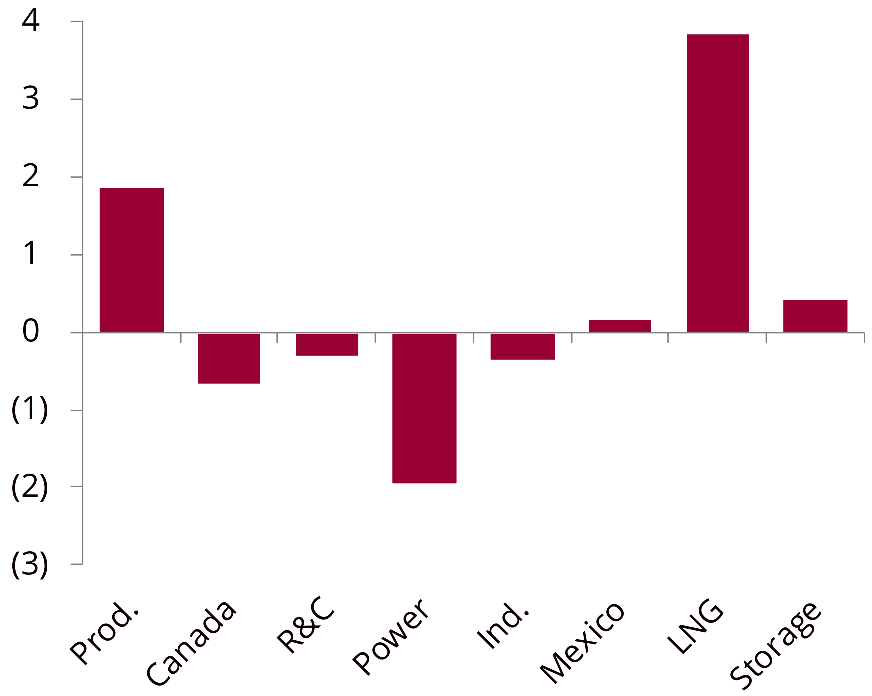
bcf/d



Power burn is the sector of our balances that will see the largest y/y summer magnitude shift of 3.7 bcf/d y/y. This will allow for a 2.0 tcf injection season build.

2025–26 US heating-season balances, y/y

bcf/d



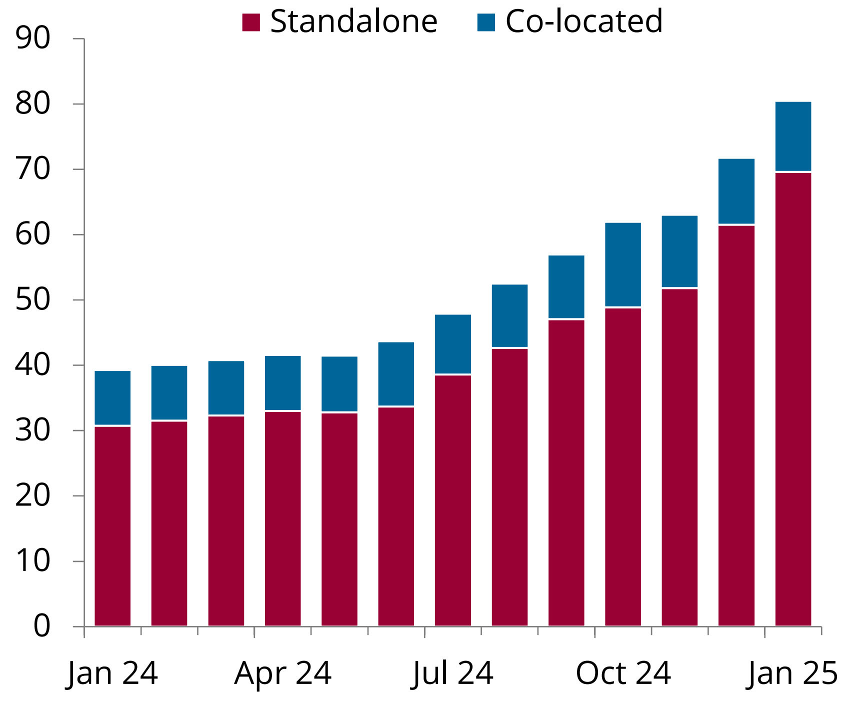
By next winter, we expect LNG feedgas gains will be accelerating, with close to 4.0 bcf/d of y/y growth once Golden Pass reaches first LNG in Q1 26.

