

## MNI Oil Weekly: China Reluctance Pressures Crude

By Andrew Couper and David Lee (12/11/2025)

- **China Reluctance Pressures Crude:** Chinese refiners have shown reluctance towards Russian barrels, Iranian floating is building, and Saudi allocations are slipping as Chinese refiners await import quota allocations.
- **Oil Market:** Brent comes under midweek pressure but remains within a \$62.8/bbl to \$65.3/bbl range weighing excess oil supply against uncertainty over the impact of the latest sanctions on Russia. Oil products crack spreads are seeing support from ongoing Ukrainian attacks on Russian refineries, amid already tight markets, taking diesel spreads to the highest since 2023.
- **Analyst Views:** See oil market outlooks and views by key names in industry.

### China Reluctance Pressures Crude:

China forms a key area of interest for oil markets as traders assess how its refiners react to recent sanctions on Russia's Rosneft/Lukoil and import quota restraints take hold against a backdrop of global oversupply.

- In October, China's crude imports rose to 10.4mn bpd – 6% higher m/m as refiners ramped up throughput supported by improving margins and the impact of Rosneft/Lukoil was yet to show.
- Imports of sanctioned crude — (Iran, Venezuela, and Russia) — edged higher last month. However, buying momentum among private refiners is expected to slow toward year-end as they approach their crude import quota limits and sanctions pressure mounts.
- Recent sanctions on Chinese entities have had a more immediate and tangible impact on mainstream crude logistics than on sanctioned oil flows Vortexa reported from its vessel tracking. Sanctions on Rizhao Terminal and Yulong Petrochemical alone have disrupted roughly 1mbd of mainstream crude inflows into Shandong it said.
- As it stands, China is facing high domestic inventories, increased sanctions related difficulties and tightening independent refinery quotas. Iranian barrels are also leaving at pace and struggling to place into China, adding further pressure on both Russian and Iranian oversupply.

### Floating Pressure:

Floating oil storage in the Asia-Pacific region hit a three-year high of 53 million barrels at end-October, surging by around 20 million barrels from early September, boosted by more storage of sanctioned crude from Iran and Venezuela, ship tracking firm Kpler said in a report on October 30. Russian barrels are also reported to be rising

- “The increase we see in shadow crude volumes in Asia is explained by a high volume of these barrels at sea, and a difficulty in digesting all the arrivals in the Shandong independent refineries in China due to high inventories and a lack of remaining import quotas,” Mary Melton, senior analyst at Braemar said.

### China Quotas:

A recovery in des-Shandong prices is likely only once teapot refiners receive new import quotas — typically a 2–3mt batch announced in late November for December consumption, followed by the 2026 quotas usually issued in late December.

- Reuters market sources said Chinese independents largely ran out of 2025 import quota's by late-September.

#### China Buying Impact to Lukoil/Rosneft:

Chinese state oil majors have suspended purchases of seaborne Russian oil after the United States imposed sanctions on Rosneft and Lukoil, Moscow's two biggest oil companies, multiple trade sources said to Reuters last week.

