

ARGUS OIL AND FUTURE FUELS FORUM 2025

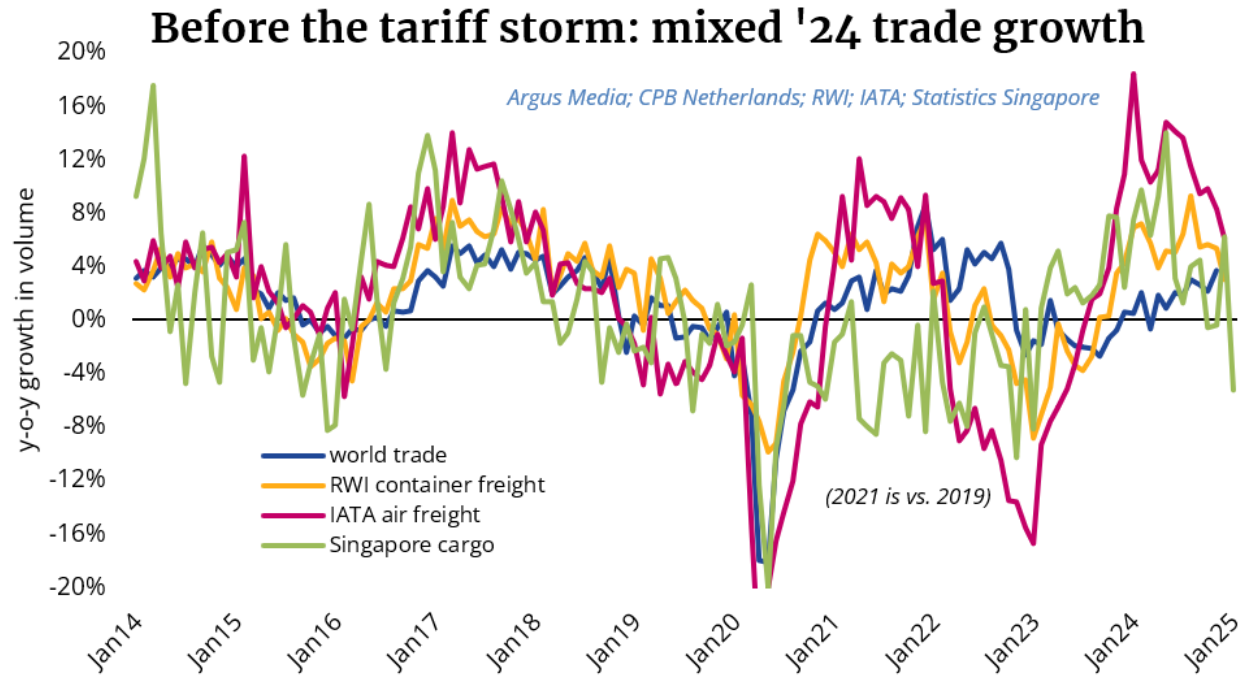
# Tariffs, tapering & transitions: 2025 oil market drivers

| Speaker

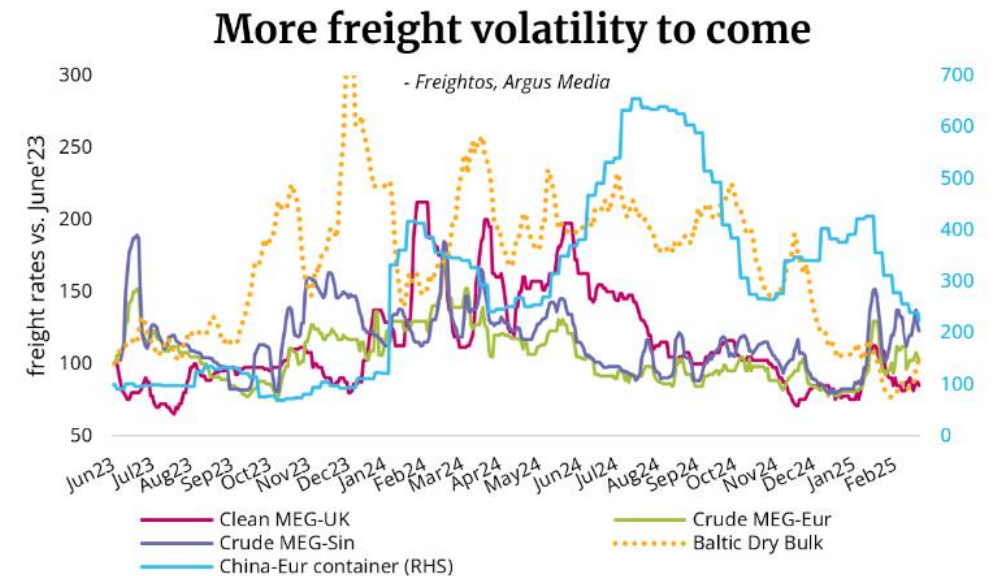
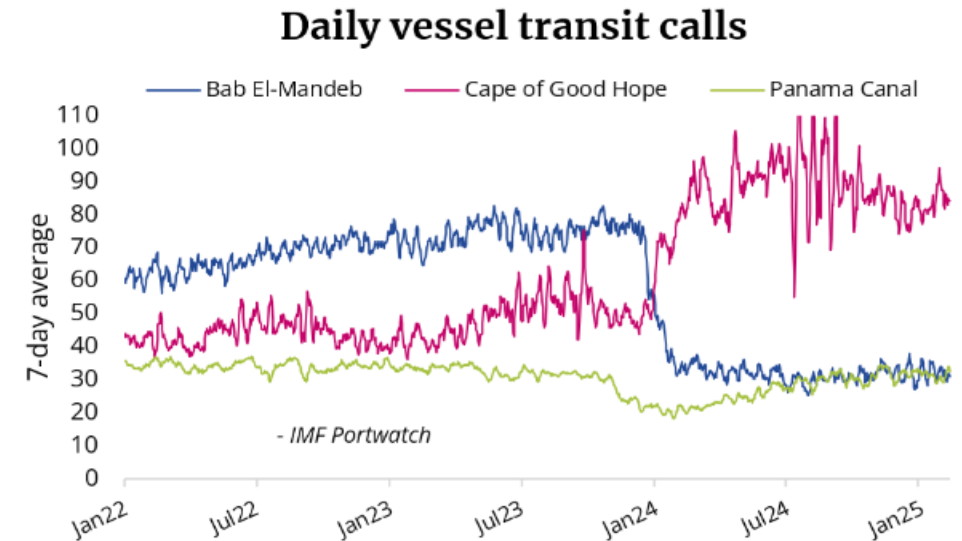


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Chief Economist  
Argus

# Global trade buffeted by conflict & supply chain disruptions

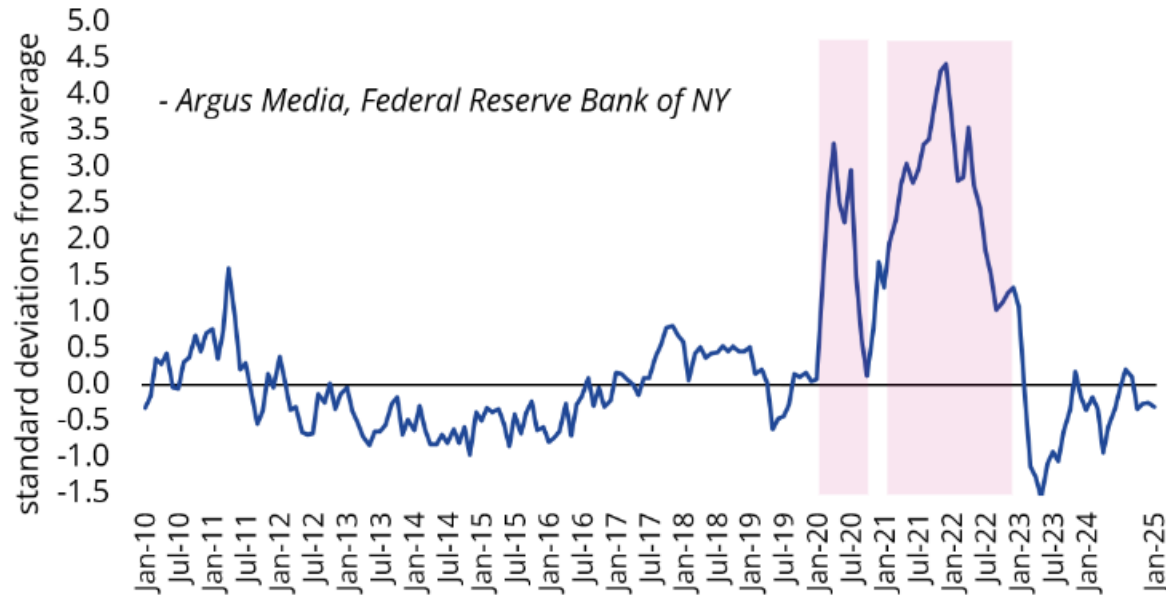


- Pandemic, conflict & drought stretched global supply chains during 2020-2024.
- Early-2024 oil freight rates (& bunker demand) spiked, then subsided, but spiked again after Biden Russia sanctions.
- Peace in Middle East/Ukraine could ease freight volatility, but tariff policy could worsen it.

