HSBC Global Research

18 March 2025

Oil markets

Tariffs and OPEC+ trump sanctions

Equities & Commodities
Global

- Prices slide as OPEC+ returns and economic outlook darkens; supply risks from sanctions have not materialised
- Oil market in a small surplus in 2025; OPEC+ output hikes could see surplus growing materially in 2026
- 2025 Brent forecast remains USD73/b, with risks skewed to the downside; 2026 assumption unchanged at USD70/b

Oil prices have dropped in recent weeks to cUSD70/b following the announcement of US tariffs and OPEC+'s output increases. OPEC+'s decision to raise production from April negatively surprised the market as many expected another delay. Against consensus, we thought the group would proceed with its supply hikes (see *Oil in 2025*, 14 January) – not because of US pressure (which we think is overestimated), but because rolling over cuts indefinitely would have endangered OPEC+ cohesion.

We believe **risks are asymmetrically skewed to the downside** in the current market regime. On the upside, prices remain firmly capped by OPEC+ spare capacity. There is no equivalent mechanism to underpin the downside – quite the opposite, as OPEC+ is set to restore rather than cut supply. Prices could fall if global trade and economic activity deteriorate, notably due to US tariffs. If Brent slides to the mid-USD60s/b, we would not rule out OPEC+ pausing the unwinding of its output cuts.

Supply disruptions are the main upside risks to prices, but none have materialised so far and most sanctions-related newsflow has largely been noise. Russian exports have continued almost as normal despite new US sanctions announced in January. As India, China and Russia work to restore oil trade links, any disruptions are likely to be only temporary. We reduce our Venezuelan output estimate modestly (130kbd) after the revocation of Chevron's licence. We do not assume supply losses in Iran because the new US sanctions are of a similar nature as previous measures, which have been ineffective.

But supply can surprise on the upside too: Overproduction vs quotas from some OPEC+ countries has added meaningfully to global supply. Combined output from Kazakhstan, the UAE, Venezuela and Libya jumped by 0.4-0.5mbd in February. Looking ahead, a potential restart of the Iraq-Türkiye pipeline could add c0.4mbd. The Trump administration has begun implementing its deregulation agenda to boost US shale output, but we see no acceleration – especially not with WTI under USD70/b.

Market surplus to grow: Given strong supply and sluggish demand growth, the oil market should be in a small (0.2mbd) surplus in 2025, vs our previous forecast of a balanced market. In 2026 we expect the surplus to grow to over 1mbd if OPEC+ continues to increase production as planned, pointing to more downside risks as the year progresses. Our Brent prices for 2025 and 2026 remain USD73/b and USD70/b.

Kim Fustier*
Head of European Oil & Gas Research
HSBC Bank plc
kim.fustier@hsbc.com
+44 20 3359 2136

Sadnan Ali*, CFA
Analyst, Oil & Gas
HSBC Bank plc
sadnan.ali@hsbc.com
+44 207 9910569

Ildar Khaziev*, CFA
Analyst, EEMEA Oil and Gas & Utilities
HSBC Bank plc
ildar.khaziev@hsbc.com
+44 20 7992 3302

Evan Li*
Head, Asia Energy Transition Research
The Hongkong and Shanghai Banking Corporation Limited
evan.m.h.li@hsbc.com.hk
+852 2996 6619

Lilyanna Yang, CFA
Analyst, LatAm Oil & Gas, Utilities, Petrochems
HSBC Securities (USA) Inc.
lilyanna.yang@us.hsbc.com
+1 212 525 0990

** Employed by a non-US affiliate of HSBC Securities (USA) Inc, and is not registered/ qualified pursuant to FINRA regulations*

Disclosures & Disclaimer

This report must be read with the disclosures and the analyst certifications in the Disclosure appendix, and with the Disclaimer, which forms part of it.

Issuer of report: HSBC Bank plc

View HSBC Global Research at:
https://www.research.hsbc.com

Tariffs & OPEC+ dominate

- Prices slide as OPEC+ returns and economic outlook darkens, while supply risks from sanctions have not materialised
- Oil market in a small surplus in 2025; OPEC+ output hikes could see surplus growing materially in 2026
- 2025 Brent forecast remains USD73/b, with risks increasingly skewed to the downside; 2026 assumption unchanged at USD70/b

Oil stuck in a lower range

Earlier this year, we raised our 2025 Brent price forecast from USD70/b to USD73/b, see *Oil in 2025: Russian supply risks return to centre stage* (14 January 2025). Our quarterly forecasts were raised to USD77/b for 1Q, falling to USD73/b in 2Q and USD72/b in 3Q (vs USD70/b flat previously). We argued that the effect of the latest US sanctions on Russia should be most visible in 1H25. By 2H, we expect rising OPEC+ production and the prospect of a market surplus in 2026 to put downward pressure on prices once again.

However, the recent slide in Brent prices to the low USD70s/b means our price forecasts for 1H25 may now look slightly optimistic. Prices dropped in early March to cUSD70/b following the announcement of US tariffs and OPEC+'s return. Meanwhile, there have not been material disruptions in oil flows from Russia or elsewhere. In our view, tariffs and OPEC+ have been the main two drivers of the price moves, with both factors on the bearish side, while other elements – Russia sanctions, Ukraine ceasefire, Iran and Venezuela – have been largely noise.

HSBC crude price assumptions, USD/b

Annual average	2021	2022	2023	2024	2025e	2026e	2027e
Brent	70.8	99.1	82.2	79.9	73.0	70.0	71.4
WTI	68.0	94.4	77.5	75.8	70.0	67.0	68.3

Quarterly average	3Q24	4Q24	1Q25e	2Q25e	3Q25e	4Q25e	1Q26e	2Q26e
Brent	78.7	74.0	77.0	73.0	72.0	70.0	70.0	70.0
WTI	75.3	70.3	74.0	70.0	69.0	67.0	67.0	67.0

Source: LSEG Eikon, HSBC estimates

Risks asymmetrically skewed to the downside

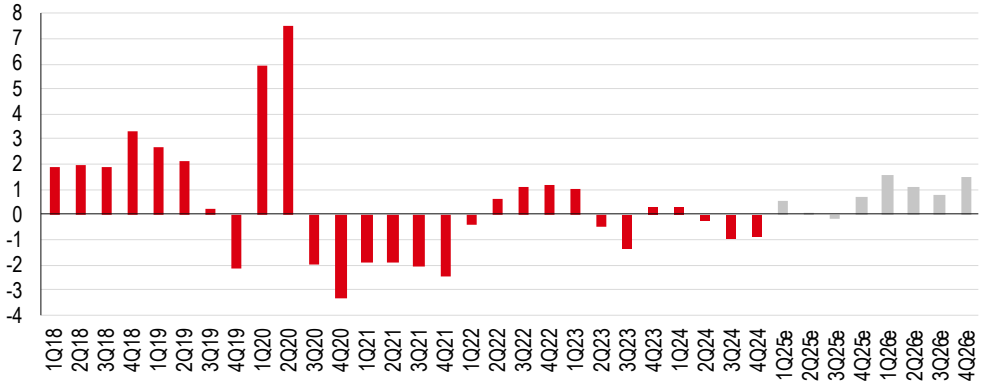
We believe **risks are asymmetrically skewed to the downside** in the current market regime where OPEC+ is adding supply. On the upside, prices remain firmly capped in the low USD80s/b by the vast scale of OPEC+ spare capacity, which we estimate at 6.3mbd currently. This ceiling has been tested several times in the past 18 months and held firm, for example in October 2024 during the flare-up of tensions between Iran and Israel, and in January 2025 fuelled by new Russia sanctions. Conversely, there is no equivalent mechanism to underpin prices on the downside, particularly now that OPEC+ has decided to raise output.

On balance, we now see greater risks to the downside than upside vs our USD73/b assumption for 2025. The key downside risk would be from weaker trade and economic activity,

notably due to US tariffs. There could be upside if supply disruptions from Russia, Venezuela or Iran are larger than expected, or if OPEC+ pauses the unwinding of its output cuts.

The oil market looks to be in a small surplus in 2025. Two months ago, we expected 2025 to be broadly balanced, rather than in a large surplus as most Western agencies (IEA, US EIA) are predicting. However, given growing overproduction from several OPEC+ members (notably Kazakhstan, the UAE and Iraq), we now forecast a slightly bigger surplus (0.2mbd vs 0.1mbd previously) based on OPEC+'s plan to start raising output in April. The IEA forecasts a 0.6mbd surplus in 2025, rising to 1mbd if OPEC+ goes ahead with its planned supply hikes.

Global oil market quarterly balance, mbd



Source: IEA, Energy Institute Statistical Review of World Energy, EIA, OPEC, HSBC estimates

Upside and downside risks

The table below summarises upside and downside risks to oil prices.

Risks to oil price outlook

Upside risks	Downside risks
◆ **OPEC+/Saudi Arabia** pausing or reversing the planned unwinding of the production cuts	◆ **Deterioration in macroeconomic** data in the OECD or key non-OECD countries, notably China; poor inflation data igniting concerns of delays to expected rate cuts; strength in US dollar dampening demand; US tariffs on key trading partners affecting trade and economic activity
◆ **Improvement in macroeconomic data;** acceleration of energy-intensive manufacturing and construction activity in key countries, notably China; anticipation of interest rate reductions by key central banks; a weakening in the US dollar; a pause of reversal of US trade tariffs on key trading partners	◆ **OPEC+ policy and production:** (1) Unwinding of OPEC+ supply cuts leading to a rise in OPEC+ crude production. (2) Unwillingness from OPEC+ to respond to weakness in oil prices by pausing production hikes or cutting output. (3) Overproduction by OPEC+ countries participating in the production cut agreement, notably from Kazakhstan, UAE, Iraq and Russia
◆ **Shortfalls in global oil supply,** e.g., due to weaker US shale productivity or investment; rising crude theft in Nigeria; unrest in Libya; disappointing supply from offshore Brazil; weather events, e.g., hurricanes in the US Gulf of Mexico or extreme temperatures	◆ **Russia:** Removal of US/G7/EU sanctions against Russia in the event of a peace deal on Ukraine
◆ **Russia:** New sanctions or more successful enforcement of existing US/G7/EU sanctions against Russia; military tensions between Russia and Ukraine	◆ **Positive surprises in global oil supply** from (1) stronger growth in major non-OPEC producers, notably the US as a result of more supportive policy under Trump 2.0; (2) additional supplies from sanctioned countries including Iran, Venezuela and Russia; or (3) the return of volumes from above-ground constraints in the Kurdistan Region of Iraq, Nigeria, Libya and Syria
◆ **Escalation in Middle East** conflict, which could take several forms: (1) tensions between Israel and Iran or its proxies; (2) attacks on ships in the Red Sea or near the Straits of Hormuz, (3) tougher enforcement of existing US sanctions on Iran, (4) attacks on regional oil installations	◆ **Easing** of trade disruptions in the Red Sea following Gaza ceasefire
◆ **Cold winter weather** boosting demand for heating fuels in the Northern hemisphere	◆ **Seasonality** in oil demand, e.g., from seasonal refinery turnarounds; lower heating fuels demand outside of winter; lower economic activity during the Chinese New Year; lower industrial activity and road travel during the monsoon
◆ **US and China replenishing SPR:** The US has announced it will spend USD20bn to replenish the SPR over several years. China is buying c60mb of crude from July 2024 to March 2025, equivalent to 220kbd	◆ **Decreasing financial demand** for oil if traders reduce long speculative positions, or increase short positions
◆ **Rising financial demand** for oil in the form of growing long speculative positions, or a closing of short positions	◆ **In the longer term**, faster displacement of oil in the transport sector by electric vehicles and lower-carbon fuels
◆ In the medium and longer term, **slower displacement of oil** in transport by electric vehicles and lower-carbon fuels (e.g., LNG-powered trucks, methanol/ammonia ships)	

Source: HSBC estimates

OPEC+ strategy: a tentative return

OPEC+ policy remains key to oil market dynamics, in our view, ahead of other factors, including geopolitics, China's oil demand and US and non-OPEC supply growth. This is because of the vast scale of oil supply that the group could take away or add to the market, which exceeds potential surprises from the demand side or from non-OPEC supply. The only other factor that rivals OPEC+ policy in importance is the global economic picture, which is at present heavily influenced by US policy under the Trump administration.

