MNI Oil Weekly: China Buying Back in Focus

By Andrew Couper and Lawrence Toye (16/07/2025)

- **China Buying Back in Focus:** Oil market focus reverts back to fundamentals as China imports ramp up. Markets assess if it mainly opportunistic stockpiling or shows improved underlying demand.
- **Oil Markets:** Markets were wary of potential US sanctions on Russia but a 50-day delay has seen fears unwind along with more trade talk optimism. Diesel markets remain firm as US and European stocks sit at seasonally low levels.
- **Analyst Views:** See oil market views and outlooks by major names in industry.

China Buying Back in Focus

China demand appears to paint a more bullish picture at present but it is worth considering that Chinese buyers have a habit of stockpiling when prices are cheaper. With that in mind, April/May crude price weakness resulted in significant opportunistic buying which caused higher June imports that bolstered record stockpiles.

- Despite high stockpiling, Chinese refining does show a more positive slant in the latest figures, supported by summer demand and weak stockpiles.
- The Israel/Iran price spike in June appears to have been a blip for prices and mid-July levels are getting back to opportunistic levels.
- China's oil demand will rise seasonally into September but will be restrained by the country's prolonged property sector downturn, trade tariffs and rising sales of electric cars and trucks.
- Global supply/demand fundamentals are more in focus again as OPEC+ unwinds cuts making the China import picture more of a market driver again as geopolitical risk headlines fade away for oil this month. See below some of the key areas/trends in the Chinese market at present.

China Refining

Chinese refiners processed 15.15 mn bpd in June, according to official data released on Tuesday, up 8.8% from May and the highest rate since September 2023.

- State-owned refiners, including Sinopec and PetroChina, are operating above 80% capacity, up from 73% the previous month, as they rebuild fuel inventories that had fallen to six-year lows according to OilChem.
- Gasoline and jet fuel demand remain strong in China, even as diesel margins continue to lag due to sluggish construction activity.
- The sharp ramp-up in state refinery operations was driven by low product stocks after two months of heavy maintenance in April and May that supported product profit margins Rystad reports.
- Refined products output from state refiners Sinopec, PetroChina, CNOOC and Sinochem will exceed 10 mn bpd in July, 100,000-110,000 bpd higher than June, according to JLC. It expects their output to hit 10.4 million bpd in July and August.
- Rising state refinery output pushed up diesel and gasoline stocks in the first two weeks of July, but at 14 million and 11 million metric tons, respectively, inventories are at six-year lows, Oilchem reported.

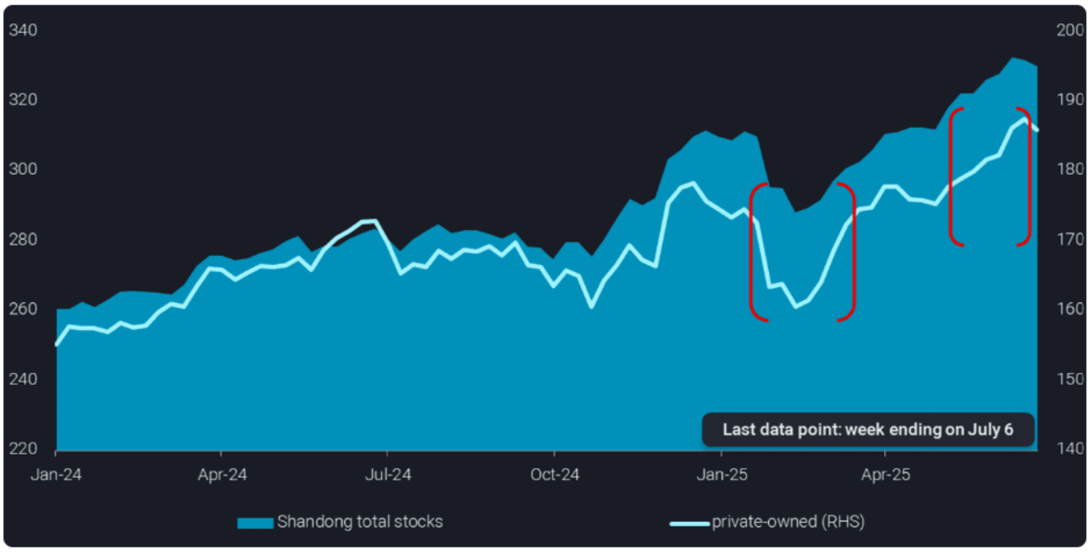
Business Address – MNI Market News, 3rd Floor, 1 Great Tower Street, London, EC3R 5AA

