MNI Oil Weekly: OPEC+ Output Strategy in Focus

By Andrew Couper and David Lee (03/09/2025)

- **OPEC+ Output Strategy in Focus:** OPEC+ quota unwinds have surprised the markets this year as speculation ahead of its September 7 meet grows. A lack of barrels hitting the market has somewhat kept pressure off but bearish fears grow that OPEC+ is taking market share more seriously and stock builds could emerge post summer.
- **Oil Markets:** Brent crude falls from a high of $69.53/bbl on Sep. 2 on potential for another OPEC+ supply rise to offset ongoing Russian supply risks. US diesel cracks have rallied to the highest since July at over $35/bbl amid a global supply crunch and refinery outages.
- **Analyst Views:** See oil market views and outlooks from key names in the industry.

OPEC+ Output Strategy in Focus:

OPEC+ surprised the oil market this year when it began unwinding its top layer voluntary cuts quicker than expected. 137,000 bpd was expected to come back into the markets in May, but OPEC+ announced on April 3 it would come back at triple that pace. This was then followed by this sustained upper pace of quota unwinding through 2025.

- This has added an overall oversupply narrative to oil markets this year, though any surplus is expected to be seen later in the year. Inventories have faced less growth than feared with OPEC underperforming quotas/exports against higher summer demand (Saudi crude burns/high China refining) and Atlantic Basin diesel tightness.
- A number of theories have emerged around OPEC+ plans to unwind cuts. The group may be looking to regain market share, while Saudi appears fed up shouldering the groups price ambitions and persistent overproduction (namely Kazakhstan) has irked top producers. Eyes are now on the next layer of cuts and what happens at the September 7 meet.

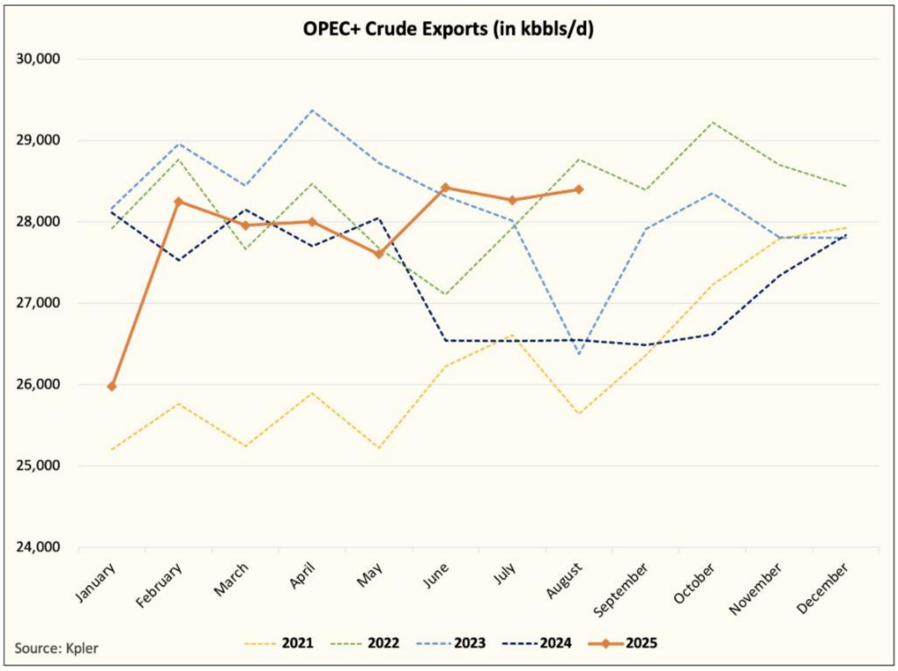
OPEC Production Timeline 2025: Source MNI

Month	Output Increase (bpd)	Notes
April 2025	138,000	Initial phase-out begins, as per December 2024 agreement.
May 2025	411,000	Accelerated increase announced on April 3, 2025.
June 2025	411,000	Continuation of accelerated unwinding.
July 2025	411,000	Continuation of accelerated unwinding.
August 2025	548,000	Larger-than-expected hike approved, including UAE quota increase.
September 2025	~550,000	Projected increase to complete unwinding of 2.2 million bpd cuts, plus UAE quota adjustment.