Source: EIA, Energy Aspects

Data centre buildout continues, but infrastructure, generation challenges are growing

ERCOT large load queue by type

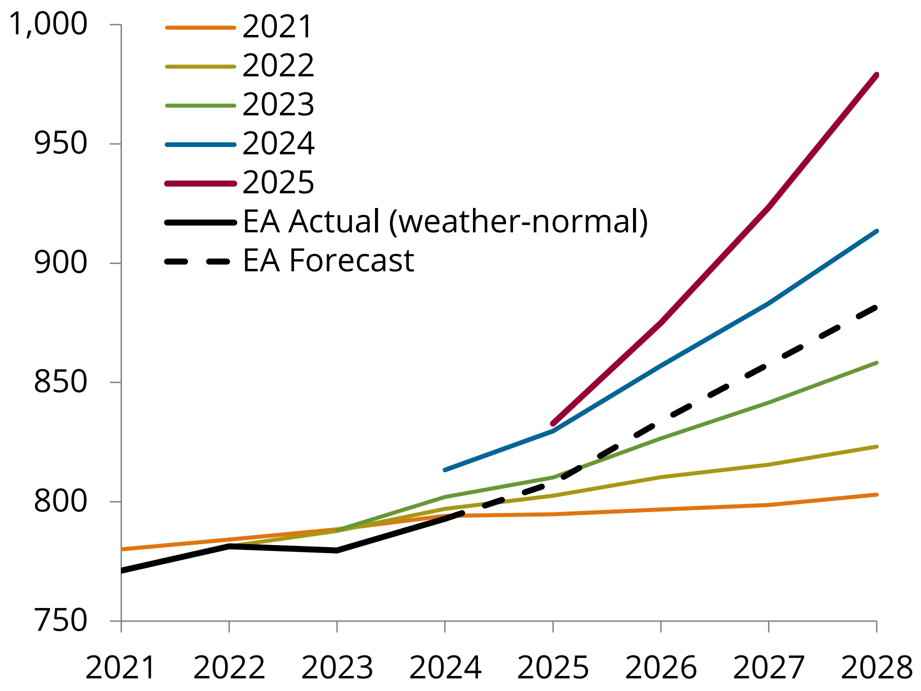
GW



ERCOT recently stated that data centres need to build their own power if they want to interconnect within 12–15 months, but only 14% of the queue is co-located with a generator.

PJM vintage load forecast comparison

GWh



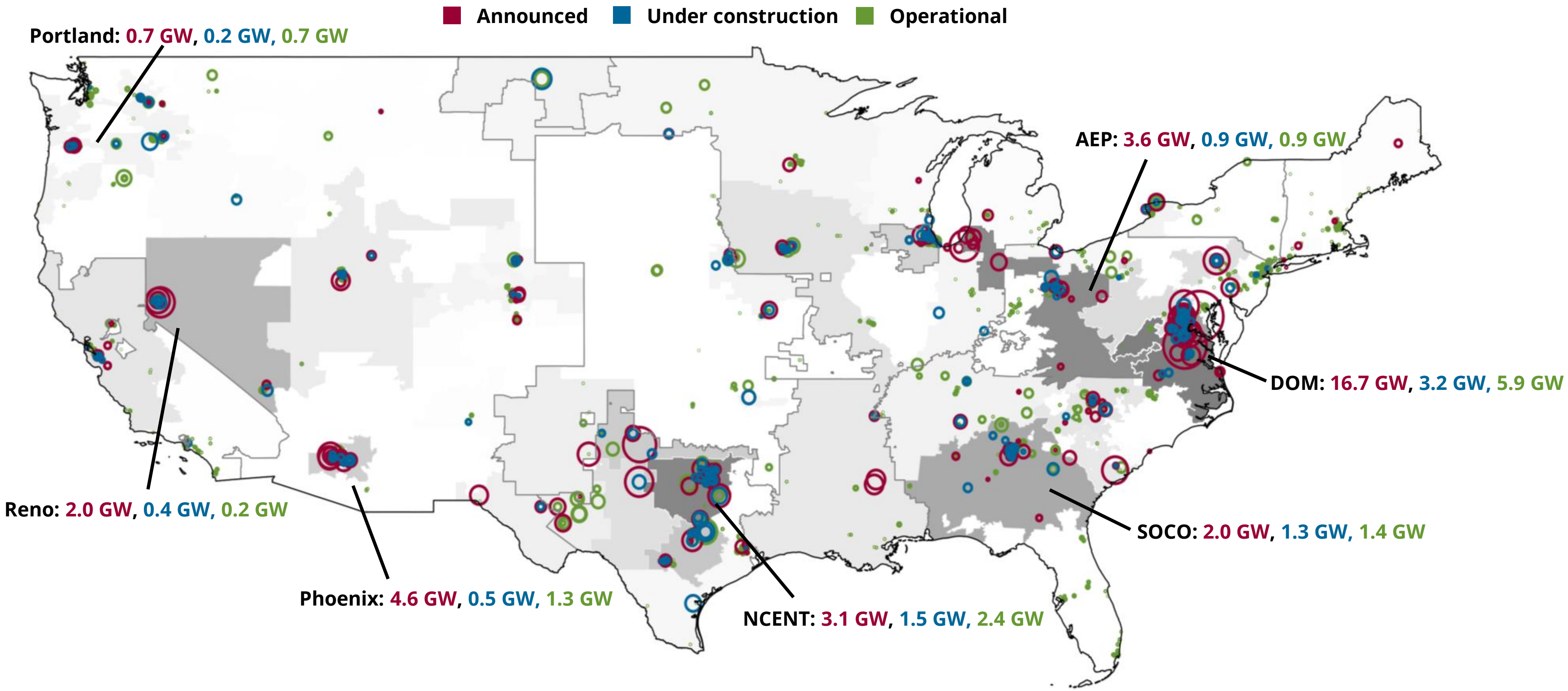
PJM's vintage 2025 forecast increased by 3 ppts y/y to a 5.7% CAGR for 2025–30, adding 35 GW of large loads. We maintain our forecast as the ISO's infrastructure will prohibit growth.