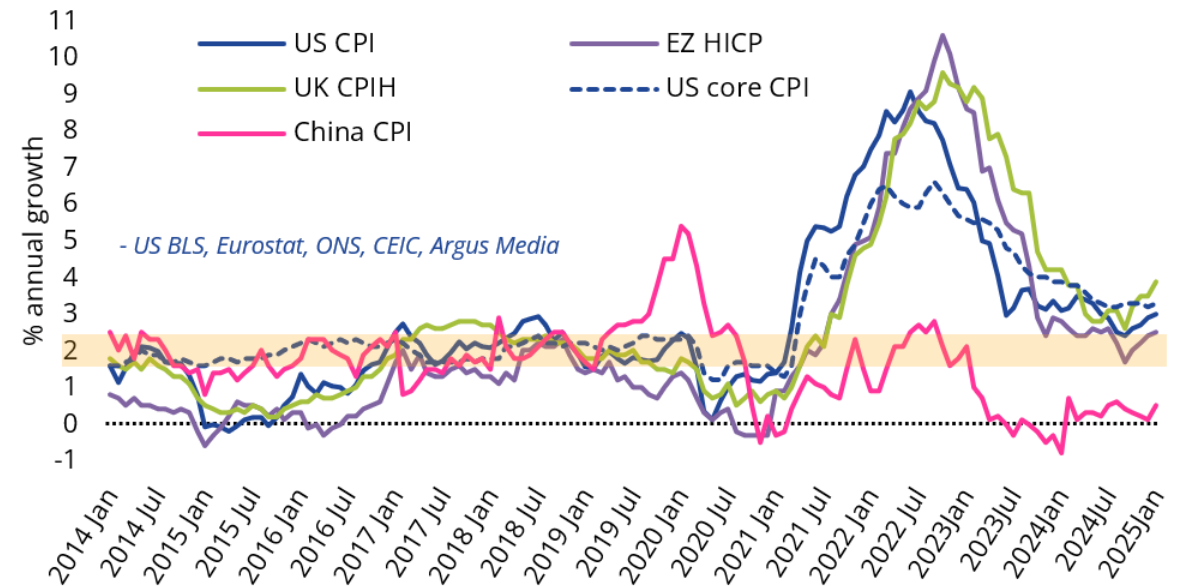


# But system has adapted & inflationary impact limited (so far)

Global supply chain pressures moderate...for now



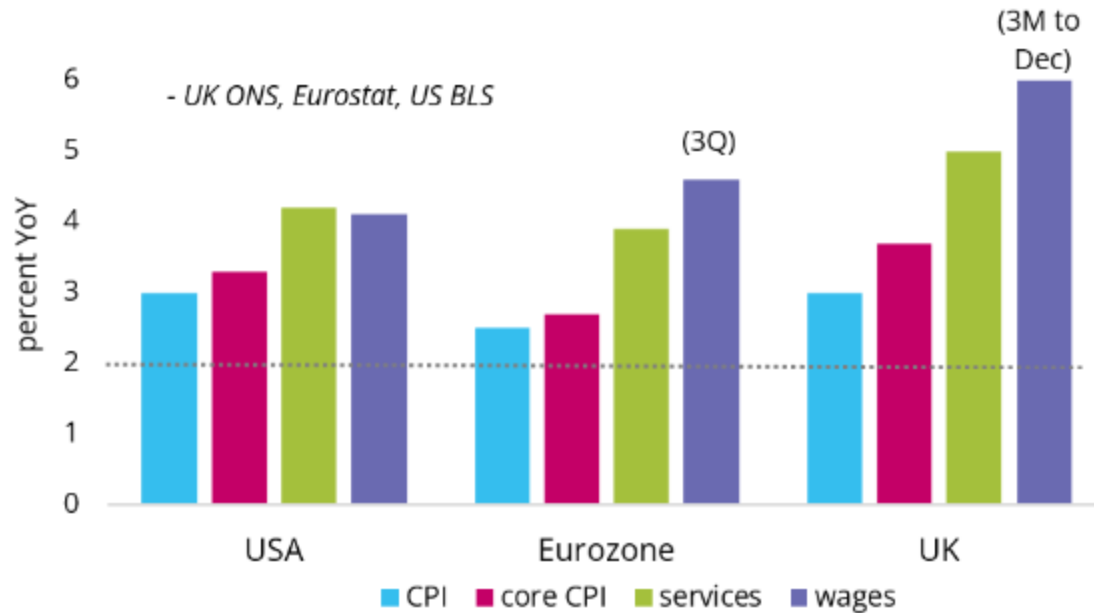
Consumer price inflation



- Consumer price inflation in the Atlantic Basin has eased, while China is battling deflation.

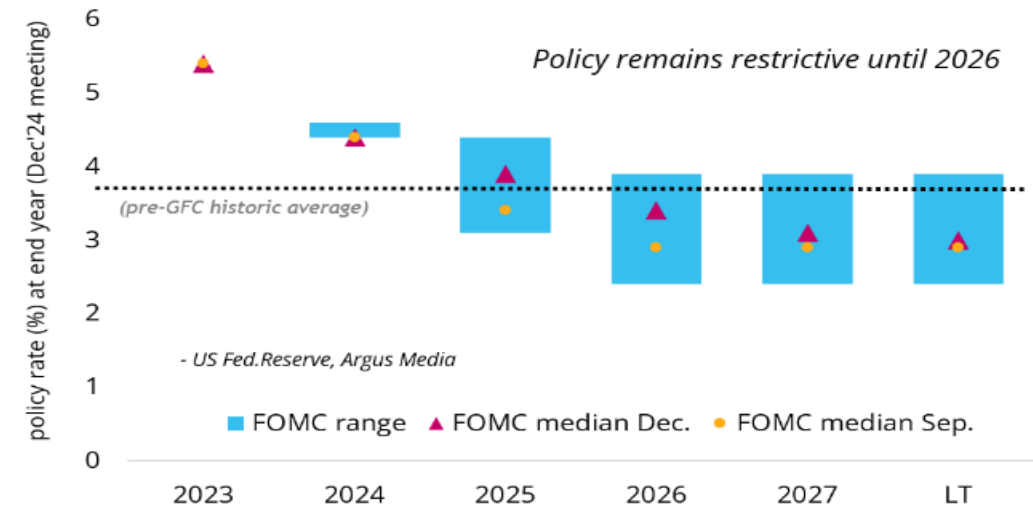
# Atlantic Basin inflation remains “sticky” & US Fed. cautious

## January inflation dissected

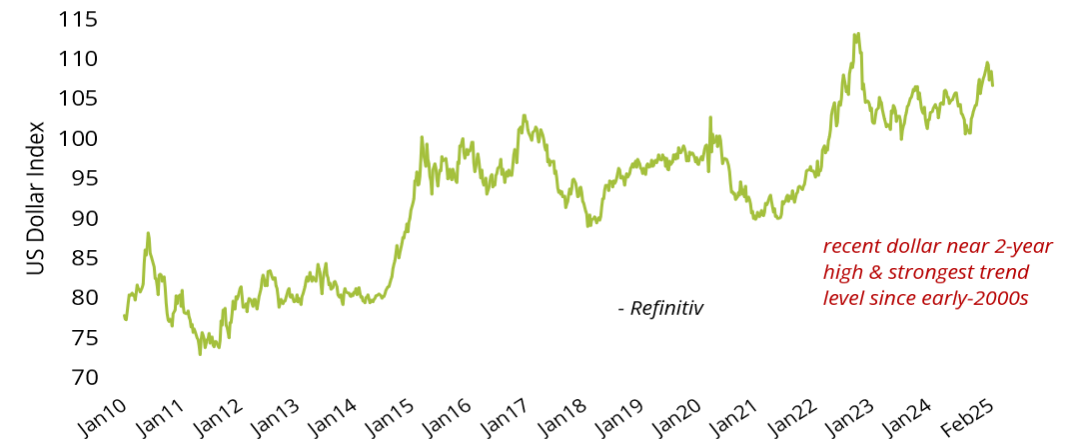


- Given potential macro & interest rate divergence, USD likely to remain strong in the short-term.
- Potential headwind for emerging market demand.

