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Argus LPG Outlook



The quarter ahead

LPG prices rose on an outright basis but poor LPG fundamentals kept prices weak relative to naphtha against seasonal trends.

Chinese demand has struggled with high prices due to the import tariff on US LPG. Petrochemical producers have found themselves squeezed between weak downstream prices and rising feedstock costs, causing consumption to suffer.

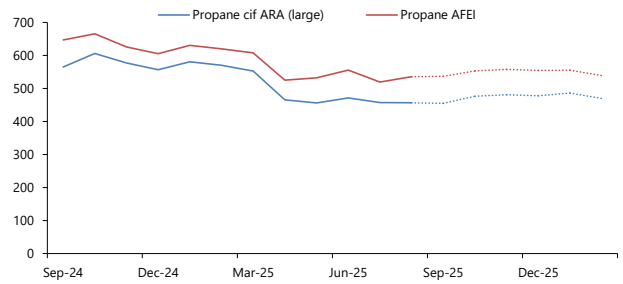
US production remains strong but a lack of demand is causing large amounts of product to enter storage. Despite the opening of the Nederland terminal expansion, exports have yet to increase, possibly due to a lack of demand for LPG and low utilisation at the newly opened expansion. Exports will ramp up in the coming months.

Inventories are firm globally and continue to build. Prices typically rise in September as buyers begin to build inventory ahead of winter, but the already sizeable stores should prevent prices rising too sharply this year.

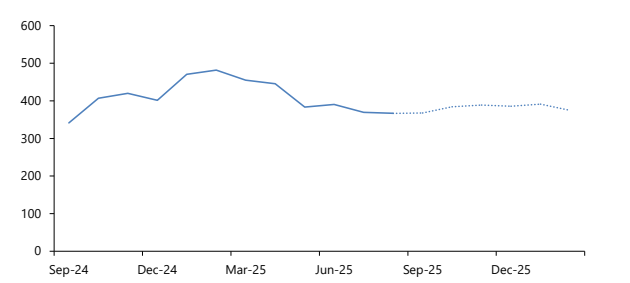
The Saudi contract price (CP) was once again at a weak level after shedding its premium to the Argus Far East Index (AFEI) in August. Term contract negotiations and protecting markets such as India from being poached by US exporters are likely to be the reasons for this.

European prices are tied to the US more than ever. US product made up 58pc of Europe's imports. Freight rates are expected to remain steady and so we expect Europe to continue to follow the movements in the US market.

Propane cif ARA, propane AFEI — $/t



Propane Mont Belvieu (EPC) — $/t



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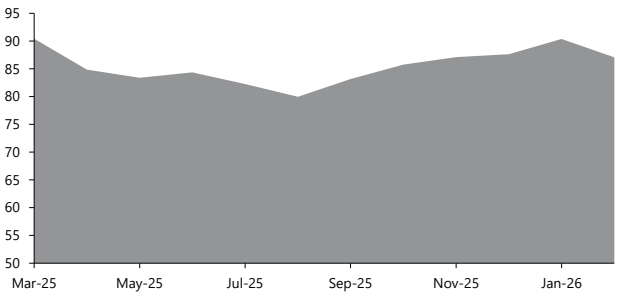
Forecast prices									$/t
	Sep 25	Oct 25	Nov 25	3Q25	4Q25	1Q26	2025	2026	2027
Propane cif ARA (large)	461	465	466	453	464	457	487	464	510
Butane cif ARA (large)	475	485	483	468	483	477	503	474	505
Propane Mt Belvieu EPC	373	380	381	364	380	370	405	378	440
Butane Mt Belvieu EPC	406	402	395	390	396	373	416	382	443
USGC propane export	410	414	415	399	414	403	434	410	469
Propane Conway	372	374	376	357	374	352	390	366	430
Propane Edmonton	314	324	326	288	326	248	308	280	347
Mixed butane Edmonton	311	322	320	302	311	256	308	292	362
Propane AFEI	545	549	550	528	549	533	558	540	569
Butane AFEI	550	548	543	536	546	533	558	535	563
Propane ANI	600	607	610	581	608	591	605	600	632
Butane ANI	589	595	597	563	596	588	591	594	625
Daf Brest Propane	576	584	582	579	581	560	618	563	592
Propane Saudi CP	520	540	550	538	548	533	580	529	555
Butane Saudi CP	490	510	530	508	527	527	560	524	550
Propane Sonatrach SP	450	455	450	447	447	452	487	461	499
Butane Sonatrach SP	425	440	450	425	445	480	485	456	493
North Sea Dated ($/bl)	68	67	66	69	66	66	70	69	72
WTI ($/bl)	65	64	63	66	63	61	67	63	70
Naphtha cif NWE	561	553	546	559	545	537	574	564	599
Naphtha Japan C and F	585	580	573	583	573	565	597	586	622
Biopropane fca ARA	1385	1391	1389	1364	1392	1378	1417	1391	

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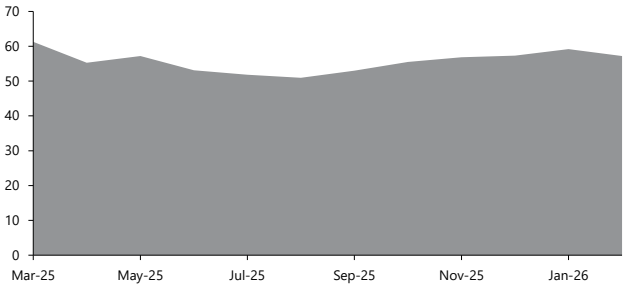
Petrochemical feedstock prices - August		$/t
	Price	±
Ethane fob Mt Belvieu (¢/USG)	21.14	-2.02
Naphtha cif NWE	559	+3
Naphtha c+f Japan	581	-1
Ice gasoil	669.40	-49

Crude prices - August		$/bl
	Price	±
North Sea Dated	68.24	-2.7
Ice Brent	67.26	-2.3
Louisiana Light Sweet	65.94	-3.9
Nymex WTI	64.02	-3.2
Dubai	69.43	-1.4

Propane cif ARA large as percentage of naphtha cif



Propane cif ARA large as percentage of North Sea Dated



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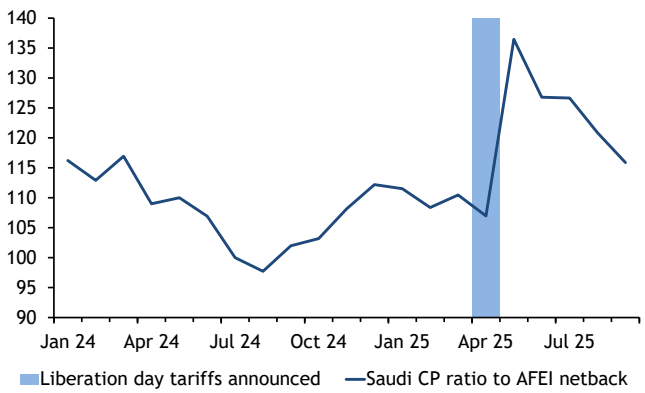
Outlook summary

- Weak demand in Asia is causing oversupply globally, as US exports struggle to find buyers
- Excess production is now in already bulging storage
- The supply overhang will ease as winter heating demand emerges, but it is unlikely to clear until next year

LPG markets continue to underperform seasonal expectations as prices struggle to climb out of the summer doldrums. Typically, August marks the annual turning point where market interest turns to stockbuilding ahead of winter heating season. Since 2021, the propane AFEI has averaged 94pc of naphtha in July but more than 99pc in August. In contrast, the 2025 propane AFEI went from 89.2pc to 89.5pc of naphtha over the same time period. This is the lowest propane/naphtha ratio and the smallest growth in the ratio in August since the Covid-19 pandemic. This lack of upward momentum stems largely from the lack of demand in the Asian market, as well as availability of ample US supplies.

