

ARGUS OIL AND FUTURE FUELS FORUM 2025

Tariffs, tapering & transitions: 2025 oil market drivers

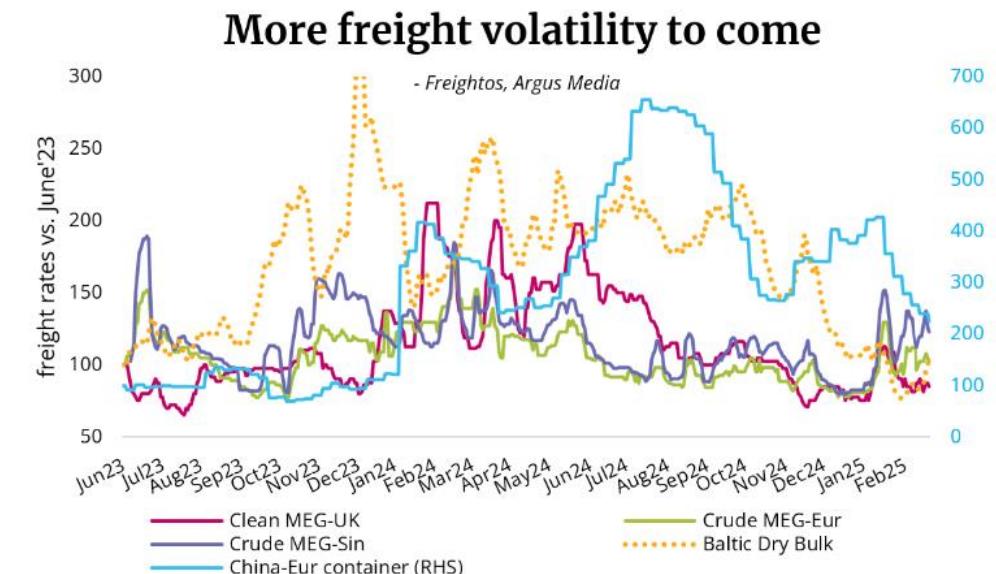
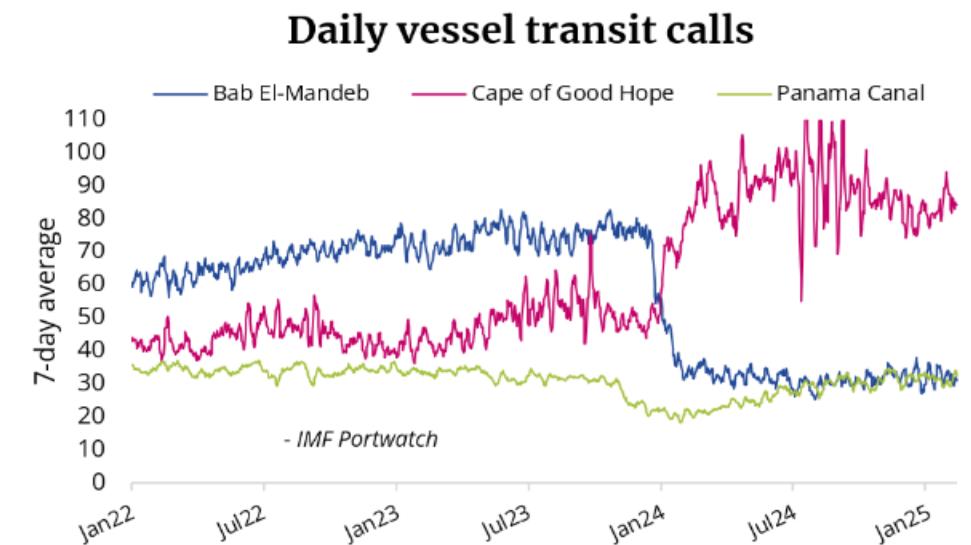
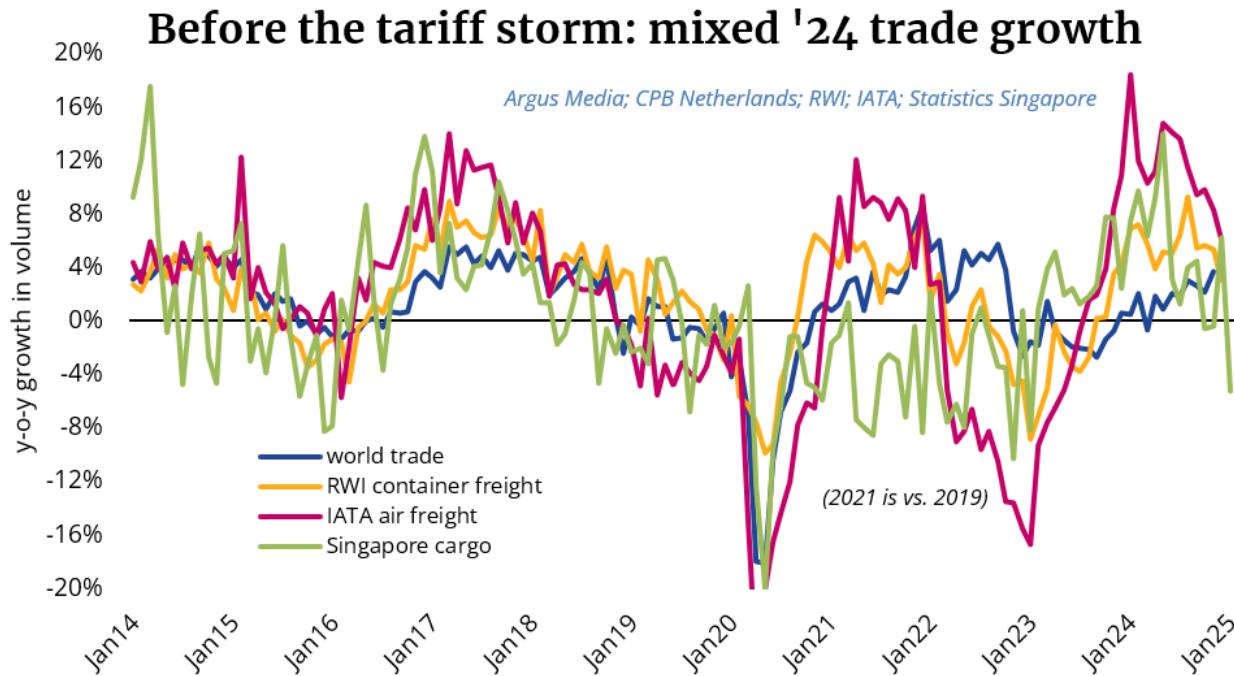
I Speaker



David Fyfe

Chief Economist
Argus

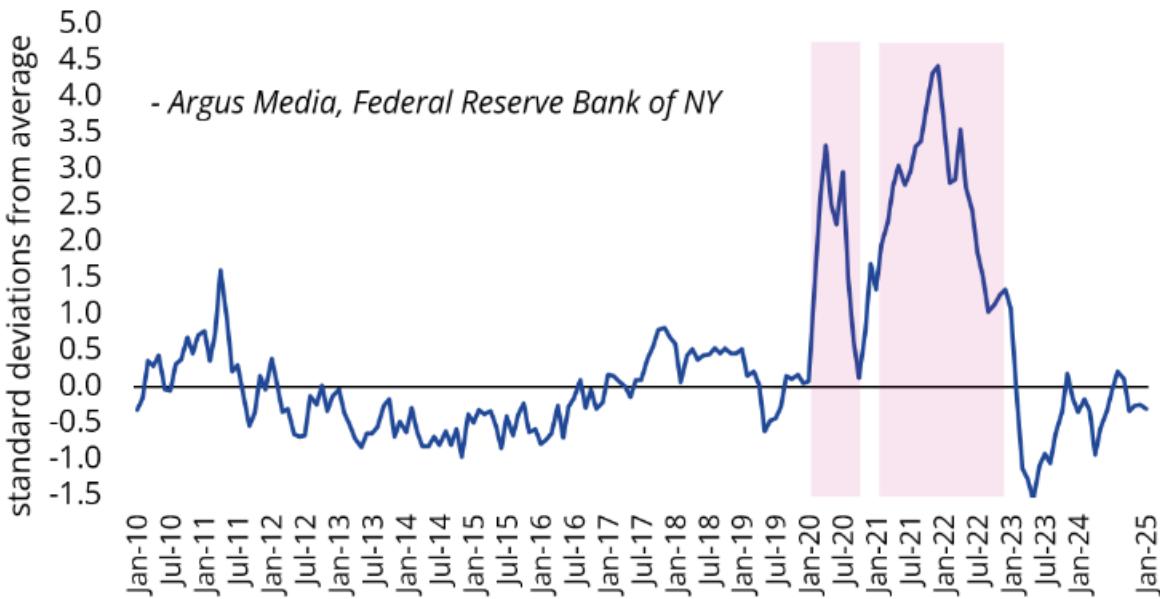
Global trade buffeted by conflict & supply chain disruptions



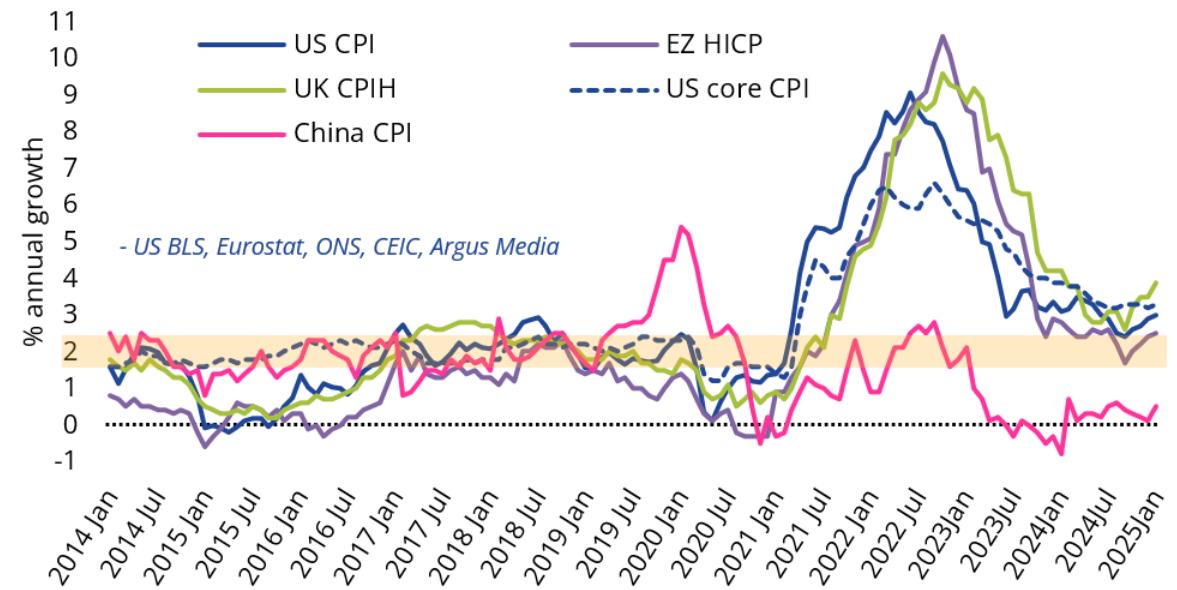
- Pandemic, conflict & drought stretched global supply chains during 2020-2024.
- Early-2024 oil freight rates (& bunker demand) spiked, then subsided, but spiked again after Biden Russia sanctions.
- Peace in Middle East/Ukraine could ease freight volatility, but tariff policy could worsen it.

