

MNI Oil Weekly: Oil Pressured on Russia/Ukraine Optimism

By Andrew Couper and David Lee (November 26)

Executive Summary:

- **Oil Pressured on Russia/Ukraine Optimism:** U.S. officials have pushed a positive narrative around a Ukraine peace deal this week, a move which adds further pressure for oil. European leaders meanwhile have voiced significant discontent and poured cold water on a swift positive outcome following numerous false starts this year and Russia's maximalist demands.
- **Oil Markets:** Brent crude remains under bearish pressure as Ukraine-Russia peace talks continue and with concern for oversupply rising into next year, ahead of an OPEC+ meeting this weekend. Diesel and gasoline cracks have steadied in recent days after a pull back from highs in mid-November, although tight supply concern persist.
- **Analyst Views:** See oil market views and outlooks from key analyst names.

Oil Pressured on Russia/Ukraine Optimism:

The past week has seen a surge in diplomatic momentum toward a US-brokered peace plan for the Russia-Ukraine war, with high-stakes talks yielding cautious optimism though persistent red lines remain a key hurdle. Following the leak of a controversial 28-point US proposal, widely criticized for echoing Russian demands, emergency negotiations in Geneva, Abu Dhabi, and beyond have led to significant revisions, including the removal of nine points. Ukraine has signaled readiness to advance the framework, while President Trump dispatches envoys to both sides. However, core disputes over territory, NATO membership, and demilitarization remain unresolved, against a backdrop of intensified strikes by both side. European allies emphasize that any deal must prioritize Ukraine's sovereignty, with no quick resolution in sight, pouring cold water on U.S. optimism this week.

Developments:

- **Productive Weekend Talks in Geneva:** US Secretary of State Marco Rubio hailed the weekend meetings as the "most productive day in a very long time," expressing optimism for a breakthrough. A joint US-Ukraine statement announced an "updated and refined peace framework," addressing Kyiv's concerns over a proposed troop cap and territorial concessions. European officials submitted modifications to counter these elements, insisting borders cannot be altered by force.
- **Ukraine's Amendments and Red Lines:** By November 25, Ukraine had substantially revised the plan, stripping out several of Russia's maximalist demands. President Zelenskyy affirmed Kyiv's commitment to compromises that "strengthen, not weaken" Ukraine, while upholding non-negotiables: no recognition of occupied territories, no limits on defense forces, and no curbs on future alliances like NATO. Zelenskyy indicated readiness to discuss "sensitive points" directly with Trump, potentially during a White House visit this week.
- **US Pressure and Deadline Shift:** Trump initially set a November 27 deadline for Ukraine to agree or risk losing US support, but on November 26, he softened this to "when it's over." The White House, via press secretary Karoline Leavitt, described progress as "tremendous" but noted "a few delicate details" persist. Trump posted on Truth Social that he anticipates meetings with Zelenskyy and Putin only once the deal is "final or in its final stages."