After the deadline for the reduced US-China tariffs was pushed back, and the arbitrage reopened, Chinese buyers returned to buying US cargoes. But volumes are still deeply depressed compared with pre-tariff levels. In part, this is a re-routing of trade, but it also reflects the weak demand in the country. Prices for LPG are still very high because of a tight naphtha market driving up outright prices, and at the same time we have seen polypropylene prices coming off. This has caught PDH operators between a rock and a hard place as their already poor operating margins are squeezed from both sides. Despite this, propane remains completely uneconomical into flexible steam crackers.

Saudi CP against AFEI netback %



With market fundamentals turning bearish, sellers have turned to storage to handle excess supply. This has prevented prices from falling as the looming threat of winter heating demand maintains the value of these LPG inventories. Inventory building is already beginning to slow as the first signs of cooler weather emerge across the northern hemisphere. This should support the LPG market in the coming months, but there is significant downside risk. Storages are already very strong. US propane inventories are up by 5pc compared with the same time last year. If heating demand is slow to emerge, then this will put large amounts of pressure on these storage systems and push prices downwards as a result.

The Saudi CP is rolling over from August into September. Normally this would be fairly unremarkable, but it comes after a period of sustained high prices. August was the first month since January where the CP was not at a premium to the AFEI, and if you include freight costs, this streak goes back to 2024. This is interesting since prices normally rise over September, meaning that the CP will become very cheap by the end of the month.

A major reason for the continued weakness is the ongoing term contract negotiations, with Saudi Arabia lowering its prices to entice buyers to commit to larger volumes. It is also likely that the US exporters intruding on traditionally Middle East territory, such as India, have caused sellers to change strategy to prevent long-term customers from turning to other suppliers.

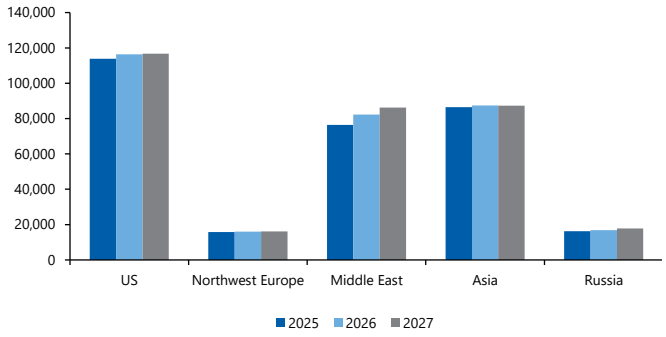
We expect prices to rise slightly in September as demand picks up ahead of winter heating season. But this bullish market will struggle to maintain strength as crude prices come under continued pressure from higher Opec production. In addition, the bearish underlying fundamentals in LPG will prevent prices from reaching their usual strength relative to naphtha. For these reasons, we expect prices to remain largely flat over the winter months before resuming a normal seasonal trend in 2026. The key unknown is how tariff and trade policy continues to develop. Our current assumption is that the status quo is maintained, but if tariffs are removed or increased again, then major disruptions should be expected to the upside and downside, depending on the region.

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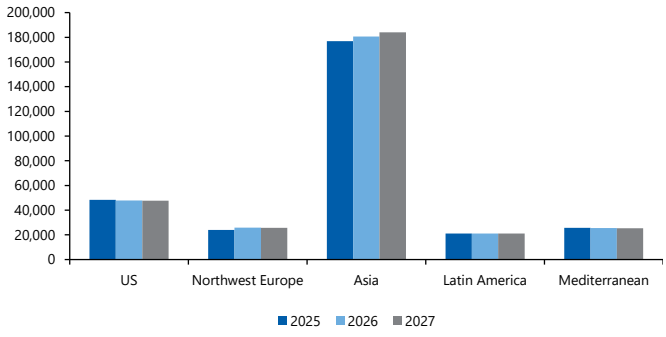
Global fundamentals								'000t
	2024	1Q25	2Q25	3Q25	4Q25	2025	2026	2027
LPG supply								
Gas processing	241,406	63,932	54,862	56,584	65,004	251,403	261,093	267,150
Refining	127,079	30,653	32,781	32,405	29,560	125,399	127,152	126,985
Total LPG supply	368,485	91,551	99,439	97,544	88,268	376,802	388,245	394,135
Capacity ('000 b/d)	99,970	100,146	99,652	99,983	99,989	99,989	100,812	101,084
Utilisation (%)	0.82	0.81	0.80	0.84	0.82	0.83	0.83	0.83
Trade position								
LPG import requirement	155,771	39,892	38,773	39,376	40,415	158,455	162,746	167,089
LPG export availability	159,977	42,931	40,439	39,961	46,147	169,477	179,783	186,247
LPG demand	364,472	94,584	87,643	88,989	94,564	365,780	371,207	374,976

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LPG major producing regions 2025-27 *'000t*



LPG major consuming regions 2025-27 *'000t*



LPG Fundamentals Overview

- The regional and global balances will be updated in the November issue of this report
- The last update was in August