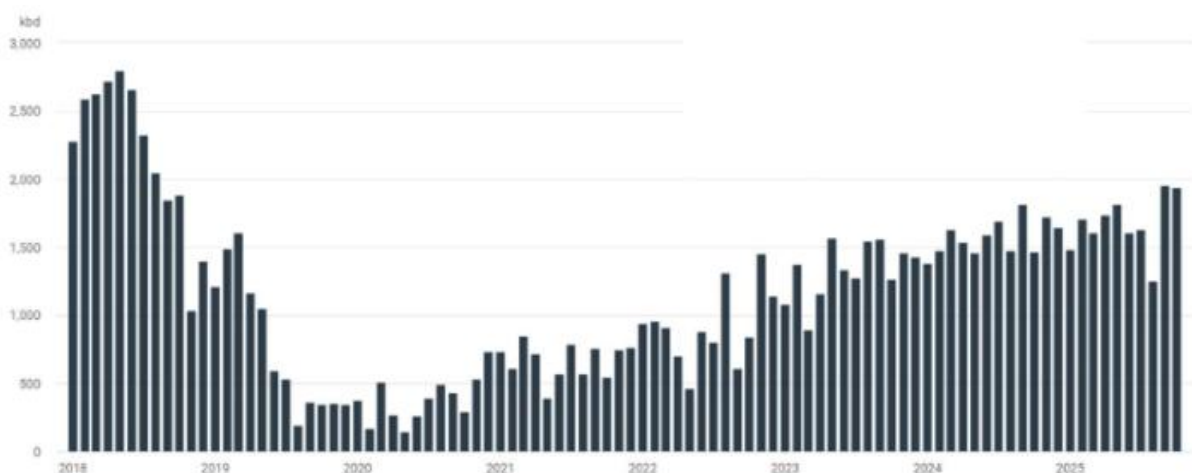
- Chinese refiner Yanchang Petroleum is seeking non-Russian oil in its latest crude tender, trade sources told Reuters on Tuesday, while others said Sinopec subsidiary Luoyang Petrochemical has shut for maintenance as an indirect result of Western sanctions.
- Smaller Chinese private refiners are also reported by Bloomberg sources to be holding off buying, fearful of attracting similar penalties to those faced by Shandong Yulong Petrochemical Co., which was recently blacklisted by the UK and European Union.
- Vortexa pegged Russian oil purchases by Chinese state firms at under 250,000 bpd for the first nine months of 2025, while Energy Aspects put it at 500,000 bpd.
- China also imports approximately 900,000 bpd of Russian oil by pipeline, all of it going to PetroChina, which several traders said was likely to be little affected by sanctions.

#### Urals Discount:

Discounts on Russian Urals crude oil in Baltic and Black Sea ports rose to almost \$20 per barrel, the highest in over a year Kommersant reports.

- By November 10, the discount in Primorsk and Novorossiysk reached \$19.4/bbl, compared to \$13-14 a week earlier and \$11-12 before Lukoil/Rosneft sanctions.
- Buyers in Asia are exercising caution. Bloomberg reports that five Indian refineries have not placed orders for December supplies, while China's Sinopec and PetroChina have also suspended purchases due to sanctions concerns.

#### Elevated Iran Crude Exports Keep China Well Supplied – Source: Kpler



### Saudi Allocations to China Slip:

Saudi Arabia is expected to export at least 36mn bbls of crude to China in December – down slightly from November according to Reuters sources.

- It comes as major China refineries head for maintenance and others wait for 2026 import quotas, having depleted this year's allowance.
- December's volume would be the lowest since April, and down from about 38 million barrels in November.

### Oil Markets:

Brent crude comes under pressure again mid-week but remains within a \$62.8/bbl to 65.3/bbl range so far this month. Expectations for an end to the US government shutdown have added support while the market weighs excess oil supply driven by increased OPEC and non-OPEC output against uncertainty over the impact of the latest sanctions on Russia. The November OPEC Monthly Oil Market report drove prices lower Wednesday, showing a switch from a deficit to a surplus of 500kb/d in Q3 as US production exceeds expectations and amid rising OPEC+ supplies.

- OPEC has typically been the most bullish vis a vis supply-demand fundamentals and the Q3 surplus reinforces concerns for an oversupplied market.

### Markets:

Concern for surplus supplies in Q4 and into early 2026 and current high volumes of oil on water are weighing on near term crude time spreads. The WTI rolling 1–2 month spread is trading near parity and the lowest since February.

- The second month crude call-put skew has turned the most bearish since mid-October around -1.9% driven by a surge in put volatilities but little change in calls, after briefly narrowing to -0.7% on Nov. 11.
- Money managers cut net long Brent crude oil positions in the week to Nov. 4 as short only positioning remains strong after edging higher on the week.

### Russia:

Russia's four-week average seaborne crude shipments fell 130kb/d week on week to a two-month low of 3.45mb/d, Bloomberg reports.