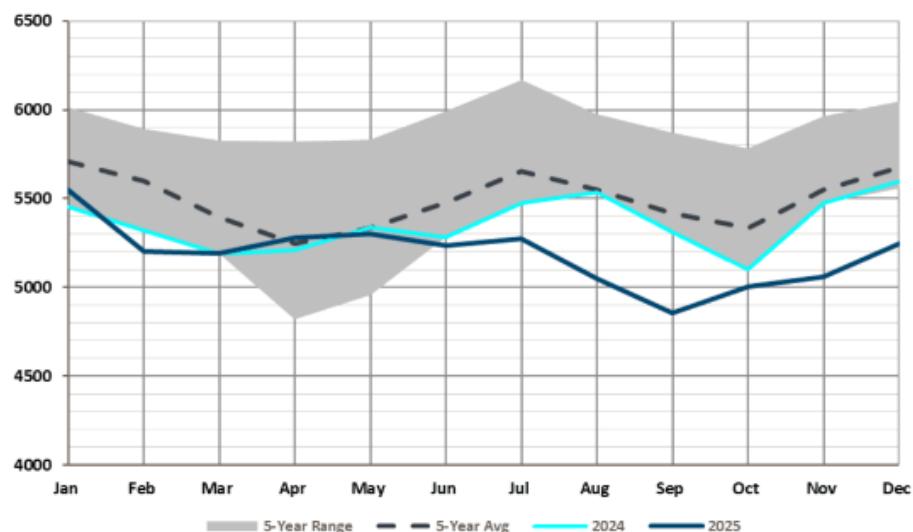
- **Envoy Missions and Secret Talks:** Trump announced his plan has been "fine-tuned," with special envoy Steve Witkoff set to meet Putin in Moscow next week and Army Secretary Dan Driscoll engaging Ukrainian officials. Secret US-Russia discussions occurred in Abu Dhabi on November 25, involving figures like Jared Kushner and Ukrainian intelligence chief Kyrylo Budanov. Russia's Kremlin confirmed the plans but offered no immediate reaction to the revisions.
- **European and Allied Backing:** Leaders from Germany, Finland, the UK, France, and the EU's Ursula von der Leyen voiced support for the process while stressing Europe's central role and the need for "pressure on Russia." A "coalition of the willing" meeting on November 26 reiterated that solutions must fully involve Ukraine and reject capitulation. Bipartisan US senators criticized the original plan as a "Russian wish list," though the White House denied this.

Sticking Points and Outlook:

Despite the forward motion - Ukraine has reportedly agreed to the "core terms" of a slimmed-down 19-point proposal - gaps loom large. Russia continues pushing for Ukraine's demilitarization, NATO exclusion, and territorial claims, while Kyiv and Europe demand security guarantees and a viable NATO path. Overnight Russian missile and drone barrages on Kyiv underscore the high stakes, disrupting power and heating for residents. Polymarket odds for a 2025 ceasefire rose to 17%, but analysts predict prolonged negotiations, with no breakthroughs expected soon. As Trump frames the talks as a potential "20-point Trump plan," bipartisan US lawmakers have called for Witkoff's removal over leaked transcripts suggesting undue Russian influence. This whirlwind diplomacy marks the most intense US engagement since March, but the war's attrition favors Moscow's position. Watch for Zelenskyy's potential US trip and Witkoff's Moscow visit for next steps.

For oil: The markets are watching for any signs of develop that could potentially see eased sanctions on Russia, although that is not a theme being telegraphed in any meaningful form at present. Given Trumps latest efforts were the most aggressive yet towards Lukoil/Rosneft, the oil market is looking for any signs that type of action may be revered of waivers offered. As it stands, Russian flows to India are set for a significant m/m slump into December from around 1.8mn bpd this month (Kpler) to ~650kbd next month Reuters sources reported.

Russia Refinery Runs, kbd – Source: Kpler



Oil Markets:

Brent crude remains under bearish pressure, drifting down from a high of \$66.78/bbl in late October to a low of \$61.6/bbl on Nov. 25 weighing Ukraine-Russia peace talks and ongoing oversupply risks into next year.

The latest US push for a Russia-Ukraine peace deal is offsetting uncertainty over any supply disruptions caused by the start of the sanctions on Russian producers Rosneft and Lukoil. Oversupply risks from rising global OPEC and non-OPEC+ supply are weighing on spreads through next year amid uncertainty over the rate of China crude stockpiling.

Markets:

Crude puts volatilities have surged over the last week with the second month call-put skew now around -3.5% and near the most bearish since May reflecting the downside price risk from ongoing Ukraine-Russia peace talks.

- The longer dated Brent Dec26 call-put spread have also turned more bearish to around -4% with the market still widely expecting a market surplus next year.
- Near term crude time spreads remain strong due to current supply concerns from sanctions and Russia energy infrastructure attacks over recent months but the curve has fallen into contango beyond May 2026. The Brent Jun26-Dec26 spread has fallen back into contango after trading as high as +\$0.39/bbl on Nov. 19.
- Money managers raised net long Brent crude oil positions in the week to Nov. 18 to the most bullish since Sep. 30.