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Regional fundamentals - LPG								000t
	2024	1Q25	2Q25	3Q25	4Q25	2025	2026	2027
US								
Production	110,985	25,024	31,413	31,825	25,630	113,891	116,350	116,774
Import requirement	4,864	1,466	958	1,056	1,383	4,864	4,864	4,864
Export availability	69,146	15,906	17,404	17,982	19,166	70,457	73,339	73,919
Consumption	47,824	14,225	9,982	10,212	13,879	48,298	47,874	47,719
Canada								
Production	17,425	5,023	4,124	4,472	4,039	17,658	17,994	18,342
Import requirement	283	74	77	63	69	283	283	283
Export availability	8,104	1,540	2,660	3,501	1,412	9,113	9,602	9,928
Consumption	8,963	2,481	1,983	2,311	2,053	8,829	8,676	8,698
Mexico								
Production	3,046	805	794	770	720	3,089	3,239	3,244
Import requirement	6,683	1,615	1,349	1,287	1,958	6,209	6,005	5,995
Export availability	0	0	0	0	0	0	0	0
Consumption	9,517	2,492	2,041	2,169	2,597	9,298	9,244	9,239
Latin America								
Production	14,286	3,878	3,470	3,620	3,465	14,433	14,505	14,610
Import requirement	9,234	2,103	2,330	2,368	2,219	9,020	8,933	8,998
Export availability	2,444	878	474	347	676	2,375	2,424	2,549
Consumption	20,921	4,891	5,504	5,574	5,108	21,078	21,014	21,059
Northwest Europe								
Production	16,993	4,036	4,153	4,042	3,608	15,839	16,061	16,089
Import requirement	19,323	5,457	4,665	5,005	5,151	20,279	22,112	22,136
Export availability	11,719	3,249	2,975	2,837	3,078	12,140	12,367	12,464
Consumption	24,067	6,277	5,797	6,140	5,764	23,977	25,806	25,761
Mediterranean								
Production	19,721	5,255	4,835	5,107	4,867	20,065	20,322	20,120
Import requirement	14,888	4,229	3,420	3,441	3,858	14,947	14,749	14,638
Export availability	8,899	2,228	2,526	2,511	2,062	9,328	9,557	9,448
Consumption	25,839	7,085	5,992	6,078	6,529	25,684	25,513	25,310
Middle East								
Production	72,057	18,296	21,836	19,475	16,829	76,436	82,313	86,204
Import requirement	425	176	100	50	84	411	397	393
Export availability	44,338	13,924	10,307	8,971	14,993	48,196	53,443	57,404
Consumption	28,088	7,648	7,126	6,592	7,284	28,651	29,268	29,194
Africa								
Production	5,880	2,247	2,036	1,277	1,365	6,925	7,188	7,672
Import requirement	3,898	852	1,275	953	743	3,822	4,036	4,274
Export availability	3,377	1,887	667	457	1,293	4,304	4,435	4,819
Consumption	6,142	1,647	1,760	1,508	1,527	6,443	6,789	7,127
Russia								
Production	15,758	4,434	3,993	3,833	4,001	16,261	16,917	17,843
Import requirement	10	2	3	3	2	10	10	10
Export availability	3,580	1,299	1,170	1,123	1,173	4,765	5,805	6,509
Consumption	12,190	3,067	2,629	2,840	2,970	11,506	11,122	11,344
Other Eastern Europe								
Production	5,207	1,498	1,419	1,342	1,514	5,772	5,891	5,970
Import requirement	1,645	379	371	475	412	1,637	1,607	1,665
Export availability	1,949	560	630	560	500	2,250	2,187	2,170
Consumption	4,902	1,363	1,276	1,265	1,254	5,158	5,310	5,465
Asia-Pacific								
Production	87,125	21,055	21,367	21,780	22,231	86,433	87,464	87,266
Import requirement	94,518	23,539	24,225	24,674	24,535	96,973	99,750	103,832
Export availability	6,421	1,458	1,626	1,671	1,794	6,548	6,623	7,037
Consumption	176,020	43,408	43,553	44,299	45,598	176,858	180,591	184,061

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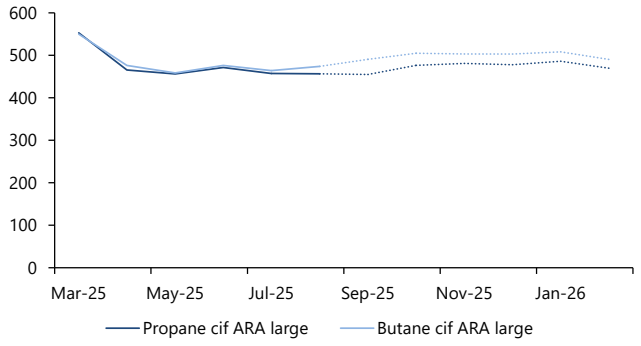
Regional analysis

Northwest Europe

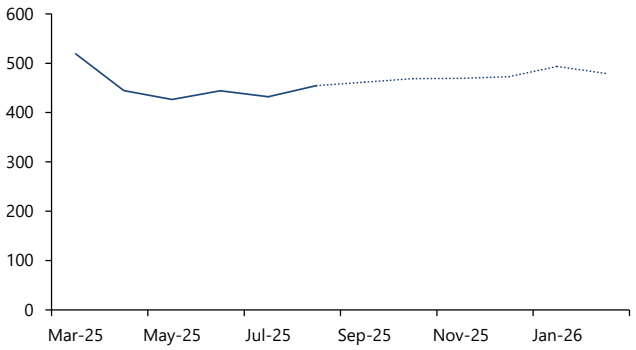
Propane prices at Amsterdam-Rotterdam-Antwerp (ARA) fell from $448/t to $426/t in the first half of August before recovering to $450.50/t by the end of the month. Its ratio to naphtha followed the same trend as the heavier product was stable. This lack of price change for August is unusual for the seasonal transition into winter and when compared with last year as fears of supply shortages enabled higher prices.

Multi-month-high LPG imports from the US as well as seasonally weak demand and waning crude values from Opec+ nations' production increased, causing the initial drop. US exports to Europe rose by nearly 8pc compared with a year earlier, with high freight rates to Asia resulting in Europe being the more favourable destination. High natural gas prices offered some support to prices but they rebounded in late August due to the closure of the 105,700 b/d UK Lindsey refinery tightening supply and due to the market turning more attention towards winter stockbuilding.

Propane and butane cif ARA large *$/t*



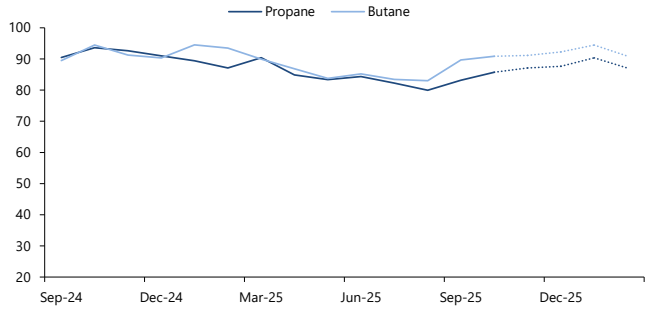
Butane cif Lavera large *$/t*



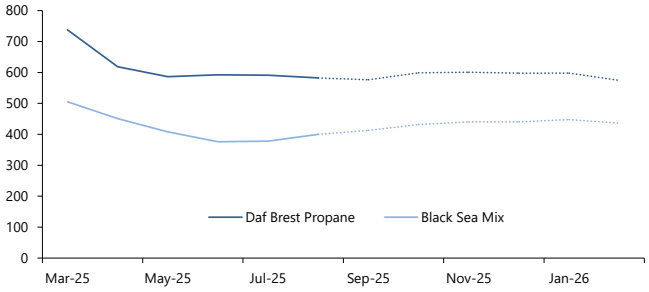
While the LPG market has become more balanced in recent months, underlying weakness is still present. US exports into Europe will continue to oversupply the market as long as Asian demand is weak. We expect LPG prices to remain at a discount to naphtha and for steam crackers to continue to maximise LPG feed. We expect LPG prices to rise as petrochemical utilisation lifts and stockpiling for winter heating season starts, but the peak will be lower compared with historical averages due to weak underlying fundamentals.

Biopropane prices yo-yoed in August to end at the same price as the start of the month of $1,350/t. Bionaphtha rose

LPG ratio to naphtha northwest Europe *%*



Daf Brest propane and Black Sea LPG mix *$/t*



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by $20/t to $1,450/t as chemical sector demand for renewable naphtha increased, reducing gasoline blending supply for other industries such as the road sector. Bionaphtha premiums are likely to strengthen due to petrochemical demand and tight renewable feedstock supply, but easing HVO and sustainable aviation fuel prices might limit gains.

Eastern Europe

Daf Brest propane prices fell from $585/t to $560/t in August and the propane-butane mix decreased by $10/t to $550/t in the same month, reflecting bearish sentiment due to reduced petrochemical intake and above-average temperatures. The oversaturated Polish market saw importers avoid additional spot Kazakh cargoes. Weaker Polish demand following PDH intake stoppage and reduced Ukraine re-exports contributed to softer pricing, but storage shortfall concerns persist.