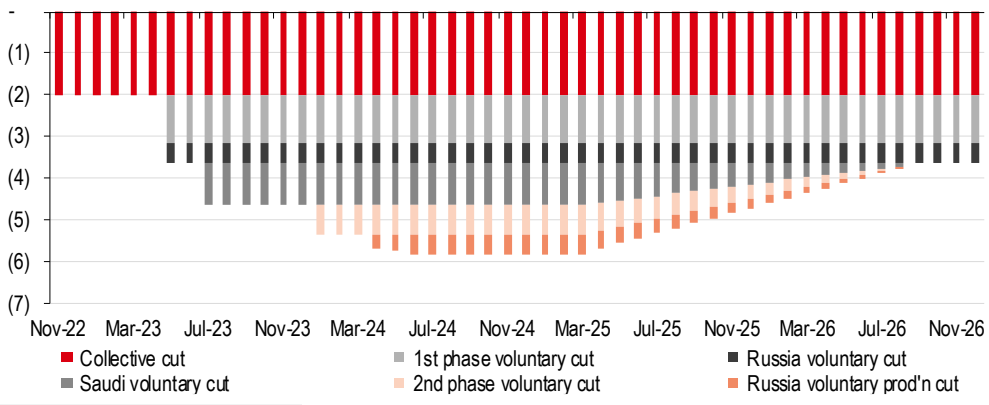
OPEC+'s return surprised the market, but probably shouldn't have

OPEC+ confirmed it will start unwinding its supply cuts from April 2025…

After delaying its return at least three times, OPEC+ confirmed on 3 March that it will start unwinding part of its 5.8mbd of aggregate supply cuts and increase production from April onwards. The group will add 2.5mbd over 18 months to end-September 2026, equal to 2.2mbd of second-phase voluntary cuts plus 0.3mbd of additional quotas for the UAE, equivalent to just under 140kbd per month. The remainder of the cuts (3.66mbd) will remain in place until end-2026, as previously announced.

This decision was in line with the plan announced on 5 December (see *OPEC+ muddles through, but for how long?*, 6 December 2024), but nevertheless came as a surprise to the market and thus sent prices lower. Following reports that OPEC+ was deliberating whether to go ahead given uncertainty on tariffs and sanctions, a majority (>70%) of participants expected another delay (Bloomberg, 21 February). Our unchanged base case was for an unwinding of the cuts starting on 1 April, coinciding with the seasonal recovery in oil demand in spring and summer.

OPEC+ output cuts since 2022, mbd



Source: OPEC, Bloomberg, Reuters, HSBC estimates

Why did OPEC+ go ahead with the unwinding?

…after further signs of waning compliance among members…

We believe the main reason behind OPEC+'s decision to raise output was **mounting irritation with under-compliance from some members.** The decision was reportedly influenced by Kazakhstan's growing overproduction as the country ramps up its 260kbd Tengiz expansion (Reuters, 4 March).

Another factor was the desire to maintain OPEC+'s unity. As we have written previously (see *Oil markets: End of OPEC+ tightening cycle; cutting forecasts*, 30 September 2024), one of Saudi Arabia's overriding objectives is to maintain the group's cohesion.

While Saudi Arabia preferred to delay, the UAE and Russia were reportedly pushing for a return (Reuters, 27 February). This is consistent with our view that the UAE has been more motivated than Saudi Arabia to raise production for several months. This is for two reasons: first, it believes that OPEC+'s supply restraint strategy has essentially run its course as it has

effectively subsidised and handed over market share to non-OPEC producers. Second, the UAE's quota relative to its capacity is the lowest in the peer group at 63% vs 74% for Saudi Arabia, as the UAE's capacity continues to rise towards its 5mbd target by 2027.

In our view, **the US's influence on OPEC+ policy has been overstated.** While President Trump has publicly called on the group to increase production, OPEC+ had long planned to return to the market and interests were coincidentally aligned this time. In our view, the group's supply policy has been designed to maximise short- and long-term benefits for the group under constraints. Saudi Arabia has pursued a 'Saudi first' policy for several years. Russia's Deputy PM, Alexander Novak, said the decision was made independently.

We do not think OPEC+'s decision was swayed by the prospect of additional sanctions on Iran or Venezuela. We believe the group is taking a 'wait-and-see' approach to the impact of sanctions.

…though OPEC+ has the ability to pause or reverse its plans

OPEC+ could pause its supply hikes

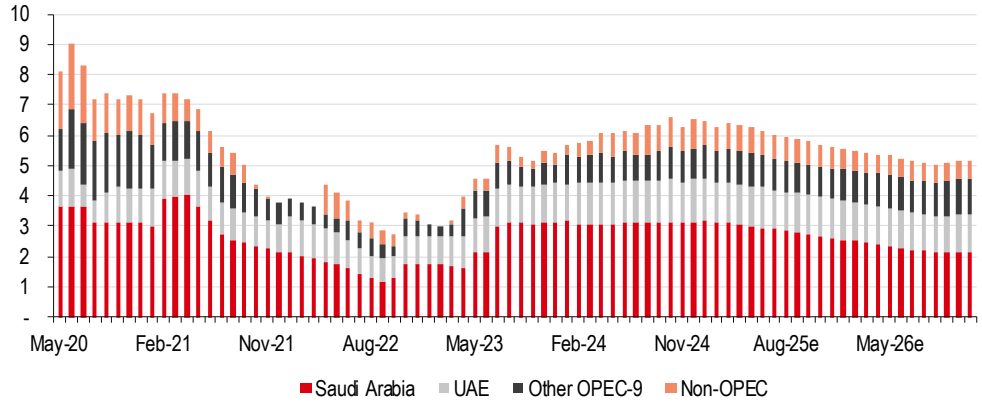
OPEC+ retains the ability to pause or reverse output hikes. A key question for the market now is whether the group will make use of this flexibility if oil prices slide to the mid-USD60s/b or if supply & demand balances deteriorate. Pausing or reversing the unwinding would lead to modest price upside. However, this would likely simply postpone the inevitable and could be seen as an implicit admission that demand is sluggish or non-OPEC supply is stronger than expected. OPEC has a record of over-estimating demand growth and under-estimating non-OPEC supply growth.

The group's current plan would result in a slightly oversupplied market in 2025, followed by a large surplus of 1.2mbd in 2026. **In a scenario where Brent prices slide to USD65/b and stay there for a few months, OPEC+ might get cold feet and decide to pause the unwinding.** At this stage, we do not include a pause in our base case.

Spare capacity remains ample

OPEC+'s extended phasing out of its cuts will leave it considerable spare capacity of c5.6mbd at end-2025 and c5.2mbd at end-2026, above the long-term average of 3-3.5% of global demand (equivalent to 3.1-3.7mbd). Spare capacity as of February 2025 is c6.3mbd. Around half of this capacity (>3.1mbd) is located in Saudi Arabia, a fifth (1.3mbd) in the UAE and 10% (>0.6mbd) in Iraq. Other OPEC+ countries with spare capacity include Russia and Kuwait.

OPEC+ spare capacity, mbd



Source: Bloomberg, OPEC, IEA, HSBC estimates. Includes OPEC+ countries participating in production cut agreement; excludes Angola from OPEC+ throughout

Concerns about a market share war are overblown

Unlike other forecasters, we have consistently assumed that the group would unwind its cuts at some point. Rolling over cuts indefinitely would not be an acceptable outcome and could eventually endanger OPEC+'s unity. In our view, OPEC+'s June 2024 roadmap, which laid out

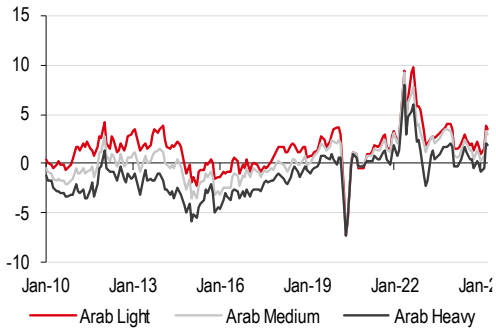
an exit strategy from part of the cuts, was an implicit recognition that the cuts could not be allowed to stay in place forever. As we have written *previously*, there are only three options for OPEC+ to unwind its cuts:

1. a gradual, managed output increase, similar to the way the pandemic-era cuts were unwound from mid-2021 to mid-2022
2. a disorderly increase in output as some members unilaterally raise production vs quotas
3. an all-out market share war as OPEC+ rescinds all quotas over a short timeframe

The third route ('market share war') would bring smaller benefits as a decade ago as non-OPEC producers, notably US shale, have much lower breakevens than then. Weaker prices may not achieve the desired impact – unless the period of lower prices lasts for years, which the group would probably not accept.

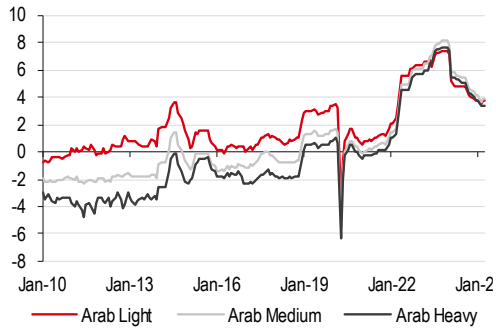
As OPEC+ increases supply over the next few months against a backdrop of sluggish demand, some commentators have described the situation as a "market share battle" notably between Saudi Arabia and Russia (Reuters, 11 March). We see this as hyperbole. A real battle for market share would see Saudi Arabia discounting its crude exports significantly, as it did during the April 2020 'surge'. Saudi Arabia did cut its Official Selling Prices (OSP) for Arab Light to Asia for April but only by USD0.4/b to USD3.50/b, in line with market expectations. The premium of Saudi Arab Light vs Dubai remains elevated by historical standards.

Saudi OSPs to Asia vs Oman/Dubai (USD/b)



Source: Bloomberg

Saudi OSPs to US vs USGC Sour (USD/b)



Source: Bloomberg

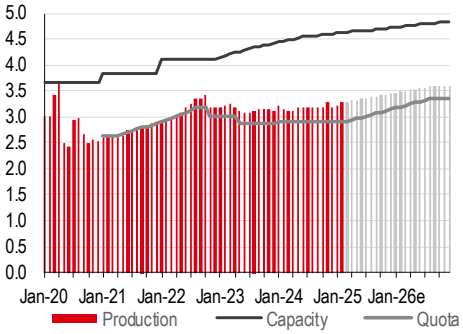
In our view, OPEC+'s exit strategy is in practice a mixture of the first two options, i.e. a gradual increase coupled with overproduction. With its 3 March announcement, it seems that OPEC+ has formally chosen Option 1 ("gradual increase"), which is the 'least bad' exit strategy as it minimises risks from its perspective. But Option 2 is happening as well, as overproduction is increasing once again.

Iraq had been making efforts to reduce its output closer to quotas for the past six months. Its production rebounded strongly in February after being constrained by power outages.

UAE's output jumped by 70-80kbd month-on-month in February, leaving it almost 400kbd above its quota at 3.3mbd vs a quota of just over 2.9mbd.

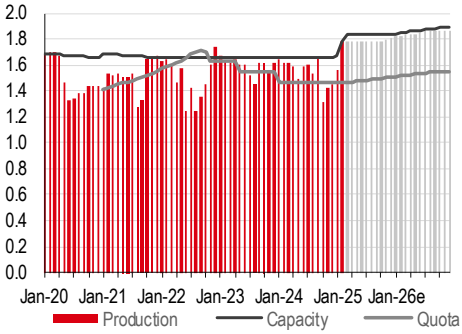
Kazakhstan's crude output hit an all-time high of almost 1.8mbd in February as it ramped up its Tengiz expansion several months faster than expected. This left it 300kbd above its quota of 1.47mbd, or 370kbd above its adjusted quota including compensation cuts.