Russia:

US President Trump has said his plan to end the war in Ukraine has been “fine-tuned” and he’s sending envoy Steve Witkoff to meet Putin next week, and Army Secretary Dan Driscoll to meet Ukrainian officials. Despite White House optimism key issues around security and sovereignty are apparently still unresolved as diplomatic efforts continue.

- Russia’s November 1-24 seaborne crude exports fell 20% m-o-m and are 5% lower y-o-y after the surge higher in October ahead for the Nov. 21 deadline for Lukoil and Rosneft sanctions, Vortexa said. Russia will likely face heightened logistical challenges to maintain elevated export levels, adding pressure to already weak November seaborne export volumes. Early signs suggest an increased reliance on STS networks to sustain the trade.
- Russia’s four-week average seaborne crude shipments fell for a fifth week by about 110kb/d in the week to Nov. 23 to 3.25mb/d, according to Bloomberg. Flows have fallen about 530kb/d since mid-October when Rosneft and Lukoil sanctions were announced.
- Urals loadings fell 25% on the month with the end of seasonal refinery maintenance and as Greek operators’ involvement in Urals trade decreased by nearly 15 percentage points.
- The US sanctions could leave nearly 48mbbl of Rosneft and Lukoil crude oil on tankers while seeking alternative destinations, Bloomberg said.
- Abu Dhabi conglomerate International Holding Company confirmed to Reuters on Friday it has expressed interest in Lukoil’s foreign assets to the U.S Treasury. Exxon, Chevron and US private equity giant Carlyle Group have also shown interest according to prior reports.

Russian Crude Export to China Plunge – Source: Kpler data/Bloomberg Finance L.P. Graphics



India:

Urals crude is being offered to India at the cheapest prices in at least two years to a discount of as much as \$7/bbl to Dated Brent on a delivered basis, Bloomberg says. Most Indian refiners skipped placing orders for Russian crude that would arrive after sanctions on Rosneft and Lukoil took effect last week. Some processors are now open to purchasing Russian oil from non-sanctioned sellers due to the low prices, sources told Bloomberg.

- Some Indian buyers are hesitant to purchase discounted crude from non-sanctioned suppliers due to a lengthy and complicated due-diligence process to ensure no sanctioned entities were involved in the supply chain.
- Reliance said its Jamnagar refinery would stop importing Russian crude on November 20, ahead of the November 21 deadline.
- Russian crude arrivals (excl. CPC and KEBCO) to China fell 12% on the month while India arrivals rose 20% likely driven by a push to receive barrels ahead of the Nov. 21 deadline, Vortexa said.
- Russian crude exports to China are heading for the lowest since Feb. 2022 at about 825kb/d in Nov. so far, Kpler data shows.
- India's imports of Russian oil are expected to reach a three-year low in December at around 600-650kbd, Reuters sources report. That compares with Kpler figures of 1.87mn b/d projected for this month.
- India's crude oil imports in October rose by 5.6% year on year to 21.1m tons, the highest since May, and compared to 20.35m tons in September, according to provisional PPAC data.

China:

Strong China's crude oil imports in October were supported by the highest level of Russian shipments of the year, and increased barrels from the UAE and Kuwait, according Customs data.

- China's build-out of onshore crude oil stocks faces near-term constraints, despite the ability of its extensive commercial tank network to absorb cargoes on water, according to Vortexa. Private refiners lack annual crude imports quotas to bring in more volumes, even as their tank utilisation remains low at around 50% compared with 65% for state-run tanks. Sinopec's storage facilities outside of Shandong are under significant pressure as they take cargoes diverted from the Rizhao area, which was sanctioned in October.
- The first batch of 2026 crude import quotas for Chinese refiners has been released, sources told The Officials. Rongsheng received a quota of 750 kt; Hengli 3m t; Shenghong 500+ kt.
- Iranian barrels are being relabelled as Indonesian oil with crude trans-shipped amid greater scrutiny of cargoes originating from Malaysia, Reuters sources said. China's crude imports from Indonesia have risen from less than 100k tons in 2024 to 9.81m tons, or nearly 236kb/d, year to date, according to customs data. China's imports from Malaysia have almost halved since July.