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

Global supply chain pressures moderate...for now



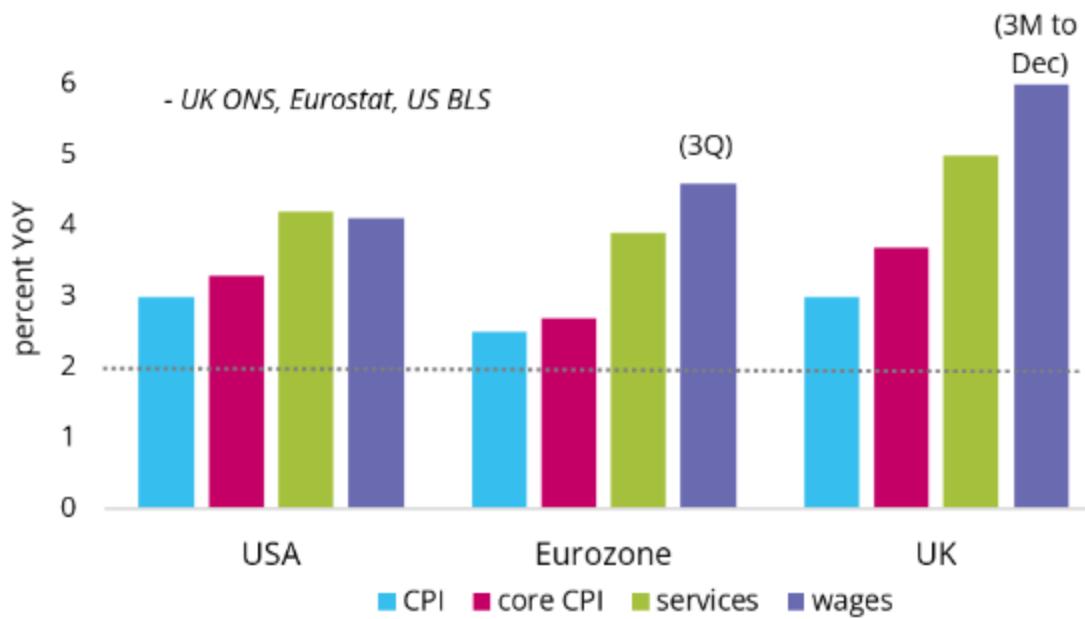
Consumer price inflation



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

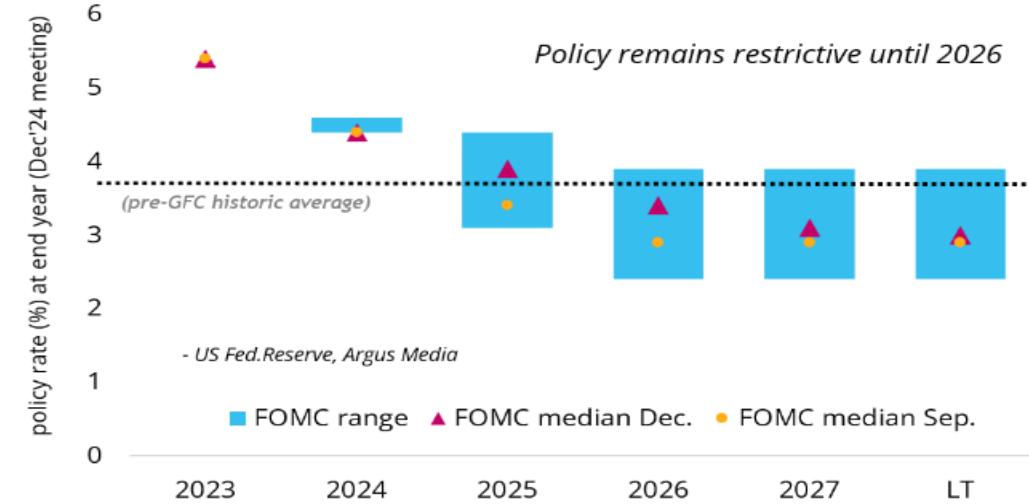
Atlantic Basin inflation remains “sticky” & US Fed. cautious

January inflation dissected

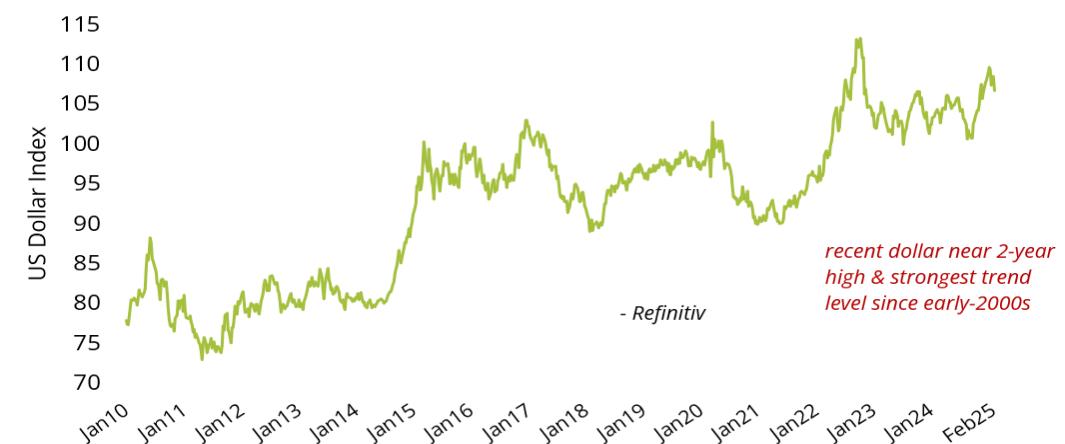


- Given potential macro & interest rate divergence, USD likely to remain strong in the short-term.
- Potential headwind for emerging market demand.