UAE oil production, capacity and quota, mbd



Source: IEA, HSBC estimates

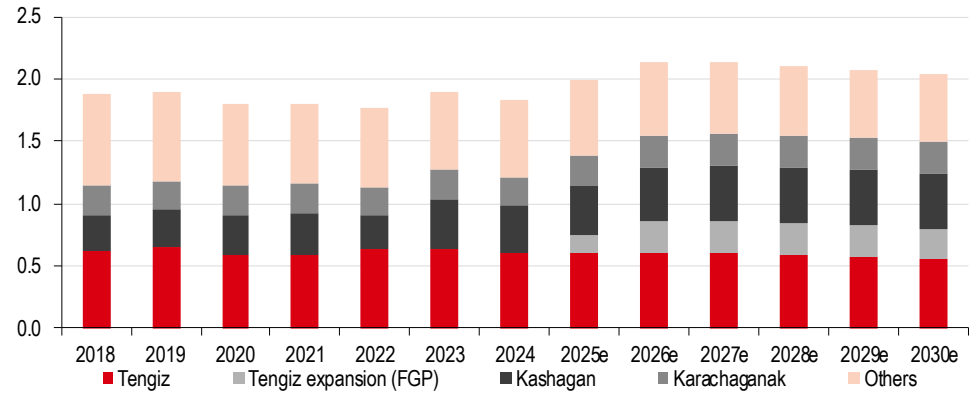
Kazakhstan oil production, capacity and quota, mbd



Source: IEA, HSBC estimates. Quota excludes compensation cuts

Kazakhstan's energy ministry has asked oil majors including Shell, Chevron, Exxon and Total to cut output in compensation. We do not expect IOCs to voluntarily restrict their share of production for understandable commercial reasons. It is not clear what ability Kazakhstan has to dictate production levels from IOC-operated fields, such as Kashagan and Tengiz, where state-owned oil company KMG owns minority stakes (16.88% of Kashagan, 20% of Tengiz). Levers that can be pulled to reduce output if needed include bringing forward or prolonging field maintenance, curbing production at smaller fields, or constraining export infrastructure.

Kazakhstan crude and condensate production, mbd

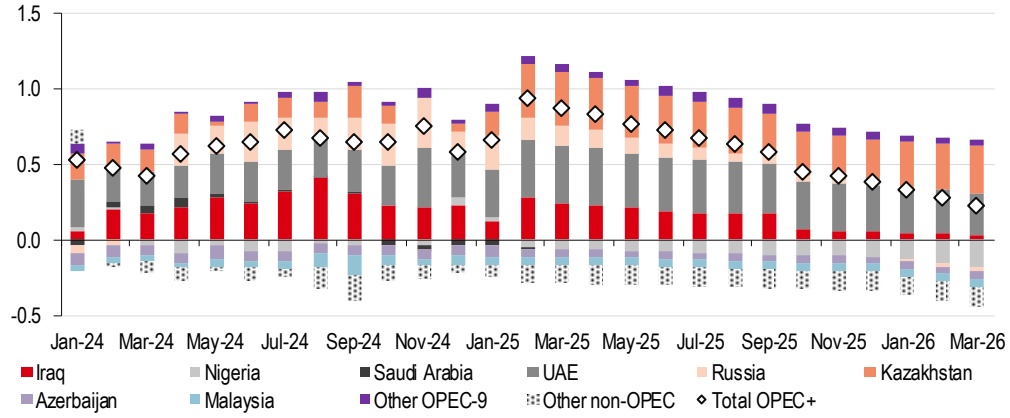


Source: Rystad Energy, HSBC

Iraq and Kazakhstan have said they intend to fully compensate their past overproduction. The two countries have until 17 March to submit compensation plans to OPEC, with the intention to fully offset past overproduction by June 2026. We expect both countries to continue to overproduce substantially, but by declining amounts as quotas mechanically catch up with production levels over time.

Aggregate OPEC+ overproduction vs quotas reached an all-time high of over 0.9mbd in February as Kazakhstan, the UAE and Iraq all raised output. Aggregate overproduction should decrease due to quotas catching up with output as mentioned above, as well as natural declines from some countries such as Nigeria.

OPEC+ members' actual production vs quotas, including compensation cuts (mbd)



Source: Bloomberg, IEA, EIA, HSBC. Based on old compensation cuts for Iraq and Kazakhstan

Trump and geopolitical risks

2025 is another busy year from a geopolitical perspective. Policy set by the former and new US administrations could have significant impacts on global trade and energy flows, the situation in Russia/Ukraine, Iran and Venezuela among others (the 'known unknowns'). Other less high-profile elements outside of Washington's lens could also play a role.

Tariffs are net bearish for oil

Tariffs appear to be net bearish for oil prices

There have been fast-moving developments on tariffs in recent weeks. The US announced it would impose 25% tariffs on Mexico & Canada (including a 10% rate on Canadian energy exports) on 4 March after a one-month pause. The tariffs were paused again for another month on 6 March. However, an additional 10% tariff on Chinese goods was put in place on 4 March, on top of the 10% rate already in place, triggering retaliatory measures. See *China Macro Tracker* (5 March).

The market's view is that tariffs are net bearish for oil prices. Tariffs on Mexico/Canada oil imports are locally inflationary in parts of the US. However, tariffs on China and other trading partners are net bearish for oil given their impact on global trade and GDP. Wood Mackenzie has estimated a c0.5mbd negative impact on global oil demand from US tariffs, and a USD5-7/b impact on prices.

The US imports 4mbd of heavy crude from Canada and 500kbd from Mexico, while it exports 850kbd of refined oil products to Mexico. Tariffs on 4mbd of Canadian crude oil imports, if they are applied, could widen the discount of Canadian crudes to WTI by several USD/b. Indeed, the discount of Western Canadian Select (WCS) crude to WTI widened by USD1.5/b initially on the day of the announcement in late January before the tariffs were paused for a month. We would expect WCS's discount to widen more if tariffs were implemented. US importers (i.e. refiners) of Canadian crude would have to bear the remainder of the extra crude costs and pass it on to their customers in the form of higher pump prices.

The newly expanded Trans Mountain pipeline has just 180kbd of spare capacity that could be used to divert export volumes away from the US, leaving Canadian producers with few alternatives in the short term. Over time, the pipeline could be expanded by 200-400kbd (Bloomberg, 6 February, 11 March).

Western Canadian Select vs WTI crude (USD/b)

Source: Bloomberg

Russia: Biden sanctions vs longer-term peace agreement

US sanctions on Russia may disrupt oil supply…

New sanctions: The Biden administration announced new sanctions on Russia on 10 January. Initial expectations that the sanctions would be quickly lifted by the Trump administration have evaporated. US Treasury Secretary, Scott Bessent, has expressed support for sanctions and said that an easing of sanctions would be linked to a Ukraine peace deal (Bloomberg, 20 February).

At the time of writing in mid-March, it remains too early to conclude on the sanctions' impact as the wind-down period ended on 27 February. There are signs that they had a disruptive effect in February. Indian importers said Russian suppliers must provide sanctions-compliant cargoes (Reuters, 13 February). Counter-intuitively, Russian oil loadings have risen, but the amount of Russian oil in floating storage has also increased, indicating that deliveries at ports in India and China have been lagging behind (Bloomberg, 4 March). Tanker shipping rates have risen and the cost of shipping crude to Asia has increased significantly.

Meanwhile, India and Russia are working to rebuild supply chain links (Bloomberg, 12 February). China is doing the same by increasing ship-to-ship (STS) transfers and changing the ownership of ports (Vortexa, 5 March). These moves by Russia's main oil buyers, India and China, confirm our initial view that any disruptions would be only temporary in nature.

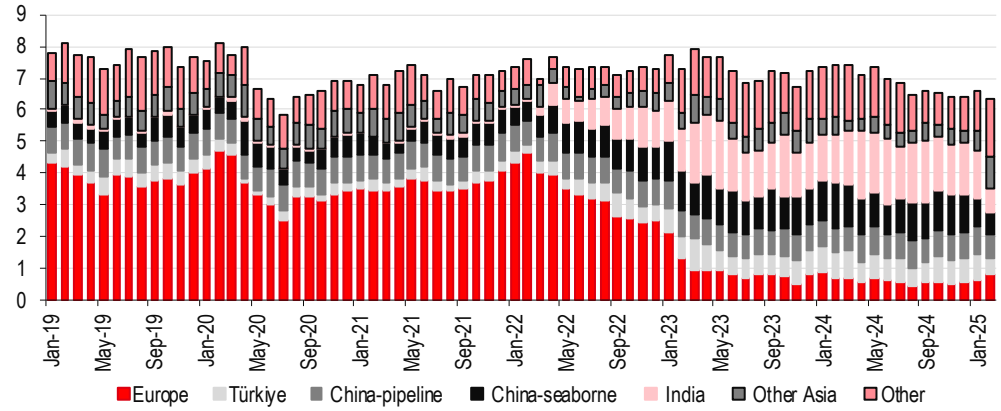
There remains uncertainty over exactly how long disruptions will last. Regular Ukraine drone attacks and rising amounts of Russian oil in floating storage increase the possibility that Russian oil production itself may have to be cut. In January, we factored in a 150kbd reduction to Russian output in our 2025 estimates, but output losses may not materialise if trade links are re-established quickly.

…while the prospect of peace in Ukraine is another key uncertainty

Ukraine ceasefire: The prospect of peace in Ukraine has raised questions about the impact on Russian oil flows. On 11 March, Ukraine accepted a US proposal for a 30-day truce with Russia. Russia has said it will not accept the proposed ceasefire agreement in its current form (FT, 13 March). It also remains to be seen whether a temporary truce would lead to a permanent peace accord acceptable to all parties.

We do not believe that a temporary ceasefire would affect oil prices much, given the lack of certainty on whether it would lead to a peace solution. A peace agreement between Ukraine and Russia could lead to a normalisation in oil trade flows, increase supply, and therefore put some downward pressure on oil prices. The maximum amount of Russian oil that would come back to market is c0.5mbd, equivalent to the decline in output since early 2022. Moreover, global oil trade may take time to revert to pre-Ukraine patterns in the event of a ceasefire, given European buyers' self-sanctioning. The sudden unloading of Russian oil stored at sea and in transit would have a bearish one-off impact, but would be unlikely to last beyond a few weeks or months.

Exports of Russian crude and products by destination (mbd)



Source: LSEG Eikon, Infotek, Interfax, HSBC estimates

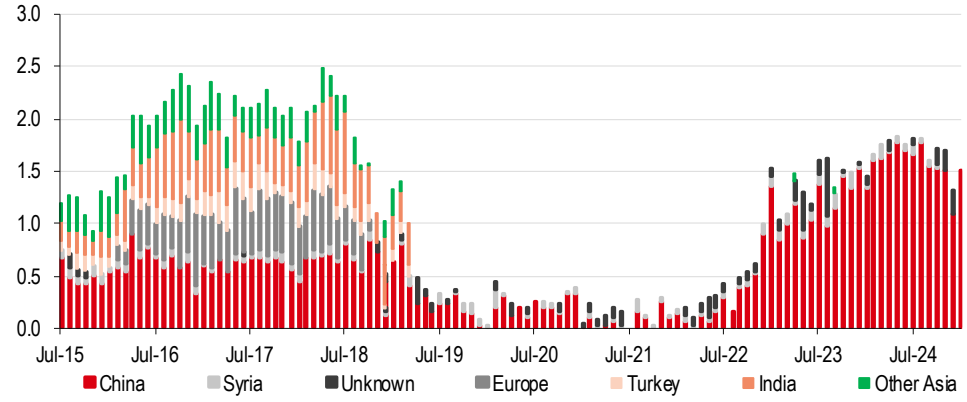
Iran: new sanctions have little teeth

The US implemented new sanctions on Iran in February

The US restored 'maximum pressure' and imposed new sanctions on Iran on 6 February and again on 13 March. The move was not a surprise to the market given statements during the Trump campaign and the presence of several Iran 'hawks' in the cabinet.

The stated aim is to cut Iran oil exports by over 90% from 1.5-1.6mbd to 100kbd (Bloomberg, 14 February). The new shipping sanctions are of a similar nature to those used under the Biden administration, which have not been effective. After dipping in January following US sanctions announced on 3 December 2024, Iranian oil flows to China rebounded in February – showing how quickly Chinese buyers are able to work around new restrictions. The US is considering inspecting Iranian oil tankers at sea (Reuters, 6 March), but we are sceptical that monitoring will be implemented or enforced. Some forecasters, e.g. Kpler, expect that up to 500kbd of Iranian oil exports could be lost to sanctions.