OPEC:

OPEC+ are meeting on Nov. 30 to discuss output policy for next year, having indicated a halt to production hikes in Q1 at the last meeting.

- The group is likely to leave output levels unchanged at the meeting while focusing talks on the topic of members' maximum production capacity, Reuters reports citing three OPEC+ sources. Ministers are expected to discuss a mechanism to assess countries' maximum production capacity, to be used as reference for 2027 output baselines.

Iraq:

Iraq's total oil exports rose to 110.9mbbl in October, up from 102.2mbbl the previous month, according to SOMO. The total, including Iraq's Kurdistan region, is expected to average 3.6mb/d in November, Bloomberg said.

- Iraq will load 219kb/d of Kirkuk crude from Turkey's Ceyhan port in December, according to a loading programme seen by Reuters, marking a fall of 12% on the month.
- In October, nearly 6mbbl were exported to Ceyhan, with 3.5 bbl exported in November so far. Current production in Kurdistan stands at 260k to 270kb/d, of which 50kb/d is consumed locally.
- Lukoil is seeking potential buyers for its stake in West Qurna-2 stake after Iraq's oil ministry ruled out buying it, Reuters reported. Production at the field remains steady at around 460k to 480kb/d, officials said.

Tankers:

Oil supertanker costs on the Middle East to China route have risen to the highest since April 2020 at nearly \$137k/day at the end of last week, according to Bloomberg. Buyers are seeking alternatives to Russian crude from the Middle East and the US after sanctions against Rosneft and Lukoil. The rise has also coincided with increased output from the US and OPEC+, according to Jefferies.

- An increase in tankers booked to bring crude from the Middle East to India suggests higher imports flows ahead and signals a shift away from Russia, Bloomberg said. So far this week, about a dozen vessels have been chartered to ship crude from countries including Saudi Arabia, Kuwait, Iraq and the UAE compared to about four from the same time last month.

Other:

Norway's October oil output was slightly more than forecast, according to Norwegian Offshore Directorate. Oil production fell to 1.820mb/d in Oct. from 1.888mb/d in Sep. but was 0.4% higher than the official forecast. Oil, NGL and condensate production was 2.017mb/d compared to 2.075mb/d last month and below the forecast of by 3.7%.

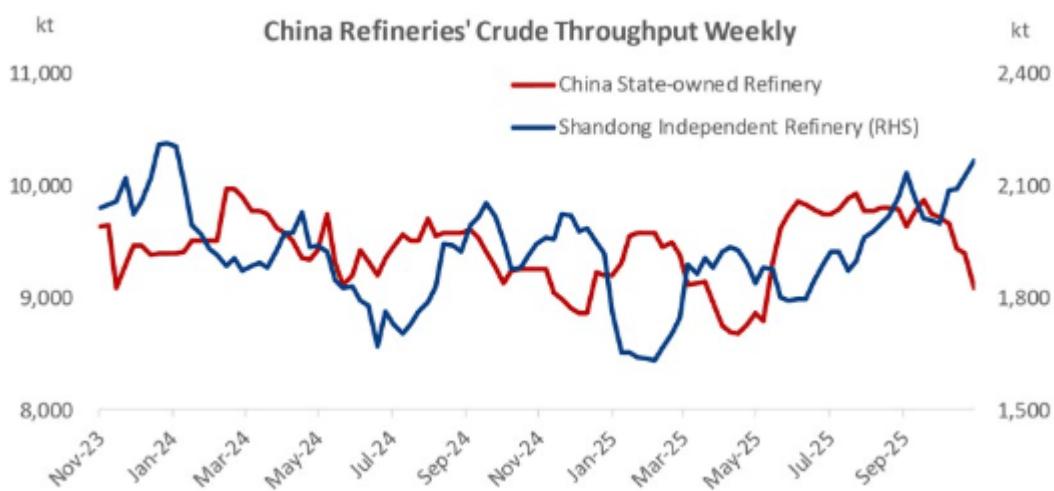
- Japan has extended its crude storage agreement with Saudi Aramco for a further three years, strengthening its ability to secure emergency oil supplies, Argus said. Under the arrangement, JOGMEC leases oil storage tanks with a capacity of 1.3m kilolitres (8.2m bbl) at a terminal in Okinawa. The agency provides Aramco with access to 13 tanks without charging fees, in exchange for priority access to the stored crude should Japan face a supply emergency.
- President Trump is looking to expand drilling access for US firms to increase US output with over 30 possible new leases proposed. Leases are being explored in areas in California, Florida and Alaska and could open up more than 1bn acres of coastal zones to drilling.