## US Fed. FOMC rate expectations

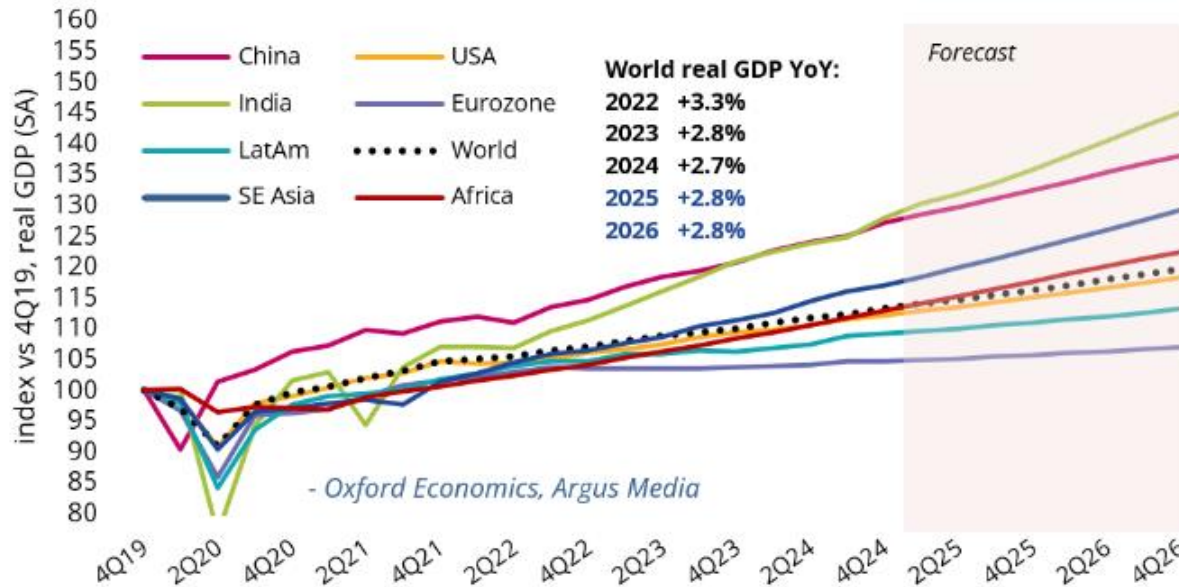


## "Trump trade" has boosted USD

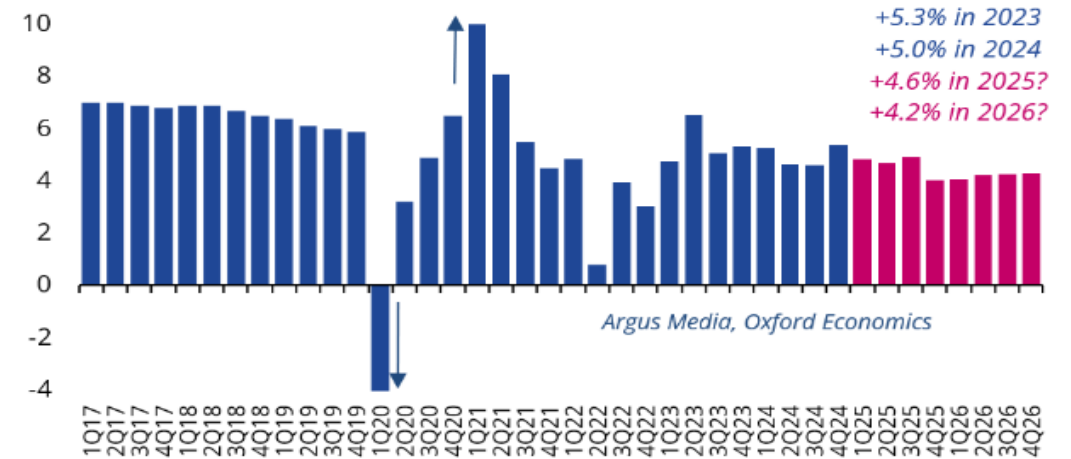


# Despite multiple risks, economic “soft landing” as base case

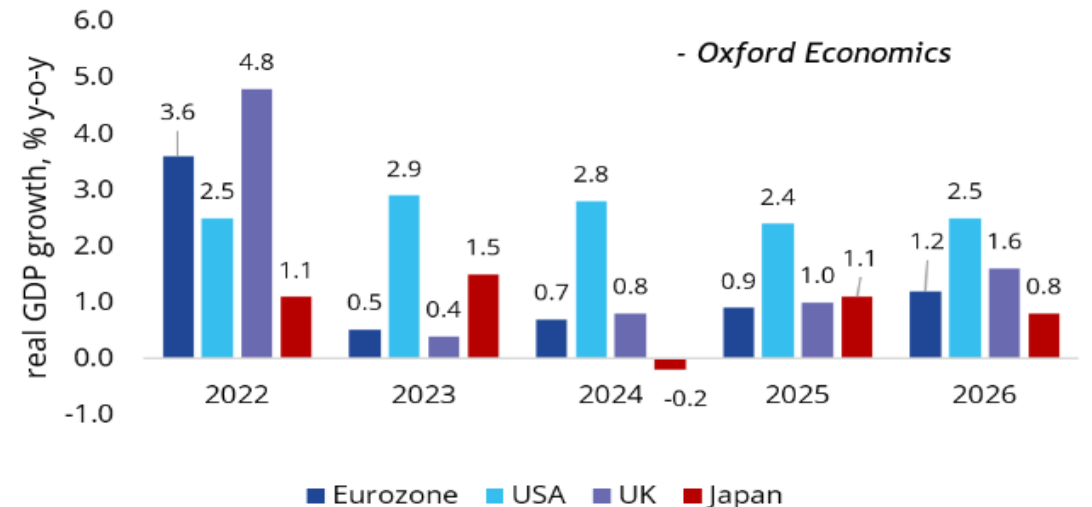
## Asian GDP rebound outpaces Atlantic Basin



## China real GDP growth, % y-o-y



## US outperforms Europe & Japan



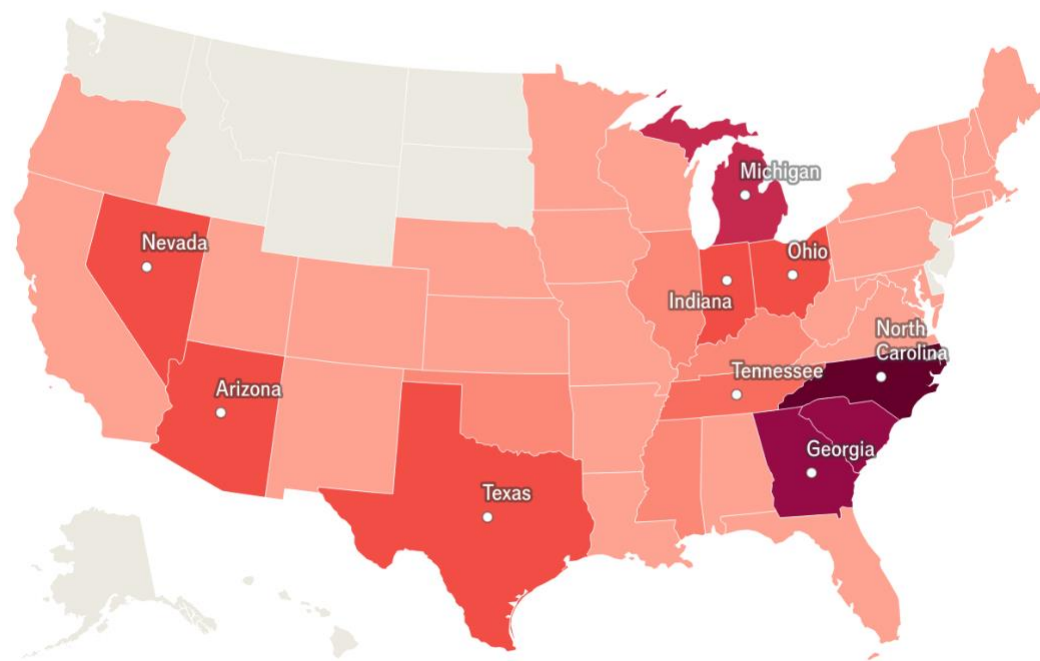
- The Asia-Pacific region will continue to drive economic & commodity demand growth.
- Base Case hinges on two critical assumptions:
  - No deflationary spiral in China
  - Trump policy agenda less radical than outlined on campaign trail



# US domestic energy policy- “shred IRA & drill, baby, drill”

## Republican states & districts attract heavy IRA clean energy investment

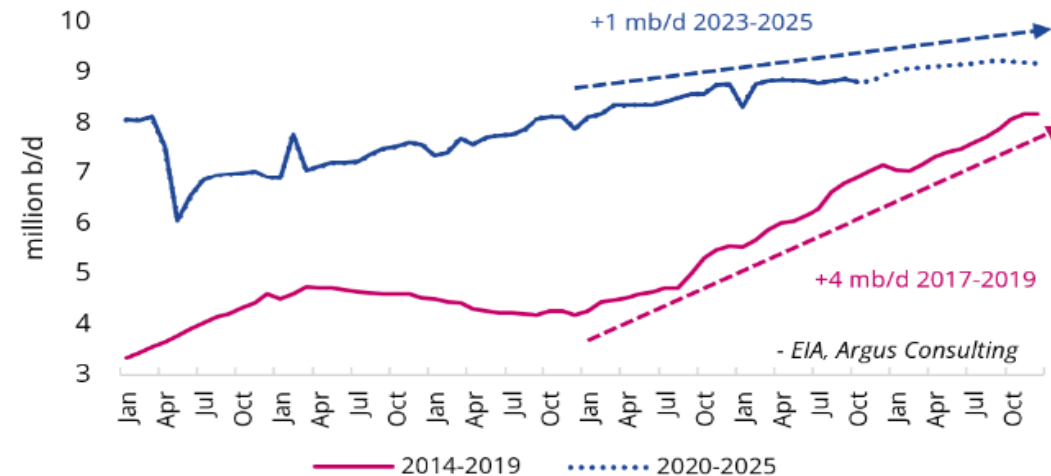
Totals announced by state; US\$ bn



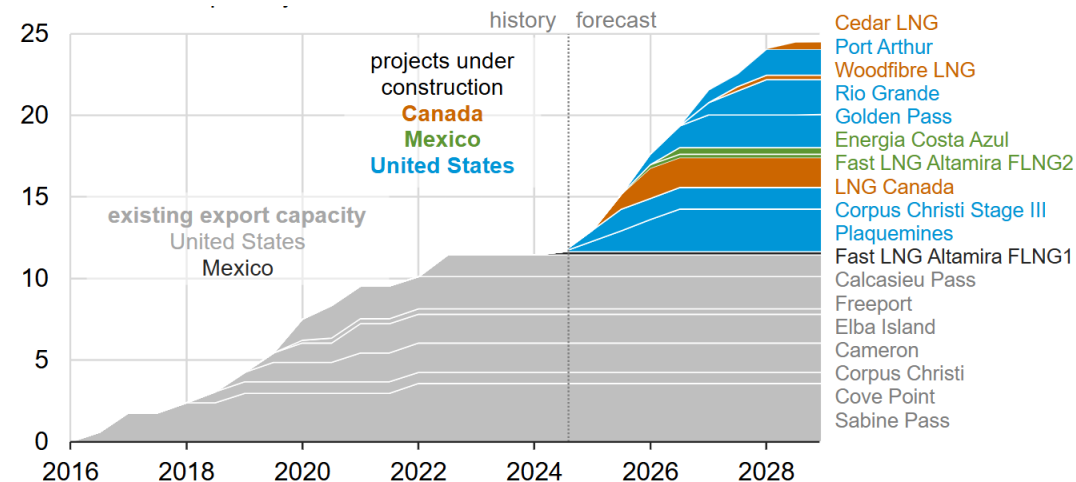
Source: E2; EIU.