- Reuters reports that Russia has maintained a steady pace of oil shipments at the start of November and could continue until at least Nov. 21, the US sanctions deadline for Rosneft and Lukoil.
- Russia's crude oil production edged up 43kb/d to 9.411mb/d in October but remained 70kb/d below its OPEC+ quotas, Bloomberg said.
- The price gap for Russia's Urals crude has widened by \$2/bbl to \$4/bbl below Brent for December arrival, the widest discount in about a year, according to Reuters sources. The steeper discount follows US sanctions against Rosneft and Lukoil causing key Indian refiners to pause orders of Russian oil for Dec. arrival.
- Chinese state oil majors have also suspended purchases of seaborne Russian oil following the sanctions pushing ESPO Blend oil trade to discounts in Chinese ports, according to Reuters.

- Trump has exempted Hungary from sanctions the US placed on Russia oil producers after he met the country's PM Viktor Orban. A White House official said the exemption would last one year although Hungarian officials referred to the reprieve as 'indefinite'.
- Lukoil is facing growing disruptions to its international operations following US sanctions. Iraq has transferred operations at West Qurna 2 to Basra Oil and Missan Oil as a temporary measure to ensure production continues
- Gunvor withdrew its offer to purchase Lukoil's international assets following a Treasury Department statement saying Gunvor would never get a license and called them "the kremlin's puppet".
- Romania must take control over Lukoil assets to ensure energy security following US sanctions according to Energy Minister Bogdan Ivan.

### China:

The US and China have suspended port fees on each other and paused investigations into the shipbuilding industry as trade tensions ease, Bloomberg said.

- Chinese refiner Yanchang Petroleum is avoiding Russian oil in its latest crude oil tender for deliveries between December and mid-February, Reuters sources said.
- China's crude oil imports in October rose to 48.36m tons, or 11.4mb/d, from 47.25m tons in Sep and 8.2% higher on the year, Customs data showed. Refineries operated at their highest utilisation rates this year amid improving margins.
- Seaborne crude imports rose to 10.4mb/d in October, up 6% from September and 9% year-on-year, Vortexa data showed. Imports from West Africa and Brazil rose due to favourable arbitrage economics, Kpler said cited by Reuters.

### India:

US President Trump said that a US-India trade deal is close which would reduce the average tariff rate. However, Russia's Interfax reported that India continues to buy Russian crude despite pressure from the US to reduce purchases.

- Five large Indian refiners accounting for two-thirds of India's imports of Russian oil so far this year haven't placed any orders for Russian oil for December, sources told Bloomberg.
- Indian state refiners, HPCL and MRPL have purchased 5mbbls of US and Mideast oil from the spot market via tenders.
- India's Reliance Industries is seeking to sell some cargoes of Middle Eastern oil, including Murban and Upper Zakum, on the spot market, Bloomberg reports. The company snapped up millions of barrels from the Middle East last month after the US sanctioned Lukoil and Rosneft.
- Uncertainty in the market over sanctions risks have led to "more ship-to-ship transfers, more subterfuge, longer routes, more complicated transactions," according to Rachel Ziemba, an analyst at the Center for a New American Security.



- India seeks to refill and expand its strategic petroleum reserves to ensure energy security with prices relatively subdued, according to Mint.

## OPEC:

OPEC oil output rose 50kb/d to 29.07mb/d in October, a Bloomberg survey showed. Saudi Arabia added 40kb/d in October to an average of 10.02mb/d, in line with the agreed target. Iraq output rose 60kb/d, UAE rose 50kb/d and Kuwait increased 40kb/d. Output from Libya fell 70kb/d while Venezuela fell by 50kb/d and Nigeria also dipped on the month by 30kb/d.