China Crude imports/Stockpiling

China's seaborne crude imports rose to 10.6 mbd in June, up 11% m-o-m and 6% y-o-y, even as ongoing maintenance kept overall refinery throughput at the lower end of the seasonal range Vortexa reported last week.

- The increase was mainly driven by higher Middle Eastern imports with Saudi flows at a 30-month high, near 2mn bpd, well above the 1.5mn bpd average of the first 5 months of the year.
- Onshore crude inventories (excl. underground SPR) reached a record 1.09 billion barrels in the week ending June 22 Vortexa reported, before easing in the following three weeks.
- According to China's General Administration of Customs - total imports reached 49.89 million tonnes in June, the highest monthly volume since March.
- China could buy as many as 140 million barrels for its Strategic Petroleum Reserves for delivery in the fourth quarter and first quarter of next year, Energy Aspects said in a note released late Monday, or almost 780,000 barrels a day over the period. It will continue purchases as long as prices remain below $80 a barrel it added.
- China's surplus crude amounted to 1.42mn bpd in June, up from 1.40 mn bpd in May and the fourth straight month above the 1 mn bpd level, according to Reuters calculations based on official data.
- Shandong's onshore crude inventories rose by nearly 20mb in June—an increase that mirrors the rise in Iranian arrivals, especially since refinery crude consumption did not pick up according to Vortexa. (see chart below)
- Saudi crude supply to China is set to rise to the highest since 2023 at 51mbbl, or 1.65mb/d, for August loading, according to Reuters. The supply compares to approximately 47m bbl for July loading.

Shandong Onshore Crude Inventories (mb) – total (LHS) vs private owned (RHS) – Source: Vortexa



China/Iran Purchases

June saw surging China teapot demand for Iranian barrels. Vortexa recorded +1.7mn bpd and Kpler +1.6mn bpd, up from lows of 1.1mn bpd May.

- The rising imports were fuelled in part by an increase in available supplies from floating storage after export loadings from Iran reached a multi-year high of 1.83 million bpd in May, Kpler said. There was also attempts to boost flows in case of any disruptions from the Israel/Iran escalations.
- Strong loadings in May and early June means Iran flows into China are expected to maintain a firm pace in August, though the loading pace slowed into the second half of June.
- Iranian light discounts were reported to be tightening into late June on higher demand at around $2/bbl below ICE Brent for end-July to early-August deliveries, Reuters sources said, compared to discounts of $3.30-$3.50/bbl previously for July deliveries earlier than month. Vortexa this week reported them at $4/bbl.

Oil Market:

The September Brent contract has ranged between $68.44/b and $71.38/b this week, with a sharp retreat July 14 after Trump suggested secondary tariffs against buyers of Russian oil, furthering trade frictions.

- The prompt Brent time spread has narrowed in recent days, with the front-end backwardation softening since July 14. It has ranged between 89 cents/b and $1.28/b this week.
- ICE Brent net long positions rose by 55,630 to 222,347 last week, the most bullish in three weeks. Long only positions rose. 41,124 lots to 328,875 in the week ending July 8
- Money managers have decreased their bullish Nymex WTI crude oil bets by 29,994 net-long positions to 148,106, weekly CFTC data on futures and options show. The net-long position was the least bullish in six weeks.
- A widening of the Brent-Dubai EFS has choked off the once-lucrative arbitrage for light sweet crude flowing from West to East.