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## A new normal for US shale oil growth

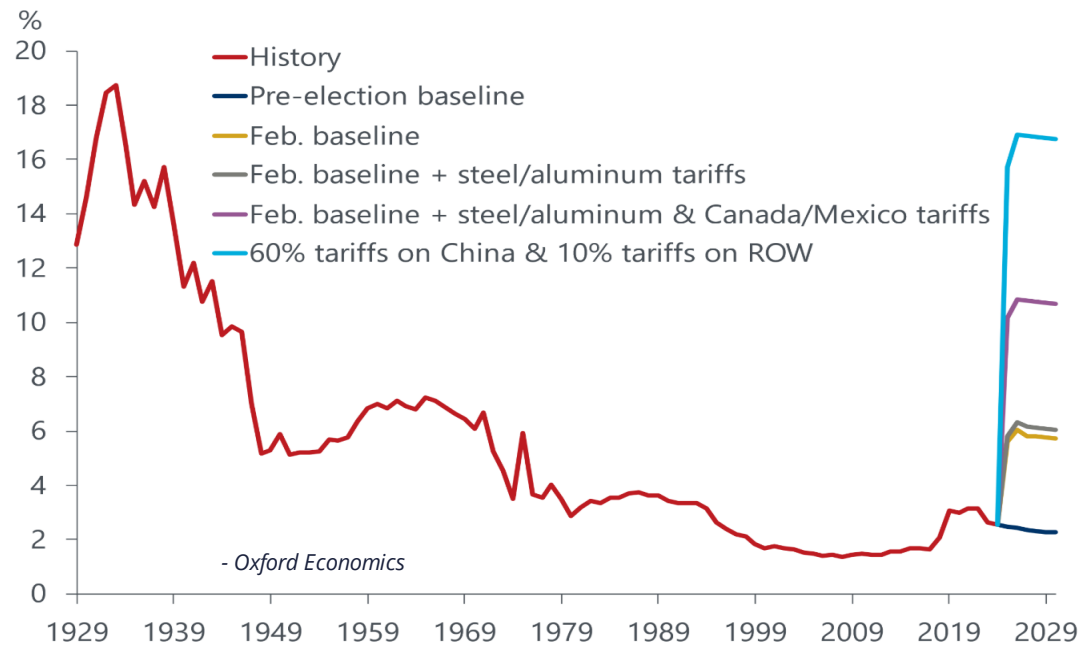


## North America LNG export capacity (EIA)

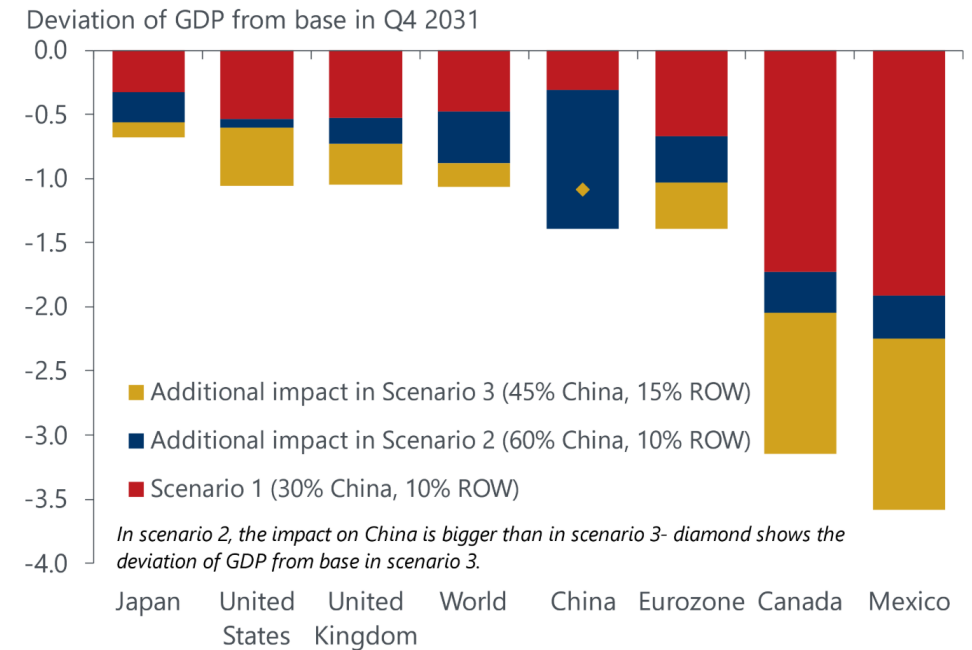


# The two elephants in the room – trade & immigration policy

## US effective import tariff rate



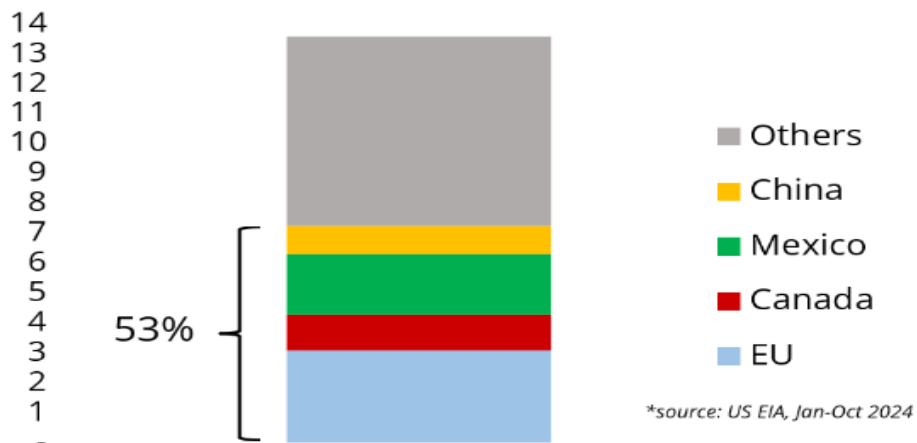
## Cumulative GDP impact of blanket tariffs



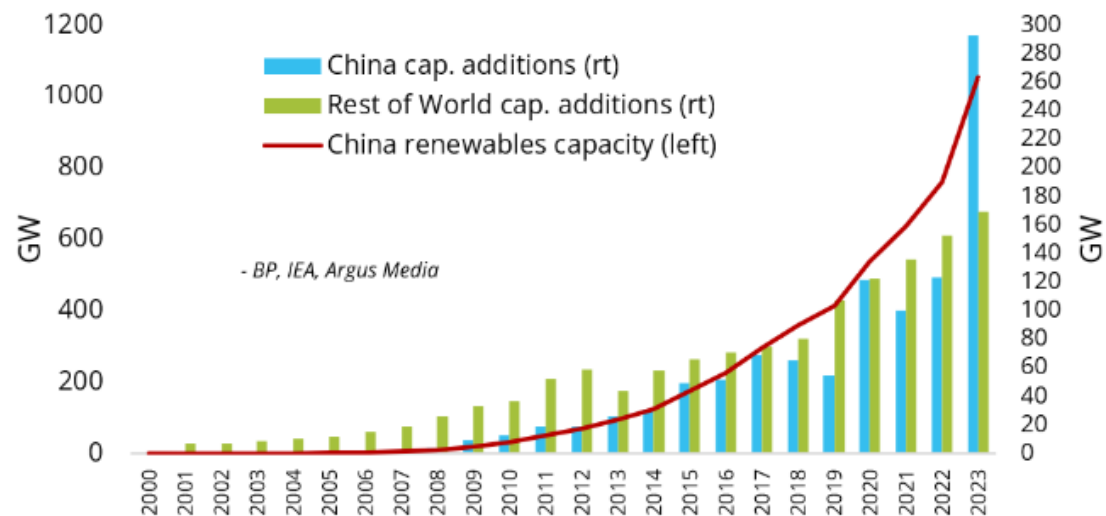
- Tariffs raise government revenue but also heap costs onto the consumer.
- Earlier-than-expected tariffs to drag on 25/26 GDP growth, with tax cut offsets thereafter.
- Inflation, rate hikes & resurgent USD not part of Trump's plan, but policies are ultimately inflationary & will depress growth overall.
- Also seen adding 3pp to 5pp to Federal debt-to-GDP ratio.
- Base case assumption is *blanket* tariffs of 30% on China & 10% *targeted* tariffs RoW.

# Why US tariffs may be less severe than initially thought

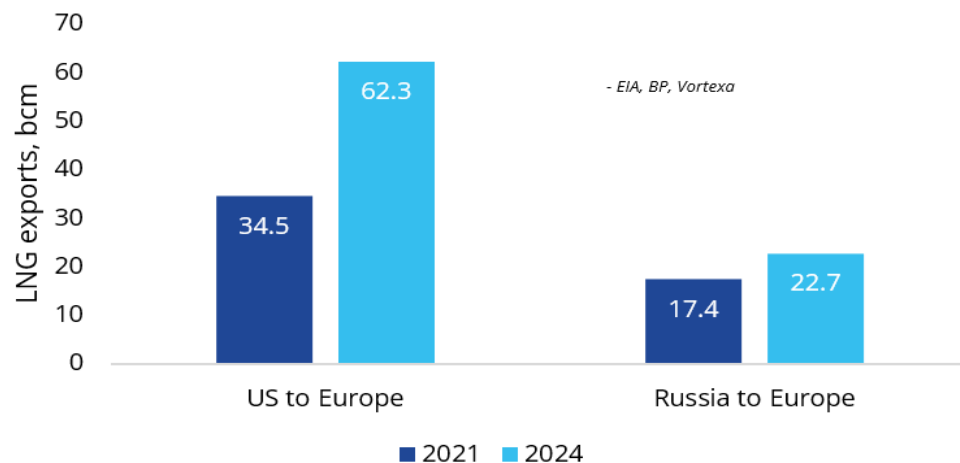
US oil & gas exports 2024\*, mb/d o.e.



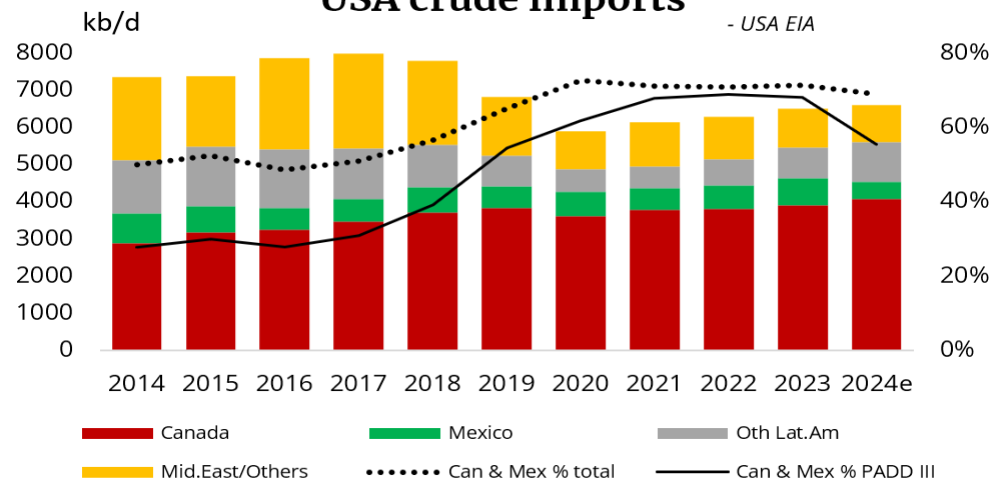
China renewables additions & capacity



Might Trump trade tariffs for LNG?