- The OPEC+8 group is next scheduled to meet on Nov. 30 to consider plans for early next year while the full OPEC+ group also meets on the same day to review the 2026 strategy.
- Saudi Aramco has cut its OSPs for all crude grades to Asia for December loading, adding a potential boost to regional demand. The Arab Light OSP was cut by \$1.2/bbl to the lowest in 11 months at \$1/bbl above the Oman/Dubai benchmark, compared to expectations for a drop of around \$1.25/bbl.
- Aramco's OSP cut for Asian refiners for December has been viewed as a move to build market share but only just kept Saudi oil competitive enough against other grades, according to Clyde Russell at Reuters.
- Processors in Asia ordered at least 18-20mbbl more crude from Saudi Arabia for loading in December compared with last month, including in Japan, South Korea, India and Taiwan, Bloomberg sources said.
- However, Saudi Aramco supply to China is set to drop to at least 36mbbl for December loading, compared to 39-40mbbl a month ago.
- Saudi Arabia and Iraq have allocated full term crude volumes to Indian refiners for December, and with more offered under optional contracts, Reuters sources said.
- Iraq has cut the OSPs to Asia for December, according to SOMO. The Basrah Medium OSP to Asia was cut from a \$0.85/bbl premium in November to a \$0.35/bbl discount to the Oman/Dubai average in December.
- Russia's Orenburg gas processing plant has increased gas intake from the Karachaganak field in Kazakhstan since the start of November as it recovers from a drone attack last month, Reuters reports. Output at the field has increased from early-November by about 15% to between 30k and 32k metric tons per day.
- CPC Blend oil exports for November have been revised down to about 1.45mb/d from 1.55mb/d according to Reuters sources, due to the cancellation of two Suezmax cargoes.
- Iran's crude exports held firm in October at around 1.94mb/d according to Kpler - defying tighter US scrutiny and rising logistical challenges. With Chinese imports falling for a third consecutive month, Iranian barrels are increasingly accumulating at sea. Kpler observes the floating storage surging to nearly 32 mbbl.
- Speaking to reporters at a dinner, US President Trump said he would be open to lifting sanctions on Iran.

## Crude at Sea:

Global seaborne crude exports remained at seasonally high levels in October despite a comedown from September, with OPEC+ and the Americas contributing to strong exports, according to Vortexa. Most of the OPEC+ growth came from Russia, which had to push crude barrels to export markets as drone strikes impacted refining capacity. In the Americas, strong export growth has been seen from almost all suppliers apart from Mexico.

- Oil-on-water volumes have surged 18% since early-September to 1.28bn bbl, according to Kpler. OPEC+ is responsible for 43% of the increase, while the share due to sanctioned countries Iran, Russia and Venezuela comes second at 30%. A wide-open Atlantic Basin-Asia arbitrage and record output from the US, Brazil, Guyana and Canada round out the picture.
- Oil in floating storage in Asia has surged in recent weeks with China and India imports impacted by tightening western sanctions on Russia and due to a shortage of China independent refiner import quotas, Reuters said. Floating oil storage in the Asia-Pacific region rose 20mbbl from early September to a three-year high of 53mbbl at the end of October, boosted by sanctioned crude from Iran and Venezuela, Kpler said.
- Kpler said the volume of Russian oil in the Asia-Pacific has seen a six-fold increase to 6mbbl in October as buyers in China and India have slowed purchases.
- Vortexa showed that 161mbbl of Iranian oil in transit and storage on water currently, up 22.5mbbl from the end of September. Venezuelan oil has risen 6.6mbbl to 72.3mbbl.

## Oil Products:

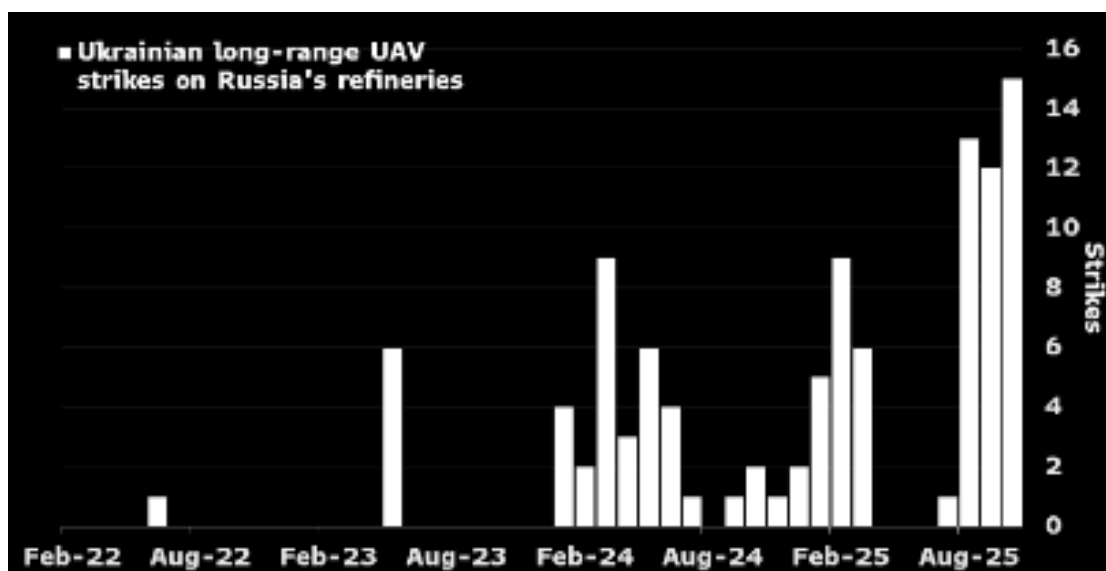
**Cracks are seeing support** from ongoing Ukrainian attacks on Russian refineries, amid already tight markets given refinery maintenance and outages. Diesel cracks are trading at the highest since Sep. 2023 with the US spread at almost \$46/bbl and Gasoil-Brent at \$31.8/bbl.