Source: ERCOT, PJM, Energy Aspects

New data show data-centre interest driven by PJM, ERCOT, West and Southeast

US data-centre development

GW



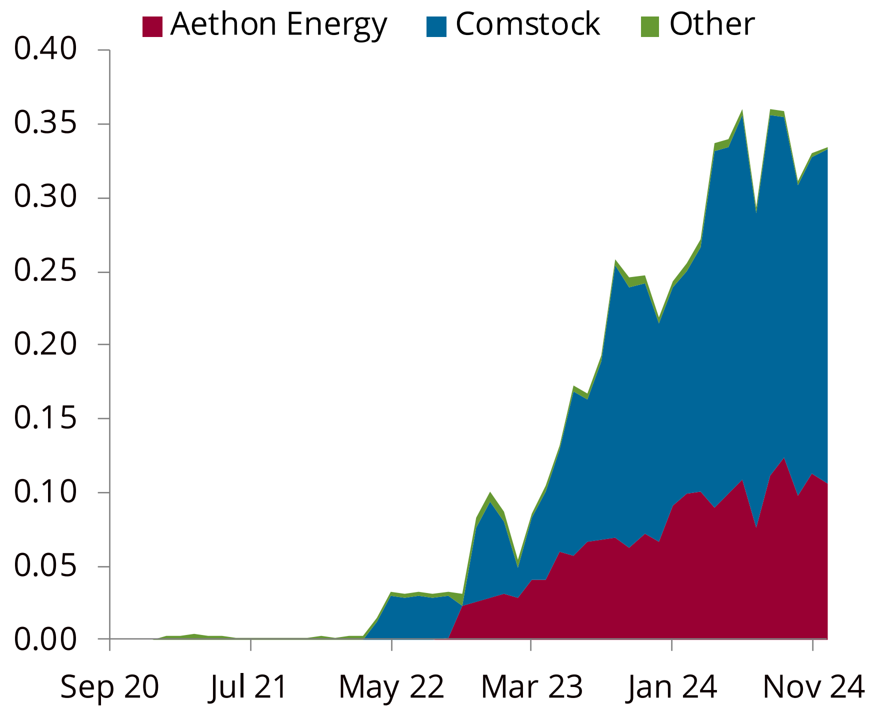
Our US load growth forecast is supported by ISO and utility outlooks, alongside new data showing 16.1 GW of data centres currently under construction, with a further 53.4 GW announced (according to data from Baxtel—a data-centre tracking and brokering company).