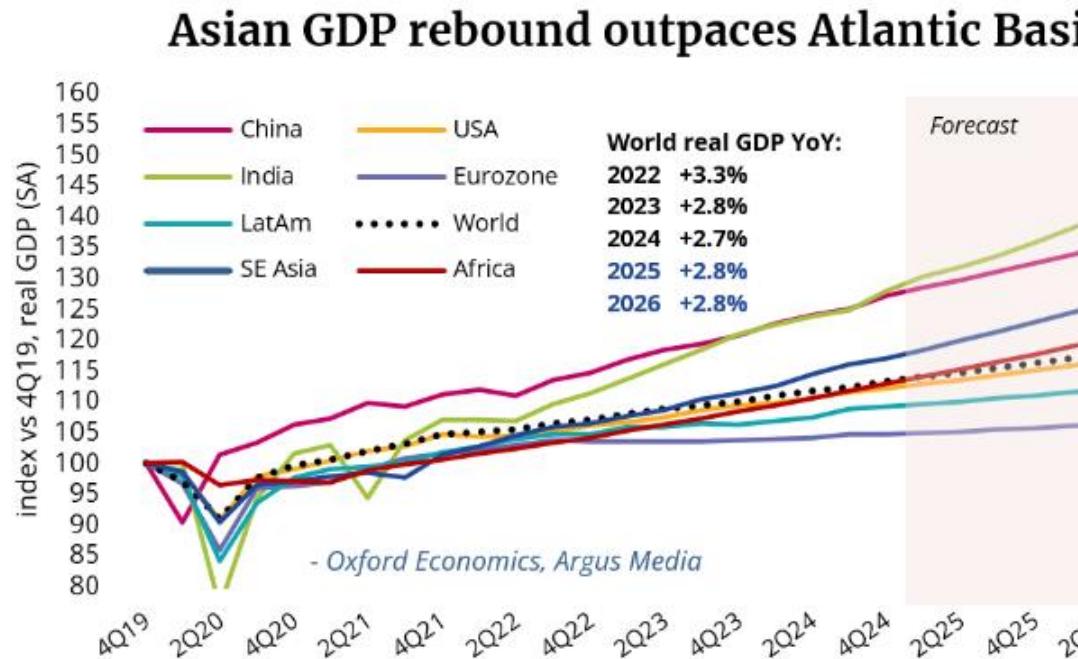
US Fed. FOMC rate expectations



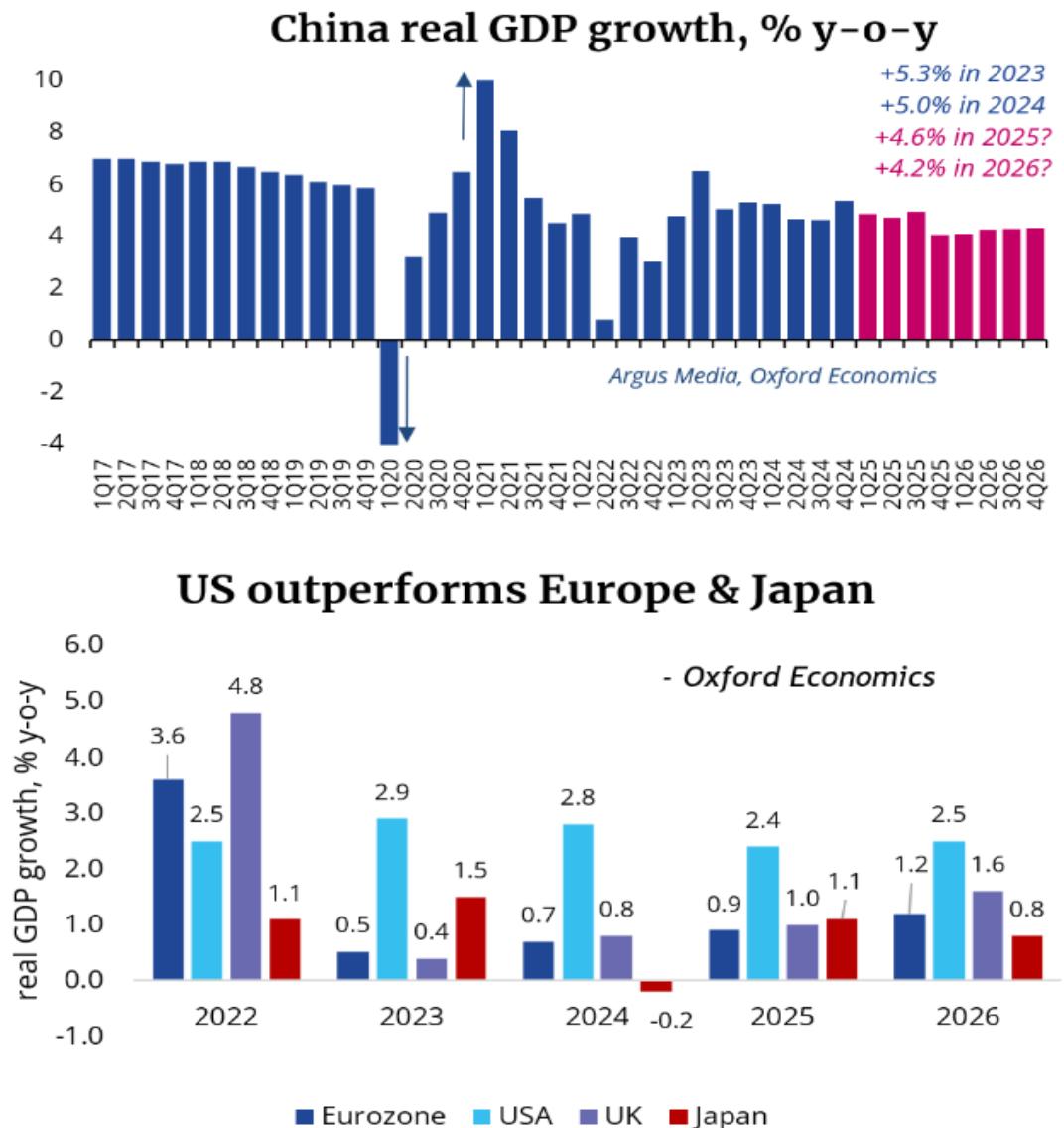
"Trump trade" has boosted USD



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



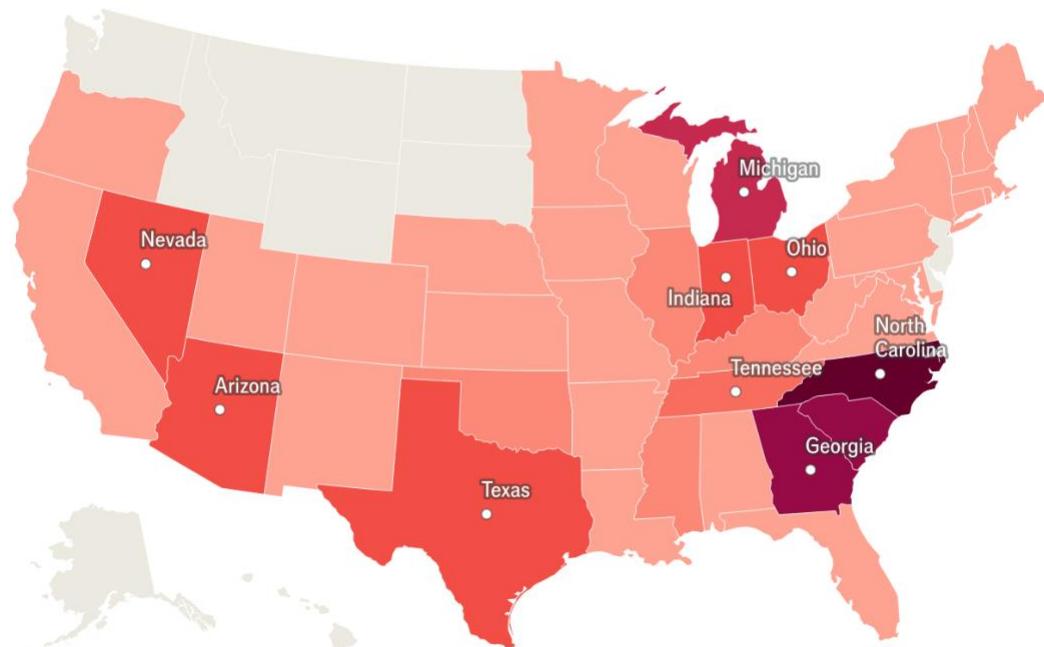
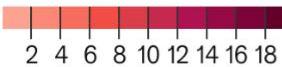
- The Asia-Pacific region will continue to drive economic & commodity demand growth.
- Base Case hinges on two critical assumptions:
 - No deflationary spiral in China*
 - Trump policy agenda less radical than outlined on campaign trail*



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

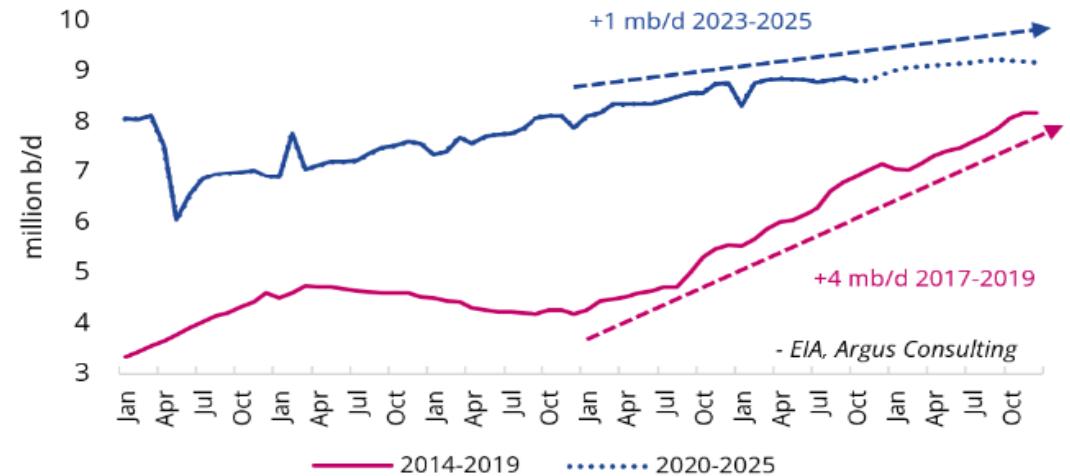
Republican states & districts attract heavy IRA clean energy investment

Totals announced by state; US\$ bn

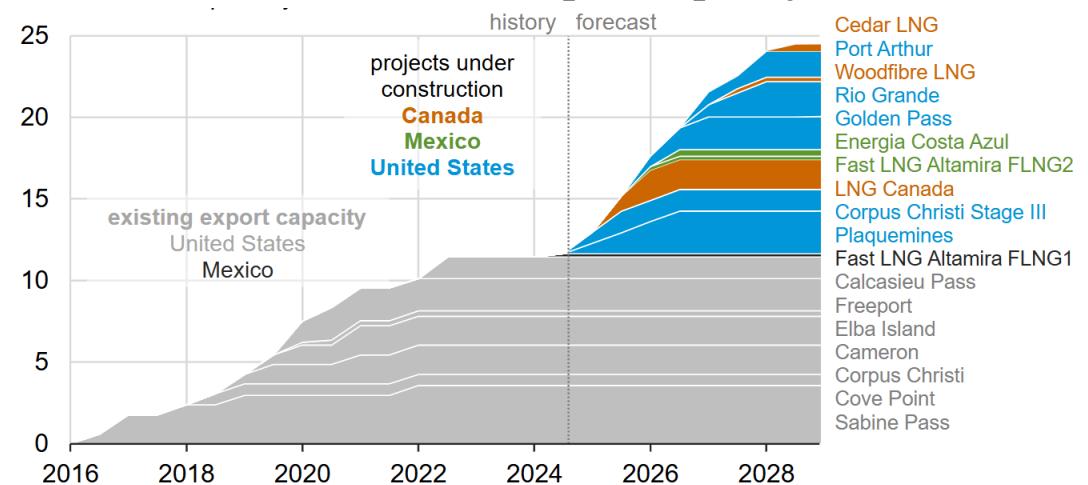


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A new normal for US shale oil growth