Iran crude oil exports by destination (mbd)



Source: Bloomberg, Vortexa, HSBC

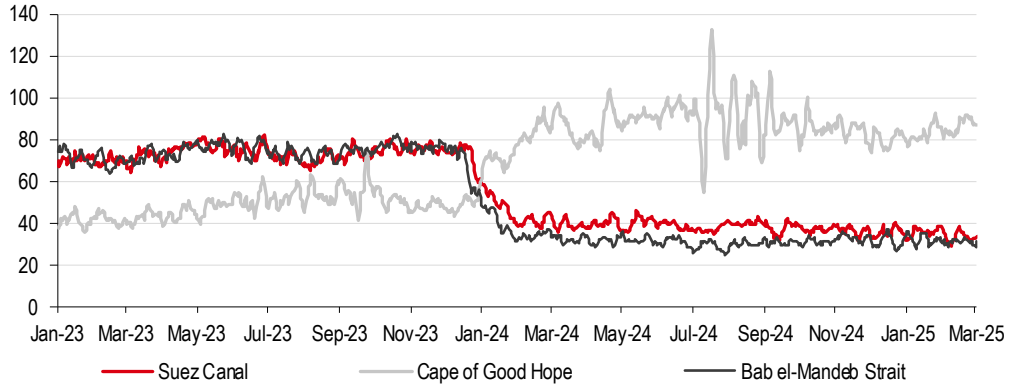
As we wrote in *Oil in 2025* (see p.13), the only way to reduce Iranian exports to China would be a comprehensive agreement between Washington and Beijing to put pressure on China's independent refiners, for instance in exchange for lower trade tariffs. We see this scenario as unlikely given the difficulty in pulling off such a complex and multi-faceted agreement. If anything, the recent step-up in the US-China trade war means that a quick resolution is unlikely, in our view.

Middle East and Red Sea

In the Middle East, the Israel-Gaza ceasefire announced in mid-January did not have any significant negative effect on prices. This is because there has been little risk premium related to the Middle East situation since mid-October, when the Iran-Israel situation de-escalated.

One element to watch will be whether Red Sea traffic normalises, which might slightly ease oil prices. However, any such normalisation is likely to take far longer than the reshuffling in trade flows that took place in a matter of weeks from December 2023 onwards. The resumption of Houthi attacks on Israeli ships for the first time in two months is likely to deter vessels from passing through the Red Sea (Bloomberg, 11 March). US attacks on Houthis over the weekend are once again raising fears of escalation with Iran (Reuters, 17 March).

Red Sea daily transit (7-day moving average)



Source: Macrobond

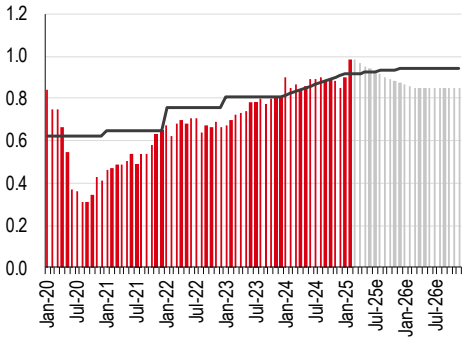
Venezuela

The US revoked Chevron's (CVX US, CP USD157.02) licence to operate (General Licence 41) in Venezuela in early March, with a 30-day wind-down period until 3 April. This move puts at risk 200kbd of supply from Chevron's licences from four joint ventures with PDVSA. It is possible that a new general licence could be issued within the 30-day wind-down period, given the US administration's record of sudden policy turns.

Venezuela oil production since 2017, mbd

Source: Bloomberg

Venezuela oil production and capacity, mbd



Source: Bloomberg, HSBC estimates

Consensus from major agencies is that the revocation of Chevron's licence will have a rapid, though relatively small impact on the country's oil output. In its March Oil Market Report, the IEA cut its Venezuela production forecast for 2025 by 190kbd, as it expects production to fall as early as April. Kpler expects a 200kbd impact, while Rystad Energy sees an impact of up to 300kbd compared to the potential growth trajectory if Chevron had been allowed to stay.

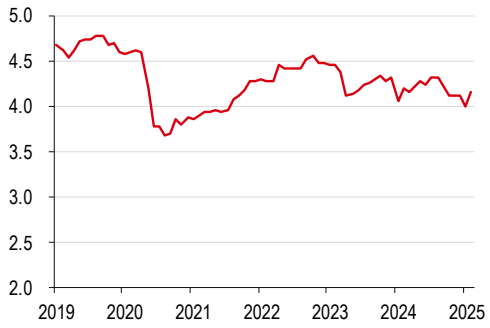
In our global supply model, we now assume a 130kbd fall in production from February levels over a 12-month period. However, given the surge in production in February, a 130kbd reduction would take output back to only December 2024 levels.

Keep an eye on Iraq and Libya

Iraq: Among other supply-related moving parts, we would keep an eye on the long-delayed restart of the 450kbd **Kirkuk-Ceyhan** (Iraq-Türkiye) pipeline. The pipeline has been shut down for two years due to a legal and political dispute between Iraq and Türkiye over oil exports from the Kurdistan region. A restart would initially add 185kbd of Kurdish oil and up to 450kbd ultimately. We do not explicitly assume a restart in our model.

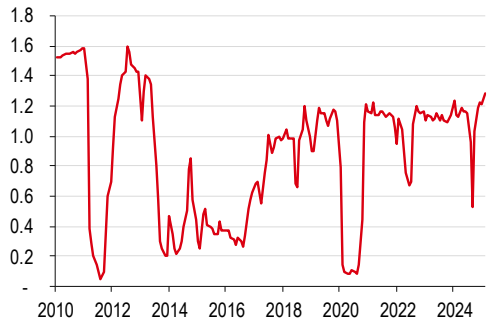
In February, **Libya's** oil production reached a decade-high of nearly 1.3mbd, according to Bloomberg estimates. This level exceeded its records of the past few years of 1.1-1.2mbd and had not been seen since 2013.

Iraq oil production, mbd



Source: Bloomberg

Libya oil production, mbd



Source: Bloomberg

US shale production – beyond "Drill, baby, drill"

Deregulation in progress: Looser environmental regulations are a key part of the Trump administration's "Drill, baby, drill" agenda and one of the main levers at the federal US government's disposal.

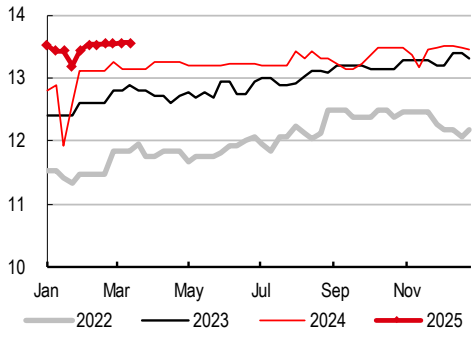
Congress voted in late February to repeal a Biden-era fee on methane of USD900-1,500/ton imposed on oil & gas producers. On 12 March, the EPA announced several deregulatory actions affecting air and water regulations. These changes primarily affect the power generation sector, road transport emissions, water and industry among others, but could also help the oil & gas sector.

As we wrote in *Oil in 2025*, we do not expect US drilling activity to pick up as a direct result of US federal policies. Only small-cap E&Ps might change their behaviour and drill more as a result of moves such as lifting the methane fee. Oil majors, listed large-caps E&Ps and privately-owned companies are unlikely to change their behaviour.

CERAWeek wrap: Most oil companies attending the CERAWeek 2025 event in Houston on 10-13 March expressed their view that US shale would peak in the next few years. Occidental's CEO, Vicki Hollub, expects US oil production to peak between 2027 and 2030. Conoco's CEO, Ryan Lance, forecasts a peak and plateau by the end of this decade.

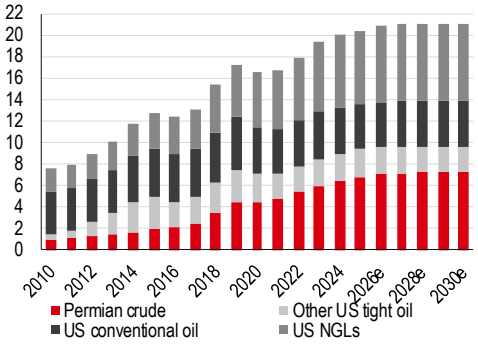
Our forecasts are in line with these views: we expect US liquids output to grow in 2025 but at a slower rate of 0.4mbd vs 0.6mbd in 2024, before reaching a peak later this decade and plateau at c21mbd over 2027-30.

US adjusted crude production (mbd)



Source: EIA, HSBC calculations. Weekly EIA production figures are adjusted to match monthly STEO averages

Total US liquids production to 2030, mbd



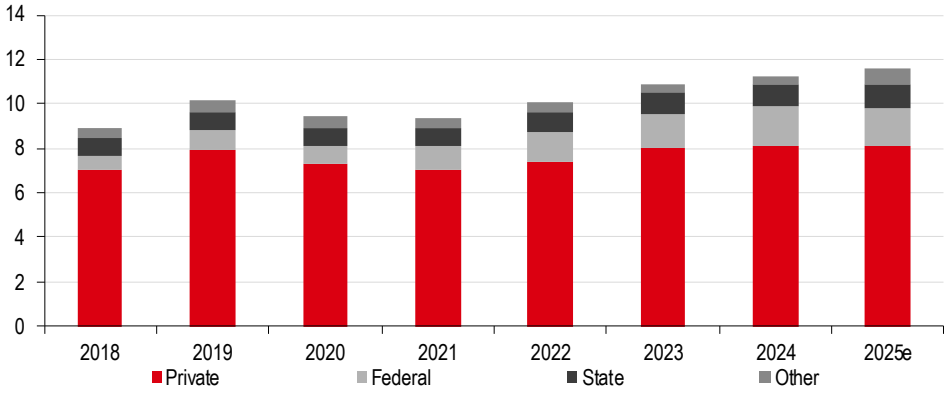
Source: EIA, Rystad Energy, HSBC estimates

At the CERAWeek conference, US Energy Secretary Chris Wright said that US production could continue to grow at oil prices of USD50/b (FT, 10 March). He argued that "efficiency gains" and innovation would allow activity and production to grow even at lower prices. We agree that the US shale industry has shown a remarkable capacity to adapt and innovate, leading to impressive cost reductions and efficiency gains over the past decade – see *US shale oil: Underestimate US shale at your peril* (18 June 2024). However, these efficiency gains can only help to offset ongoing cost inflation – which may become more complicated now if tariffs on steel and aluminium are implemented – and extend shale's plateau, rather than compensate for a sudden USD10/b move down in oil prices.

Mr Wright also hopes that faster permitting on federal land, faster approvals for new pipelines and for LNG export facilities will boost activity. We do not think that these elements will have a meaningful impact.

Onshore federal lands make up a small minority (16%) of Lower 48 onshore production, with most of the output (>70%) coming from private and state lands. Including offshore production, federal lands and waters account for almost a quarter of US oil output.

US onshore oil production, mbd



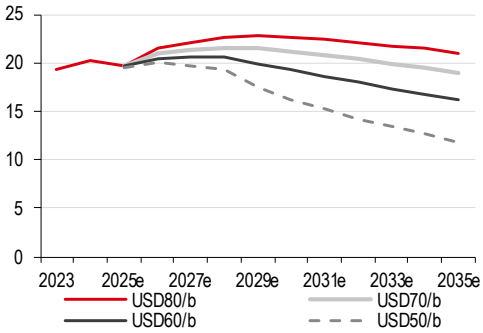
Source: Rystad Energy

Faster pipeline permitting could debottleneck oil and gas takeaway capacity in certain areas such as West Texas and Appalachia. However, the impact would lag behind and be outweighed by lower oil prices in companies' decision-making.

But it remains to be seen whether permitting will be accelerated. There have been large-scale redundancies at government agencies, such as the US Bureau of Land Management, the Bureau of Indian Affairs, and the Bureau of Ocean Energy Management implemented by the Department of Government Efficiency (DOGE). These job cuts could hamper the ability of state or federal authorities to approve permits in a timely manner (Bloomberg, 4 March, Reuters, 13 March).

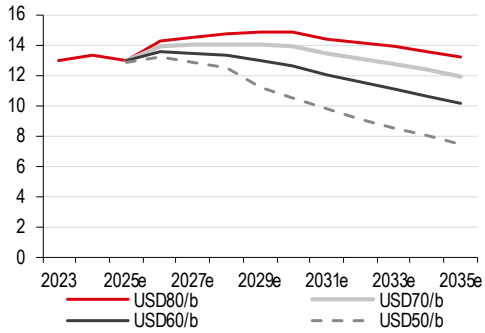
Our modelling based on Rystad Energy indicates that US liquids output would likely decline at USD50/b (Brent or WTI) within 1-2 years, as half-cycle breakevens are typically higher than USD50/b.