Actual Production

One of the key reasons oil prices have not faced a huge amount of pressure is because the paper agreement quotas are failing to show up in meaningful export increases on the water (see Kpler figures on chart below).

- OPEC+ crude exports increased 443k b/d versus the ~2.2 million b/d voluntary production increase.
- Saudi has failed to meaningfully step up exports, which also coincides with peak crude burning in July/August which falls substantially in September and beyond as peak summer heat fades.



- Rather than an OPEC+ cut, the restrictive measures of the recent policies are largely a Saudi cut. With that on mind, there is significant crude burn oil to hit the market as well as signs of growing domestic production in recent surveys.
- Bloomberg's latest survey shows OPEC+ production increasing in August. OPEC raised output by 400,000 bpd last month — roughly the amount planned — to 28.55 mn bpd, the survey showed.
- Riyadh boosted output by 230,000 bpd in August to 9.6 mn bpd, the survey showed. While that was the biggest increase among OPEC's 12 members, it still fell short of the 9.756 mn bpd the kingdom was permitted to pump by the alliance's agreement.
- Saudi crude exports edged lower, to 5.83 mn bpd which can in part be attributed to peak summer crude burns.

Kazakhstan production angle

Kazakhstan's daily crude output – excluding gas condensate – rose to 1.88mn bpd in August a Reuters source said.

- Production was at 1.84mn bpd in July.
- Kazakhstan's agreed level as part of OPEC+ was 1.53mn bpd in August. Its overproduction was reported as one of the reasons the group is unwinding its voluntary cuts this year as patience wore thin on compensation adherence.

- Kazakhstan officials have voiced little support for adhering to cuts, distancing themselves from their production saying it is led by foreign companies like Chevron. The Tengiz field is production at record levels this year following its recent expansion phase.

Outlook:

The general sentiment heading into OPEC's September 7 meeting was for the group to hold firm. As is usually the way, pre-meeting leaks are hitting the wires and causing sharp price moves. It's worth mentioning that a lot of these leaks ahead of prior meetings have been inaccurate. Nonetheless, they serve oil markets short term volatility.

- A Reuters headline on Wednesday, September 3 shows how reactive prices are to news.
- "OPEC+ TO CONSIDER ANOTHER OIL PRODUCTION HIKE AT SUNDAY MEETING, SOURCES SAY" – Reuters
- See Brent front month price react below following the headline release, losing ~$1/bbl:

OPEC considerations:

- A big one for oil markets in August has been whether Russian barrels get impacted by Washington pressure on India and whether secondary sanctions are put in place due to failing Ukraine peace efffforts.
- Secondary sanctions action remains up in the air but of note is that 50% tariffs on India has not dissuaded its Russian oil purchases, which draws into question whether secondary sanctions would actually impact barrels. Meanwhile, China and Turkey have avoided scrutiny.
- Also of note is a show of unity between the leaders of China, India and Russia this week with energy high on the agenda showing a growing allegiance. China recently pulled in an LNG cargo from Arctic LNG, highlighting its lack of regard for western sanctions.
- China refinery runs are strong this summer, supportive for demand but a significant portion of its buying this year has gone into stockpiles – a factor unable to support imports over the longer term.
- European, US and Singapore middle distillate tightness remain supportive for demand into the colder months following counter seasonal tightness.

Oil Markets:

Brent crude front month fell from a high of $69.53/bbl on Sep. 2 as two Reuters sources suggest OPEC+ will consider raising oil production further at its meeting on Sep. 7. Prices had been gaining some ground over the previous week as Russia-Ukraine peace efforts appear to have stalled. Russian supply fears remain a key support driver along with strikes on Russian energy infrastructure over the last month.