Russia Sanctions

US President Donald Trump has threatened to impose additional sanctions on Russia if they fail to come to a peace deal with Ukraine in the next 50 days

- “We’re going to be doing very severe tariffs if we don’t have a deal in 50 days, tariffs at about 100%,” Trump said. Trump added that the levies would come in the form of “secondary tariffs,” without providing details.
- A White House official said Russia could face both sanctions and tariffs if it fails to sign a ceasefire deal by early September.
- In addition, European Union envoys will try again to agree on the adoption of the 18th package of sanctions against Russia that would include a lower price cap.
- Slovak PM Robert Fico is demanding the EC fully exempts it from restrictions so that it could continue importing Russian gas until 2034. Without this guarantee, Slovakia will veto the package.

OPEC+

OPEC+ continues to forecast global oil-demand growth of 1.29m b/d this year and 1.28m b/d in 2026.

- The bloc expects global trade tensions to ease to ease in the coming weeks, supporting its outlook for its oil demand outlooks to remain steady.
- Supply from producers outside of the wider OPEC+ alliance is still expected to rise by 810,000 b/d and 730,000 b/dover 2025 and 2026, respectively.
- Saudi Arabia increased production by 173,000 b/d last month to around 9.3m b/d- at odds with an IEA report of 700k bd growth on the month.
- Overall OPEC crude-oil production rose by 220,000 bpd last month to 27.2m b/d, while the total production of OPEC+ members increased by 349,000 bpd to 41.56m b/d.
- More focus is being placed on OPEC developments at present during its efforts to unwind voluntary cuts at a greater pace than previously planned
- Russia intends in August and September to fully compensate for previously producing oil in excess of its OPEC+ quota, in line with the existing plan, Deputy PM Alexander Novak said on Friday Interfax reported.
- Nigeria is hoping to win an increase of its OPEC+ crude production target to 2m b/d from 2027 in upcoming talks over updated country capacities, NNPC CEO Bashir Ojulari said July 10.

Kazakhstan

Kazakhstan's KazMunay Gas has not received any directives from the government concerning possible adjustment of the oil production target following OPEC+'s decision to increase in August, its CEO said, cited by Interfax.

- Kazakhstan has said that it will try its best to comply with OPEC+ quotas but will also consider its national interests.
- Kazakhstan's oil output in H1 2025 rose by around 11.6% year on year to 49.9m mt, Energy minister Erlan Akkenzhenov said.
- CPC increased exports from Kazakhstan via its Black Sea terminal by 8% in June on the month, according to Reuters.

China

China's crude throughput growth forecast in 2025 is revised down to 1.5% from 1.8%, amid underperforming private integrated refineries, according to GL Consulting.

- Limited downstream integration has capped run rates at the new Yulong Petrochemical, with little upside in 2H.
- Saudi crude supply to China is set to rise to the highest since 2023 at 51mbbl, or 1.65mb/d, for August loading, according to Reuters. The supply compares to approximately 47m bbl for July loading.
- China accelerated the pace at which it built its crude oil stockpiles in June, as the strongest imports in almost two years outweighed a rise in refinery processing, according to Clyde Russell at Reuters.
- Chinese refiners, many of them privately owned, have been scooping up larger volumes of cheap Venezuelan crude after prices dropped following a fresh US import ban, Bloomberg said.