Source: Baxtel, EIA, US Census Bureau, Energy Aspects

Western Haynesville will be crucial for long-term growth in natural gas demand

Western Haynesville production sample

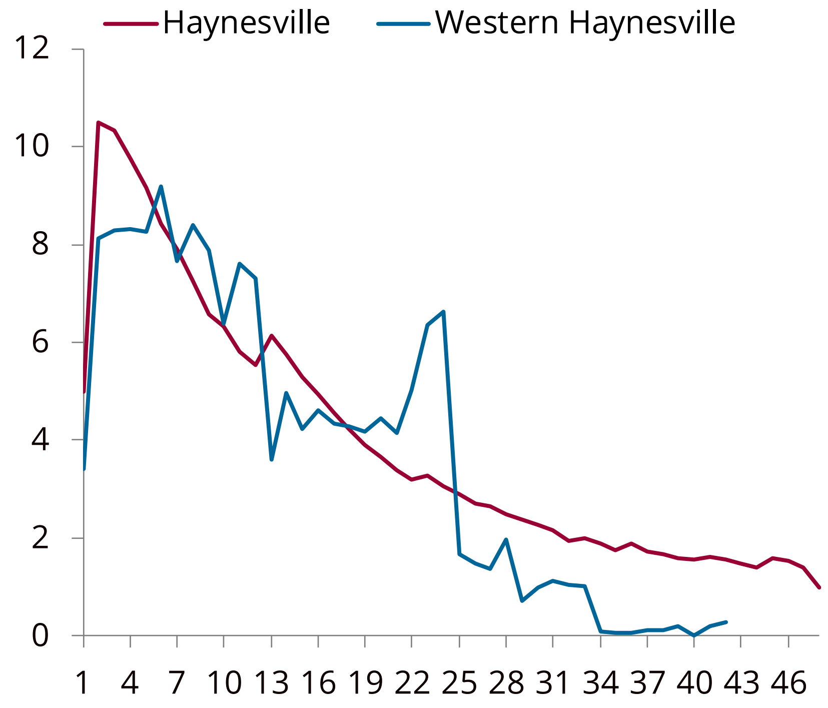
bcf/d



Western Haynesville 2024 production averaged 0.3 bcf/d, 0.3 bcf/d higher y/y as Comstock and Aethon drive basin delineation. Comstock is running 4 rigs, 1 rig higher m/m.

Haynesville vs. Western Haynesville type curves

mmcf/d



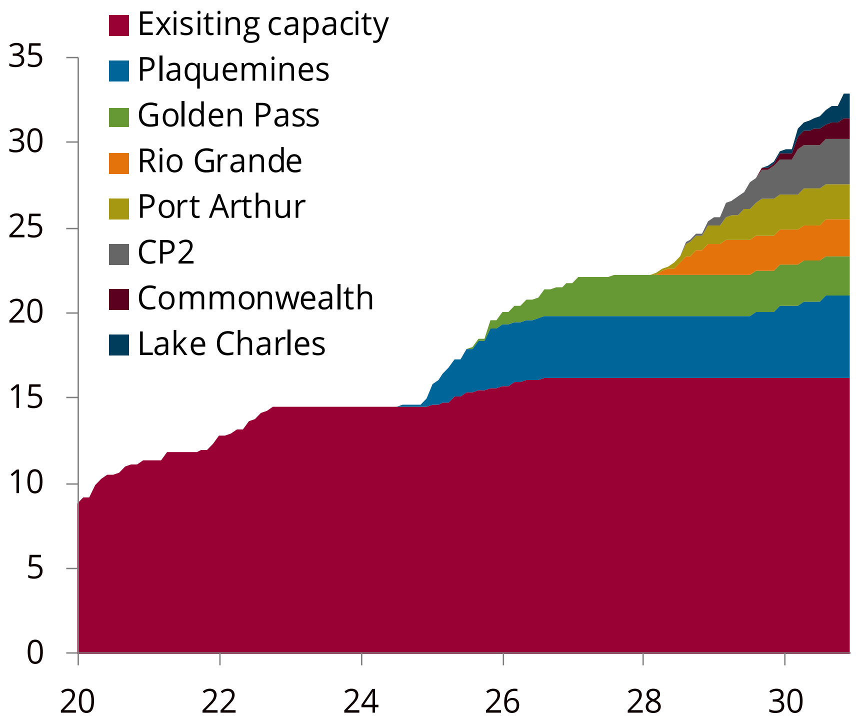
Utilising the 2021-24 vintage, Western Haynesville well performance is on par with legacy Haynesville, despite fewer wells. We saw evidence of choking as prices decline in 2023.

Source: Novi Labs, Inc., Energy Aspects

Trump administration lifts pause on LNG export licences, creating industry optimism

US LNG export capacity forecast

bcf/d



US LNG exports continue to be the primary driver for demand growth this decade. We expect LNG export capacity will eclipse 30 bcf/d in the early 2030s.