Oil Products:

Diesel and gasoline cracks have steadied in recent days after a pull back from highs in mid-November. Speculation surrounding the US plan for Russia-Ukraine peace has helped reduce refining margins however, diesel cracks remain strong overall. Support is still provided by concern for tight supplies due to refinery outages, ongoing Russian energy infrastructure strikes and as US sanctions on the Russian producers start.

- **ICE Gasoil net longs** also rose in the week Nov. 18 to the highest since Sep. 30 to extend the recovery from a dip in early October.
- **European distillate cracks** had surged to two-year highs after the ICE adopted a stricter interpretation of upcoming EU oil-sanctions rules, Platts said. ICE's new guidance for its LSGO contract signals that deliveries from refiners still processing Russian crude will not be accepted unless they have demonstrably halted such inputs for at least 60 days. ICE ruled out accepting material from refineries that segregate Russian and non-Russian crude.
- **Drone strikes on Russian refineries** have continued in the last week as Ukraine's military said it had struck Russia's Ryazan and Il'sky refineries last week as well as the Tuapse refinery and Sheskhari oil terminal on Nov. 25.
- **Russia's crude processing** fell 100kb/d in the week to Nov. 19 to 4.95mb/d as Ukrainian drone strike intensified.
- **Russia's Black Sea port of Tuapse** resumed oil product exports last week after a two-week suspension following Ukrainian drone strikes, while the local refinery started processing crude on Nov 21, Reuters reports.
- **Monthly shipments of diesel-type fuel** from Russia's Baltic Port of Primorsk dropped in October to 906k mt (219kb/d), according to Bloomberg. This compares to 975k mt (244kb/d) in September.
- **India's Reliance Industries** says it has stopped importing Russian crude into its **Sez refinery** with effect from Nov. 20, and that from Dec. 1 all product exports from the refinery will be obtained from non-Russian crude, Reuters reports.

- **Kuwait's 615kb/d Al-Zour refinery** has been running at about one-third of capacity for almost a month, Bloomberg said. The refinery was hit with a technical issue in October, leaving one of three crude-processing units operational. That caused cargo cancellations and a reduction in exports of oil products.
- **US refiners** were expected to have about 645kb/d of capacity offline in the week to Nov. 21, according to IIR Energy cited by Reuters. Available refining capacity is expected to increase by 145kb/d from the previous week although is down 94kb/d from a previous forecast. Offline capacity is expected to decrease to 187kb/d the following week and currently estimated down to 54kb/d in the week to Dec. 5.
- **Growing South American diesel demand** is likely to support PADD 3 refiners for the medium term supported by seasonal demand, despite diverging trends for South America West Coast and East Coast clean product arrivals, Vortexa said. Diesel demand will continue to add pressure to the Atlantic Basin diesel balance, with nearly 70% of flows into Chile, Peru, Ecuador and Guatemala from US Gulf Coast refiners.
- **China's exports of diesel** may rise to about 4.5mbbl in December, according to Reuters sources, as refiners take advantage of strong margins and with sufficient quotas available. The increase may help to compensate for lower shipments from Indian refiners impacted by sanctions on Russian crude oil. The Singapore diesel crack reached the highest since Sep. 23 at \$31.25/bbl on Nov 19 although has since eased back slightly to \$24.37/bbl on Nov. 24.
- **China's gasoline and gasoil production** is likely to fall in the week to Nov. 27, OilChem said. State refiner Shanghai Petrochem is to reduce production for maintenance. Among independent refineries, CDU capacity utilisation rates are estimated to increase as facilities are yet to reach full capacity following works.