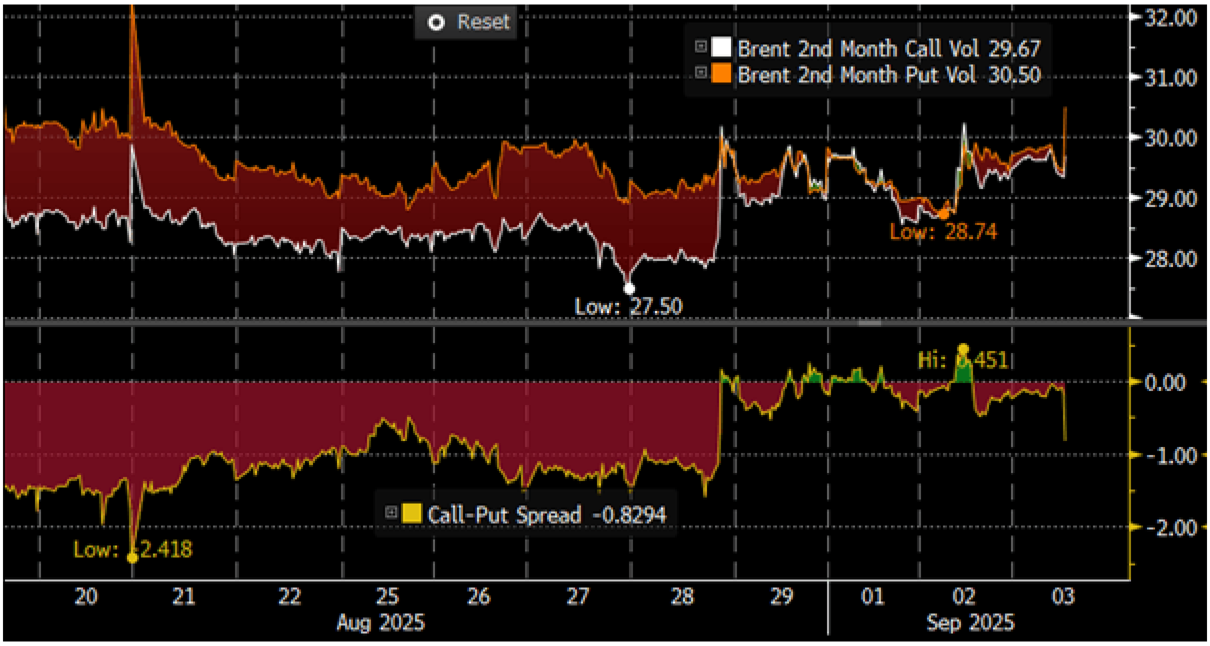
- Factory activity in China unexpectedly grew in August but weakened for other Asian economies as companies began to feel the pain from U.S. tariffs, private surveys showed on Sep. 1.

Market:

Managed Money net long crude oil positions for Brent rose to its highest since August 5 but WTI net longs fell to the lowest since January 2007 in the week to Aug. 26.

- The near-term Brent and WTI call-put skews had surged back to parity in line with the rally in front month futures late last week but have since move back in favour of a put skew with the potential for increased OPEC+ supply again in October.
- Prompt backwardation has eased somewhat since the report given increased expectations of near-term oversupply, with the prompt Brent spread at ~$0.4/bbl, from a high of $0.67/bbl on Sep. 2.
- Crude second month at-the-money implied volatility has edged higher after the decline seen in August with Brent at 29% and WTI at 31.85%.

Brent second month 25 delta call-put volatility spread – source: Bloomberg



Russia:

Headlines from the leaders of Russia, China and India at the SCO summit indicate they plan to continue partnerships as Washington tries to pressure Russian oil buying.

- Russian secondary oil sanctions remain unclear as a Trump deadline passed last week. US Treasury Secretary Bessent said that all options remain on the table. Zelenskyy said last week that Ukraine would "remind everyone about it" as Trump's semi-deadline of "two, maybe three weeks" symbolically expired on Monday.
- Zelenskyy is going to meet Sir Keir Starmer and other European leaders in Paris for "intensive discussions on security guarantees" for Ukraine, according to his adviser. The Financial Times has reported it's scheduled for Thursday.
- Crude loadings from three western Russian ports were largely stable in August as higher exports from Primorsk helped offset a drop from Ust-Luga, Bloomberg reports. A total of 8.52m tons, or 2.01mb/d, of mostly Urals were exported from Primorsk, Ust-Luga and Novorossiysk in August, compared with a revised 2.02mb/d in July.
- Russia's weekly seaborne crude shipments rebounded by about 770kb/d to 3.49mb/d driven by a rise in loadings from almost all Russian ports. The volume of crude heading to China rose to a five-month high of 1.28mb/d while to India was down by about one-third from the March peak. Shipments resumed from Sakhalin 2 after a four-week halt, likely due to maintenance, while Ust-Luga flows were partly restored, Bloomberg added.
- One of the three Ust Luga units was relaunched at full capacity on August 26, Reuters sources said. Ust Luga operations were suspended the prior weekend following a Ukraine drone attack.
- Russia's Ust-Luga oil export terminal will operate at around 350kb/d in September – roughly half capacity – Reuters sources report. Repairs could take several months with no clear timeline for full restoration.
- Crude oil shipments to Slovakia and Hungary from Russia started to arrive after the Druzhba pipeline restarted last week, according to the Slovak Economy Minister cited by Reuters. On Sep. 27, Hungarian Foreign Minister Peter Szijjarto said flows could resume in test mode at lower volumes.