Poland's propane daf Brest-large cargo spread was steady at about $135/t for most of August and fell to $110/t later in the month. This was partially due to a weak Polish market as autogas demand starts a seasonal decline, but high natural gas prices and limited refinery availability in northwest Europe supported railcar prices above the large cargo benchmark.

Middle East

Saudi Aramco left the CP unchanged for propane and butane in September, at $520/t and $490/t, respectively. This is despite rising prices for LPG globally over the same period. Aramco has not explained the reasoning but the biggest factor is probably the ongoing term contract negotiations. Many term contracts are renewed in August-September and the Saudi CP is usually set lower in these months as a result.

The increasing trade between the US and India probably exacerbated this. India is the single largest buyer of Middle East LPG, and an almost entirely captive market. But the CP has been set incredibly high since the US tariffs were announced, as sellers wanted to take advantage of Chinese buyers searching for cargoes to replace the now-tariffed US supplies. But these prices opened the door to the US exporting into the Indian market. US cargoes have been at a price advantage at points before 2025, but the difference was always small, and Indian buyers valued their relationships with the Middle East suppliers too much to take a small discount. But in the aftermath of the tariffs, US prices became too good to resist for many and the US reached its highest share of Indian imports ever. By lowering the CP in August and September, India has turned back to the Middle East.

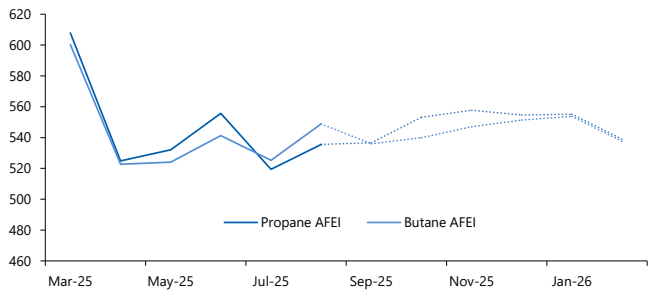
Once term contract negotiations conclude in October, we expect the CP to pick up again. Rising global LPG prices will be a part of it, but we also forecast the CP to strengthen beyond the AFEI. But a return to the post-tariff level premiums is unlikely. Chinese demand is not strong enough to support such levels, and even if it was, at just 10pc, the Chinese can always buy more US cargoes if the CP is too high. The CP will remain strong over the rest of the year, but it is very unlikely to pass $600/t like we saw earlier in the year.

Asia-Pacific

Asia-Pacific LPG prices strengthened slightly relative to naphtha in August, supported by an uptick in Chinese demand, stronger crude and shifting trade dynamics. Propane prices had fallen to their lowest since the onset of the US–China trade war in late July, briefly turning PDH margins positive and reviving Chinese buying interest. The announcement in mid-August of a three-month extension to elevated US–China tariffs reinforced that trend, with PDH operators stepping back into the market and imports surpassing 3mn t in July and August. Firm polypropylene futures since mid-June added to the momentum, enabling PDH plants to maintain their operating rates in the low 70pc range.

As Chinese demand is revived, the balance of power in Asia shifted back towards sellers. A contango of $6/t between deliveries in the first and second half of September narrowed to parity overnight, reflecting a move towards prompt demand as Asia moved into winter stockpiling and peak manufacturing season. Propane prices rose from $550/t in July to nearly $600/t on a landed basis in August, although higher feedstock costs began to erode margins, prompting some buyers to resist further increases. At the same time, China's MTBE sector added momentum, with strong gasoline demand

Propane and butane AFEI *$/t*



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overseas widening arbitrage opportunities and sustaining butane imports and MTBE exports. But this strength is likely to be temporary, with seasonal shifts in blending demand expected to soften support heading into winter.

At the same time, long-term regional dynamics remained fluid. Poor naphtha and LPG cracking margins continue to drive Asian crackers toward ethane, although the US remains the dominant supplier. Washington's temporary ban on ethane exports to China earlier in the year highlighted risks around supply security and led Beijing to shelve several planned ethane-fed cracker projects. Meanwhile, Middle East exports will increase rapidly in the coming years, as Qatar begins the North Field Expansions and Saudi Arabia ramps up production at Jafurah. Indian demand will remain supported by continued subsidies and a growing population, but there is likely to be excess LPG, which could be used to meet Chinese steam crackers' feedstock shortfall.

Looking ahead, the market enters winter with seasonal and situational support but lingering fragility in underlying demand. Asian LPG prices are expected to remain firm relative to naphtha into the fourth quarter. Winter heating demand will be the primary driver, reinforced by Vietnam's restart of its 1mn t/yr flexible-fed cracker. In addition, new subsidies under the PMUY scheme, combined with stockpiling ahead of Diwali, lifted Indian LPG imports above 3.5mn t in July and August, and demand is expected to be maintained in the near term. On the supply side, the expanded US Nederland terminal is still operating at only half its new capacity and is unlikely to reach full throughput before the end of the year, while the Atlantic hurricane season presents additional risk to export flows. Taken together, these factors suggest continued price strength through winter, with key wildcards being potential policy shifts in US–China trade and persistent congestion at the Panama Canal — both of which could create an even more bullish environment for Asian LPG.

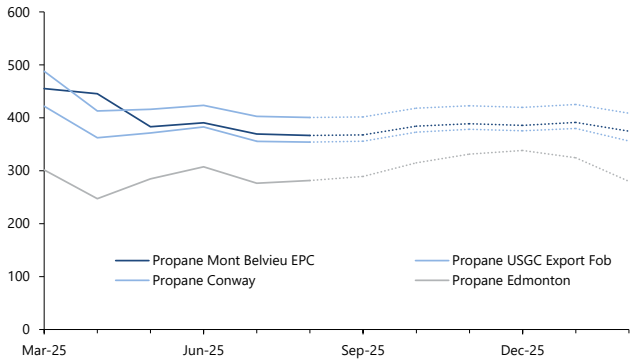
North America

US Gulf Coast propane prices continued their downward trend in August, averaging $348/t — the lowest monthly average since September last year. The decline was driven by softer crude prices, which fell by 4pc compared with the previous month, alongside robust inventory levels and a seasonal dip in heating demand during the summer months. Propane inventories have been climbing steadily since April, reaching 96mn bl by the end of August — the highest level for this time of year since 2016. But inventory buildup is expected to ease in the coming months as heating demand picks up and exports accelerate, particularly with the ramp-up of operations at the newly expanded Nederland terminal.

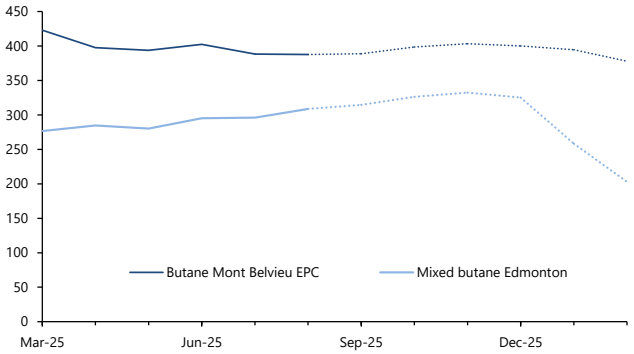
Mont Belvieu butane continued to trade above propane in August, averaging a $28/t premium. This was largely driven by stronger demand for butane exports and stocking ahead of winter gasoline blending season. As gasoline specifications begin to shift for the upcoming winter driving season, refiners are able to blend higher volumes of butane into the gasoline pool. This seasonal transition is expected to provide additional support to butane prices in the months ahead.