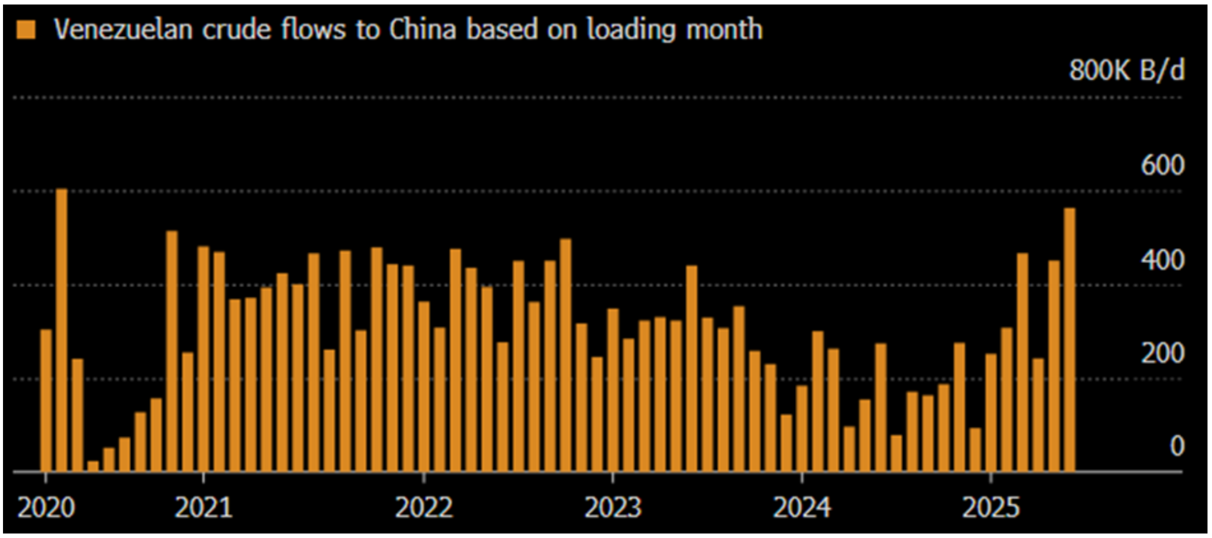
Americas

The outlook for heavy crude markets in the Americas remains bullish amid tightening balances over the summer, Kpler said. This has resulted from declining supplies from Venezuela and Mexico.

- However, seasonally declining US crude demand and robust output from Alberta's oil sands in Q3 is likely to weigh on WCS crude differentials into the autumn months, Kpler added.

- The Alberta wildfire that prompted curtailment of around 350k b/d of oil sands production from Cenovus, Canadian Natural and MEG in late May and early June was downgraded to "being held" from "out of control," according to Alberta Wildfire July 15.
- Guyana's oil exports are set to hit a fresh record in September as it starts selling a new crude grade, Bloomberg said.
- Guyana is planning to export a total 900k b/d of crude in September, exceeding its previous records. The latest hike is thanks to a new grade, Golden Arrowhead, from Exxon Mobil's Yellowtail project.
- Ecuador plans to resume pumping oil through the SOTE pipeline on Thursday July 17, following repairs, Bloomberg reported citing Petroecuador.

China Takes More Venezuelan Crude – Source: Kpler/Bloomberg Graphics

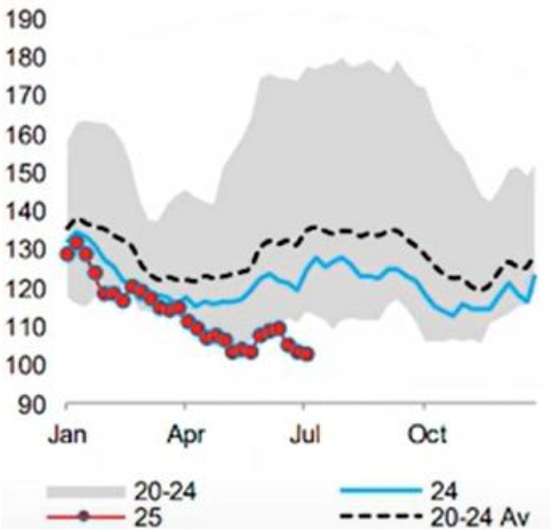


Oil Products:

Fundamentals in the diesel and distillate space maintain strength as US and Northwest European stocks remain well below seasonal averages. The US continues to see distillate draws at a time it usually see's builds.

- Money managers are piling into longs on gasoil and heating oil futures. They are at their most bullish level in nearly 2-years, potentially speculating ahead of winter if stocks remain historically low and the rush to cover increases.