US liquids output at different oil prices, mbd



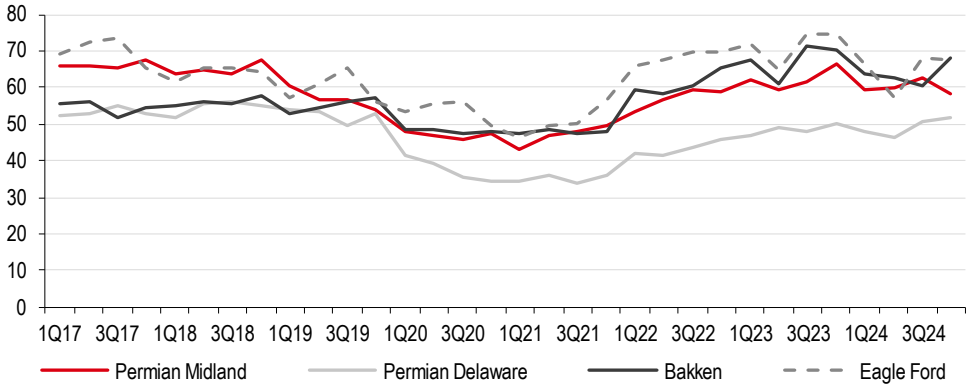
Source: Rystad Energy, HSBC

US crude oil and condensate (ex-NGL) output at different oil prices, mbd



Source: Rystad Energy, HSBC

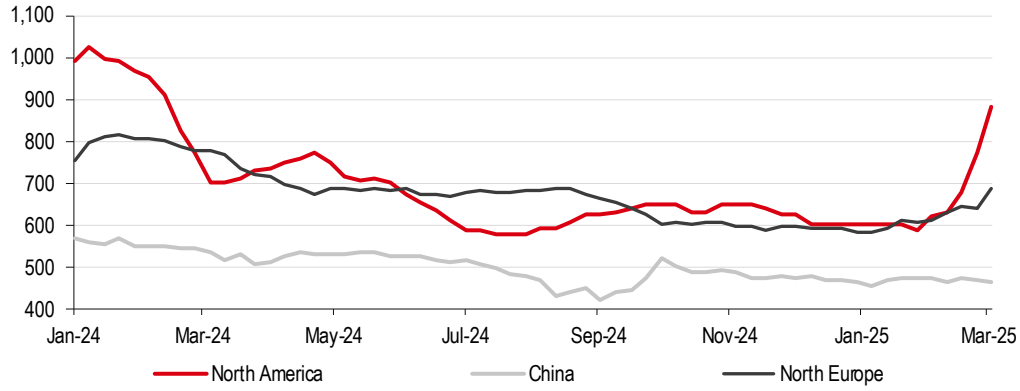
WTI half-cycle breakeven by main US tight oil basin, USD/b



Source: Rystad Energy. Methodology note: 'Half-cycle' breakevens include lifting costs and development costs, but do not consistently take into account additional costs such as transportation, G&A and price differentials. They exclude acreage and acquisition costs (deemed to be sunk costs), as well as corporate-level costs, such as interest expenses and shareholder returns.

Breakevens could start to increase due to 25% tariffs on steel and aluminium imports and 20% tariffs on Chinese goods.

Steel product prices by region (USD/ton)



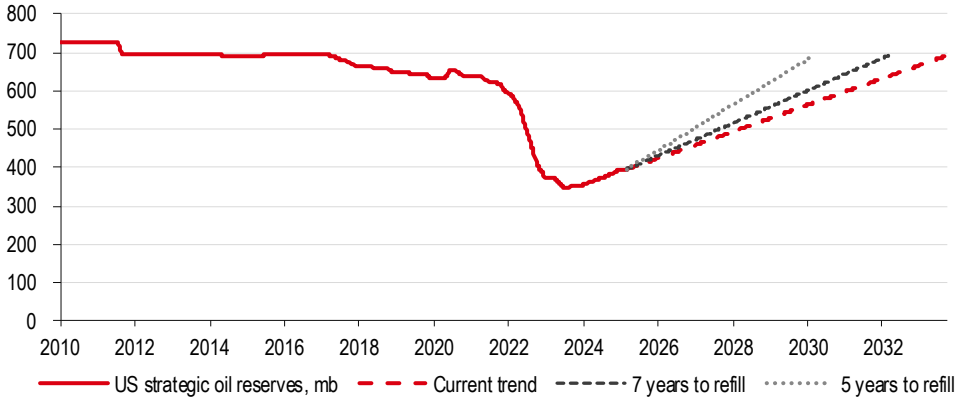
Source: BNEF, Kallanish

Slightly faster SPR refill would make little difference

US Energy Secretary Chris Wright has said that the US administration intends to spend USD20bn to refill the SPR, and that refilling might take five to seven years. The current rate of SPR refill has been around 665kbbls a week (equivalent to 35mb a year, or less than 100kbd) since early 2024, and slowed down to zero during most of February.

An accelerated 5-year timeframe would imply a 70% faster rate of refill with a run-rate of purchases rising from less than 100kbd to c160kbd, which would be slightly bullish for crude, but not a game-changer in any way. In any case, we are sceptical that the SPR refill plan it will be implemented given the Trump administration's stated desire to lower energy prices.

US Strategic Petroleum Reserve (mb) – refilling in different scenarios



Source: EIA, HSBC estimates

Demand unlikely to reaccelerate with tariff uncertainty

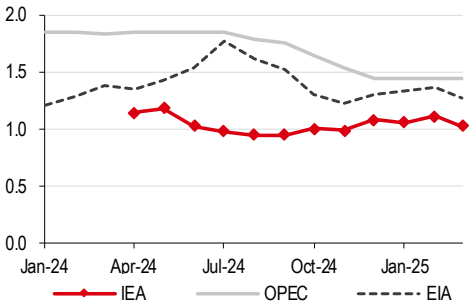
Background: Global liquids demand growth decelerated sharply in 2024 to less than 1% (c0.9mbd) y/y based on the IEA's estimates. Absolute demand rose to a new record high of 102.9mbd – comfortably above the pre-pandemic record of 100.5mbd in 2019. The biggest disappointment came from China due to a mix of structural and cyclical factors. We discussed them in some detail on p.6-9 of *Oil markets: Hard to be bullish* (4 September 2024).

We expect only a modest lift in global oil demand in 2025

For 2025, we expect only a modest reacceleration to 1.0mbd y/y growth, up from c0.9mbd in 2024, with most of the improvement coming from slightly stronger growth in China at +0.3mbd (vs <0.2mbd in 2024). Our 1.0mbd forecast is in line with the IEA's latest estimate of 1.03mbd and below the EIA's estimate of 1.27mbd and OPEC's 1.45mbd. The latter has not changed for several months, therefore we think it should be seen as a blend of wishful thinking and political statement rather than a true forecast like the IEA's or EIA's.

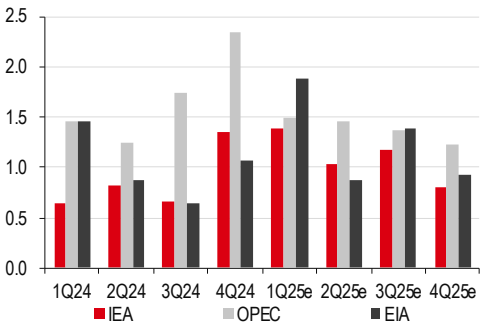
In its latest Oil Market Report, the IEA trimmed its 2025 demand growth by 70kbd to 1.03mbd y/y. It mentions that "*new US tariffs, combined with escalating retaliatory measures, [tilt] macro risks to the downside*" and adds that "*with tariffs frequently being paused or reversed, it is too early to estimate their impact on the global economy and oil demand*".

Evolution of 2025 global oil demand growth estimate, mbd



Source: IEA, OPEC, US EIA

Quarterly estimates of y/y demand growth by agency, mbd

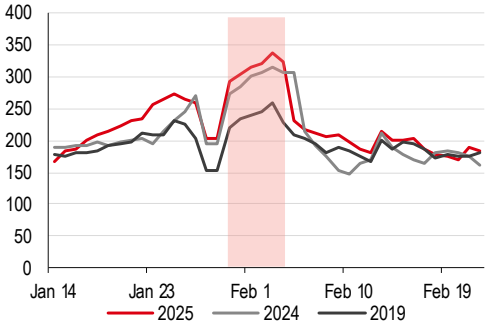


Source: IEA, OPEC, US EIA

China – structural transition + trade war

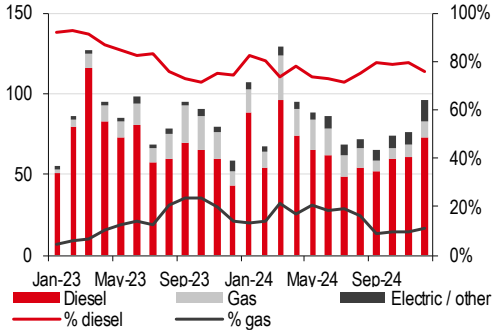
Many of the structural elements holding back China's oil demand growth should remain in place. These trends include the rise of EVs displacing gasoline, the extension of China's high-speed rail network displacing jet fuel and the shift away from diesel in commercial vehicles. We expect the shift to LNG-powered trucks displacing diesel to slow in 2025 compared to 2024 given higher gas/LNG prices and lower diesel prices. Sales of gas/LNG-fired trucks have roughly halved since autumn 2024 compared to the peaks seen from mid-2023 to mid-2024, when they hit nearly 30% of sales (see RHS chart below). But while gas-fired truck sales have lost momentum, sales of electric commercial vehicles are picking up, which could weigh on diesel consumption.

Total passenger throughput during Lunar New Year travel (million)



Source: BNEF based on Ministry of Transport data

China: Commercial vehicle sales ('000)

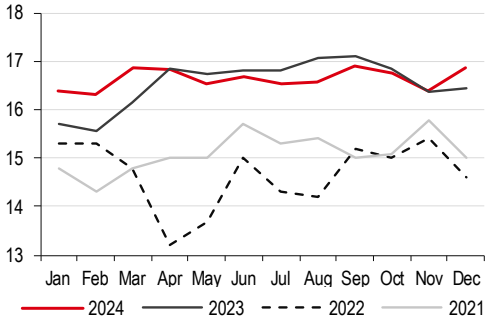


Source: BNEF, China Automotive Technology and Research Center

In the short term, mobility during the Chinese New Year was strong, with a 6-7% y/y increase in domestic trips (see LHS chart above). This should have boosted gasoline, diesel and kerosene demand. Refiners' utilisation rates in February surpassed 2024 levels.

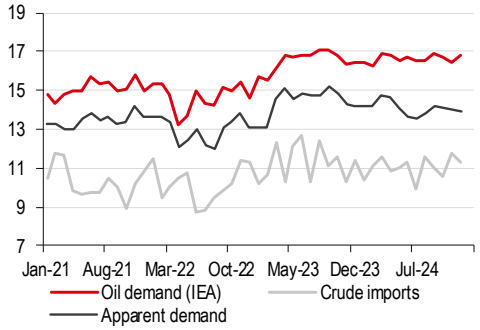
However, in the coming months the US-China tariff war is likely to slow economic activity and international trade. High-frequency data may be starting to show some of the initial tariff impact. From 2 to 9 March, freight throughput at China's major ports fell by 4.7% w-o-w. To offset these headwinds, China has tools to support trade, such as promoting enterprises to go overseas, enhancing services trade, strengthening regional cooperation, and encouraging foreign direct investment. For more detail, see China Macro Tracker (12 March).

China oil products demand, mbd



Source: IEA. NB: January 2025 data is not available due to the Lunar New Year

China oil demand, apparent demand, and crude imports, mbd



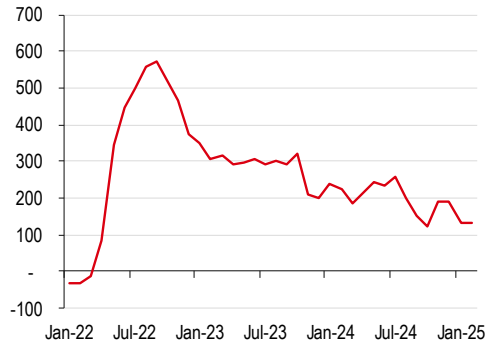
Source: IEA, Bloomberg. NB: January 2025 data is not available due to the Lunar New Year

India – loss of momentum

India's oil demand growth appears to have decelerated over the past few months. For the first two months of 2025, petroleum products consumption growth slowed to less than 1%, vs more than 4% for 2024. For now, we continue to forecast just over 0.2mbd of annual oil demand growth from India in 2025-26, unchanged from the average of the past couple of years.