While propane prices in the US Gulf coast weakened in August, dropping by 5.7pc from the previous month, Canadian prices remained largely stable, declining by less than 1pc. This divergence narrowed the Mont Belvieu premium over Edmonton propane to just $74/t, marking an 11-month low. The relative strength in Canadian propane has been driven by tighter supply. Inventories remained low through the

Propane fob Mt Belvieu and USGC export fob *$/t*



Butane Mt Belvieu EPC *$/t*



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summer, with August stocks reported at 9.6mn bl — down by 19pc from the same time last year and the lowest for the month since 2019. Strong export demand, particularly from Asia, has further pressured domestic supply. Since May, nearly all LPG exports from Canadian ports have been redirected to China, as Chinese buyers look to replace US-origin cargoes.

Looking ahead, planned maintenance at Edmonton fractionators in September is expected to limit stockpiling in Western Canada, adding upward pressure to prices as supply remains constrained. In contrast, butane inventories have been rising. Cautious sentiment among gasoline blenders, following last year's overestimation of blending demand, has curbed buying activity ahead of winter blending season. As a result, butane stocks climbed to 9.5mn bl in August, the highest level since October 2022.

Argus White Paper:
BioLPG: The emerging market for LPG's sustainable alternative



BioLPG offers an exciting alternative fuel proposition. Chemically identical to conventional LPG, it's proposed decarbonization strategy is straightforward. It is intended for identical end-uses as its fossil-fuel counterpart, with little to no requirement for infrastructure retrofits.

The white paper includes insight on:

- Introduction: positioning the market for growth
- Feedstocks and production processes
- How policies are driving bioLPG market value
- Moving the market beyond nascency
- Pricing methodologies

Argus International LPG Forward Curves



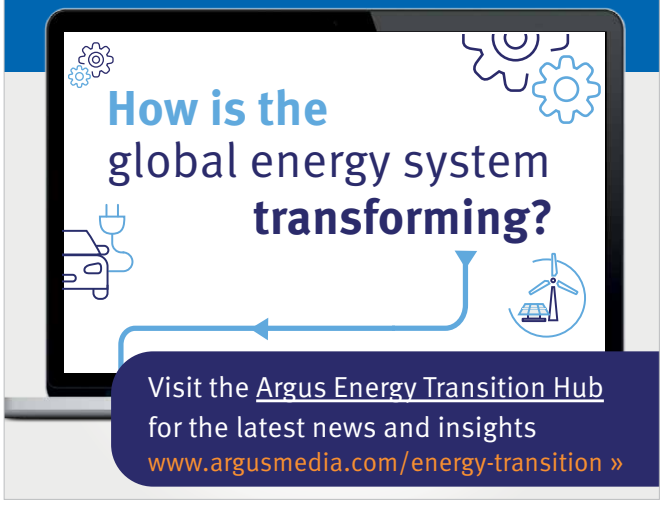
The Argus International LPG Forward Curves service is a powerful, independent market valuation tool used to support investment and trading decisions in LPG markets across Europe, Americas and Asia.

Key features

- Daily assessments providing a rolling 36-month view of monthly forward prices
- Time-stamped using the appropriate market's daily settlement time — Singapore, London and New York
- Independent and transparent market-appropriate methodology
- Delivery options — your choice of data feeds, our third-party partners, FTP, API, Argus Direct, Excel Add-in or email

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Freight and arbitrage

Global very large gas carrier freight markets extended their recovery through August, with global benchmarks touching the highest levels in more than a year before easing slightly at the end of the month. Houston–Chiba rates climbed above $150/t, while Ras Tanura–Chiba reached $90/t, supported by steady gains in tonne-mile demand and tight vessel availability. By late August, rising US Gulf propane prices and reduced buying appetite in Asia curbed chartering activity, pulling rates back to $149/t and $84/t, respectively.

The upward momentum through most of the month reflected a confluence of stronger arbitrage economics, persistent congestion at the Panama Canal and weather-related delays across Asia. With vessel supply thin, shipowners gained pricing power and steadily increased offers, while higher canal auction fees and bottlenecks have forced more vessels to divert via the Cape of Good Hope. This extended voyage length and amplified tonne-mile demand, adding further support to freight levels. The rally lost steam but only once US cargoes became less attractive into Asia, as firmer Gulf prices and smaller-than-expected stockbuilds eroded the arbitrage margins.

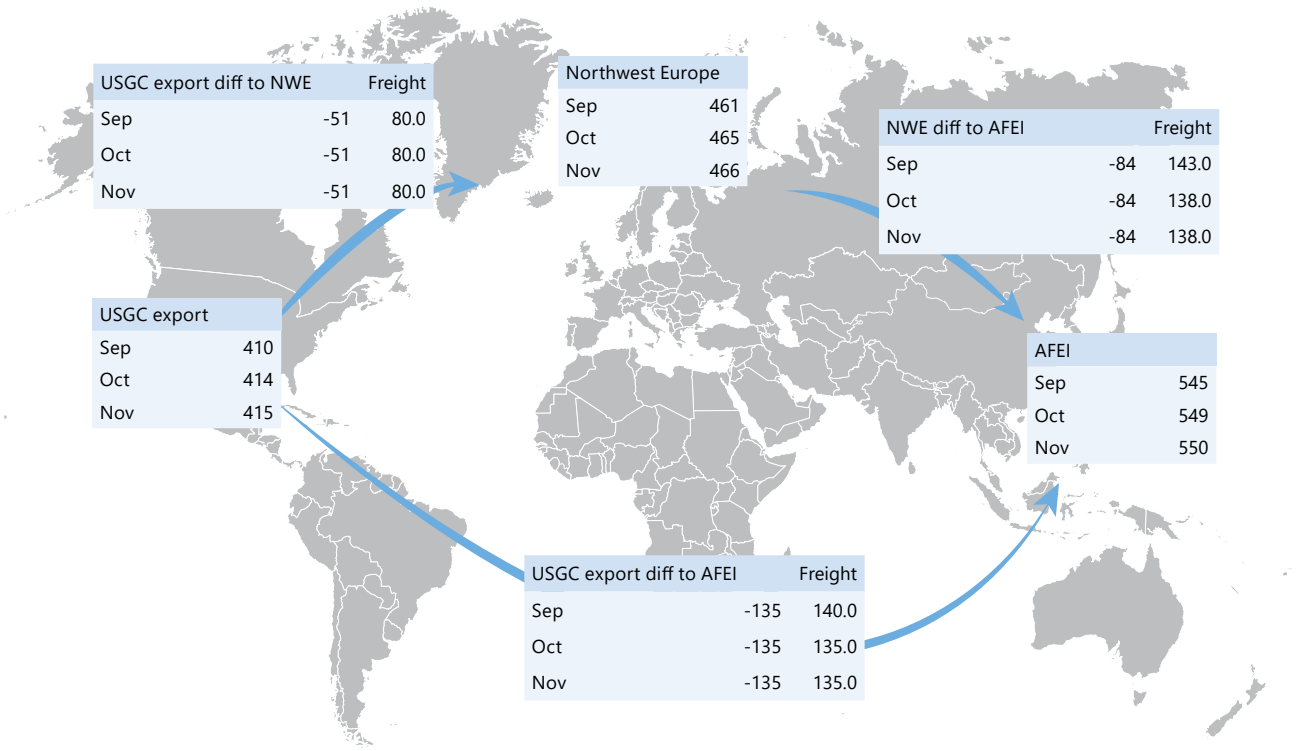
Short-term forecast freight rates		$/t
	Sep	Oct
VLGC Mideast Gulf-Japan	80.0	85.0
VLGC Houston-Chiba	140.0	135.0
VLGC Houston-Flushing	80.0	80.0