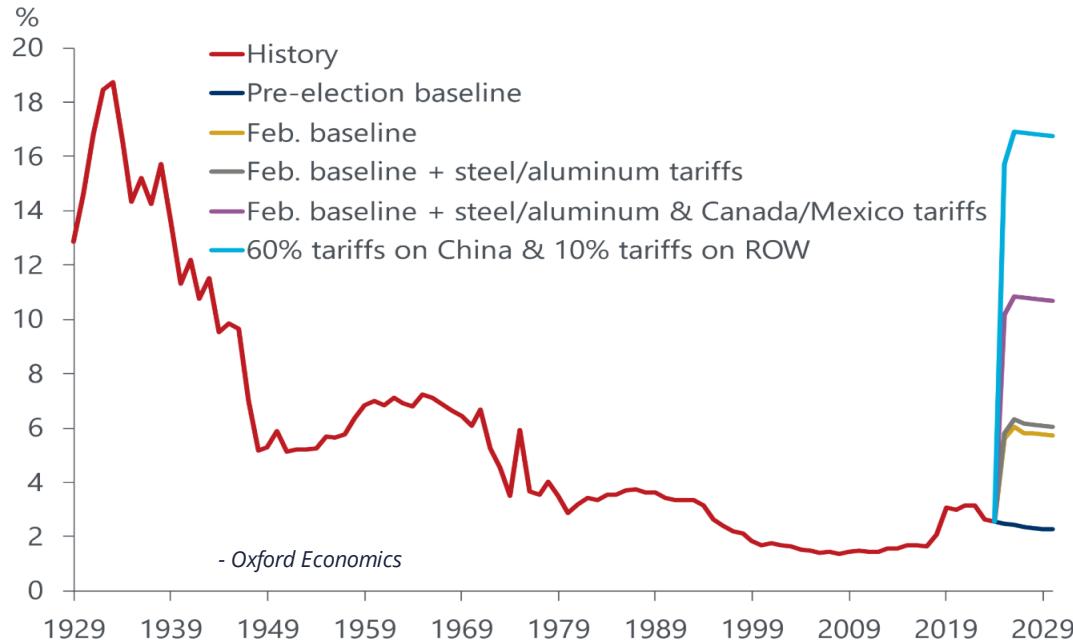


North America LNG export capacity (EIA)

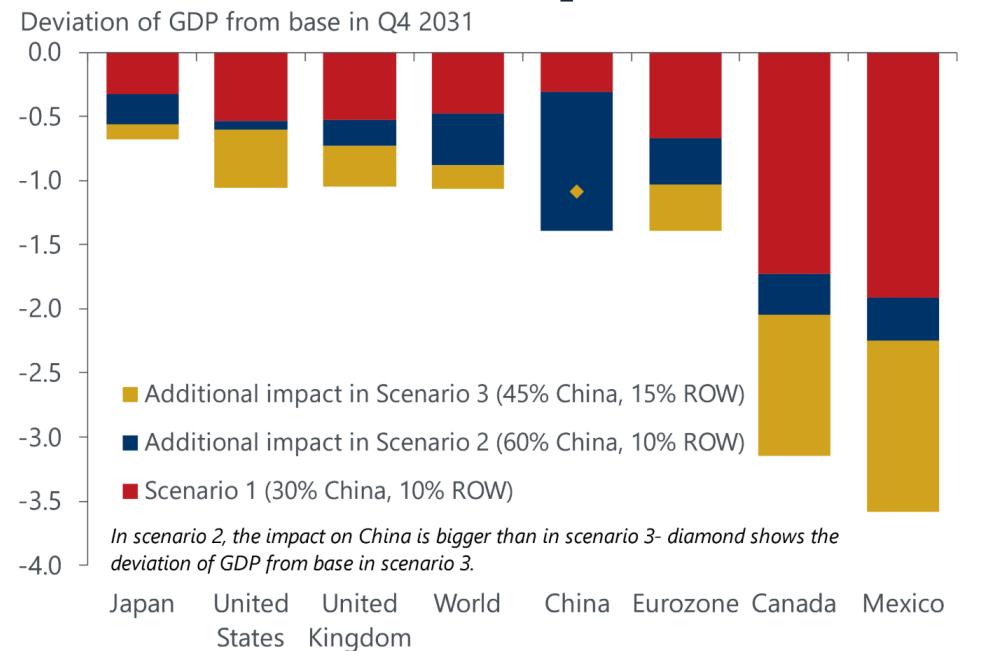


The two elephants in the room – trade & immigration policy

US effective import tariff rate



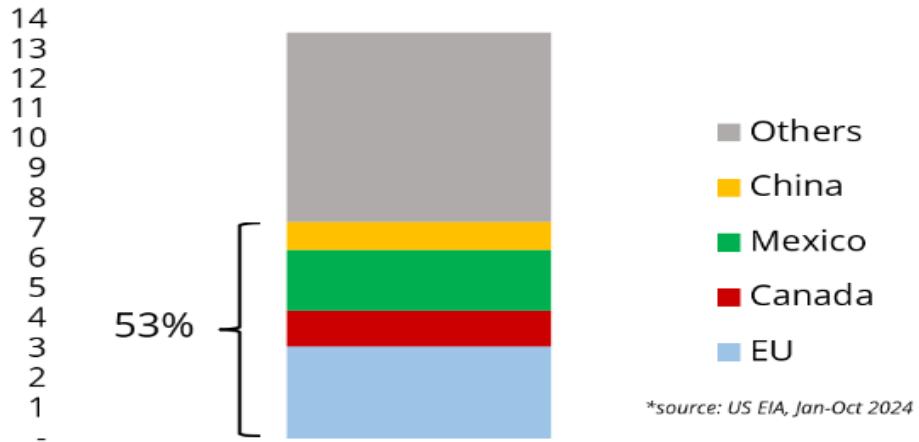
Cumulative GDP impact of blanket tariffs



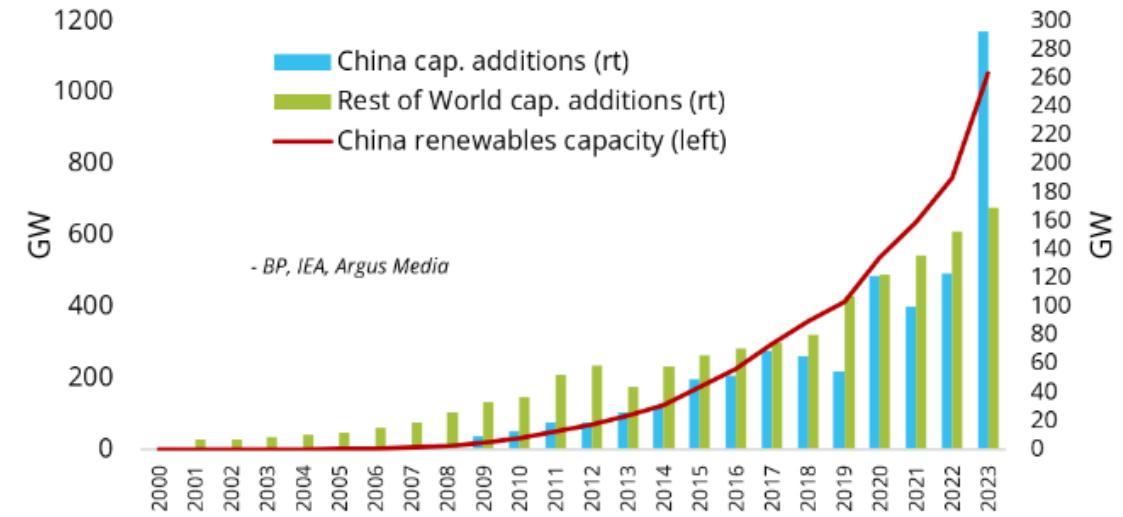
- Tariffs raise government revenue but also heap costs onto the consumer.
- Earlier-than-expected tariffs to drag on 25/26 GDP growth, with tax cut offsets thereafter.
- Inflation, rate hikes & resurgent USD not part of Trump's plan, but policies are ultimately inflationary & will depress growth overall.
- 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

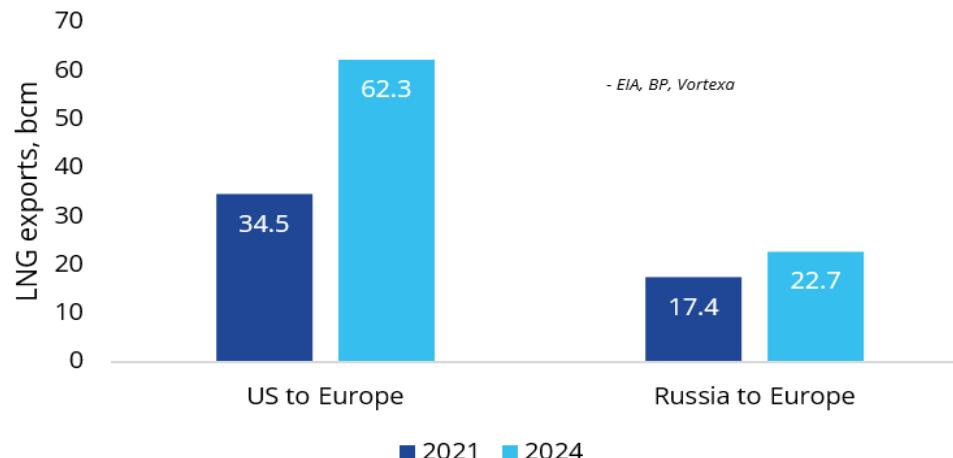
US oil & gas exports 2024*, mb/d o.e.