Source: OilChem

- **India's diesel, jet fuel and gasoline exports** are expected to drop to the lowest since April at 4.34m tons in November, compared to a yearly high of 5.54m tons in September. The drop in refined product exports from India is likely to be temporary as refiners source alternative crude supplies following Russian oil pressure.
- **Serbia is preparing an amendment** to the draft budget law that would allow it to take over the NIS refinery that risks closure because of U.S. sanctions Euronews reports. Officials said on Nov. 25, the refinery would close in four days if the US did not lift sanctions, creating fuel supply risks ahead of winter. Other sources claimed the refinery had already stopped operating due to a lack of access to crude.

- **The Romanian state** decided against taking over Lukoil's Petrotel refinery following efforts to decide its viability local news outlets reported late last week. It comes following Nov 21 US sanctions on Lukoil/Rosneft. The refinery supplies approximately 20% of the country's fuel needs.
- **Nigeria's Dangote** plans to shut its gasoline producing residue fluid catalytic cracker (RFCC) for five weeks between December-January, owner Aliko Dangote said. A contract has been signed with Engineers India to double its refining capacity to 1.4mb/d in three year, Dangote added.
- **European buyers are avoiding diesel** from Nigeria's 650kb/d Dangote refinery as the product fails to meet winter specifications and has sulphur levels above tolerance, market sources told Argus. The issue is not arbitrage economics, unlike in May when European bids were too low for Dangote to sell cargoes.

Analyst Views:

Goldman Sachs:

Goldman has WTI declining to \$52/bbl average for next year and Brent in the mid-\$50's due to oversupply according to Daan Struyven, its co-head of commodity research speaking to CNBC earlier this week.

- "We think 2026 will be the last year of this sort of big supply wave the oil market is going through and then we think in 2027 the market will rebalance," Struyven said.
- "Right now, the focus is very much on the big increases in stocks and oil inventories we are seeing, at a pretty big pace, 2mn b/d over the last 90-days," he said.
- Goldman expects oil markets to remain in a 2mn b/d surplus next year.
- "We think Saudi has raised its production this year for several strategic reasons – to increase the cohesion within the group and make sure everyone is contributing.....and we also think that Saudi by bringing back barrels, has reduced this perception in the oil markets that there is plenty of spare capacity which had been weighing on oil prices. Also by oversupplying the market, this should slow capex into non-OPEC supply," Struyven said.

Goldman Sachs:

Goldman Sachs said a peace agreement could cut base case oil prices by \$5/bbl into the low \$50s next year, according to Bloomberg.

- The base case for Brent crude is expected to be \$56/bbl next year.
- "If we were to see a potential lifting in US sanctions, we estimate roughly \$5 of downside below the forecast, so that would put Brent in 2026 in the low 50s," he said
- Oil markets are already seeing a surplus of around 2mb/d, with most of the additional supply held on water.
- Oil markets are expected to be oversupplied through 2026 but then rebalance in 2027.
- In the longer-term, oil prices will need to rise to encourage more production.

JPMorgan:

Oil market surpluses will weigh on prices, but the magnitude of moves suggested by imbalances is unlikely to fully materialize with adjustments expected to both supply and demand, according to JPMorgan cited by Bloomberg.

- Global oil markets could see a surplus of 2.8mb/d in 2026 and 2.7mb/d in 2027, in the absence of intervention.
- This surplus could push Brent prices below \$60/bbl in 2026, into the low \$50s/bbl by Q4 and to “close the year with a \$4 handle.”
- “The outlook worsens in 2027, as mounting surpluses drive Brent to an average of \$42, with prices sliding into the \$30s by year-end.”
- “The greatest burden of rebalancing will almost certainly fall on supply.”

RBC:

“OPEC will stick with a watch-and-wait approach until there is more clarity” regarding threats to supply in Russia and Venezuela, according to RBC cited by Bloomberg.

- “The producer group will wait for a clear and enduring disruption to materialise before exhausting the limited remaining spare capacity, sitting primarily in Saudi Arabia.”
- OPEC+ leaders have “learned the lesson of 2018,” when they ramped up production ahead of a US squeeze on Iran that proved milder than anticipated.