US Distillate Stocks (mb) – Source: EIA



- The July/August ICE gasoil spread (LGOc1-LGOc2) reached over $110 per ton last week, the widest since October 2022 when the European Union imposed an embargo on Russian oil after the Ukraine war.
- The unprecedented surge in European diesel prices has created arbitrage opportunities to send supplies from the U.S. gulf coast and Asia to Europe Sparta reported late last week.
- Heavier Atlantic grades have been finding strength on strong diesel margins. North Sea Johan Sverdrup has been stable at $3-$3.50 over Dated Brent since early June, compared with premiums of 50c-$2 in May Bloomberg reported last week.

China

China's refined oil production is expected to fall this week with Yanchang Petrochem and Yulin Petrochem's scheduled to undergo maintenance, according to OilChem.

- **China's CDU capacity utilisation** rates at state-owned refineries averaged 81.47% last week, up 0.40 percentage points on the previous seven-day period.
- **CDU rates at Teapots** averaged 58.02%, up 0.77 percentage points on the week.
- **Chinese refining throughput** rose to more than 15.2m b/d in June, the strongest pace since September 2023.

- **China's gasoline consumption** is seen rising by 4.2% on June to 442k mt. However, this is down 3.2% on the year, according to OilChem. China's gasoline production is seen flat on the month at 453k mt, down 4.8% on the year.

Refining

Refinery runs in the US Midwest (PADD 2) rose to a record 4.3 mb/d, drawing crude inland and pulling Cushing stocks to their lowest seasonal levels in over five years.

- California is set to lose 17% of its oil refinery capacity over the next 12 months because of two planned refinery closures, the EIA said. This is likely to contribute to increases in fuel price volatility on the West Coast.
- The Phillips 66 Bayway refinery in Linden, New Jersey, is trying to restore operations to normal after a section of the plant lost power early Tuesday Bloomberg reports.
- **Delta Air Lines's 190,000 b/d Monroe Trainer** refinery in Pennsylvania was working to restore normal operations at the start of this week after a total power loss on June 10 halted production, person familiar with operations said.
- Marathon was reported to be restarting a diesel Ultracracker over the weekend at its **631k b/d Galveston Bay** facility according to Reuters sources on Friday. It has since been delayed to this Friday.
- A fire broke out at a storage tank at **Citgo Petroleum's 455kb/d Lake Charles** refinery on July 10 after a lightning strike, according to a Bloomberg source.
- An incident at the refinery's wastewater treatment led to a fire at Chevron's 356,440 b/d Pascagoula, Mississippi refinery Julu 14, Reuters said.
- In Mexico, Pemex is in the process of ramping up the **340k b/d Dos Bocas refinery** following a total shutdown caused by a power issue, according to a document seen by Bloomberg. The refinery is currently processing 122k b/d of crude and aims to reach 210k b/d in the coming days.
- **India's BPCL** will shut its sole crude unit at its 156,000 bpd Bina refinery in central India for 15 days of maintenance from August 11 Reuters reports citing executives.
- **Refinery runs in OECD Europe** are estimated to have increased by 110k b/d in June to 11m b/d, according to the IEA's Oil Market Reports cited by Bloomberg.
- **Tatneft** has started the second combined hydrocracking unit at its Taneco refinery in Russia, Bloomberg reports citing Interfax.
- **The Orlen Unipetrol plant** — which declared force majeure on fuel supplies last week following a power outage — is restarting its crude refining unit, Bloomberg reported on Thursday.
- **The UK's Lindsey oil refinery** has restarted deliveries of fuel, the Department for Energy Security & Net Zero said late Thursday.
- Russia's weekly refinery runs averaged just over 5m b/d between July 3-9 amid seasonal maintenance, the lowest weekly processing rate since mid-October. Russia's seaborne oil product exports plunged to 1.9 million barrels a day in the first 10 days in July, according Vortexa - down by 17% from the daily average flows in June.

Analyst Views

Bank of America:

Bank of America expects Brent crude prices to average $64/bbl in 2H 2025, according to a research report published Wednesday cited by Bloomberg.

- The bank sees Brent and WTI averaging $67/bbl and $64/bbl, respectively.
- BoA forecasts global oil demand growth of ~900k b/d on the year in 2025 and 1.2m b/d on the year in 2026.
- “As OPEC+ opens the taps and more refining capacity comes online, we also see petroleum product cracks easing into the autumn.”
- “We see global hydrocracking capacity additions picking up this year, likely increasing distillate availability and eventually allowing for lower petroleum product prices by the end of summer.”