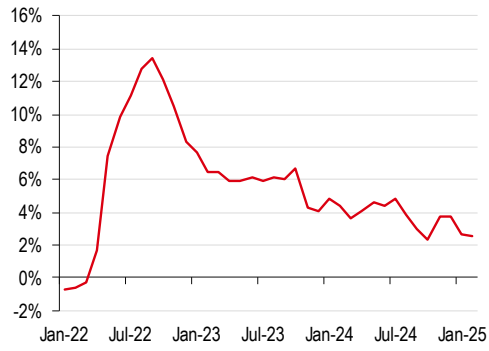
The country's new passenger vehicle sales have declined since peaking in 2018, and are roughly back to 2010 levels at 150,000 per month. This is explained by a large second-hand car market, a continued prevalence of two-wheelers and a saturated urban market.

India petroleum products demand: 6-month moving average y/y growth (kbd)



Source: PPAC, HSBC

India petroleum products demand: 6-month moving average y/y growth (%)



Source: PPAC, HSBC

HSBC global oil supply and demand balances

Our balances are little changed as they already assumed that the OPEC+ cuts would start to be unwound from April 2025 onwards.

For 2025, we forecast a **market in a surplus of 0.2mbd** (vs a 0.1mbd surplus previously). The small increase in the surplus comes from higher OPEC+ production than previously forecast, notably from the UAE, Libya, Kuwait and Iran. The surplus is mostly concentrated in the first and fourth quarters of 2025.

Our **2026 balances** show the **surplus growing to 1.2mbd** (vs 1.4mbd previously). The reduction in the scale of the surplus comes from lower non-OPEC production than previously forecast, notably from Brazil. Demand growth should be met entirely by non-OPEC+; in addition, OPEC+ barrels should continue to return to the market. This suggests that OPEC+ does not have the space to unwind cuts in 2026, pointing to the possibility that it might pause its production hikes at some point over the next 12 months.

Summary of changes to our balances

- **OPEC+ supply:**
  - We maintain 2025 **Venezuela** production unchanged, as we assume a 130kbd decline due to the new US sanctions, but from a higher February baseline and over a 12-month period. Our production forecasts for 2026 and beyond are 70kbd lower than previously.
  - We raise 2025-27 **UAE** production forecasts by 0.1mbd given a higher February baseline, as the country started ramping up output more aggressively than we forecast ahead of the OPEC+ cuts unwinding from April.
  - We make little change to our **Kazakhstan** production forecast. The Chevron-operated Tengiz field ramped up faster than expected in February. We assume output stays broadly flat from February levels as further ramp-ups at Tengiz are offset by small cuts at other fields. Drone attacks on a CPC pipeline pumping station in southern Russia could potentially be a constraint to ramping up output, although flows are bypassing the damaged substation (Reuters, 21 February). We do not assume that meaningful compensation cuts will be implemented.
  - We raise **Libyan** production by 0.1mbd over the forecast period due to a higher February baseline.
  - We also make small positive adjustments to **Kuwait** and **Iran** production forecasts for similar reasons. Our Iran production forecasts do not assume any meaningful impacts from the latest US sanctions.
  - We trim our **Nigeria** production forecasts by 50kbd.
- **Non-OPEC+ supply**:
  - We cut our **Brazil** production forecast by over 0.2mbd for 2026-27, rising to a 0.4mbd downward adjustment by 2030 due to a number of field-by-field adjustments.
  - We trim **Qatari** condensate production by 0.1mbd over the forecast period.

Click here to request our global oil supply and demand model

Global supply/demand balance, mbd

	2019	2020	2021	2022	2023	2024e	2025e	2026e
Demand								
US	20.5	18.2	19.9	20.0	20.3	20.3	20.4	20.4
Europe	*14.3*	*12.4*	*13.2*	*13.6*	*13.5*	*13.5*	*13.4*	*13.3*
Other OECD	13.1	11.5	11.7	12.0	11.9	11.8	11.8	11.8
Total OECD	**47.9**	**42.1**	**44.8**	**45.6**	**45.7**	**45.7**	**45.6**	**45.5**
China	14.3	14.3	15.1	15.1	16.5	16.6	16.9	17.2
India	5.1	4.6	4.9	5.2	5.4	5.6	5.8	6.1
Other Asia	8.9	8.0	8.6	8.9	9.0	9.3	9.5	9.8
Middle East	8.3	8.3	8.4	9.0	9.1	9.2	9.3	9.4
Latin America	6.2	5.6	6.0	6.1	6.3	6.4	6.5	6.6
Other non-OECD	9.8	8.9	9.7	10.1	10.1	10.1	10.2	10.3
Total non-OECD	**52.5**	**49.8**	**52.7**	**54.3**	**56.4**	**57.2**	**58.3**	**59.3**
Global demand	**100.4**	**91.9**	**97.5**	**99.9**	**102.0**	**102.87**	**103.9**	**104.8**
Demand growth	0.6%	-8.5%	6.1%	2.5%	2.1%	0.8%	1.0%	0.9%
Supply								
Permian crude	*4.4*	*4.5*	*4.8*	*5.4*	*5.9*	*6.3*	*6.8*	*7.0*
Other US tight oil	3.0	2.6	2.4	2.3	2.6	2.6	2.6	2.5
US tight oil	7.4	7.0	7.1	7.7	8.5	8.9	9.4	9.5
US conventional oil	4.9	4.3	4.2	4.3	4.5	4.3	4.2	4.2
US total oil	12.3	11.3	11.3	12.0	12.9	13.2	13.6	13.8
US NGLs	*4.8*	*5.2*	*5.4*	*5.9*	*6.5*	*6.8*	*6.8*	*7.1*
Total US liquids	**17.1**	**16.5**	**16.7**	**17.9**	**19.4**	**20.0**	**20.4**	**20.8**
Other NOPEC (ex-OPEC+ NGL)	49.5	45.9	48.0	49.0	49.8	50.0	50.7	51.3
Total non-OPEC	**66.6**	**62.4**	**64.7**	**66.9**	**69.2**	**70.0**	**71.1**	**72.2**
of which:								
US tight liquids	11.2	11.2	11.5	12.7	14.0	14.8	15.3	15.8
Conventional liquids	50.2	46.1	48.2	49.0	49.7	49.4	49.9	50.5
Biofuels/refinery gains	5.1	5.0	5.0	5.2	5.5	5.7	5.9	5.9
OPEC NGLs	5.3	5.0	5.3	5.4	5.3	5.5	5.5	5.6
Non-OPEC & OPEC non-crude	**71.9**	**67.4**	**70.0**	**72.3**	**74.5**	**75.5**	**76.6**	**77.8**
OPEC crude	**28.6**	**24.9**	**25.6**	**28.2**	**27.7**	**27.0**	**27.5**	**28.2**
Global supply	**100.5**	**92.3**	**95.6**	**100.5**	**102.2**	**102.5**	**104.1**	**106.0**
Implied inventory build/(draw)	**0.0**	**0.4**	**-1.9**	**0.6**	**0.2**	**-0.4**	**0.2**	**1.2**
Call on OPEC+ crude	28.6	24.5	27.5	27.6	27.5	27.4	27.3	27.1
Call on OPEC-9	24.0	21.3	23.0	23.1	22.5	22.2	21.8	21.7
Annual changes, mbd								
Global demand	**0.6**	**-8.5**	**5.6**	**2.4**	**2.1**	**0.8**	**1.0**	**0.9**
USA	0.0	-2.3	1.7	0.1	0.3	0.0	0.0	0.0
Europe	0.0	-1.9	0.8	0.4	-0.1	0.1	-0.1	-0.1
Total OECD	-0.1	-5.8	2.7	0.8	0.1	0.0	-0.1	-0.1
China	0.7	0.0	0.8	0.0	1.4	0.2	0.3	0.3
India	0.2	-0.6	0.3	0.3	0.2	0.2	0.2	0.2
Total non-OECD	0.7	-2.8	2.9	1.7	2.0	0.9	1.1	1.0
Non-OPEC supply	**2.3**	**-4.2**	**2.3**	**2.2**	**2.3**	**0.7**	**1.2**	**1.0**
US Permian	0.9	0.1	0.3	0.6	0.5	0.4	0.4	0.2
Total US tight crude	1.1	-0.3	0.1	0.6	0.7	0.4	0.5	0.2
Total US crude	1.4	-1.0	0.0	0.7	0.9	0.3	0.4	0.2
Total US NGLs	0.5	0.4	0.2	0.5	0.6	0.3	0.0	0.3
Total US	1.8	-0.6	0.2	1.2	1.5	0.6	0.4	0.4
Other non-OPEC	0.4	-3.6	2.1	1.0	0.8	0.1	0.8	0.6
OPEC NGLs	0.2	-0.3	0.3	0.1	-0.1	0.2	0.0	0.1
Non-OPEC+ & OPEC+ NGL supply	2.4	-4.5	2.6	2.3	2.2	0.9	1.2	1.2
Call on OPEC	-1.8	-4.0	3.0	0.1	-0.1	-0.1	-0.1	-0.2
Call on OPEC-9	-0.1	-2.7	1.6	0.1	-0.5	-0.4	-0.3	-0.2
OPEC crude production	-1.8	-3.7	0.7	2.6	-0.5	-0.7	0.5	0.7
OPEC-9 crude capacity			-0.2	0.3	0.0	0.4	0.1	0.2

Source: IEA, Energy Institute Statistical Review of World Energy, EIA, OPEC, Rystad Energy, HSBC estimates. OPEC refers to OPEC-12 (including Iran, Venezuela and Libya), excluding non-OPEC countries belonging to OPEC+ such as Russia.

Click here to request our global oil supply and demand model

HSBC supply breakdown by country, mbd

	2019	2020	2021	2022	2023	2024e	2025e	2026e
Non-OPEC								
US Permian	4.37	4.49	4.76	5.37	5.90	6.33	6.78	7.03
US other tight oil	3.02	2.55	2.36	2.34	2.55	2.57	2.57	2.50
US tight NGLs	3.85	4.18	4.41	4.97	5.58	5.91	5.96	6.25
US total tight liquids	11.24	11.22	11.53	12.69	14.04	14.81	15.32	15.78
US conventional	5.90	5.28	5.19	5.23	5.39	5.20	5.08	5.06
US	**17.14**	**16.50**	**16.72**	**17.92**	**19.43**	**20.00**	**20.39**	**20.84**
Canada	5.37	5.13	5.41	5.69	5.76	5.86	5.99	6.11
Mexico	1.92	0.00	1.97	2.03	2.12	2.05	1.97	1.87
UK	1.12	1.05	0.87	0.81	0.72	0.68	0.67	0.66
Norway	1.74	2.02	2.04	1.91	2.02	2.08	2.18	2.09
Russia	11.68	10.67	11.00	11.20	11.08	10.70	10.66	10.86
Azerbaijan	0.76	0.70	0.71	0.67	0.62	0.63	0.65	0.66
Kazakhstan	1.90	1.80	1.81	1.89	1.77	1.88	1.98	2.07
Angola	1.42	1.33	1.18	1.19	1.15	1.16	1.09	1.05
Oman	0.97	0.95	0.98	1.07	1.06	1.04	1.04	1.00
Qatar	1.74	1.71	1.70	1.74	1.77	1.80	1.83	1.85
China	3.85	3.97	4.07	4.18	4.27	4.34	4.40	4.43
Malaysia	0.67	0.61	0.57	0.56	0.57	0.55	0.56	0.55
India	0.85	0.80	0.77	0.74	0.73	0.75	0.73	0.73
Indonesia	0.79	0.75	0.70	0.66	0.65	0.62	0.59	0.56
Brazil	2.88	3.06	2.99	3.11	3.50	3.46	3.88	4.28
Argentina	0.72	0.72	0.80	0.95	1.07	1.18	1.31	1.45
Colombia	0.89	0.78	0.74	0.75	0.78	0.77	0.77	0.71
Ecuador	0.53	0.48	0.47	0.48	0.48	0.45	0.44	0.42
Guyana	0.00	0.07	0.12	0.28	0.39	0.62	0.61	0.79
Egypt	0.65	0.63	0.61	0.61	0.61	0.57	0.54	0.50
Other conventional	**3.89**	**3.62**	**3.48**	**3.27**	**3.17**	**3.04**	**2.95**	**2.80**
Non-OPEC conventional	50.25	46.13	48.16	49.04	49.67	49.43	49.93	50.51
Biofuels/Refinery gains	5.12	5.02	5.01	5.18	5.54	5.73	5.87	5.86
Non-OPEC	**66.60**	**62.37**	**64.69**	**66.91**	**69.25**	**69.96**	**71.12**	**72.15**
OPEC+ NGLs	5.27	5.00	5.30	5.39	5.28	5.49	5.49	5.61
Non-OPEC & OPEC NGLs	**71.87**	**67.37**	**69.99**	**72.30**	**74.53**	**75.46**	**76.61**	**77.76**
OPEC crude	**28.59**	**24.93**	**25.63**	**28.22**	**27.68**	**27.01**	**27.51**	**28.24**
of which:								
Saudi Arabia	10.16	9.45	9.22	10.48	9.79	8.99	9.18	9.81
Iran	2.47	2.18	2.71	2.83	2.99	3.29	3.30	3.28
Iraq	4.67	4.01	4.00	4.42	4.25	4.20	4.13	4.20
Kuwait	2.68	2.41	2.41	2.75	2.59	2.45	2.49	2.55
Libya	1.13	0.36	1.19	1.04	1.18	1.09	1.25	1.25
Nigeria	1.73	1.57	1.33	1.29	1.39	1.48	1.43	1.27
UAE	3.14	2.81	2.72	3.16	3.15	3.18	3.36	3.55
Venezuela	0.96	0.63	0.63	0.71	0.82	0.88	0.93	0.85
Algeria	0.94	0.83	0.83	0.97	0.93	0.90	0.92	0.95
Other	**0.71**	**0.67**	**0.59**	**0.58**	**0.59**	**0.55**	**0.53**	**0.51**
OPEC-9	**24.03**	**21.75**	**21.10**	**23.65**	**22.69**	**21.75**	**22.04**	**22.85**