Proposed LNG export terminals

bcf/d

Train	Developer	Capacity (bcf/d)	Stated FID date
Stated 2025 FIDs			
Commonwealth	Commonwealth	1.40	Q3 25
Corpus Christi Mid. 8 & 9	Cheniere	0.48	2025
CP2	Venture Global	3.00	H2 25
Lake Charles LNG	Energy Transfer	2.10	Q4 25
Port Arthur Phase 2	Sempra	2.00	2025
Texas LNG	Glenfarne	0.52	2025
Woodside Louisiana	Woodside	0.68	Q2 25
Total		**10.18**	
Other in-development projects			
Delfin FLNG	Fairwood Peninsula	1.80	
Cameron T4	Sempra	0.75	
Argent LNG	Argent LNG	3.80	
Plaquemines Phase 2	Venture Global	2.75	
Sabine Pass Stage 5	Cheniere	2.20	
Total		**11.30**	

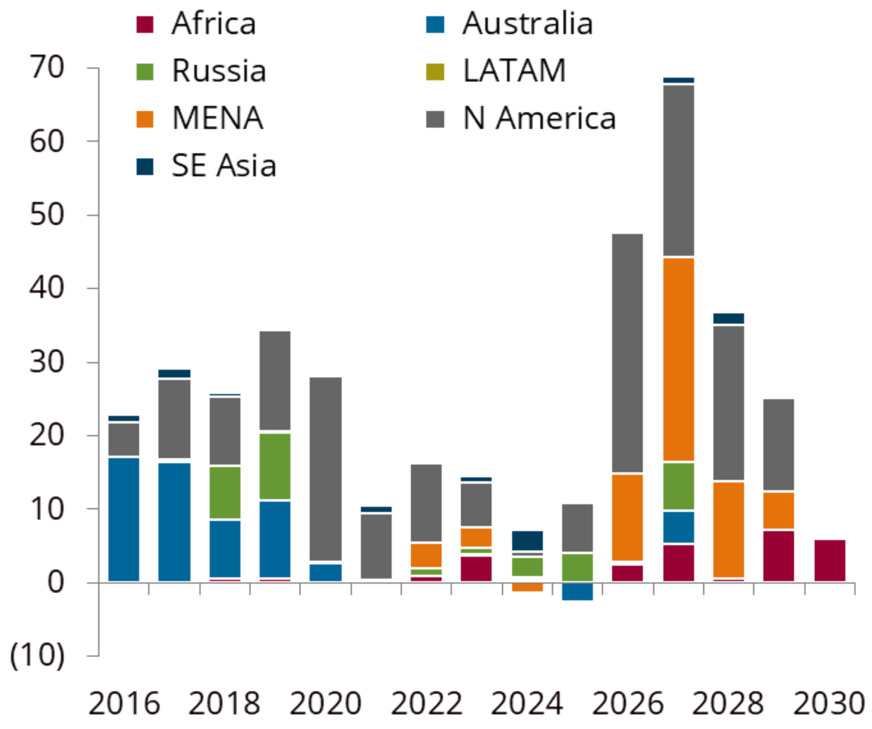
We do not expect all the scheduled 2025 FIDs will come to fruition, though CP2, Corpus Christi's expansion and Woodside Louisiana are the most likely.

Source: Company reports, FERC, Energy Aspects

North America, Qatar to lead next wave of global liquefaction additions

Liquefaction capacity under construction by region

Mtpa



We expect 161.7 Mt of new capacity online over 2025–28, all of which has taken FID and is under construction. This growth is 44.4 Mtpa higher than over 2017–20.

Upcoming liquefaction additions

Mtpa

Project	Country	Lead developer	Units	Expected start	Capacity (Mtpa)
2025					**25.9**
Tortue FLNG	Mauritania	Kosmos Energy, BP	Train 1	Apr-25	2.4
LNG Canada	Canada	Petronas, Shell	Train 1	Jul-25	7.0
Corpus Christi	US	Cheniere	Train 4-6	2025	4.3
Plaquemines	US	Venture Global	T2-12	2025	12.2
2026					**69.8**
LNG Canada	Canada	Petronas, Shell	Train 2	Jan-26	7.0
Corpus Christi	US	Cheniere	Train 7	Jan-26	1.4
North Field East	Qatar	QatarEnergy	Train 1	Jan-26	8.0
Golden Pass	US	ExxonMobil, Qatar Energy	Train 1	Feb-26	6.0
Energia Costa Azul	Mexico	Sempra	Train 1	Apr-25	3.3
North Field East	Qatar	QatarEnergy	Train 2	Jul-26	8.0
Golden Pass	US	ExxonMobil, Qatar Energy	Train 2	Aug-26	6.0
Pluto LNG	Australia	Tokyo Gas, Woodside	Train 2	Oct-26	4.9
NLNG T7	Nigeria	NNPC	Train 7	Oct-26	7.6
Golden Pass	US	ExxonMobil, Qatar Energy	Train 3	Nov-26	6.0
West Papua FLNG	Indonesia	Genting Energy	Train 1	Dec-26	1.2
Altamira FLNG	Mexico	New Fortress Energy	Phase 2-3	2026	2.8
Corpus Christi P2	US	Cheniere	T8-10	2026	4.3
Plaquemines	US	Venture Global	T13-15	2026	3.3

