

MNI: Political Drivers for Energy Markets July 7-13

By Lawrence Toye (07/07/2025)

Executive Summary:

- **OPEC+ shifts its policy** towards faster cut unwinding.
- **Trump's approaching tariff deadline** is likely to sow market uncertainty.
- US efforts to mediate an end to the **Ukraine-Russia war** appear to have **stalled**.

OPEC+ Shifting Policy

OPEC+ surprised the market July 5 with a 548k b/d hike to its production plans for August, above the expected 411k b/d rise.

- OPEC+ had agreed monthly hikes of 411k b/d in May, June, and July while April was a slower pace of 138k b/d.
- OPEC+ cited economic conditions and low global inventories for the hike. However, it is likely that de facto bloc leader Saudi Arabia has grown tired of continuous overproduction from members such as Kazakhstan and Iraq, deciding to shift strategy towards capturing market share and pressuring US shale.
- It appears that Saudi Arabia now sees it as preferable to get the hikes out of the way sooner rather than later. While the Kingdom has very low production costs, it needs prices at around \$90/b to balance its wider national budget.
- Thus, it will likely turn to higher deficits or scaling back some of its mega projects in the near term.

OUTLOOK: The market now expects a hike of around 550k b/d for September to complete the unwinding of their previous 2.2m b/d voluntary cuts.

- This may put further pressure on oil prices in H2, posing a challenge for US shale producers and their ability to “drill baby drill”.
- OPEC+ cohesion will also be key to watch; continued overproduction from some members could lead to even more discontent from KSA. The Kingdom has around 3m b/d of spare capacity to use as a stick to enforce stricter compliance.

Tariff Deadline Approaching

The US is preparing to send out tariff letters this week to dozens of countries, with the 90-day pause on tariffs set to expire July 9. Trump said that letters detailing new tariff rates are due to be sent to 12-15 trading partners from 12:00 ET today,

- Major trading partners have rushed to strike deals before the deadline, although Treasury Secretary Scott Bessent indicated that countries lacking an agreement by July 9 would have till Aug. 1 to negotiate further.
- While the White House has repeatedly said that deals are imminent, only a limited framework with the UK, a detente with China, and a brief outline of a pact with Vietnam have been confirmed. There is still no deal confirmed with key US trading partners such as: the EU, Japan, Japan, and South Korea.
- The EU said that it has made good progress on the talks on Monday, and its aim remains to reach an agreement by July 9.

- Trump has also threatened to put an additional 10% tariff on any countries aligning themselves with “the Anti-American policies of BRICS,” Bloomberg reported.

OUTLOOK: The looming deadline is due to sew further uncertainty into energy markets. Any last-minute deals with large US trading partners should be supportive for energy markets, but trade deals are likely to include more trade frictions than existed before Trump’s second term.

Russia Ukraine Progress Stalled

Trump said there was “no progress” in his call with Vladimir Putin July 3. POTUS declared himself “very disappointed” with the call, while the Kremlin said that Putin “will not back down” from Russia’s military goals.

- The most recent call appears to imply that Trump’s efforts to mediate an end to the war are floundering.
- Media reports also said that Trump want to help with air defences for Ukraine and to check what critical weaponry deliveries from the US to Kyiv have been paused - critical in sustaining the war effort.
- Trump’s relationship with Zelenskiy appears to have markedly improved after hitting a nadir during their public spat at the White House. However, there has been little mention of further sanctions against Russia.

OUTLOOK: No end to the conflict appears in sight and the status quo appears to be the most likely outcome for the time being. This is largely neutral for energy prices as sanctions are unlikely to be changed: Trump has repeatedly demurred on additional measures such as secondary sanctions.

Optimism Rises for Gaza Ceasefire

Israel's PM Netanyahu said he believed his discussions with US President Trump July 7 would help advance talks on a Gaza hostage release and ceasefire deal. Trump predicted an agreement could be reached this week, according to Reuters.

- Meanwhile, the Israeli military said on Sunday it had carried out air strikes on Houthi-controlled areas of Yemen in response to repeated missile and drone attacks on Israel – the first attacks in over a month.

OUTLOOK: If a Gaza ceasefire was reached and it was able to hold, this may result in the Houthis ceasing to target Israeli linked ships in the Red Sea. Shipowners would initially be reticent to transit through Bab el-Mandab, but a lasting peace could resume voyages via Suez - bearish for freight rates.

Iran Talks Could Quietly Restart

Axios reported last week that White House envoy Steve Witkoff is quietly planning to meet with Iranian Foreign Minister Abbas Araghchi in Oslo this week to restart nuclear talks.

- Neither country has publicly confirmed the meeting. Both men have been in direct contact since the war ended, Axios reported, with Iran gradually softening its stance towards engaging with the US.
- Iran continues to stress that it has no plans to halt enrichment, although it is “ready to engage with others to talk about the scope, the level, the capacity of our enrichment program.”

OUTLOOK: It is possible that talks could quietly resume between the countries, although a near-term deal on enrichment or sanctions appears unlikely. With Iranian facilities severely damaged, there is now less haste from the US to find a deal compared to before the war.