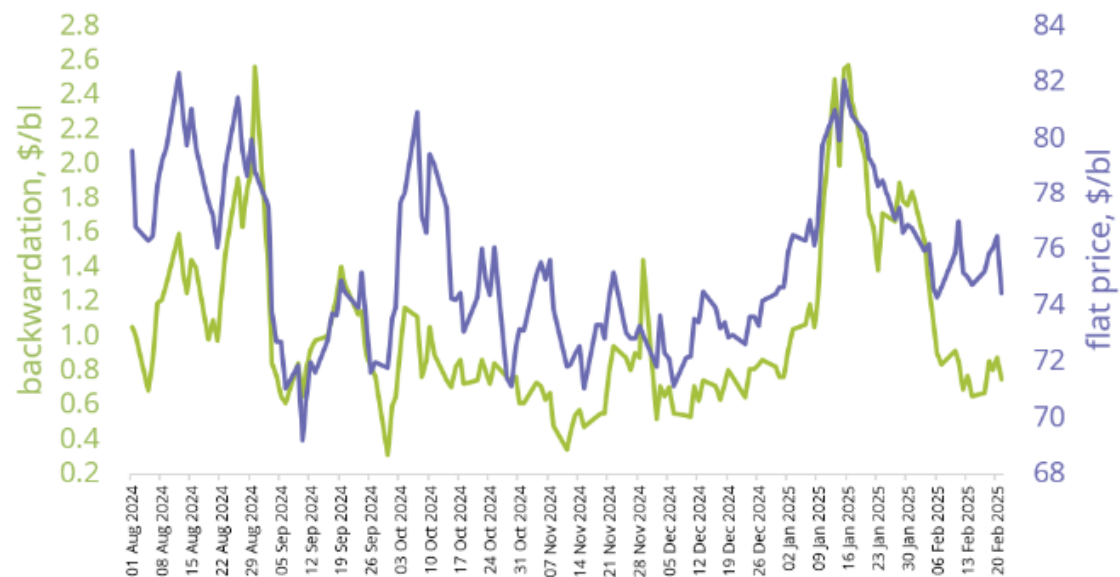
USA crude imports



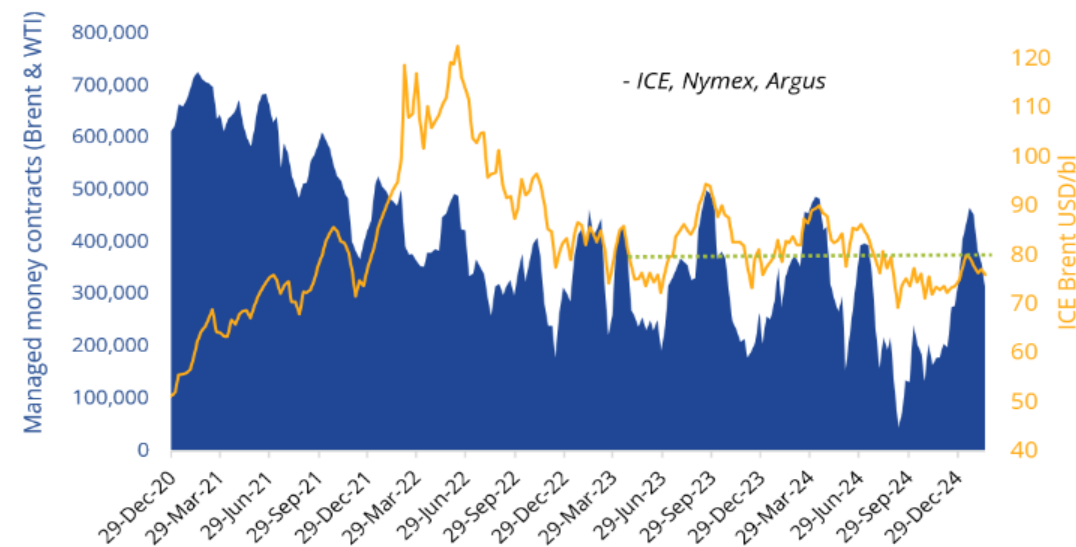


# Crude flat price, structure & net length volatile, sour strength persists

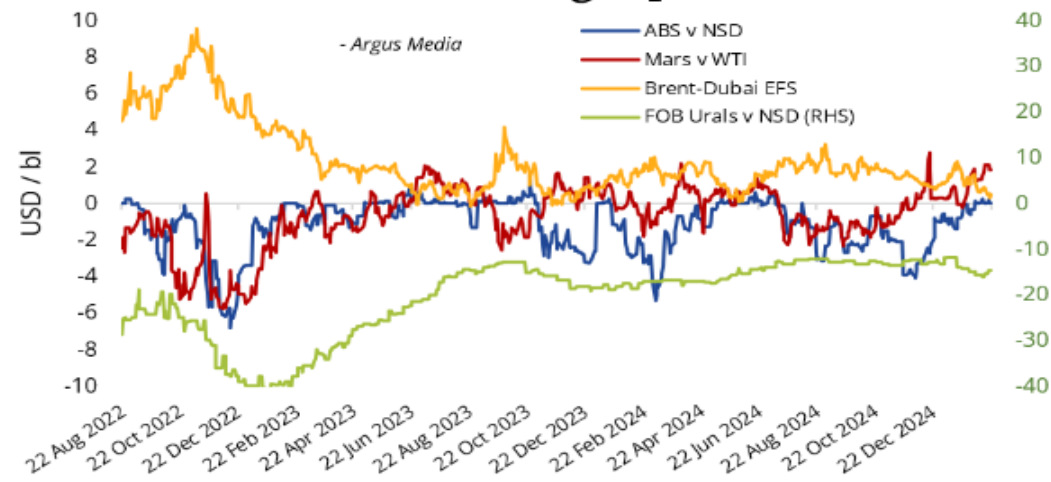
## ICE Brent & M1-M3 backwardation



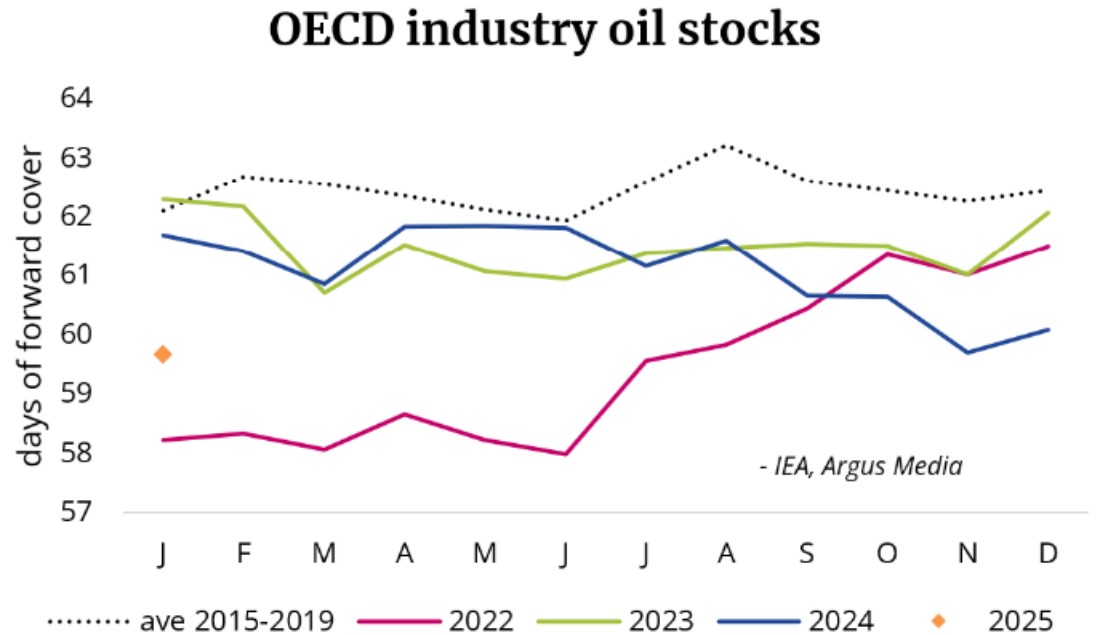
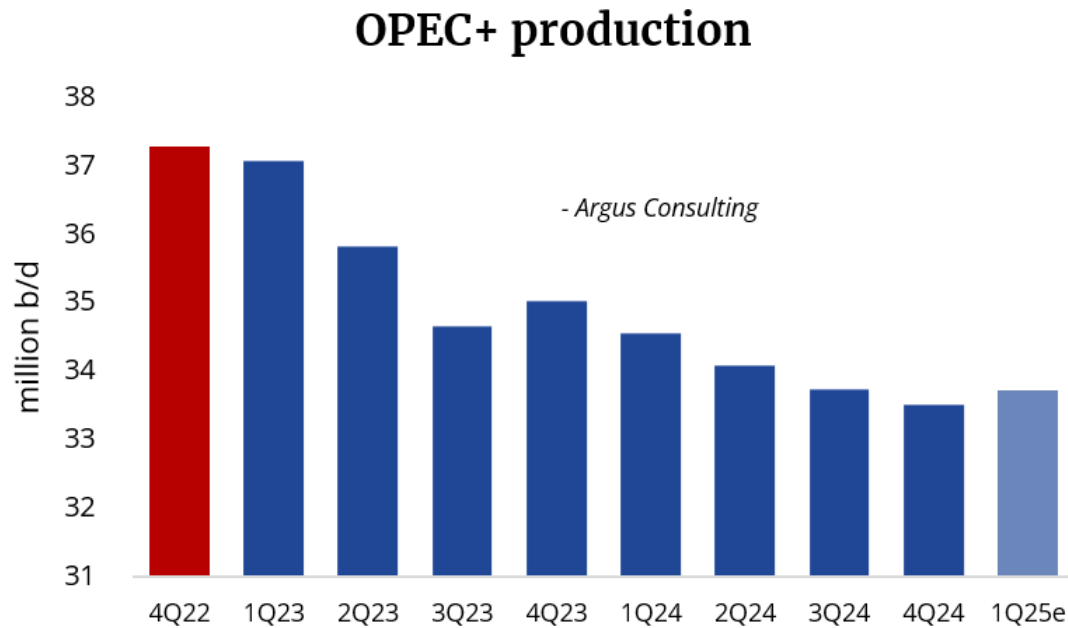
## Speculative length eases from 9-month high