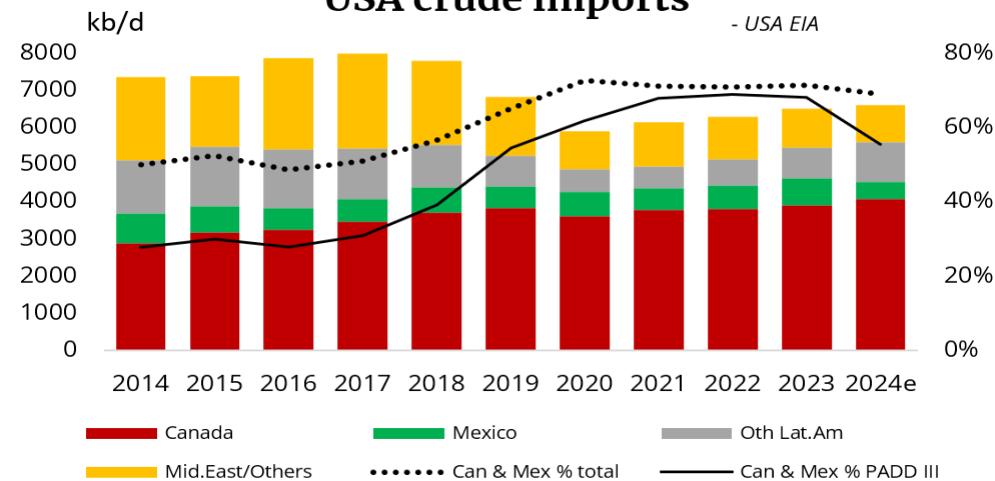
China renewables additions & capacity



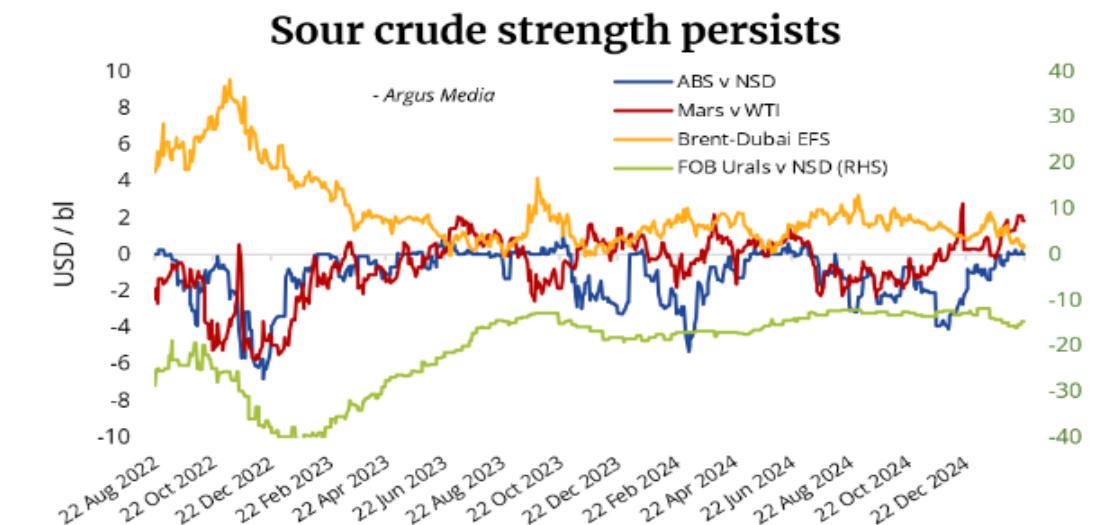
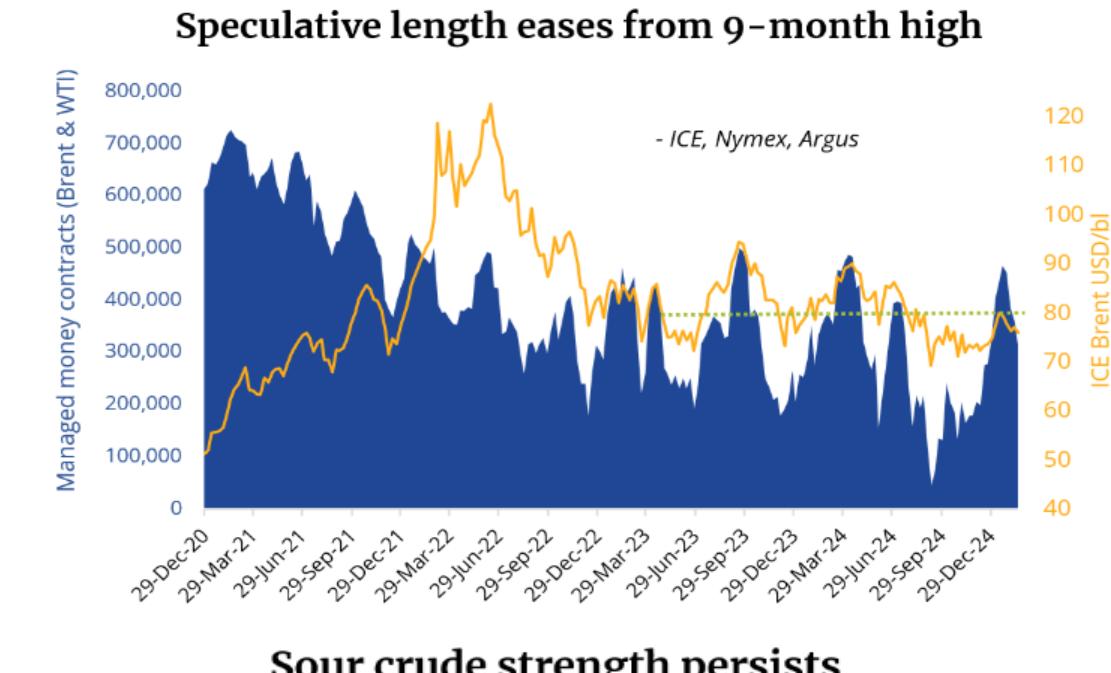
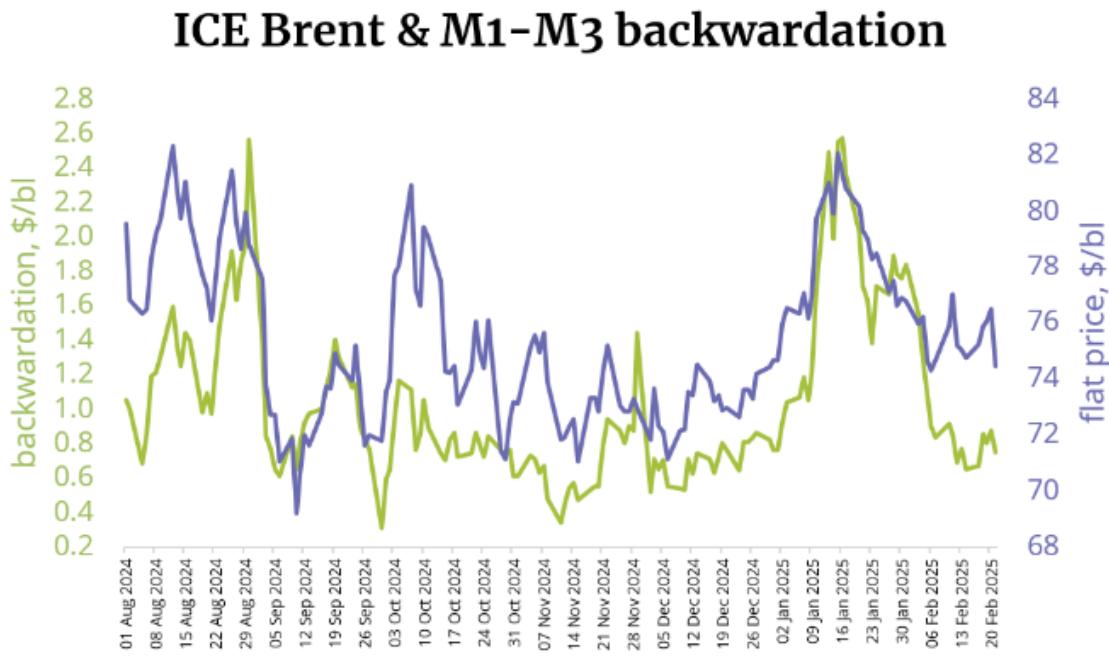
Might Trump trade tariffs for LNG?



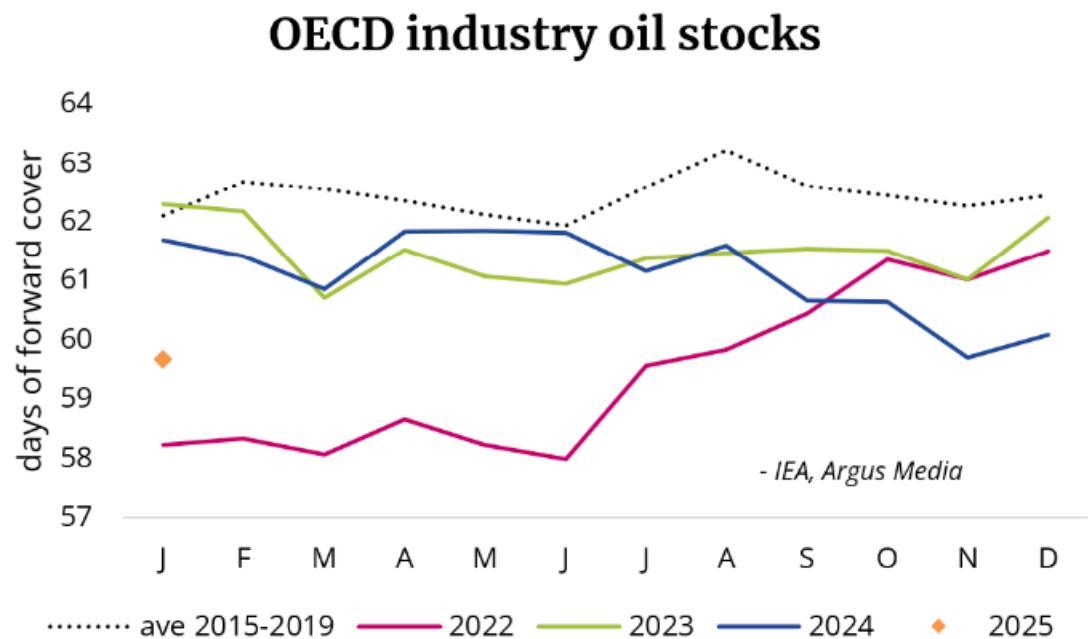
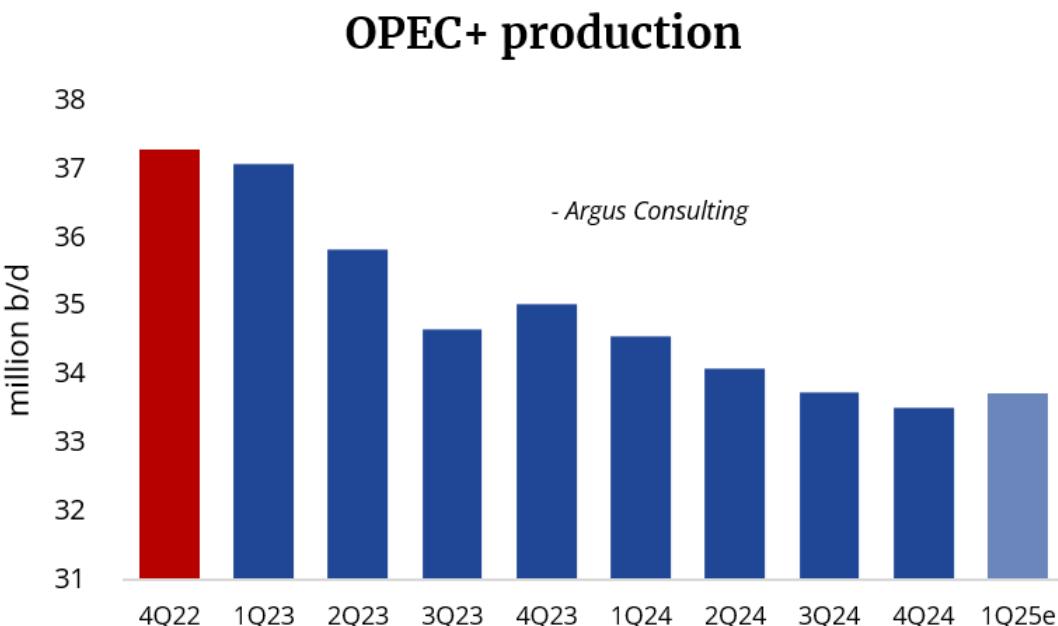
USA crude imports