Policy dynamics are adding another layer of complexity. While the extension of the US–China tariff pause has eased some friction, Chinese LPG imports remain fragile as petrochemical margins weigh on demand. New US port fees targeting Chinese-owned vessels, starting in October and escalating to $2.4mn per call by 2028, could displace about 15pc of the global fleet from the Atlantic basin. This would create a two-tier market and lend support to US Gulf freight.

Freight rates are expected to remain firm as seasonal factors play out. East Asia typhoon disruptions, the US hurricane season and India's pre-Diwali restocking are likely to tighten balances, while a limited newbuild schedule leaves supply constrained. The main wildcard is the Panama Canal, where congestion and rising fees could continue to redirect flows, extend voyage times and keep rates elevated into winter.

PROPANE ARBITRAGE MAP

$/t



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Crude overview

At its most recent meeting in early August, Opec+ went ahead and agreed to return a further 547,000 b/d in September — similar to August's increment. This means that by October, the eight Opec+ countries involved will have returned the entire 2.2mn b/d of voluntary cuts imposed in November 2023. The decision was widely anticipated by the market, which took it in its stride.

This unwinding process has been achieved a full year ahead of the schedule originally agreed. The fact that the alliance has managed to do this without significantly weakening prices has encouraged it to consider forging straight ahead with the unwinding of the 1.66mn b/d of voluntary cuts introduced in April 2023 — by the same eight producers plus Gabon. A meeting scheduled for 7 September is expected to decide whether to do this, with some countries reportedly in favour and others more inclined to pause things. Assuming a 12-month phase-out of the cut, this implies monthly increments of about 137,000 b/d.

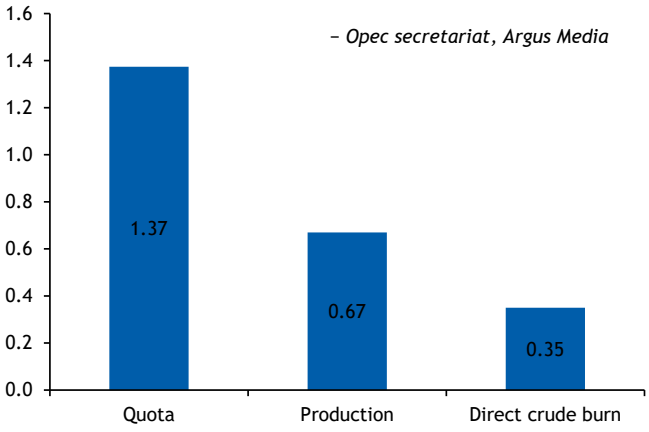
The producers remain steadfast in their view that they are taking the right course of action, despite the consensus that the Opec+ group's unwinding process will push the market into surplus. The still-robust macroeconomic environment — despite the disruption surrounding US trade tariffs — and the fact that crude prices have remained fairly resilient clearly lend support to this perception. But key to producer resolve is the belief that a further extension to the unwinding process will in fact not result in much oil actually returning to market. The unwinding of the cut "will amount to nothing more than 700,000-800,000 b/d at best", one Opec+ delegate says. "If we bring it in a phased process, monthly increments will be around 60,000-70,000 b/d. The impact will be minimal."

There is no doubt that since the unwinding process started in April, the amount of crude returned to the market has been short of what could have been restored. Between March and July, quotas were raised by 1.37mn b/d, but actual production increased by just 0.67mn b/d — 49pc of the total possible (*see graph*) — although we should also note a combined 0.19mn b/d production increase from Nigeria and South Sudan during the same period.

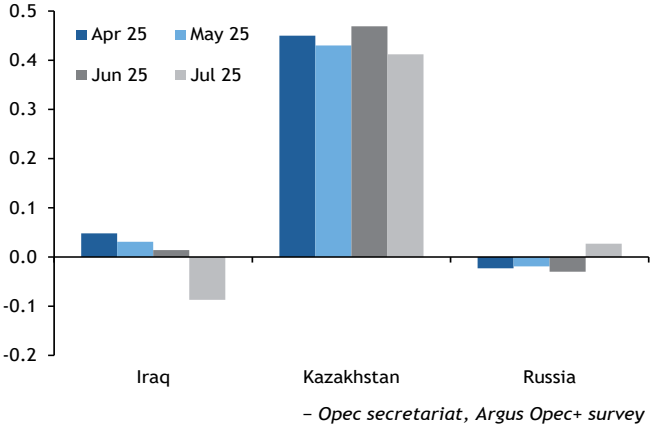
The inability of some producers to raise their output in line with the unwinding process has clearly helped keep the market more balanced than it might otherwise have been. Another important consideration is that the unwinding process has to date coincided with the peak summer cooling season in the Middle East, which diverts large amounts of crude in Saudi Arabia and Iraq for use in the power generation sector. This has probably kept around 0.35mn b/d from the export market.

With the end of the summer's peak cooling season approaching, this volume of crude could become available for export. On the other hand, it might just not be produced. This seems the most likely outcome, since the alliance has seemed prepared to tailor production to what the market needs. So far, there is no sign of competition for market share, and while this continues to be the case prices will remain relatively stable.

Opec+ unwinding of the Nov 23 round of cuts ***mn b/d***



Production vs quotas after compensation ***'000 b/d***



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Summary of global oil balance												mn b/d
	1Q24	2Q24	3Q24	4Q24	2024	1Q25	2Q25	3Q25	4Q25	2025	2026	2027
Demand	100.83	102.59	102.80	102.77	**102.25**	101.77	103.32	104.18	104.24	**103.38**	**104.27**	**105.16**
Supply	101.28	101.98	101.68	102.18	**101.78**	102.23	103.96	105.94	106.17	**104.58**	**106.84**	**109.78**
Opec crude	26.76	26.73	26.49	26.67	**26.66**	26.88	27.35	28.15	28.62	**27.75**	**28.64**	**29.68**
Opec NGL and condensate	5.40	5.40	5.40	5.40	**5.40**	5.56	5.56	5.56	5.56	**5.56**	**5.76**	**6.14**
Non-Opec crude and NGL	63.31	63.33	62.95	63.81	**63.35**	63.89	64.46	65.11	65.38	**64.71**	**65.70**	**67.08**
Other supply	5.81	6.52	6.84	6.30	**6.37**	5.89	6.59	7.12	6.61	**6.55**	**6.74**	**6.87**
Global balance*	0.32	-0.69	-1.22	-0.71	**-0.58**	0.35	0.58	1.77	1.93	**1.16**	**2.58**	**4.62**