NB: Excludes Angola from OPEC throughout. Source: IEA, Energy Institute Statistical Review of World Energy, EIA, OPEC, Rystad Energy, HSBC estimates

Click here to request our global oil supply and demand model

Recent HSBC Oil & Gas macro research

Oil markets

Oil in 2025: Russian supply risks return to centre stage (14 January 2025)
Oil markets: OPEC+ muddles through, but for how long? (6 December 2024)
Oil markets: OPEC+ meeting preview: Delaying the inevitable (19 November 2024)
Oil markets: Geopolitical upside risk capped by OPEC+ capacity (9 October 2024)
Oil markets: End of OPEC+ tightening cycle; cutting forecasts (30 September 2024)
Oil markets: Hard to be bullish (4 September 2024)
US shale oil: Underestimate US shale at your peril (18 June 2024)
Oil markets: OPEC+ roadmap leaves unanswered questions (3 June 2024)
Oil markets: Risk premium ebbs after Iran strike (16 April 2024)
Oil markets: Global refining capacity model update (27 March 2024)
Oil markets: OPEC+ plays it safe (5 March 2024)
Oil markets: Shrinking space for more Saudi crude (1 February 2024)
Oil in 2024: OPEC spare capacity vs geopolitical risk (24 January 2024)
Oil markets: OPEC+ cuts further but lacks exit strategy (4 December 2023)
Oil markets: No good options for OPEC+ (27 November 2023)
Oil markets: Saudi cuts extended; raising forecasts (22 September 2023)
Oil markets: Prices finally on the rise (9 August 2023)
Oil markets: Peak demand later this decade (26 July 2023)
Oil markets: Price upside, with limits (30 June 2023)
US shale oil: Peak shale? Not anytime soon in our view (20 June 2023)
Oil market flash: Saudi Arabia cuts further to defend crude prices (5 June 2023)
Oil markets: No surprises this time from OPEC+ (31 May 2023)
Oil markets: Refining margins normalisation is underway (11 May 2023)
Oil markets: Bigger cuts, higher prices (26 April 2023)
Oil markets: Russian supply down, China demand up (16 March 2023)
Postcard from IE Week: Divergent views on Brent prices in 2023 (6 March 2023)
Oil markets: EU ends its dependency on Russian oil (13 February 2023)
Oil markets: China oil demand will rebound – albeit slowly (16 January 2023)

Gas and LNG markets

Gas markets: Don't flout the 'dunkelflaute', gas refill at risk (28 January 2025)
Gas markets: Tighter for longer, LNG supply glut is a 2027 story (20 November 2024)
Gas markets: One last winter before the crunch ends (13 May 2024)
Gas markets: Asian recovery fails to offset stagnant Europe (4 March 2024)
Gas markets: Gas prices defy winter cold (6 December 2023)
Gas markets: Volatility beckons (6 September 2023)
Gas markets: Why Russian gas won't return to Europe (10 July 2023)
Gas markets: Summer gas glut, winter uncertainty (8 June 2023)
Gas markets: This winter is over (13 January 2023)
Europe gas tracker: Demand reductions disappear on cold snap (13 December 2022)
Gas markets: Rationing risks fade, but crisis not over yet (22 December 2022)
Gas markets: Europe should brace for a multi-year squeeze (13 September 2022)
Gas markets: How Europe gets through winter without Russian gas (5 July 2022)
Gas markets: Russia cuts gas supply; raising price forecasts (4 May 2022)
Gas markets: Higher for longer as Ukraine crisis tightens market (2 March 2022)
Gas markets: What might happen if Russia/Ukraine tensions rise (25 January 2022)
Global Natural Gas: Gas crunch: No end in sight (11 January 2022)
Global Natural Gas: The crunch is here, and it's not even winter (21 September 2021)
Gas markets: Is gas still a transition fuel? (25 May 2021)

Disclosure appendix

Analyst Certification

The following analyst(s), economist(s), or strategist(s) who is(are) primarily responsible for this report, including any analyst(s) whose name(s) appear(s) as author of an individual section or sections of the report and any analyst(s) named as the covering analyst(s) of a subsidiary company in a sum-of-the-parts valuation certifies(y) that the opinion(s) on the subject security(ies) or issuer(s), any views or forecasts expressed in the section(s) of which such individual(s) is(are) named as author(s), and any other views or forecasts expressed herein, including any views expressed on the back page of the research report, accurately reflect their personal view(s) and that no part of their compensation was, is or will be directly or indirectly related to the specific recommendation(s) or views contained in this research report: Kim Fustier, Sadnan Ali, CFA, Ildar Khaziev, CFA, Evan Li and Lilyanna Yang, CFA

Important disclosures

Equities: Stock ratings and basis for financial analysis

HSBC and its affiliates, including the issuer of this report ("HSBC") believes an investor's decision to buy or sell a stock should depend on individual circumstances such as the investor's existing holdings, risk tolerance and other considerations and that investors utilise various disciplines and investment horizons when making investment decisions. Ratings should not be used or relied on in isolation as investment advice. Different securities firms use a variety of ratings terms as well as different rating systems to describe their recommendations and therefore investors should carefully read the definitions of the ratings used in each research report. Further, investors should carefully read the entire research report and not infer its contents from the rating because research reports contain more complete information concerning the analysts' views and the basis for the rating.

From 23rd March 2015 HSBC has assigned ratings on the following basis:

The target price is based on the analyst's assessment of the stock's actual current value, although we expect it to take six to 12 months for the market price to reflect this. When the target price is more than 20% above the current share price, the stock will be classified as a Buy; when it is between 5% and 20% above the current share price, the stock may be classified as a Buy or a Hold; when it is between 5% below and 5% above the current share price, the stock will be classified as a Hold; when it is between 5% and 20% below the current share price, the stock may be classified as a Hold or a Reduce; and when it is more than 20% below the current share price, the stock will be classified as a Reduce.

Our ratings are re-calibrated against these bands at the time of any 'material change' (initiation or resumption of coverage, change in target price or estimates).

Upside/Downside is the percentage difference between the target price and the share price.

Prior to this date, HSBC's rating structure was applied on the following basis:

For each stock we set a required rate of return calculated from the cost of equity for that stock's domestic or, as appropriate, regional market established by our strategy team. The target price for a stock represented the value the analyst expected the stock to reach over our performance horizon. The performance horizon was 12 months. For a stock to be classified as Overweight, the potential return, which equals the percentage difference between the current share price and the target price, including the forecast dividend yield when indicated, had to exceed the required return by at least 5 percentage points over the succeeding 12 months (or 10 percentage points for a stock classified as Volatile*). For a stock to be classified as Underweight, the stock was expected to underperform its required return by at least 5 percentage points over the succeeding 12 months (or 10 percentage points for a stock classified as Volatile*). Stocks between these bands were classified as Neutral.

*A stock was classified as volatile if its historical volatility had exceeded 40%, if the stock had been listed for less than 12 months (unless it was in an industry or sector where volatility is low) or if the analyst expected significant volatility. However, stocks which we did not consider volatile may in fact also have behaved in such a way. Historical volatility was defined as the past month's average of the daily 365-day moving average volatilities. In order to avoid misleadingly frequent changes in rating, however, volatility had to move 2.5 percentage points past the 40% benchmark in either direction for a stock's status to change.

Rating distribution for long-term investment opportunities

As of 31 December 2024, the distribution of all independent ratings published by HSBC is as follows:

Buy	55%	(13% of these provided with Investment Banking Services in the past 12 months)
Hold	39%	(12% of these provided with Investment Banking Services in the past 12 months)
Sell	7%	(6% of these provided with Investment Banking Services in the past 12 months)

For the purposes of the distribution above the following mapping structure is used during the transition from the previous to current rating models: under our previous model, Overweight = Buy, Neutral = Hold and Underweight = Sell; under our current model Buy = Buy, Hold = Hold and Reduce = Sell. For rating definitions under both models, please see "Stock ratings and basis for financial analysis" above.

For the distribution of non-independent ratings published by HSBC, please see the disclosure page available at *http://www.hsbcnet.com/gbm/financial-regulation/investment-recommendations-disclosures*.

To view a list of all the independent fundamental ratings/recommendations disseminated by HSBC during the preceding 12-month period, and the location where we publish our quarterly distribution of non-fundamental recommendations (applicable to Fixed Income and Currencies research only), please use the following links to access the disclosure page:

Clients of HSBC Private Banking: *www.research.privatebank.hsbc.com/Disclosures*

All other clients: *www.research.hsbc.com/A/Disclosures*

HSBC and its affiliates will from time to time sell to and buy from customers the securities/instruments, both equity and debt (including derivatives) of companies covered in HSBC Research on a principal or agency basis or act as a market maker or liquidity provider in the securities/instruments mentioned in this report.

Analysts, economists, and strategists are paid in part by reference to the profitability of HSBC which includes investment banking, sales & trading, and principal trading revenues.

Whether, or in what time frame, an update of this analysis will be published is not determined in advance.

Non-U.S. analysts may not be associated persons of HSBC Securities (USA) Inc, and therefore may not be subject to FINRA Rule 2241 or FINRA Rule 2242 restrictions on communications with the subject company, public appearances and trading securities held by the analysts.

Economic sanctions laws imposed by certain jurisdictions such as the US, the EU, the UK, and others, may prohibit persons subject to those laws from making certain types of investments, including by transacting or dealing in securities of particular issuers, sectors, or regions. This report does not constitute advice in relation to any such laws and should not be construed as an inducement to transact in securities in breach of such laws.

For disclosures in respect of any company mentioned in this report, please see the most recently published report on that company available at *www.hsbcnet.com/research*. HSBC Private Banking clients should contact their Relationship Manager for queries regarding other research reports. In order to find out more about the proprietary models used to produce this report, please contact the authoring analyst.

Additional disclosures

1 This report is dated as at 18 March 2025.

2 All market data included in this report are dated as at close 13 March 2025, unless a different date and/or a specific time of day is indicated in the report.

3 HSBC has procedures in place to identify and manage any potential conflicts of interest that arise in connection with its Research business. HSBC's analysts and its other staff who are involved in the preparation and dissemination of Research operate and have a management reporting line independent of HSBC's Investment Banking business. Information Barrier procedures are in place between the Investment Banking, Principal Trading, and Research businesses to ensure that any confidential and/or price sensitive information is handled in an appropriate manner.

4 You are not permitted to use, for reference, any data in this document for the purpose of (i) determining the interest payable, or other sums due, under loan agreements or under other financial contracts or instruments, (ii) determining the price at which a financial instrument may be bought or sold or traded or redeemed, or the value of a financial instrument, and/or (iii) measuring the performance of a financial instrument or of an investment fund.