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



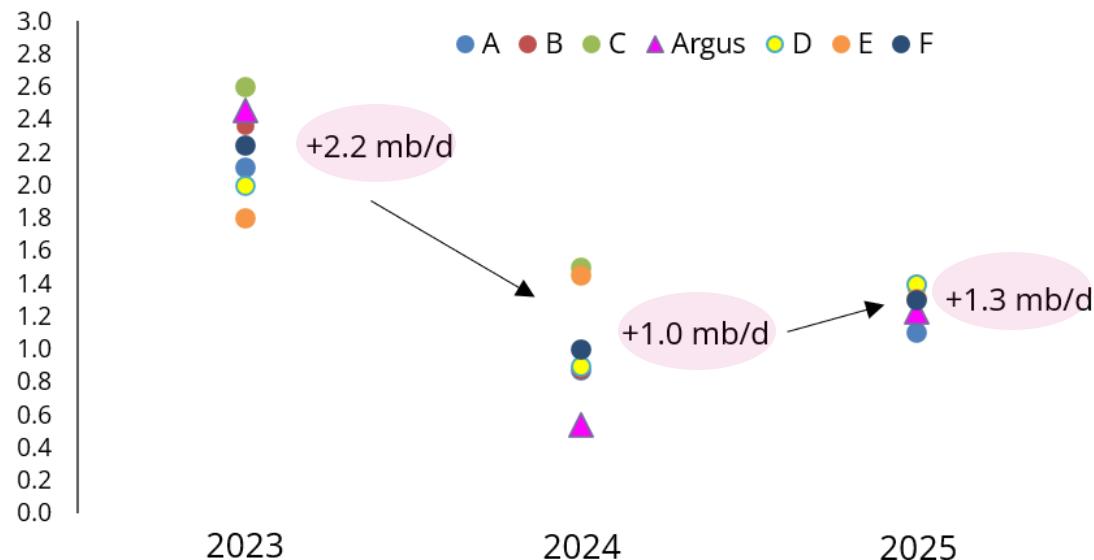
OPEC+ restraint sustained backwardation & curbed stocks



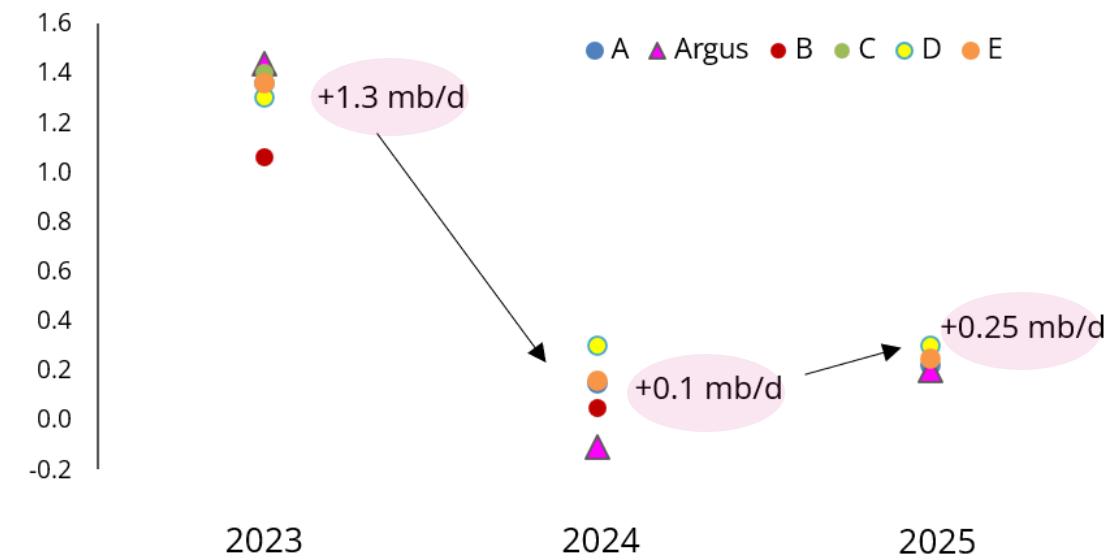
- 5.8 mb/d of potential OPEC+ production is shut-in

| Oil demand upside limited by anemic macro & EV penetration

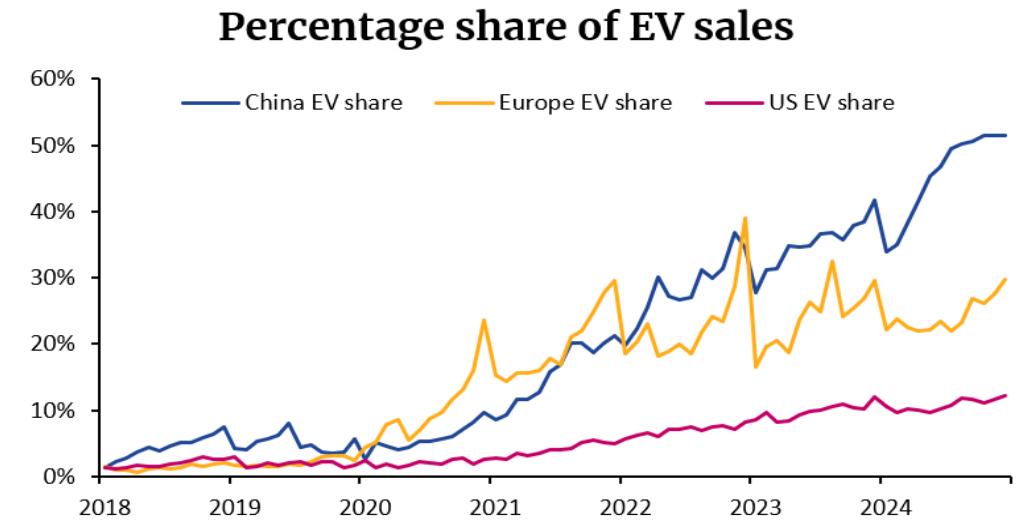
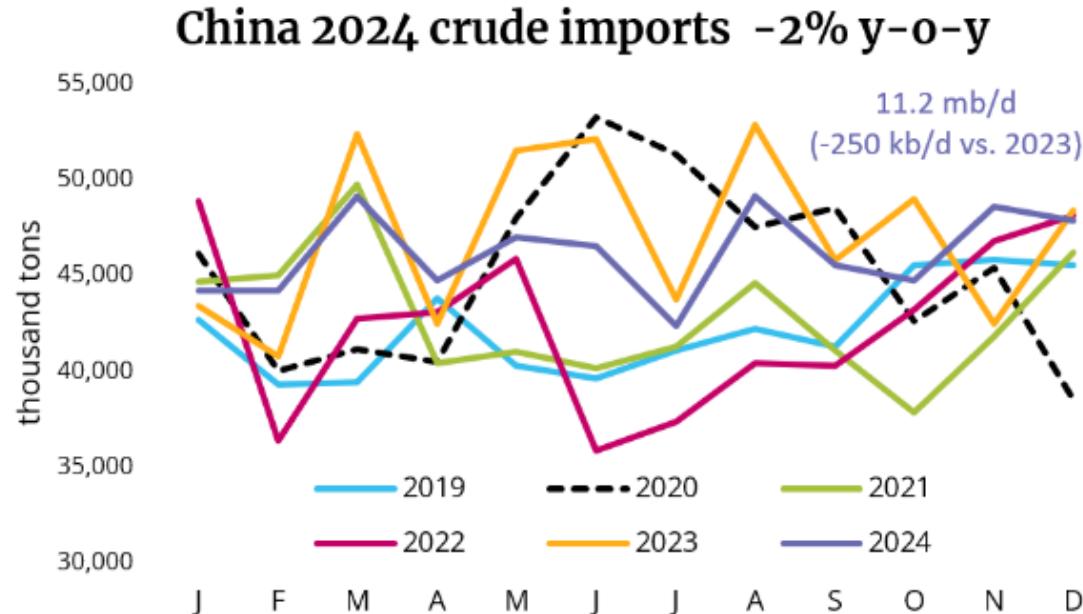
Forecast World demand growth Feb'25