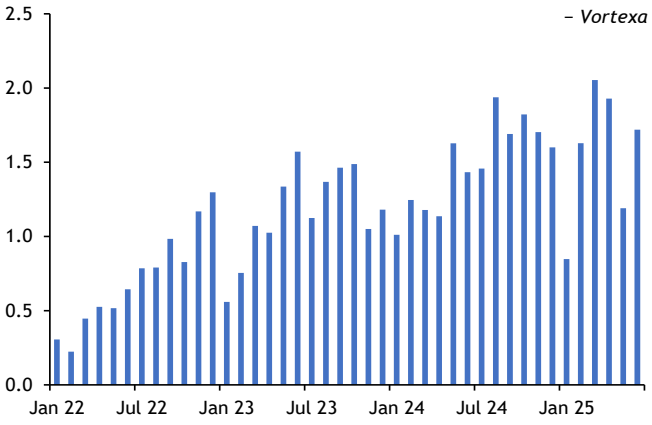
**equivalent to global stock change, assuming Opec+ output cuts unwind as per official Opec+ announcements at the time of publication, but excluding compensation plans*

Also helping is the fact the compensation mechanism agreed in April appears to be starting to deliver results. Two of the three key overproducers from the past do appear to have kept their production close to where it should be in recent months, after taking into account compensation (*see graph*). Only Kazakhstan continues to blatantly overproduce. It is possible that compliance by Russia and Iraq might not be entirely voluntary and more just the result of circumstance — but this must nevertheless be helping to keep in check any tendency within the alliance to compete for market share.

For the moment, the unwinding process is proceeding without destabilising the market, but only because it is not actually happening as planned. And we should remind ourselves of our observation last month that since the start of 2023 more than 800mn bl of crude has 'vanished' into the Chinese system. This simply confirms the consensus that unwinding the Opec+ cuts risks oversupply and lower prices.

The constant background noise of sanctions is also helping keep prices supported. In latest developments, the US Treasury's Office of Foreign Assets Control has sanctioned two more Chinese oil terminals along with a Greek shipping company that has been involved in carrying Iranian crude. These latest moves are apparently aimed at reducing the flow of Iranian crude to China. In March-July, four other terminals were placed under sanctions.

Chinese crude imports from Iran *mn b/d*



Iranian crude typically prices $7-8/bl below competing grades on a delivered basis, making it highly attractive to Chinese refiners. Iranian crude now averages around 15pc of total Chinese imports and there is every likelihood that the low prices offered for Iranian crude will be enough to keep volumes flowing, despite this new round of sanctions. Flows dipped after the first round of sanctions on import terminals in March, but they had rebounded to 1.7mn b/d in July — not too far short of the record 2mn b/d that was seen in March (*see graph*).

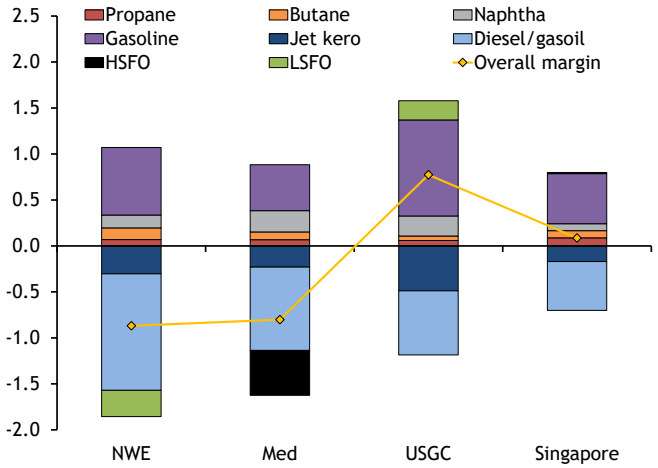
A much more severe threat to Chinese crude imports could be emerging from signs that the government will not be issuing any more crude import quotas to Shandong province's independent refiners this year. Many of Shandong's independent refiners had used up 80pc of their 2025 crude import quotas by the end of August and — as usual — had been expecting to be able to continue buying crude through to the end of the year by 'borrowing' from their 2026 allowances. Several of the Shandong operators submitted applications in August for an early batch to be borrowed from 2026, with the expectation that another batch would be approved by the authorities in October. But Beijing has turned down these requests, with the government apparently taking steps to reduce competition — and improve profitability — by forcing some of the less-efficient producers to shut up shop. The last thing that the Opec+ alliance wants to see as it seeks to build back share is reduced demand from the world's largest crude import market.

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Refining economics

August was a mixed month, with northwest Europe and the Mediterranean seeing declines in indicator FCC margins, and the US Gulf coast seeing a rise. Singapore's margin was little changed. Overall, margins are relatively strong in the Atlantic basin, supported by generally tight middle distillate markets. Asian margins have not shown that kind of strength.

Yield-weighted m-o-m crack changes: Aug vs Jul ***$/bl***



In northwest Europe, the FCC margin against North Sea Dated fell by $0.87/bl on the month to $9.65/bl in August. But the margin was almost $5/bl up on the year. Diesel cracks in Europe have been underpinning the strength in refining margins, and while diesel prices retreated by $6/bl on the month in August, they remain at a premium of over $20/bl to crude. The diesel market is expected to remain relatively tight through to the end of the year, although cracks are not expected to be back at the highs of July. This underpins expectations that refining margins will wane over the remainder of 2025, although the fourth quarter should still be some $1.50/bl up on the year.

Mediterranean refining margins — while forecast to stay well supported compared with year-ago levels — could face some downward pressure from the restart of a crude distillation unit (CDU) at Motor Oil Hellas' 180,000 b/d Corinth refinery in Greece. One of the refinery's two CDUs was forced off line in September 2024 after a fire, but has reportedly restarted. Indicator FCC margins in the Mediterranean against CPC Blend averaged $9.11/bl in August, and we forecast that this will have fallen by $1.50/bl by the end of the year.

The US Gulf coast was the only region to see any appreciable increase in refining margins in August, as the indicator FCC margin against WTI Houston rose by $0.77/bl on the month to $10.39/bl — the first time it has reached double digits in almost a year and a half. Unlike in Europe — where middle distillates have been the major driver of strong refining margins — the US saw higher refining margins in August thanks to gains in gasoline cracks as the summer driving season ended on a high note.

Gasoline crack spreads are expected to ease from September as the transition to winter-specification gasoline gets under way, but North American refining margins could draw support from a heavy autumn refinery turnaround season, with a number of refineries in Canada in particular due to be taken off line. Irving Oil's 300,000 b/d Saint John, Suncor's 142,000 b/d Edmonton and Shell's 100,000 b/d Scotford refineries are all scheduled for maintenance beginning in September.

A number of Russian refineries have been attacked by Ukrainian drones and forced off line. Argus estimates that up to 600,000 b/d of CDU capacity might be impacted, but the lack of official information makes it difficult to know how severely the units were damaged and for how long capacity will remain off line. Nevertheless, the attacks could tighten product markets — particularly in Latin America, which has become a key importer of Russian product, and this could further strengthen US Gulf coast margins.