Production & distribution disclosures

1. This report was produced and signed off by the author on 17 Mar 2025 11:00 GMT.

2. In order to see when this report was first disseminated please see the disclosure page available at https://www.research.hsbc.com/R/34/mmvPXRG

Disclaimer

Legal entities as at 7 December 2024:
HSBC Bank plc; HSBC Continental Europe; HSBC Continental Europe SA, Germany; HSBC Bank Middle East Limited, DIFC; HSBC Bank Middle East Limited, UAE branch; HSBC Yatirim Menkul Degerler AS, Istanbul; The Hongkong and Shanghai Banking Corporation Limited, Hong Kong; The Hongkong and Shanghai Banking Corporation Limited, Singapore Branch; The Hongkong and Shanghai Banking Corporation Limited, Seoul Securities Branch; The Hongkong and Shanghai Banking Corporation Limited, Seoul Branch; HSBC Qianhai Securities Limited; HSBC Securities (Taiwan) Corporation Limited; HSBC Securities and Capital Markets (India) Private Limited, Mumbai; HSBC Bank Australia Limited; HSBC Securities (USA) Inc., New York; HSBC México, SA, Institución de Banca Múltiple, Grupo Financiero HSBC; Banco HSBC SA

Issuer of report
HSBC Bank plc
8 Canada Square
London, E14 5HQ, United Kingdom
Telephone: +44 20 7991 8888
Fax: +44 20 7992 4880
Website: www.research.hsbc.com

In the UK, this publication is distributed by HSBC Bank plc for the information of its Clients (as defined in the Rules of FCA) and those of its affiliates only. Nothing herein excludes or restricts any duty or liability to a customer which HSBC Bank plc has under the Financial Services and Markets Act 2000 or under the Rules of FCA and PRA. A recipient who chooses to deal with any person who is not a representative of HSBC Bank plc in the UK will not enjoy the protections afforded by the UK regulatory regime. HSBC Bank plc is regulated by the Financial Conduct Authority and the Prudential Regulation Authority. If this research is received by a customer of an affiliate of HSBC, its provision to the recipient is subject to the terms of business in place between the recipient and such affiliate. The document is intended to be distributed in its entirety. Unless governing law permits otherwise, you must contact a HSBC Group member in your home jurisdiction if you wish to use HSBC Group services in effecting a transaction in any investment mentioned in this document. This document is not and should not be construed as an offer to sell or the solicitation of an offer to purchase or subscribe for any investment. HSBC has based this document on information obtained from sources it believes to be reliable but which it has not independently verified; HSBC makes no guarantee, representation or warranty and accepts no responsibility or liability as to its accuracy or completeness. The opinions contained within the report are based upon publicly available information at the time of publication and are subject to change without notice. From time to time research analysts conduct site visits of covered issuers. HSBC policies prohibit research analysts from accepting payment or reimbursement for travel expenses from the issuer for such visits. Past performance is not necessarily a guide to future performance. The value of any investment or income may go down as well as up and you may not get back the full amount invested. Where an investment is denominated in a currency other than the local currency of the recipient of the research report, changes in the exchange rates may have an adverse effect on the value, price or income of that investment. In case of investments for which there is no recognised market it may be difficult for investors to sell their investments or to obtain reliable information about its value or the extent of the risk to which it is exposed. HSBC Bank plc is registered in England No 14259, is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority and is a member of the London Stock Exchange. (070905)

In the European Economic Area, this publication has been distributed by HSBC Continental Europe or by such other HSBC affiliate from which the recipient receives relevant services.

In Hong Kong, this document has been distributed by The Hongkong and Shanghai Banking Corporation Limited in the conduct of its Hong Kong regulated business for the information of its institutional and professional customers; it is not intended for and should not be distributed to retail customers in Hong Kong. The Hongkong and Shanghai Banking Corporation Limited makes no representations that the products or services mentioned in this document are available to persons in Hong Kong or are necessarily suitable for any particular person or appropriate in accordance with local law. All inquiries by such recipients must be directed to The Hongkong and Shanghai Banking Corporation Limited. In Korea, this publication is distributed by either The Hongkong and Shanghai Banking Corporation Limited, Seoul Securities Branch ("HBAP SLS") or The Hongkong and Shanghai Banking Corporation Limited, Seoul Branch ("HBAP SEL") for the general information of professional investors specified in Article 9 of the Financial Investment Services and Capital Markets Act ("FSCMA"). This publication is not a prospectus as defined in the FSCMA. It may not be further distributed in whole or in part for any purpose. Both HBAP SLS and HBAP SEL are regulated by the Financial Services Commission and the Financial Supervisory Service of Korea. In Singapore, this publication is distributed by The Hongkong and Shanghai Banking Corporation Limited, Singapore Branch for the general information of institutional investors or other persons specified in Sections 274 and 304 of the Securities and Futures Act (Chapter 289) ("SFA") and accredited investors and other persons in accordance with the conditions specified in Sections 275 and 305 of the SFA. Only Economics or Currencies reports are intended for distribution to a person who is not an Accredited Investor, Expert Investor or Institutional Investor as defined in SFA. The Hongkong and Shanghai Banking Corporation Limited, Singapore Branch accepts legal responsibility for the contents of reports. This publication is not a prospectus as defined in the SFA. It may not be further distributed in whole or in part for any purpose. The Hongkong and Shanghai Banking Corporation Limited Singapore Branch is regulated by the Monetary Authority of Singapore. Recipients in Singapore should contact a "Hongkong and Shanghai Banking Corporation Limited, Singapore Branch" representative in respect of any matters arising from, or in connection with this report. Please refer to The Hongkong and Shanghai Banking Corporation Limited Singapore Branch's website at www.business.hsbc.com.sg for contact details. In Australia, this publication has been distributed by The Hongkong and Shanghai Banking Corporation Limited (ABN 65 117 925 970, AFSL 301737) for the general information of its "wholesale" customers (as defined in the Corporations Act 2001). Where distributed to retail customers, this research is distributed by HSBC Bank Australia Limited (ABN 48 006 434 162, AFSL No. 232595). These respective entities make no representations that the products or services mentioned in this document are available to persons in Australia or are necessarily suitable for any particular person or appropriate in accordance with local law. No consideration has been given to the particular investment objectives, financial situation or particular needs of any recipient. This publication has been distributed in Japan by HSBC Securities (Japan) Co., Ltd.. It may not be further distributed, in whole or in part, for any purpose.

HSBC Securities (USA) Inc. accepts responsibility for the content of this research report prepared by its non-US foreign affiliate. The information contained herein is under no circumstances to be construed as investment advice and is not tailored to the needs of the recipient. All U.S. persons receiving and/or accessing this report and wishing to effect transactions in any security discussed herein should do so with HSBC Securities (USA) Inc. in the United States and not with its non-US foreign affiliate, the issuer of this report.

HSBC México, S.A., Institución de Banca Múltiple, Grupo Financiero HSBC is authorized and regulated by Secretaría de Hacienda y Crédito Público and Comisión Nacional Bancaria y de Valores (CNBV). In Brazil, this document has been distributed by Banco HSBC SA ("HSBC Brazil"), and/or its affiliates. As required by Resolution No. 20/2021 of the Securities and Exchange Commission of Brazil (Comissão de Valores Mobiliários), potential conflicts of interest concerning (i) HSBC Brazil and/or its affiliates; and (ii) the analyst(s) responsible for authoring this report are stated on the chart above labelled "HSBC & Analyst Disclosures".

If you are a customer of HSBC Wealth & Personal Banking ("WPB"), including Global Private Banking, you are eligible to receive this publication only if: (i) you have been approved to receive relevant research publications by an applicable HSBC legal entity; (ii) you have agreed to the applicable HSBC entity's terms and conditions and/or customer declaration for accessing research; and (iii) you have agreed to the terms and conditions of any other internet banking, online banking, mobile banking and/or investment services offered by that HSBC entity, through which you will access research publications (collectively with (ii), the "Terms"). If you do not meet the above eligibility requirements, please disregard this publication and, if you are a WPB customer, please notify your Relationship Manager or call the relevant customer hotline. Distribution of this publication is the sole responsibility of the HSBC entity with whom you have agreed the Terms. Receipt of research publications is strictly subject to the Terms and any other conditions or disclaimers applicable to the provision of the publications that may be advised by WPB.

[1254546]

HSBC

Global Natural Resources & Energy Research Team

Metals and Mining

North America & Latin America

James Steel +1 212 525 3117
james.steel@us.hsbc.com

Jonathan Brandt, CFA +1 212 525 4499
jon.brandt@us.hsbc.com

Gustavo Hwang +55 11 2802 3257
gustavo.hwang@hsbc.com

CEEMEA

Shilan Modi, CFA +971 5858 07490
shilan.modi@hsbc.com

Asia

Howard Lau, CFA +852 2996 6625
howard.h.b.lau@hsbc.com.hk

Yushin Park +82 2 3706 8756
yushin.park@kr.hsbc.com

Fred Wong +852 2822 1109
fred.wong@hsbc.com.hk

Energy

Europe

Head of European Oil & Gas

Kim Fustier +44 20 3359 2136
kim.fustier@hsbc.com

Sadnan Ali, CFA +44 20 7991 0569
sadnan.ali@hsbc.com

CEEMEA

Ildar Khaziev, CFA +44 20 7992 3302
ildar.khaziev@hsbc.com

Latin America

Lily Yang, CFA +1 212 525 0990
lilyanna.x.yang@us.hsbc.com

Chemicals

Europe/US

Global Sector Head, Chemicals

Sriharsha Pappu, CFA +44 20 7991 9243
sriharsha.pappu@hsbc.com

Martin Evans +44 20 7991 2814
martin1.j.evans@hsbc.com

CEEMEA

Global Sector Head, Chemicals

Sriharsha Pappu, CFA +44 20 7991 9243
sriharsha.pappu@hsbc.com

Prateek Bhatnagar +91 80 4555 2757
prateekbhatnagar@hsbc.co.in

Anup Kataria, CFA +91 80 6737 2218
anup.g.kataria@hsbc.co.in

Asia

Jeremy Chen +8862 6631 2866
jeremy.cm.chen@hsbc.com.tw

Puneet Gulati, CFA + 91 22 2268 1235
puneetgulati@hsbc.co.in

Saurabh Jain +91 22 6164 0691
saurabh2jain@hsbc.co.in

Yonghua Park, CFA +852 3941 7005
yonghua.park@hsbc.com.hk

Latin America

Lily Yang, CFA +1 212 525 0990
lilyanna.x.yang@us.hsbc.com

Utilities

Latin America

Lily Yang, CFA +1 212 525 0990
lilyanna.x.yang@us.hsbc.com

CEEMEA

Alternative Energy

EEMEA Head of Industrials Research

Sean McLoughlin +44 20 7991 3464
sean.mcloughlin@hsbcib.com

Evan Li +852 2996 6619
evan.m.h.li@hsbc.com.hk

Daniel Yang +852 2996 6976
daniel.h.yang@hsbc.com.hk

Europe

Utilities and Renewables

Meike Becker +44 20 7991 6441
meike.becker@hsbc.com

Charles Swabey +44 20 3268 3954
charles.swabey@hsbc.com

Shannon Whyborne +44 20 7991 5473
shannon.whyborne@hsbc.com

Asia Energy Transition

Head, Asia Energy Transition Research

Evan Li +852 2996 6619
evan.m.h.li@hsbc.com.hk

Daniel Yang +852 2996 6976
daniel.h.yang@hsbc.com.hk

Jeremy Chen +8862 6631 2866
jeremy.cm.chen@hsbc.com.tw

Puneet Gulati, CFA +91 22 2268 1235
puneetgulati@hsbc.co.in

Akshay Malhotra +91 89 6897 9321
akshay.malhotra@hsbc.co.in

Saurabh Jain +91 22 6164 0691
saurabh2jain@hsbc.co.in

Yonghua Park, CFA +852 3941 7005
yonghua.park@hsbc.com.hk

Rahul Bhatia, CFA +65 6658 0623
rahul1.bhatia@hsbc.com.sg

Shayla Xu +852 2288 7378
shayla.b.xu@hsbc.com.hk

Zoey Zhou +852 3945 2400
zoey.z.zhou@hsbc.com.hk

Yushin Park +822 3706 8756
yushin.park@kr.hsbc.com