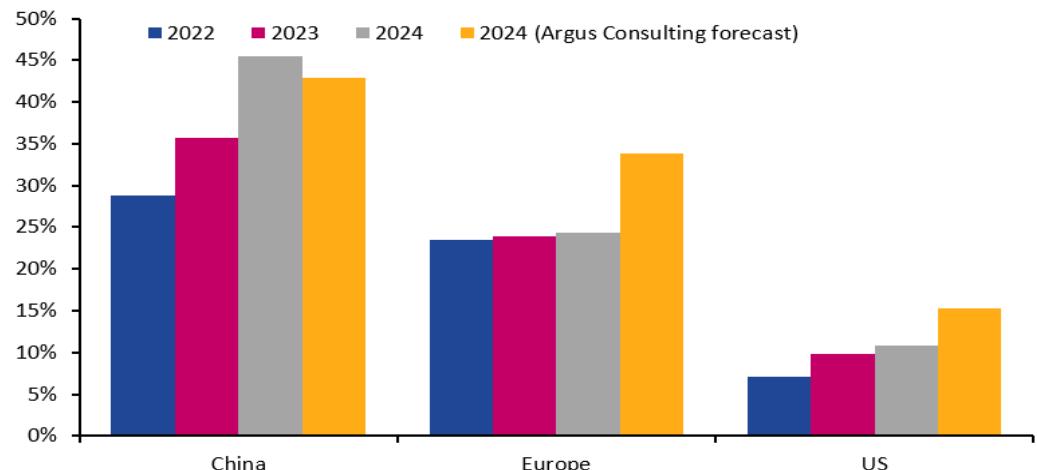
Forecast China demand growth Feb'25



Chinese 2024 demand fell due to gasoline & diesel



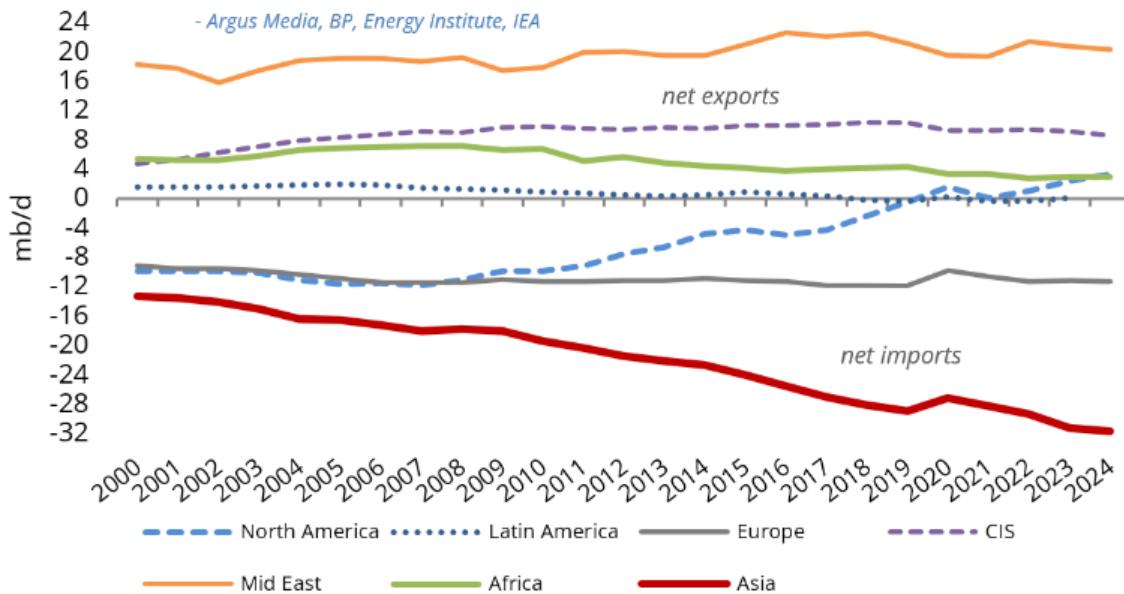
EV new car sales penetration



- 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?

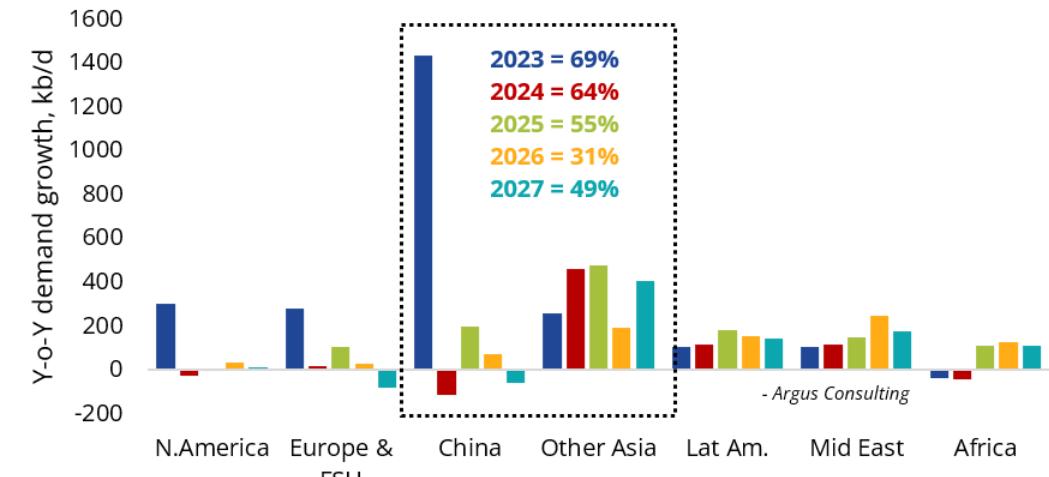
Oil demand & import growth nonetheless to stay Asia - centric

Asia is the last big petroleum short

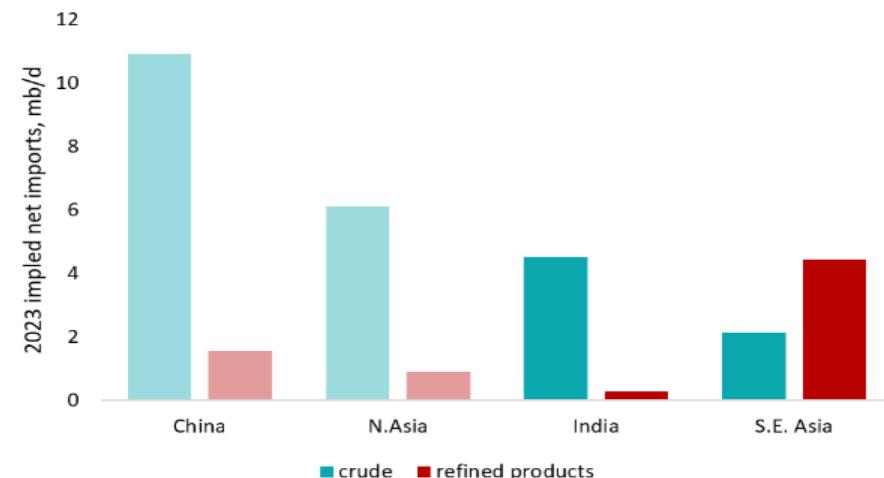


- India & SE Asia combined will gradually take the oil demand growth baton from China.

Regional oil demand growth

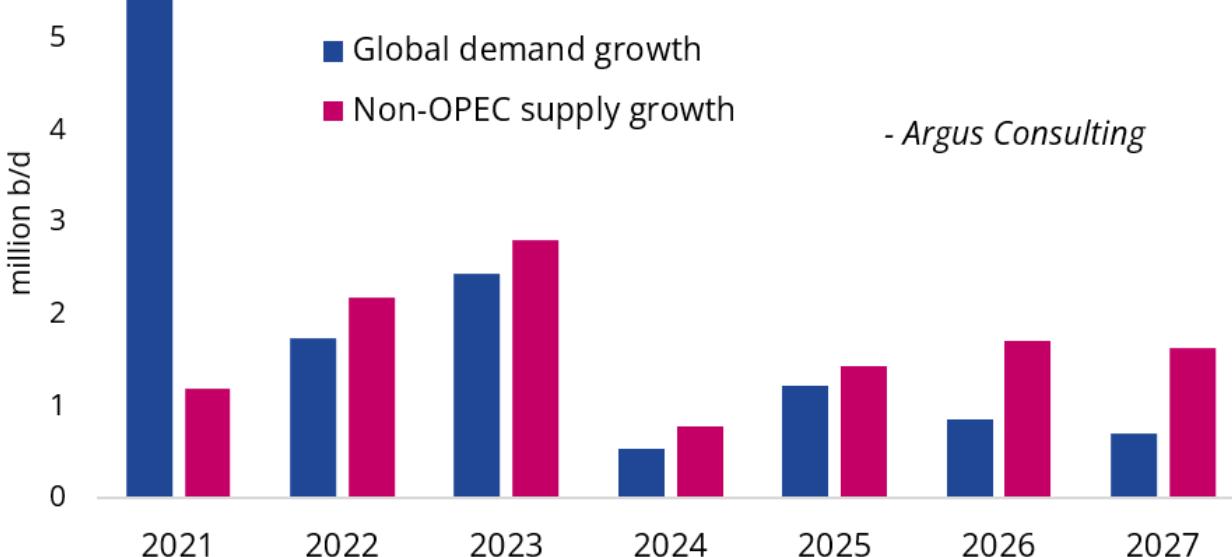


Asia demand shifts, products trade gains prominence



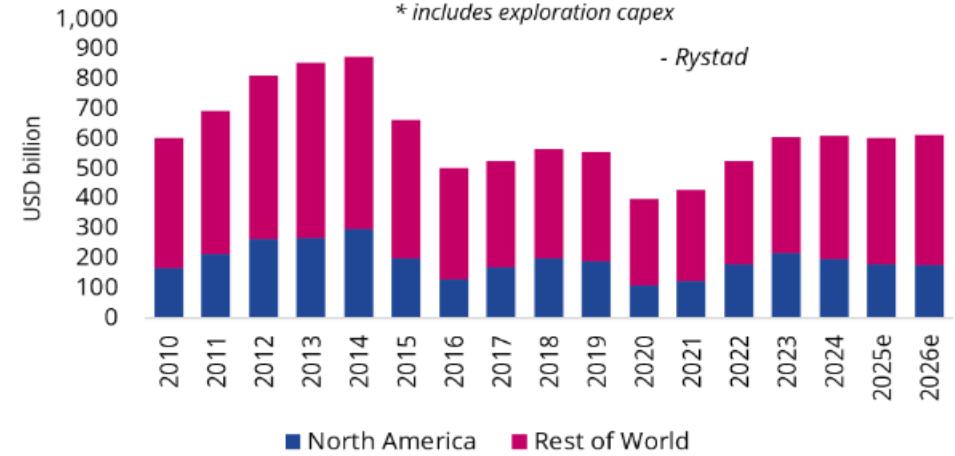
Diversified non-OPEC growth outstrips incremental demand