## Sour crude strength persists



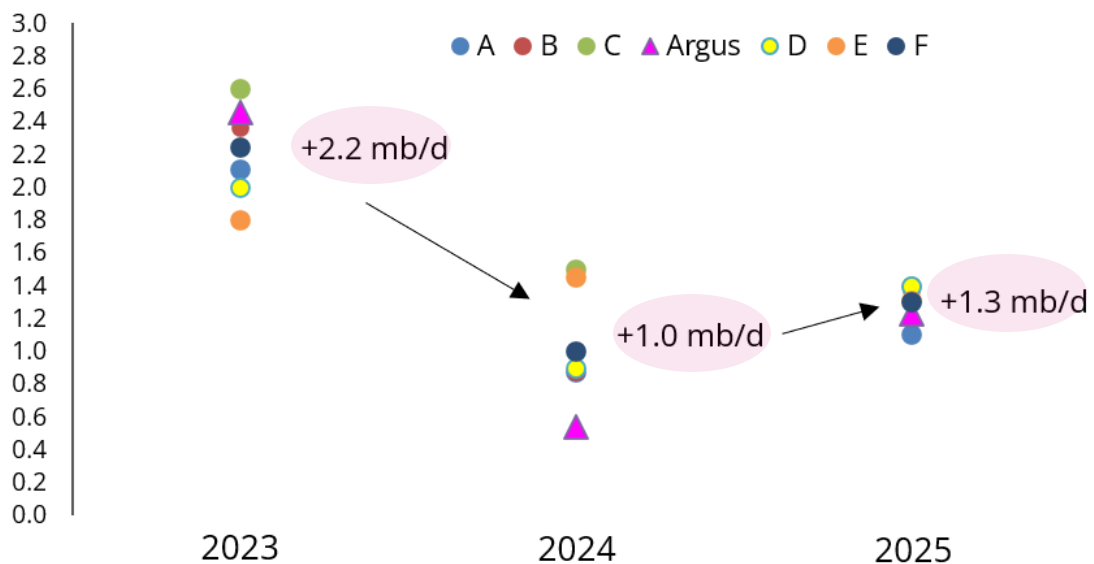
# OPEC+ restraint sustained backwardation & curbed stocks



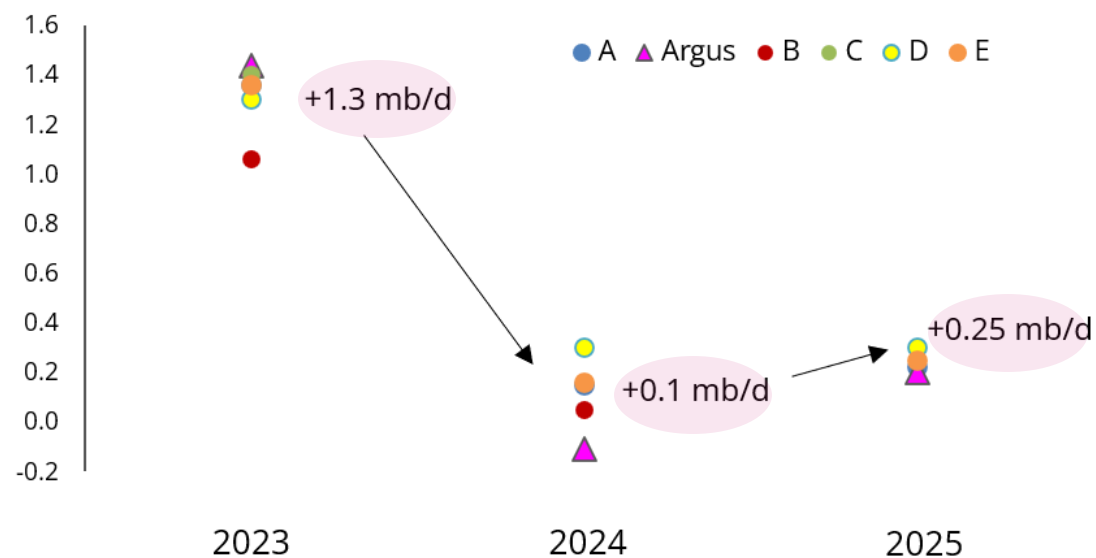
- 5.8 mb/d of potential OPEC+ production is shut-in

# Oil demand upside limited by anemic macro & EV penetration

## Forecast World demand growth Feb'25

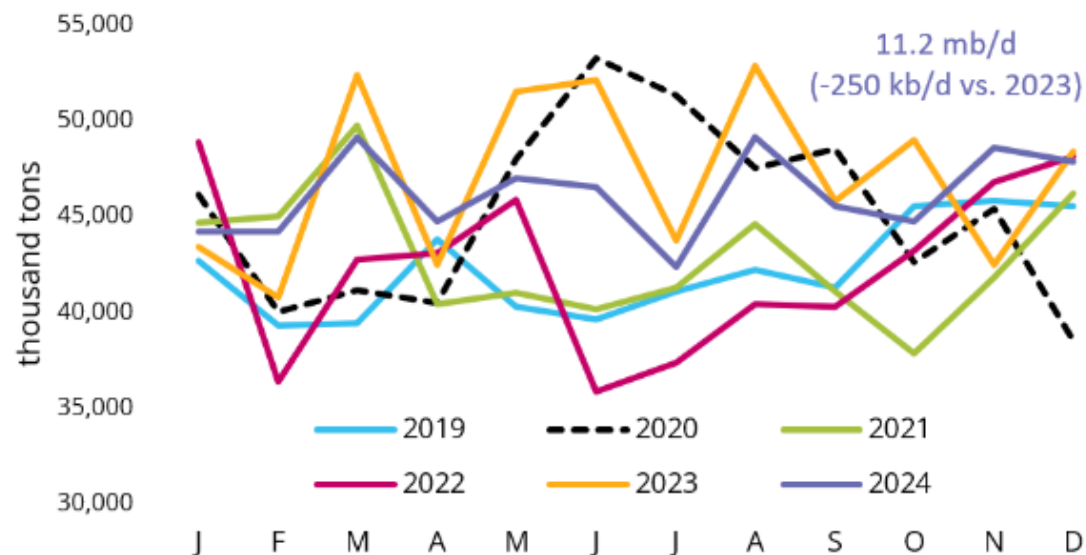


## Forecast China demand growth Feb'25



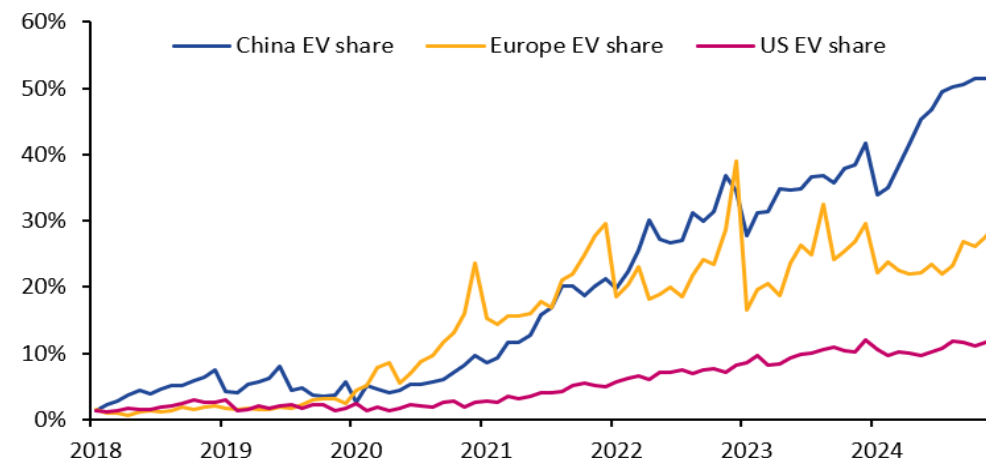
# Chinese 2024 demand fell due to gasoline & diesel

China 2024 crude imports -2% y-o-y

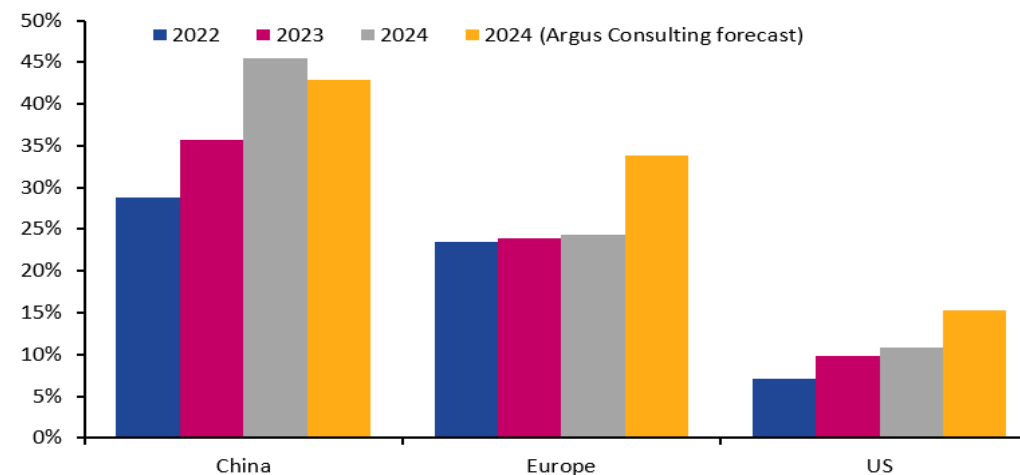


- Jet-kero & petchem. feedstock demand remained strong.
- China beat EV penetration targets while US & Europe lagged.
- Chinese gasoline now in structural decline.
- Construction slow-down & LNG incursion for trucks saw diesel decline in 2024. It could recover, but when?