- **European gasoline cracks** hit an 18-month high on Monday, amid ambiguity over the future of Lukoil's subsidiaries and refinery maintenance, Argus reports. Prices were already underpinned by European refinery maintenance and tighter prompt supply availability. Cracks have also been supported by refiners pivoting to diesel production to capture strong distillate margins, a trader told Argus.
- **Asia's diesel margins** surged to two-year highs despite thinner spot activity and a weaker market structure, with supply-demand fundamentals staying tight in front months, Reuters reports. Regional supply disruptions are expected to last for the next 2-3 weeks. Talks of limited export volumes from China next month provided further upside, with estimates at less than 300k tons.
- **European ARA Gasoil stocks** fell slightly last week though remain 7.5% above the five-year seasonal average. US distillate stocks were still 8.6% below the five-year average and Singapore Middle Distillates inventories were 9.4% below normal in data last week. ARA gasoline stocks rose w/w to their highest since mid-October though remain below the five-year seasonal average.
- **ICE Gasoil net longs** rose on the week but remain below the peak of 118k in September, in the week to Nov. 4.
- **Asia's gasoline crack** jumped to its highest level since January 2024 at \$16.25/bbl over Brent amid several outages in the region and fresh buy tenders from a Middle Eastern buyer, traders told Reuters.
- **West African gasoline** buying interest may wane. Nigeria's 650kb/d Dangote refinery cut its asking prices for gasoline on Friday, probably closing the arbitrage window from Europe.
- **Russia's crude processing rates** rose 93kb/d from late Oct. to about 5.25mb/d over Nov. 1-5 to a three-month high, as some refineries completed seasonal maintenance or restored drone-related disruptions, Bloomberg said.