Non-OPEC gains exceed demand growth



- Argus Consulting

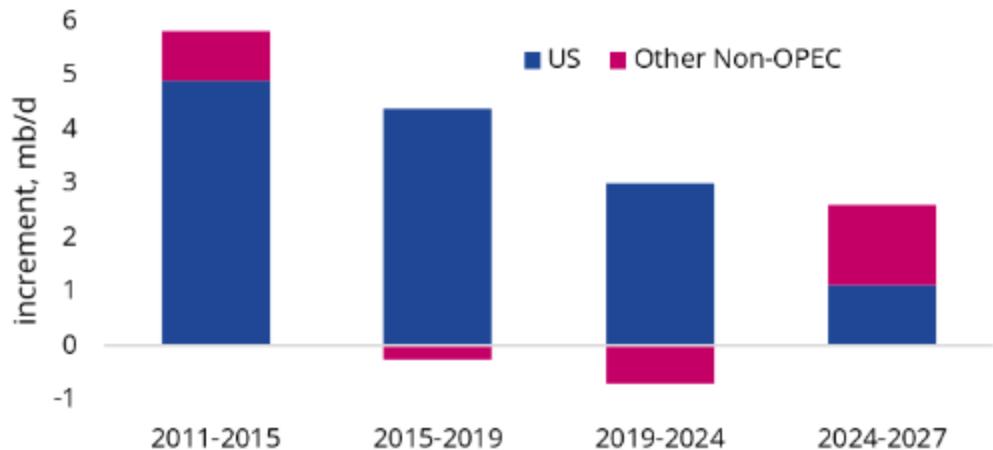
Upstream oil & gas capex*



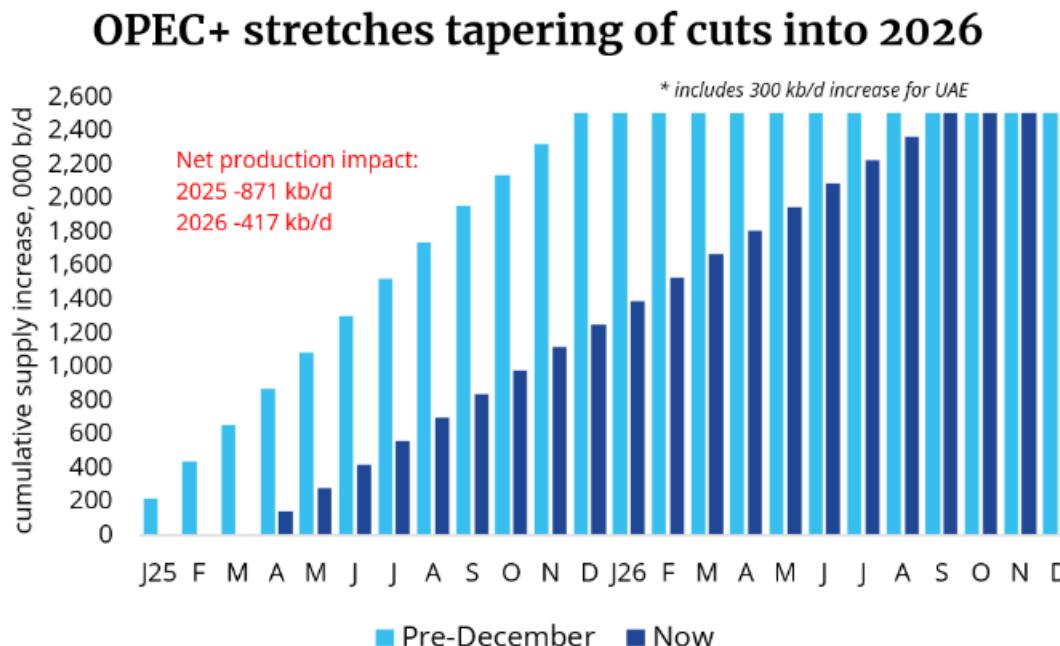
* includes exploration capex

- Rystad

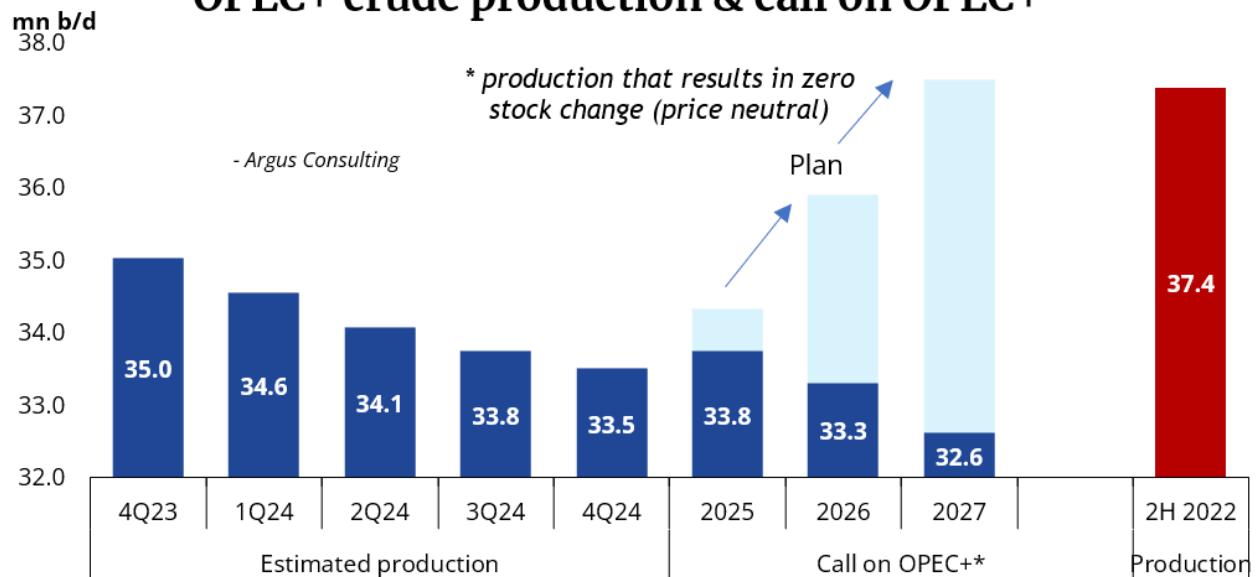
Non-OPEC growth now broader based



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

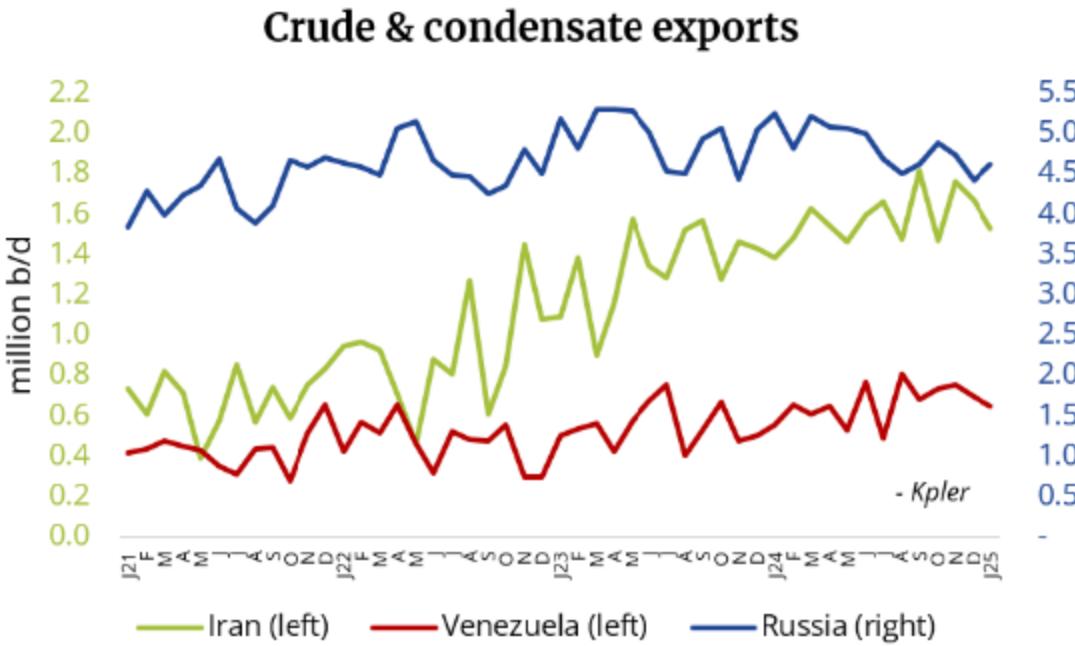


OPEC+ crude production & call on OPEC+*

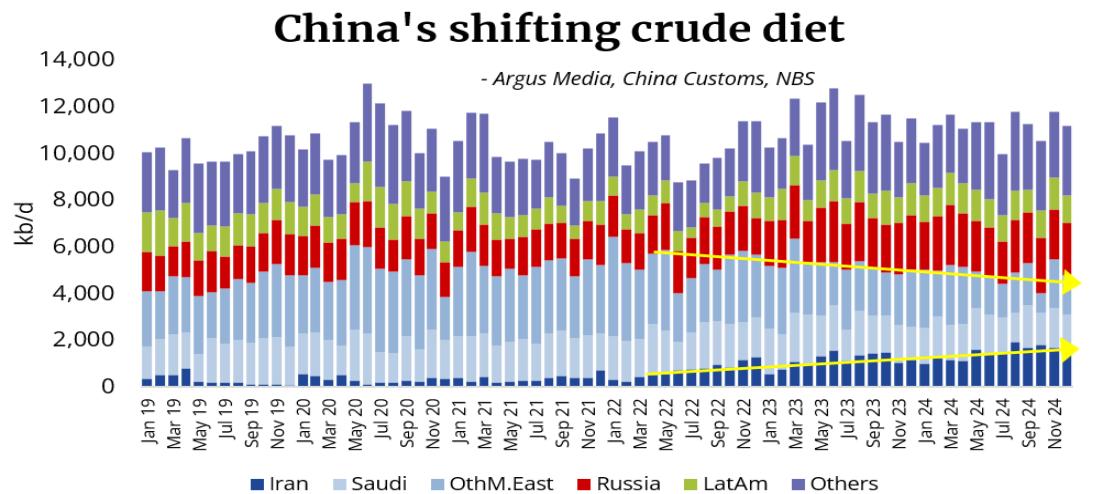


- December OPEC+ deal removed 0.9 mb/d from 2025 market...
- ...but tapering reversal needed in 2026 & 2027 to avoid surplus.
- All this as Middle East producers lost Asian market share to Russia during 2022-2024.
- Sustained OPEC+ cohesion will be key to re-enforcing a \$70 price floor.

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