India:

White House advisor Navarro looked to increase pressure on India to halt purchases of Russia energy saying, "Everyone in America loses because of what India is doing."

- Russian oil exports to India are set to rise by 10-20% from August levels, or by 150k-300kb/d in September traders said to Reuters – defying pressure from the US to wind down sales.
- In the first 20 days of August, India imported 1.5mb/d of Russian crude, unchanged from July but slightly below the average of 1.6mb/d in January-June, according to Vortexa.
- Indian buyers of Russian crude are facing bigger discounts under US pressure to stop trade according to Bloomberg sources. Urals has dipped to a discount $3-4/bbl vs Brent on a delivered basis for September and October loading, compared to $1.50/bbl in August.
- Indian refiners boosted US crude purchases in August drawn by competitive pricing, according to Reuters trade sources. IOC has bought 5 mn bbls of WTI crude for delivery in October and November via a tender, trade sources said.
- Trump said on Monday that India had offered to cut its tariff rates to zero following the US imposition last week of 50% levies as punishment for the purchases of Moscow's oil.

- Saudi Aramco and Iraq's SOMO have stopped selling crude to India's Nayara Energy following EU sanctions in July sources told Reuters. The company is operating its 400kb/d refinery at Vadinar in western India at about 70-80% capacity due to difficulties in selling its products resulting from the sanctions, sources have said.

US Tariffs:

A divided U.S. appeals court ruled on Friday that most of Trump's tariffs (those justified under IEEPA, which include the "reciprocal" tariffs) are illegal. The court allowed the tariffs to remain in place through October 14 to give the Trump administration a chance to file an appeal with the U.S. Supreme Court.

- Trump predicts a reversal of the decision, saying he expected tariffs to benefit the country "with the help of the Supreme Court."

OPEC:

Two Reuters sources suggest OPEC+ will consider raising oil production further at its meeting on Sep. 7. However, "there is also a chance, some analysts and an OPEC+ source said, that OPEC+ could pause the increases for October," Reuters reported.

- A Bloomberg survey of traders earlier in the week suggested OPEC holding output steady in October as the most likely outcome.
- OPEC delegates have sent mixed signals about their next move, after completing the revival of 2.2mb/d of halted production a year ahead of schedule.
- Another boost would mean that OPEC+ would be starting to unwind a second layer of output cuts of about 1.65mb/d more than a year ahead of schedule, Reuters says.
- Saudi Aramco may cut the official selling price for Arab Light crude by around $0.5/bbl on the month for sales to Asia in October, according to a Bloomberg survey. A cut of between $0.4-$0.7/bbl is expected according to a Reuters survey. The forecasts are in line with a $0.55/bbl decline in cash Dubai's premium to swaps this month from last month, amid ample supply and weaker demand, Reuters says.

Middle East:

Reuters reports that France, the United Kingdom, and Germany (the E3) have triggered the snapback mechanism to reimpose UN sanctions on Iran. The snapback provides a final window for renegotiating a deal to curb Iran's nuclear programme and readmit International Atomic Energy Agency (IAEA) staff to monitor nuclear sites. Without an agreement in place, a raft of UN sanctions that were lifted in 2015 would be reimposed in 30 days. The expectation is that allies of Iran, including China and Russia, are likely to disregard the mandate.

- The Caspian Pipeline Consortium resumed cargo loadings from a mooring after completing planned repairs, Bloomberg reports. CPC brought Mooring 3 on Russia's Black Sea coast online on Monday after a 17-day shutdown to replace floating and underwater hoses. CPC said that cleanup operations had been completed following an accident and oil spill at its Black Sea terminal. Kazakhstan had said on Aug. 29 its export schedule was set to run as normal.