- The data does not include the impact of the most recent attacks on Lukoil's Volgograd refinery Nov. 6 or strikes on the Saratov and Orsk refineries Nov. 11.
- **Lukoil's Volgograd refinery** halted one of its crude-processing units until at least Nov. 30 following a Ukrainian drone strike, according to Bloomberg citing a source. The primary processing unit, CDU-5, with a daily capacity of 66.7kb/d was damaged, Reuters said.
- **Russian diesel and gasoil exports** fell by 4% on the month to 2.37m tons in October, according to LSEG amid seasonal and unplanned refinery outages. Turkey remained the main importer with total diesel and gasoil exports rising 1% from September to 1.0m tons but shipments to Brazil fell 73% to 74k tons. Russian ultra-low-sulphur diesel exports from the Baltic Sea port of Primorsk fell 5.7% on the month 0.06m tons.
- **Brazil's imports of Russian diesel** have been falling, losing out to volumes from the USA, India, and the Middle East, amid shifting market and geopolitical forces, the FT said. Additional sanctions on Rosneft and Lukoil are likely to accelerate this trend.
- **Hungary's sole refiner MOL** said it can procure most of its oil from non-Russian oil the company has said via its Q3 results call.
- **Bulgaria took a step toward** taking full control of Lukoil's Neftochim refinery to ensure it remains in operation after US sanctions come into force, according to Bloomberg. The aim is to introduce legal amendments that would allow the government to appoint a special manager in companies operating critical infrastructure.
- **Bulgaria has only about one month's supply of petrol** remaining as it prepares for the start of U.S. sanctions on Russia's Lukoil, which owns the country's largest oil refinery and most of its fuel infrastructure, Reuters said. According to the state reserves agency, Bulgaria holds around 35 days of petrol and over 50 days of diesel. Sofia has already imposed a temporary export ban on some fuels.
- **Inland heating oil and diesel prices in Germany** rose last week, driven by a rally in ICE gasoil futures and subdued demand, curbing buying interest from consumers, Argus reports. Arbitrage conditions for US gasoil exports to Europe worsened in October but the arbitrage window reopened last week as ICE futures rose. This could potentially allow US flows to Europe to resume in the coming weeks, assuming fundamentals remain stable.
- **The Naftan refinery in Belarus** suffered a diesel fuel fire last week according to the Emergencies Ministry on Telegram.
- **KPC bought another 35k tons of gasoline** in the low \$1.80's to Arab quotes from Aramco in October following the Al Zour fire Reuters sources said. The refiner attempted to bring back online some of the units this week, but "it looks unlikely that the affected crude distillation units will be online this month," an industry source said to Reuters. Two of the plant's three crude distillation units are down, as well as other key units following the October 25 fire.
- **CDU capacity utilisation rates at China's** domestic refineries are expected to fall on the week amid lower crude throughput, according to OilChem, Rates at China's state-owned refineries fell by 1.86%pts in the week to Nov. 7 to average at 78.64%. The decline in CDU rates at state-owned refineries was driven by falls in all parts of China apart from the Northeast and Shandong. By comparison, CDU capacity utilisation rates at independent refineries in China rose by 0.11%pts on the week to 62.49%.
- **China's refined oil product exports** fell to 4.521m tons from 5.141m tons in September while year to date fell 3.3% year on year to 47.527m tons, Customs data showed. Oil product imports fell to 3.514m tons from 3.948m tons in September from while Jan-Oct volumes fell 16.3% year on year to 34.193m tons.

- **China's weekly gasoline production** rose by 2.7k mt to 2.947m mt for the seven days to Nov. 6, OilChem said, while weekly gasoil production was up 41k mt to 4.165m mt.
- **China's domestic gasoline daily consumption** is expected to fall 4.5% month-on-month to 400k mt/d in November, according to OilChem. China's gasoline demand is projected to extend its weakness this week during the seasonal low. Gasoil demand is seen finding support from the logistics and engineering sectors.
- **China's Luoyang Petrochemical**, a subsidiary refinery of Sinopec, closed two crude units for maintenance until the end of November, Reuters sources said. Sinopec likely took the chance to shut the units while working out future crude supplies following US sanctions, sources said.
- **Kazakhstan's Atyrau refinery** has completed scheduled maintenance ahead of schedule and brought all technological units back to normal operations, according to a Kazakh Energy Ministry cited by Bloomberg.
- **Indonesia's Pertamina reissued two spot tenders**, which closed on Nov. 7, to buy up to 150kbbbl of 92-octane grade gasoline for delivery between Nov. 14 - 20, Reuters sources said. "Pertamina's lower year-on-year imports across January-September should continue to drive spot demand from Indonesia for the remainder of the year, as well as into first-quarter 2026 as the Ramadan season approaches," FGE said. Gasoline imports were about 770kb/d lower year on year at 3mb/d between January and October, Kpler data shows.
- **Pertamina's Balikpapan refinery** has initiated the start-up of the residual fluid catalytic cracking (RFCC) unit, according to PT Pertamina cited by Reuters. The upgrade is set to increase refining capacity to 360kb/d from 260kb/d while improving efficiency and diversify its operations.
- **Indian fuel demand** fell 0.4% y/y in October to 20.17m metric tons, according to PPAC data cited by Reuters. Sales of gasoline were 7.4% higher y/y at 3.67m tons while diesel consumption was down 0.3% y/y totalling 7.62m tons.
- The 9 MTPA **Rajasthan Refinery** project is expected to be completed next month, according to a senior HCPL official said cited by the Economic Times. Approximately 1.5 MTPA of the crude diet will consist of locally sourced Barmer crude while about 7.5 MTPA of the crude oil will be sourced from the Mundra terminal in Gujarat.