Percentage share of EV sales



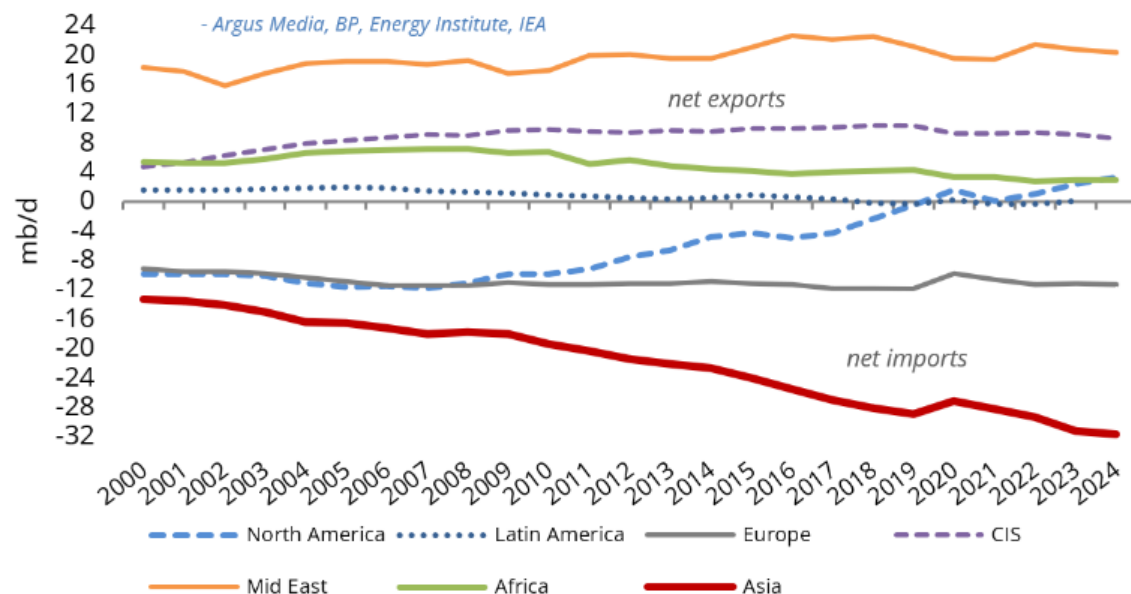
EV new car sales penetration



# Oil demand & import growth nonetheless to stay Asia-centric

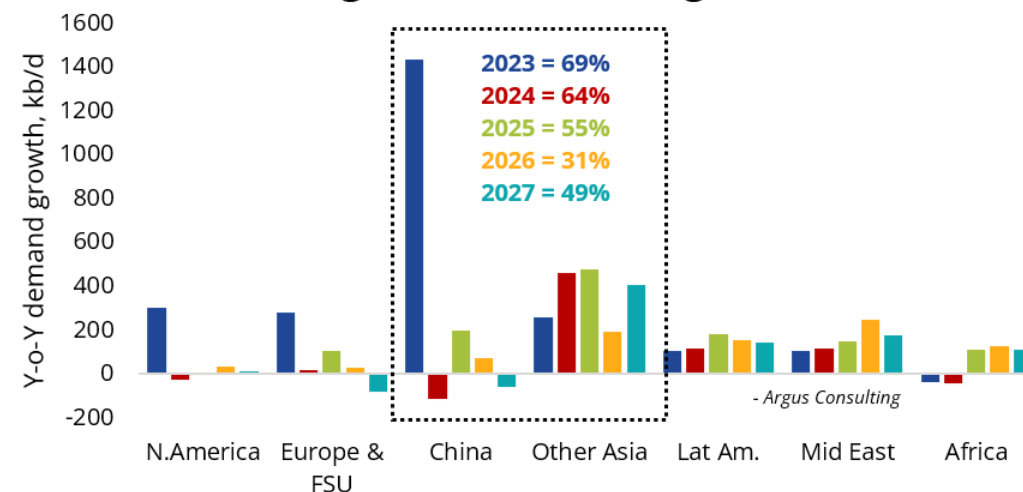
## Asia is the last big petroleum short

- Argus Media, BP, Energy Institute, IEA

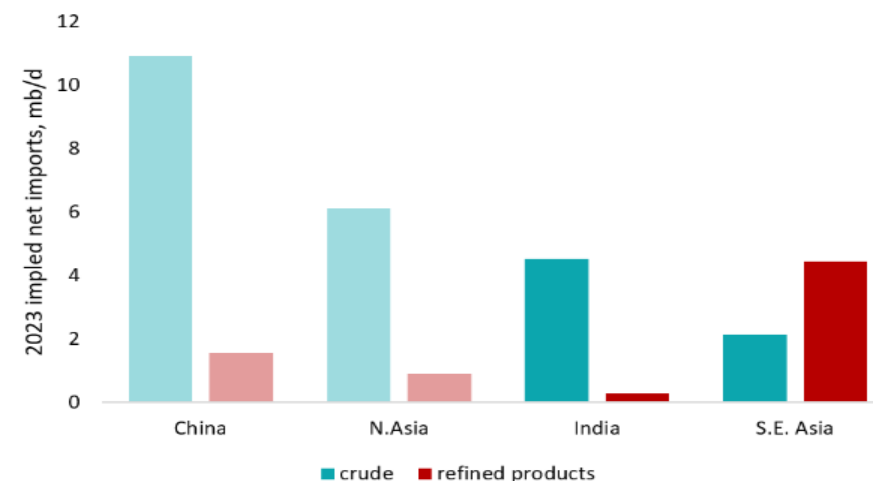


- India & SE Asia combined will gradually take the oil demand growth baton from China.

## Regional oil demand growth



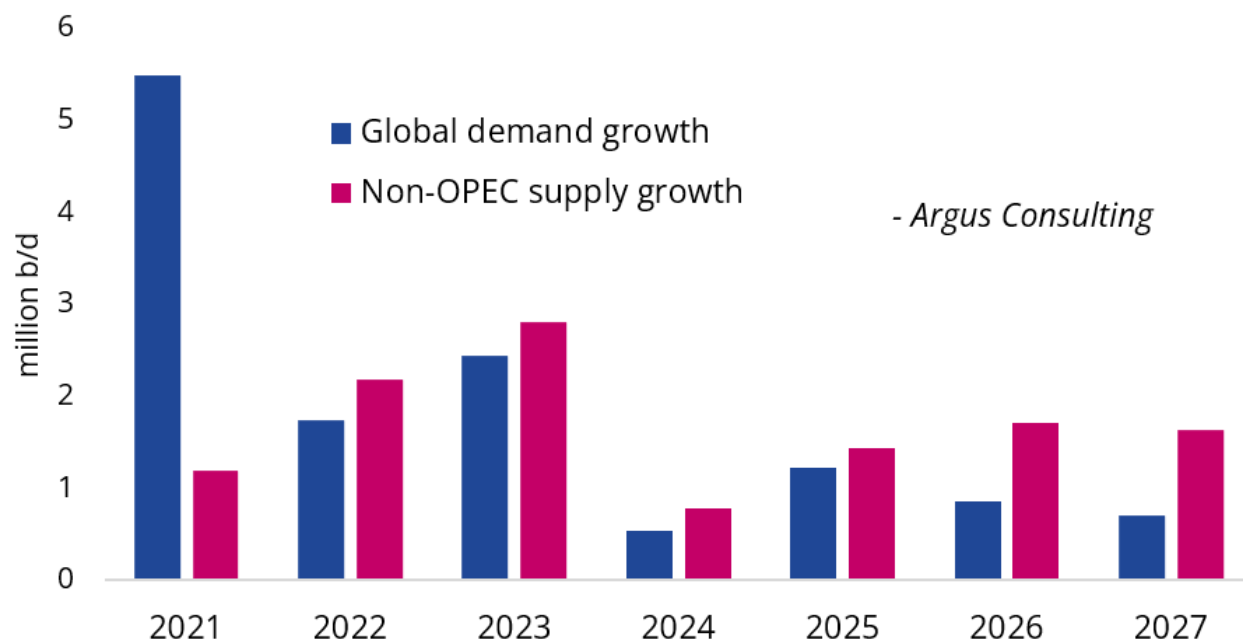
## Asia demand shifts, products trade gains prominence