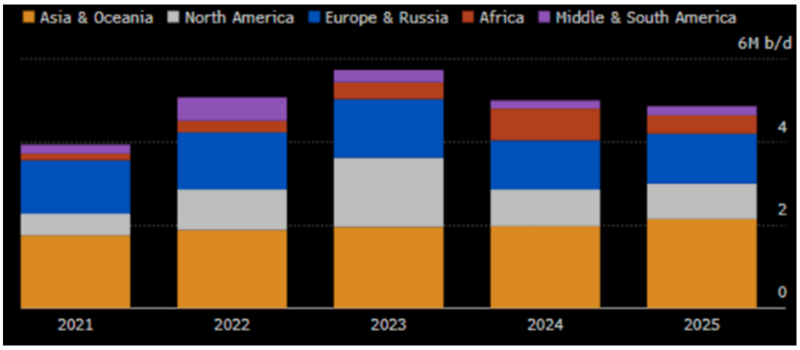
- Kazakhstan's daily crude output – excluding gas condensate – rose to 1.88mb/d in August from 1.84mb/d in July, a Reuters source said. The OPEC+ target for the month was 1.53mb/d. Overproduction was reported as one of the reasons the OPEC group is unwinding its voluntary cuts this year.
- The US has sanctioned an Iraqi tycoon accused of helping Iran evade restrictions on its oil exports. More tankers, reported to be mixing Iraqi and Iran crude at sea, were also added to the OFAC sanctions list.
- Syria exported 600k bbls of heavy crude oil on Monday from the port of Tartus, a Syrian energy official told Reuters, the first known export of Syrian oil in 14 years.

Oil Products:

US diesel cracks have rallied from a low of $28.65/bbl in early August to the highest since July at over $35/bbl on Sep. 3 amid a global supply crunch and refinery outages. An announcement of major maintenance at **Shell's Pernis** refinery in mid-September has added to upside pressure to European refining cracks, especially as middle distillate tightness remains.

- **The summer rally in diesel** may extend into the autumn if the US Fed cuts interest rates this month, supporting industrial activity, according to Bloomberg sources, adding to seasonal bullish factors such as the harvest and winter.
- **US distillate stocks** were last week 14.75% below the five-year average, **European ARA Gasoil stocks** were 3.2% below normal despite a recent rise and **Singapore Middle Distillates** inventories were 10.7% below normal.
- The **prompt ICE Gasoil spread** is the highest since July and Dec25-Dec26 the highest since June.
- **Managed money net long positions** for ICE Gasoil and Nymex diesel both remain strong. ICE Gasoil net longs reached the most bullish since June 2024 in late July while Nymex diesel last month reached the highest since 2021.
- **Shell's Pernis refinery** is set to start major maintenance in mid-September with completion by the end of November according to a company statement. Shell expects the refinery to be running at full capacity by the end of November.
- **Planned autumn global refinery maintenance** is expected to be the lowest since 2021, according to IIR Energy. Planned offline global crude distillation unit capacity is forecast to average 4.85mb/d during Sept. 1-Nov. 30. However, planned CDU outages in Asia are seen rising year on year to 2.12mb/d over the period compared to 1.97mb/d last year.