Goldman Sachs:

Goldman Sachs raises its crude oil prices estimates for H2 as the market shifts focus from recession worries to possible supply disruptions, low OECD stocks, a rapid decline in perceived spare capacity and concerns about Russian production constraints, Goldman Sachs said.

- Goldman Sachs raised the H2 Brent forecast by $5/b to $66/b and for WTI to $63/b from $57/b.
- Goldman Sachs’ analysts kept their 2026 price forecasts for Brent and WTI stable at $56/b and $52/b, respectively.
- "An offset between a boost from higher long-dated prices and a hit from a wider 1.7 million barrels a day surplus," the Bank said. " Previously, it expected a surplus of 1.5m b/d.
- Goldman expects OPEC+ to unwind its 2.2mn bpd voluntary cut fully by September
- On OPEC+, Goldman expects another 0.55mn b/d release at the next meeting to fully unwind the 2.2m b/d voluntary cuts in total.
- “We [Goldman] forecast a surplus for both this year and next and that’s why we think they [OPEC] will soon be done with raising production, but it will ultimately depend on the data,” head of global commodities research Daan Struyven said.

Morgan Stanley:

Global oil inventories have risen in recent months but given the bulk of the increase has been in Asia Pacific, prices have been able to hold their ground for now, according to a Morgan Stanley note cited by Bloomberg.

- While total stockpiles surged by about 235m bbl in the five months to end-June, just 10% of that has been in the OECD, the region that is “critical for price formation,” analysts said in a July 15 note.
- Although there are widespread expectations for a global glut in the coming quarters, crude’s near-term backwardation suggests current market tightness.
- The bank cautioned that once the peak summer-demand season ends, a sizeable surplus would be on the horizon again, although only a “modest share” would show up in OECD stockpiles.
- The bank has retained its Brent forecasts at $65/b in Q4, and $60/b for each quarter of 2026.

UBS:

India oil demand data for June was surprisingly positive according to UBS commodity analyst Giovanni Staunovo speaking to CNBC.

- Meanwhile, for China: “Market participants say that China demand is looking better than everyone thinks, we are not talking of booming demand but it is not collapsing,” he said.
- “The challenge is China inventories are increasing so it is hard to tell if its for strategic purposes or demand reasons, I would say potentially more strategic,” he said.
- “Current prices are not attractive for US drillers and we see a decline in drilling activity,” he added.
- “I would say we move from drill baby drill to chill baby chill,” Staunovo said.

RBC:

Last week’s OPEC+ seminar discussed very little about the groups policy or the role they play as regulator according to RBC’s head of commodity research Helima Croft.

- On production: “When we have a large [OPEC+} headline hike number, the reality is a smaller addition, many of those headline barrels, they were already in the market, essentially what you have is an incremental add of Saudi and Emirati barrels,”Crodt said.
- “This is a smaller addition and it is being absorbed over summer,” she said.
- Croft said post summer demand in Q4 could be when the extra barrels begin to show up in a building global balance.
- “The RBC house view is this market will be amply supplied come Q4, if that does play out, does OPEC+ continue with the policy,” Croft said.

Energy Aspects:

The market is concerned around market balances falling into oversupply from Q4 because of OPEC+ hikes according to Energy Aspects head of research, Amrita Sen.

- Sen cautioned however, “Inventories are very low so to get bearish; it’s on forward balances. Yes, those forward balances are bearish but it’s too soon,”
- “Crude markets are tight but also oil product markets are too so the oversupplied market might end up a 2026 story,” she said.
- “We do believe OPEC+ unwinds for one more month, that does mean in Q4 we build by quite a fair amount, close to 2mn bpd but because inventories are low we could see quite a while before pressure on prices,” she said.
- Sen also pointed to Russia, “We’ve seen Russian production numbers, they can’t bring back production in terms of what they are meant to, also at lower prices, US shale is going to really struggle.”