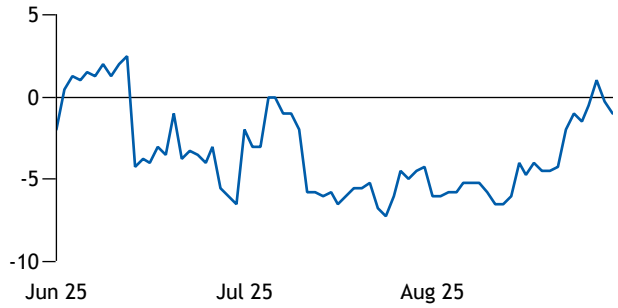
Refining margins					*$/bl*
	Jul	Aug	Sep	Oct	Nov
Northwest Europe					
vs North Sea Dated	10.52	9.65	10.00	8.70	8.30
vs Johan Sverdrup	3.54	3.46	4.19	3.94	3.23
Mediterranean					
vs Kebco cif Augusta	4.04	3.24	3.31	3.34	2.63
vs CPC Blend	10.47	9.11	10.30	9.60	9.50
US Gulf coast					
vs WTI Houston	9.61	10.39	10.90	9.50	8.20
vs Mars	6.20	5.98	5.50	4.70	3.00
Singapore					
vs Dubai	3.01	3.10	3.30	3.60	2.80
vs ESPO Blend	13.29	13.01	13.80	14.20	13.90

Gross refining margins calculated based on FCC unit yields

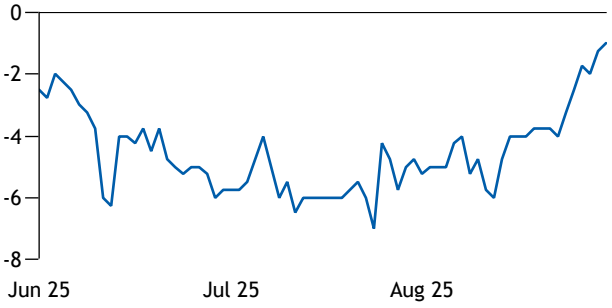
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LPG swaps

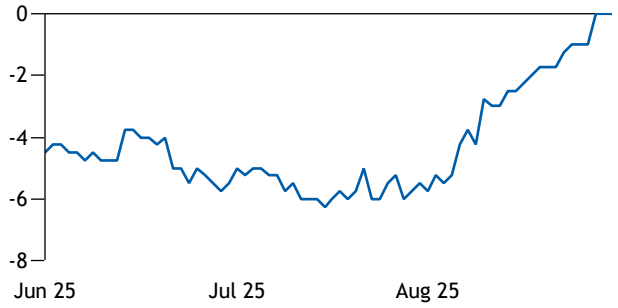
Propane NW Europe month 1 vs month 2 $/t



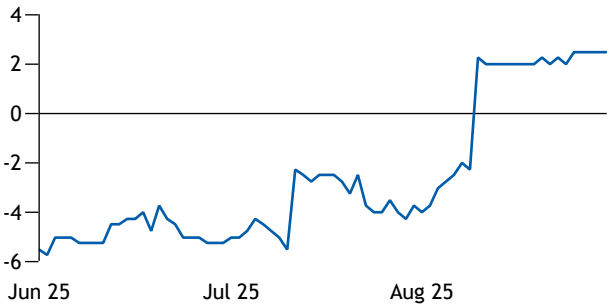
Propane NW Europe month 2 vs month 3 $/t



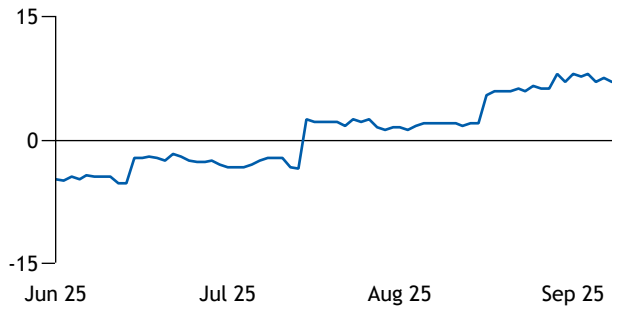
Propane NW Europe month 3 vs month 4 $/t



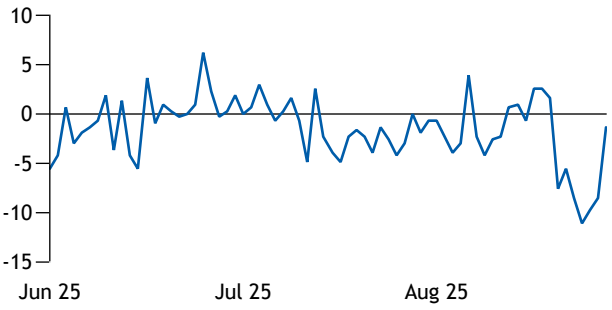
Propane NW Europe month 4 vs month 5 $/t



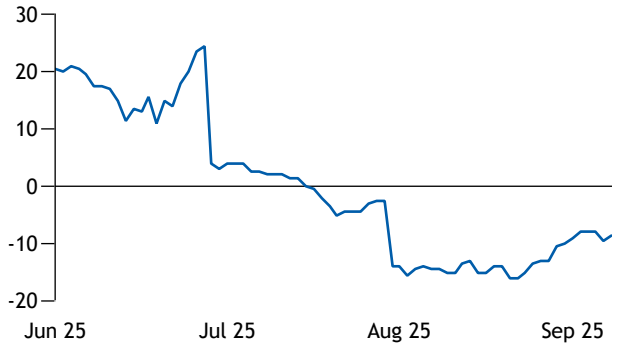
Propane NW Europe month 5 vs month 6 $/t



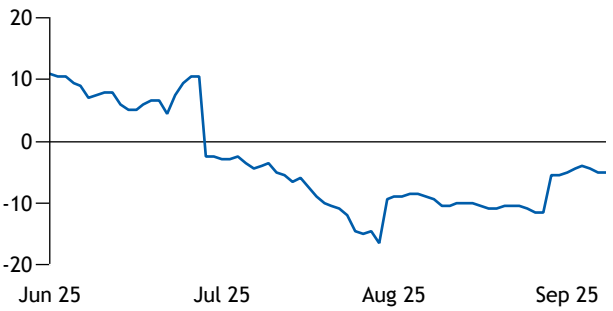
Mont Belvieu month 1 vs month 2 $/t



Saudi CP month 1 vs month 2 $/t



Saudi CP month 2 vs month 3 $/t



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LPG developments to watch

Date	Development
China PDH start-ups	
Feb-25	Wanhua No.2
Feb-25	Guoheng Chemicals
May-25	Fujian Soft Packaging
North America LPG Export Terminals 2025-2026	
Jul-25	Nederland Expansion (250,000 b/d, shared with ethane)
Q4 2025	Galena Park Expansion (22,000 b/d)
H1 2026	Neches River Stage 2 (360,000 b/d, shared with ethane)
H2 2026	Ridley Island Energy Export Facility (55,000 b/d)
H2 2026	Enterprise Houston Expansion (300,000 b/d)

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	Publication date
Issue 1	11 January
Issue 2	13 February
Issue 3	13 March
Issue 4	10 April
Issue 5	8 May
Issue 6	12 June
Issue 7	10 July
Issue 8	7 August
Issue 9	11 September
Issue 10	9 October
Issue 11	13 November
Issue 12	11 December

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