#### Ukraine's Drone Strikes on Russian Oil Refineries Surged in 2025 – Source: Bloomberg





## Analyst Views:

### JPMorgan:

Global oil demand averaged 105.8mb/d in October, according to JPMorgan, trailing estimates by 50kb/d through the month, with early November demand also below forecast.

- For the first four days of November, the bank estimates global demand averaged 105mb/d, a 450kb/d increase compared with the same period last year but 30kb/d below forecast.
- High frequency data suggests US oil consumption remains subdued, with daily flights falling 7% w/w for the period ending Nov. 3, largely due to the ongoing shutdown.
- US container arrivals for November point to an 8% decrease y/y and the third consecutive month of decline.
- In East Asia, petrochemical feedstock demand continues to be softer than usual, while German industrial activity extended its downturn to a third consecutive month.
- OECD oil inventories rose by 2m bbl for the week ending Oct. 31, with crude oil stocks rising 1.3m bbl and oil product inventories up 740k bbl.
- Chinese onshore crude inventories rose 12m bbl in the week, reversing six weeks of declines.

### ANZ:

The oil market is estimated to see a surplus of 1.74mb/d this quarter, up from 400kb/d in Q3, according to ANZ cited by Bloomberg.

- China restocking is expected to slow sharply amid worsening economics, and domestic demand headwinds.
- "The outlook for crude oil continues to weaken," as OPEC agreed to continue production increases this quarter. Price downside may be limited by relatively low inventories outside China and heightened risks of supply disruptions.
- Storage inflows will accelerate in the coming months with production outpacing demand.

### Commerzbank:

- Commerzbank expects Brent oil to trade at \$60 per barrel in 2026 and WTI oil to trade at \$57 per barrel in 2026, Reuters said.

### Kpler:

OPEC+'s decision to pause production hikes in Q1 26 is a precautionary move at a time when the market, according to Kpler's Amena Bakr, cited by Dow Jones.

- "OPEC's pause is a cautious approach during a period where there is indeed a surplus," Bakr said.
- Moreover, the group's spare capacity has fallen significantly during the unwinding of cuts and is now estimated at around 4m-4.3mb/d, with some OPEC+ members having difficulty raising production.
- "This also raises concerns if there's a need for more supply...we're dealing with a constrained situation and spare capacity within the group is dwindling," Bakr said.

**Sparta Commodities:**

There is very limited evidence that current refining tightness can be sustainably alleviated, Sparta Commodities said this week.

- A big global recession may be needed to alleviate product tightness, as limited global spare capacity again causes huge cracks across various products.
- Tuapse attacks are a reminder of the impact of Ukraine's successful aerial campaign.
- US product draws are rather strong, while US crude builds are soft with exports currently able to alleviate pressure.
- US and Asian diesel and jet arbs remain largely closed into Europe whilst North Asian and Arabian Gulf / West Coast India jet arbs appear open into Singapore.
- EU and US diesel and jet are cautiously bullish in the short term but more bearish for East Asian middle distillates as diesel and jet spreads find a ceiling.

**Rystad Energy:**

Global liquids demand is estimated to peak in the early 2030s at around 107mb/d, Rystad Energy said. Demand is to remain above 100mb/d through the 2040s before gradually declining to about 75mb/d by 2050.

- Non-OPEC+ supply will be the key to balancing the market, driven by South America to offset slower US shale growth.
- Oil production from offshore Brazil, Guyana and Suriname, as well as Argentina's Vaca Muerta shale is well-positioned to supply cost-competitive barrels until 2030.
- Non-OPEC+ is expected to produce nearly 60%, or 5.9mb/d, of conventional under-development and discovered volumes through 2030.
- South America will lead supply growth this year, adding over 560kb/d of crude and condensate and with 750kb/d by 2026. North America supply growth is expected around 480kb/d in 2025.
- Offshore oilfields will account for over 65% of South America's conventional production supported by the increasing use of FPSO vessels.
- Global oil demand is expected to remain robust and outpace current supply by the mid-2030s, putting pressure on producing assets to keep pace.
- With adequate investment in exploration, new discoveries could unlock future volumes and enhance recoverable resources from existing fields.