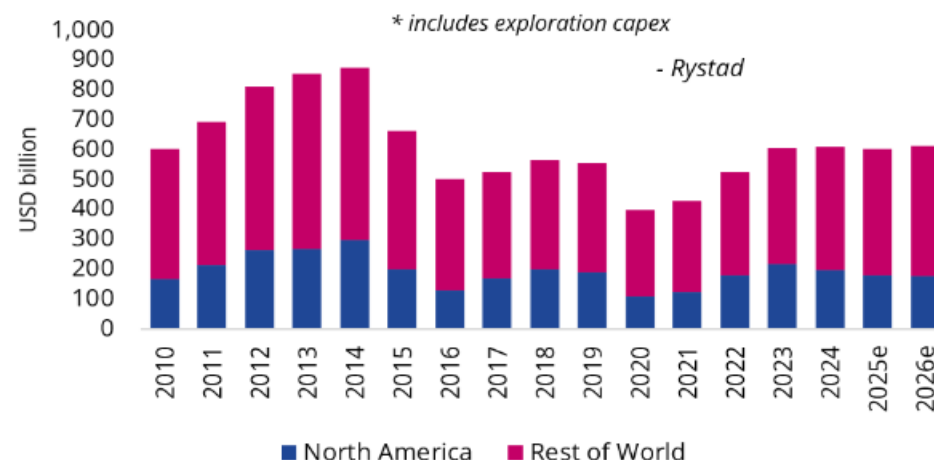


# Diversified non-OPEC growth outstrips incremental demand

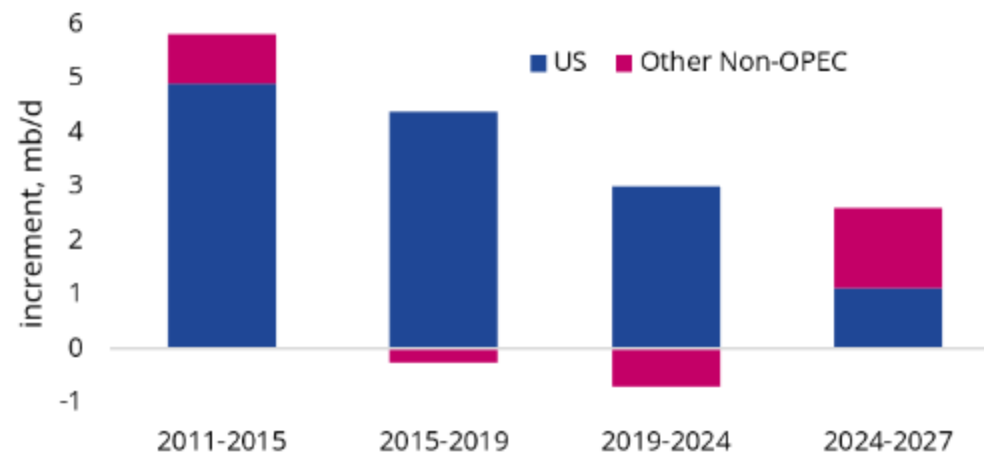
## Non-OPEC gains exceed demand growth



## Upstream oil & gas capex\*

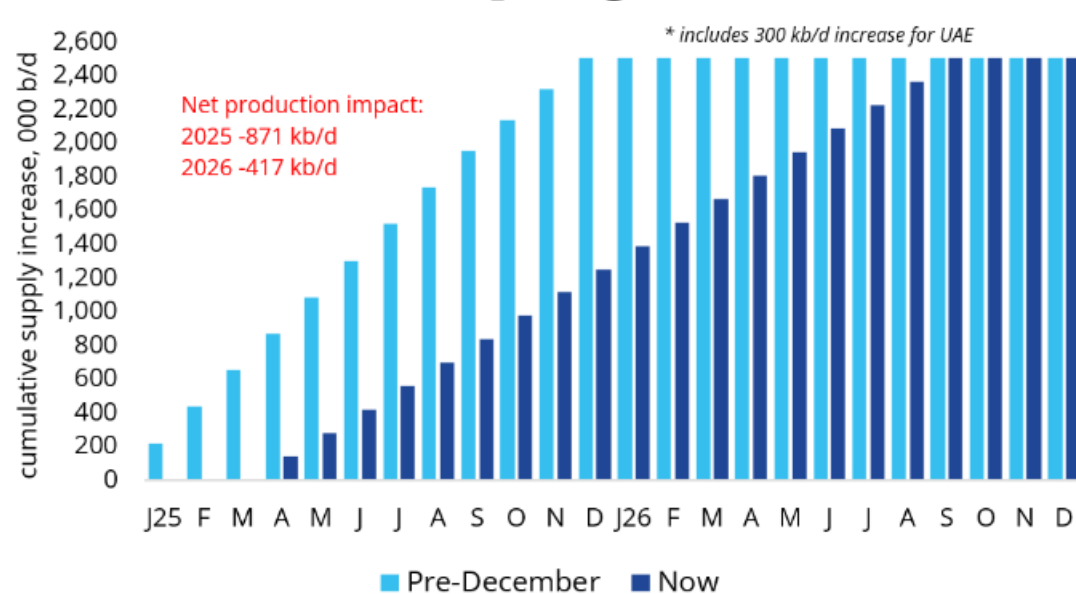


## Non-OPEC growth now broader based

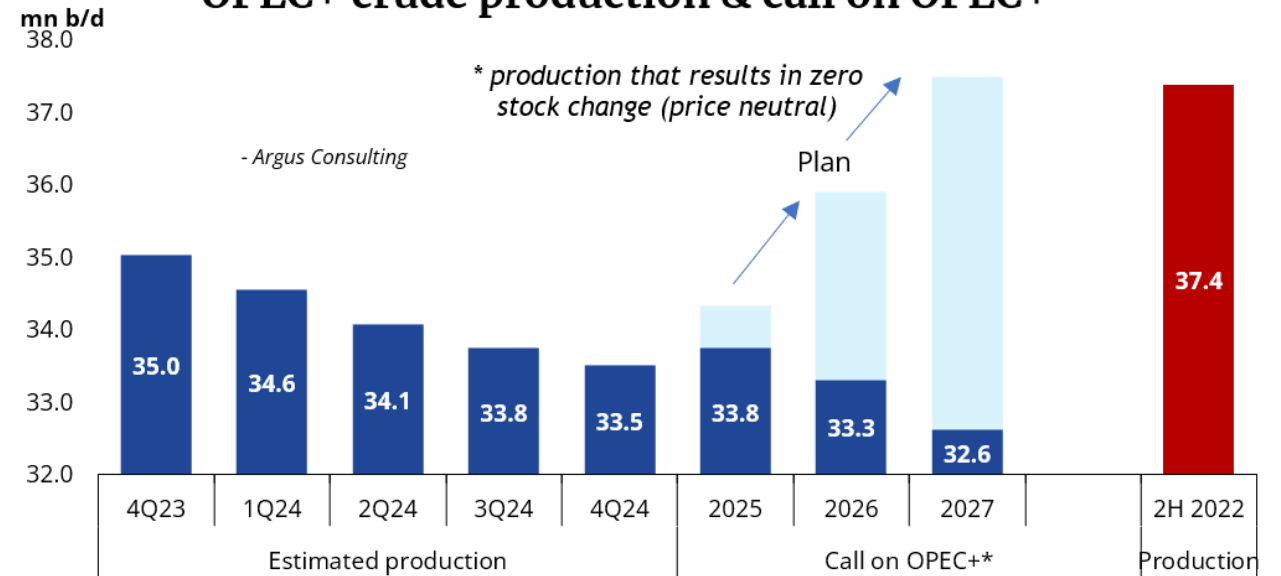


# Room for some extra OPEC+ barrels in 2025 but not thereafter

## OPEC+ stretches tapering of cuts into 2026

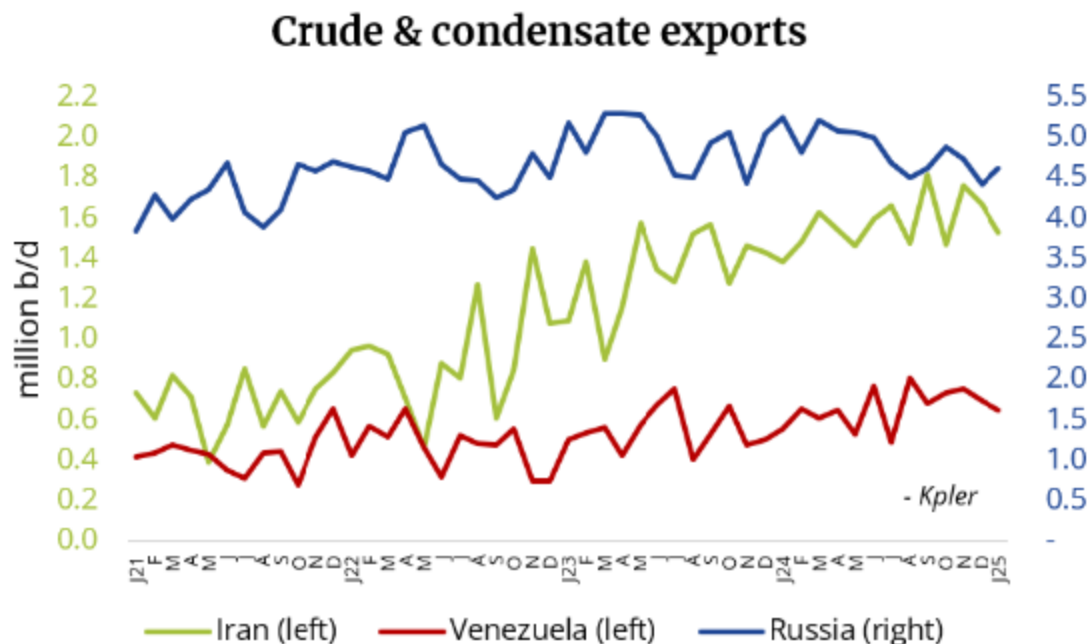


## OPEC+ crude production & call on OPEC+\*

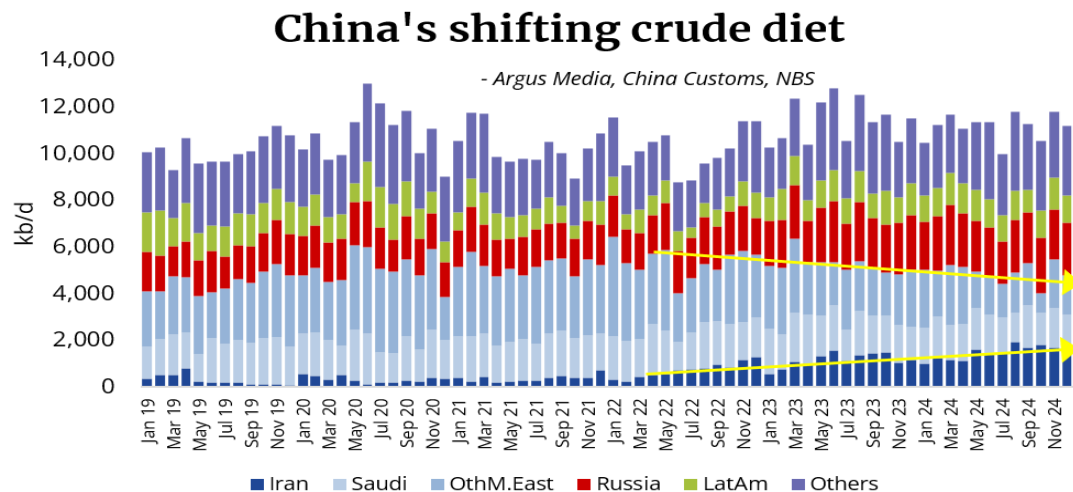


- December OPEC+ deal removed 0.9 mb/d from 2025 market...
- ...but tapering reversal needed in 2026 & 2027 to avoid surplus.
- All this as Middle East producers lost Asian market share to Russia during 2022-2024.
- Sustained OPEC+ cohesion will be key to re-enforcing a \$70 price floor.

# Trump sanctions policy: *an unintended safety valve for OPEC+?*



- Tighter Iran sanctions could allow space in the market for OPEC+ to taper supply cuts.
- Easing Russian sanctions potentially diverts some cheap Russian crude from Asia back into Europe.



### Russian crude gains Asian market share

- Argus Media, Refinitiv, Vortexa

\* Saudia Arabia, Kuwait, Iraq, UAE, Qatar

crude imports, mb/d

India Jan-Dec'22    India Jan-Dec'23    India Jan-Dec'24    China Jan-Dec'22    China Jan-Dec'23    China Jan-Dec'24

■ Middle East\*    ■ Russia