Planned CDU Outages by Region – Source IIR/Bloomberg Graphics



- **A heavy Middle East refinery turnaround** season is expected to exacerbate a tight gasoline market in Q4 coinciding with increased offline refinery capacity in Asia-Pacific, according to Argus. Exports could be further limited as the end of the monsoon season boosts demand in India.
- Tight supply could boost imports which remain elevated in August. **Gasoline imports from NW Europe** to Mideast Gulf rose 35% on the month in July to 1.03mn t and the highest since January, Vortexa data showed.
- **BP's Whiting refinery** was back to operating at normal levels last week after its recent restart according to IIR. The refinery was forced to shut earlier in August following thunderstorms and flooding. The shutdown triggered sharp retail price rises in the Midwest, supported by expected higher demand for this Labour Day weekend.
- **Russia's crude processing** runs fell to 5.09mb/d through the first 27 days of August, the lowest monthly average since May 2022, as Ukraine continued to attack refineries on an almost daily basis, Bloomberg reports. The August level is nearly 180kb/d below the average for most of July mainly driven by lower runs at Rosneft's Syzran, Saratov, Ryazan and Novokuibyshevsk facilities and Lukoil's Volgograd refinery. The data does not include any possible effects of an attack on Rosneft's Kuibyshev facility on Aug. 28.
- **The heavy increase in Ukrainian drone strikes** in August disrupted more than 20% of Russia's refining capacity – knocking crude runs to 5.1mb/d in August Kpler reports. This marked a 200kb/d drop from July and 450kb/d year-on-year. The disruption adds new pressures on Russia's diesel supply and crude export flows heading into the autumn.
- Attacks on **10 Russian refineries** this month shut down facilities accounting for at least 17% of national processing capacity, or 1.1mb/d, according to Reuters calculations last week.
- **Russia to extend the full gasoline export ban** through September. Several regions in Russia have reported gasoline shortages recently following the fresh wave of Ukrainian drone attacks.
- **Russian oil product exports** from the Black Sea port of Tuapse are set to rise to 1.098m tons in September - up 6.2% on a daily basis from 1.068m tons scheduled for August according to Reuters sources.
- **China's gasoline and gasoil production** is likely to rise with the restart of refineries including Yulin Petrochem and Dongming Petrochem and Hualian Petrochem yet to reach full capacity, according to OilChem. State owned refineries are projected to remain little changed in the week to Sep. 4.
- **CDU capacity utilisation rates** at domestic state-owned refineries in China averaged 81.4% last week, down 0.03 percentage points on the previous seven-day period. For independent refineries, rates were up 0.47 percentage points to 58.71%.
- **Gasoline demand is softening** following the summer travel peak. Gasoil consumption is expected to gradually improve with reducing rainfall and the start of the fishing season. Gasoil stockpiling is likely to remain slow under pressure from new regulation over refined oil circulation.
- **Nigeria's Dangote refinery** imported 463kb/d of crude in August, down by 24% m/m, Bloomberg reports. The refinery restarted its RFCC on Aug. 22 after a hiatus for urgent repairs in the regenerator section from Aug. 6, according to IIR. Nigeria accounted for 73% of the August supplies with 27% coming from the US, compared to a 60% share for the US and a 35% share for Nigeria in July.
- Tanker Gemini Pearl is hauling **a gasoline cargo** from Nigeria's Dangote refinery to New York with an ETA of Sept. 12, Bloomberg reports. It is the first gasoline cargo to be shipped from Dangote to the US since the plant started up in early 2024, Vortexa data shows.

- **Mexico's 340kb/d Olmeca refinery** has restarted two CDUs and the main gasoline producing unit after heavy rain last week caused a power outage, Reuters reported on Sep. 2 citing IIR. Those units are running at reduced rates while Pemex is indicating personnel are working to restart other units at the refinery.

Analyst Views:

Citigroup:

The global surplus is expected to be more evident towards year end with lower oil prices expected in Q4 2025, according to Citigroup cited by Bloomberg.

- Citigroup is forecasting Brent at $66/bbl in Q3 then moderating to $63/bbl in Q4.
- Tariffs, sanctions related to Russia, and attacks on Russian oil facilities have kept prices resilient in the high-$60s/bbl this quarter.
- "OPEC+ production return has disappointed" and has supported prices.
- Indian diversification away from Russian purchases could be greater than reported and may be reflected in a much tighter Brent-Dubai spread.
- Prices currently reflect a greater pull on medium crude and concern for gasoil inventories ahead of the winter season.

Goldman Sachs:

Goldman Sachs expect a rise in global stocks by the end of 2026 coupled with reduced demand in OECD countries could push Brent to the low $50s late next year, Reuters said.

- "We expect the oil surplus to widen and average 1.8 million barrels per day in 2025 Q4 (through) 2026 Q4, resulting in a nearly 800 million barrel rise in global stocks by end 2026."
- OECD stores are expected to account for a third of total global stocks at 270mbbl in 2026.
- Brent likely to remain near forward contracts during the rest of 2025 but fall next year as the increase in OECD stock accelerates.
- A potential acceleration in Chinese stock growth from 0.4mb/ in the year to date to 0.8mb/d would raise the 2026 Brent average by $6/bbl to $62/bbl.