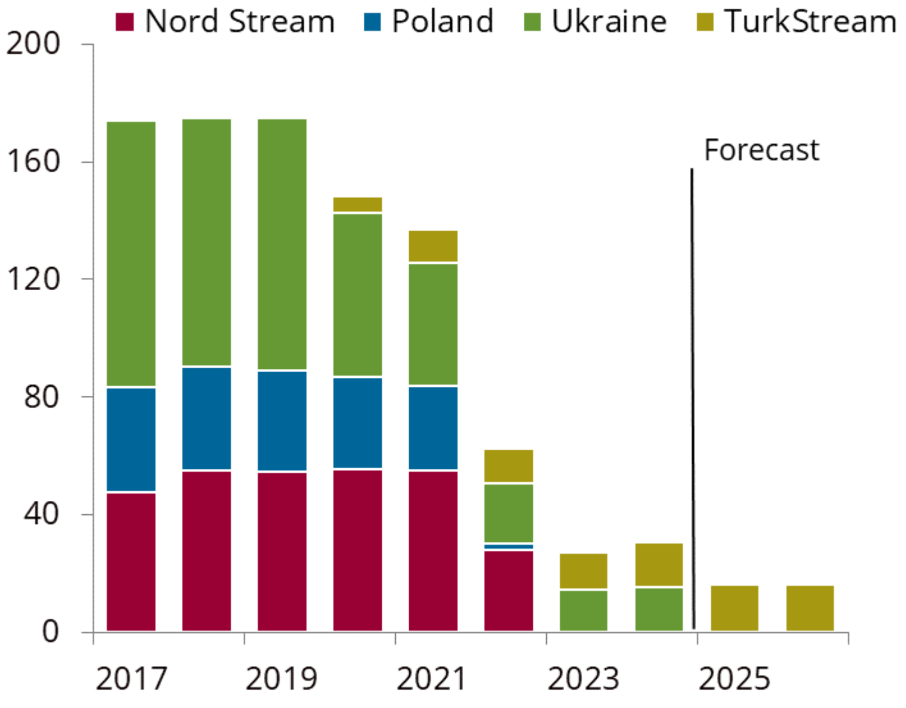
Risks to our timeline are skewed toward later start-ups for Qatar's NFE expansion and the US Golden Pass (GP) facility. Media reports suggest GP is suffering more construction issues.

Source: Company reports, selected media reports, GTT, Energy Aspects

Return of Russian pipeline flows still unlikely; Russian LNG comeback more probable

Russian gross gas flows into Europe

bcm



- The potential return of Russian supply into the market following a Russia–Ukraine peace deal has been one of the main drivers of the recent volatility in TTF prices. But our base case is still that flows via Ukraine or any other pipeline route (besides TurkStream) will not resume.
- We think a US-brokered peace deal is likely to happen this year, but still expect this to take months to negotiate given red lines on all sides. Ukraine has so far remained opposed to allowing Russian gas to flow through its pipelines again, and that is unlikely to change without strong security guarantees, which are not currently being offered.
- We are also sceptical that the Commission or member states will push for the return of this supply given Russia's previous weaponisation. If a peace deal does take a long time to conclude, it is less likely that EU member states will ask for the return of this supply given the greater access to LNG supply from the next wave of liquefaction capacity expansion.
- We think Russian LNG has a higher chance of returning if the US decides to lift sanctions on the three Russian LNG projects (1.5 Mtpa Vysotsk, 1.5 Mtpa Portovaya and 6.6 Mtpa Train 1 of Arctic LNG 2). Although this is also uncertain as the return of this supply would undermine US LNG exports.

Source: Argus Media Group, ENTSOG, GTSOU, Energy Aspects

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