

MNI Oil Weekly: Oil Supported Ahead of Crucial Round 3 Talks

By Andrew Couper & David Lee (25/02/2026)

Executive Summary:

- **Oil Supported Ahead of Crucial Round 3 Talks:** Oil markets remain on hold until the outcome of round 3 U.S./Iran talks pave the way for risk on or risk off.
- **Oil Markets:** Crude oil prices have stabilised after a rally to the highest since June with focus on further US-Iran talks this week while weighing the implications of the US tariffs decision and ahead of the latest OPEC+8 meeting on March 1. Diesel and gasoline cracks are holding steady weighing geopolitical risks to supply.
- **Analyst Views:** See oil market views and outlooks from key analyst names

Oil Supported Ahead of Crucial Round 3 Talks:

The week saw intensified rhetoric and preparations for what could be make-or-break indirect negotiations between the U.S. and Iran in Geneva on Thursday (Feb 26), mediated by Oman. U.S. envoys Steve Witkoff and Jared Kushner are leading the American side, with Iran's Foreign Minister Abbas Araghchi representing Tehran.

Trump's State of the Union Address (Feb 24): In his address, President Trump reaffirmed a preference for diplomacy to resolve the Iranian nuclear issue but delivered a stark warning. He accused Iran of ignoring post-2025 "Midnight Hammer" strikes (which he claims obliterated their program) and "again pursuing their sinister nuclear ambitions." Trump stated he would "never allow" Iran to acquire nuclear weapons. He highlighted ongoing negotiations, noting Iran wants a deal but hasn't uttered the key pledge: "We will never have a nuclear weapon." He also claimed Tehran is developing missiles "soon" capable of reaching the U.S. as though laying another justification if he feels a need to launch strikes.

Iranian Response: Araghchi pushed back firmly, posting on X on Tuesday that a deal to avert conflict is "within reach" and reiterating: "Iran will under no circumstances ever develop a nuclear weapon; neither will we Iranians ever forgo our right to harness the dividends of peaceful nuclear technology." Iranian officials dismissed parts of Trump's speech as "big lies," particularly on nuclear rebuilding and domestic protests.

Prior Lead-Up (Feb 23–24): Trump posted on Truth Social that failing to reach a deal would bring a "very bad day" for Iran and its people, while emphasizing he prefers diplomacy. He pushed back on reports of protracted military engagement, citing Joint Chiefs Chairman Dan Caine's view that action against Iran would be "easily won." The U.S. ordered non-emergency embassy evacuations in Beirut amid airstrike speculation. Trump's team believes Iran may propose diluting its highly enriched uranium stockpile to demonstrate non-weapon intent, though skepticism persists.

Oil Market Implications: These developments have introduced choppy sentiment in oil markets. The scheduling of Thursday's talks initially eased some risk premiums early in the week, as diplomacy appears to offer a narrow path to de-escalation. However, Trump's combative tone, accusations of Iranian defiance, the ongoing U.S. military buildup (including carrier groups in the region), and threats of strikes if talks fail keep upside risks elevated. Any

breakdown could disrupt flows through the Strait of Hormuz or trigger broader regional instability, supporting higher oil prices in the near term. Markets will watch Thursday's outcomes closely for signals on whether diplomacy prevails or military options advance.

Supply cover?

Saudi Arabia is preparing a contingency plan to ramp up short-term oil production and exports if U.S. strikes on Iran disrupt regional supplies, according to Reuters sources briefed on the matter (reported Wednesday, Feb 25, 2026).

- The kingdom is already increasing output as part of this plan, mirroring a similar approach used in 2025. If no disruption materializes, Saudi Arabia would scale back later to align with OPEC+ quotas.
- Exact short-term volumes remain unclear, though Saudi Arabia holds the bulk of meaningful global spare capacity.

Oil Markets:

Crude oil prices have stabilised after a rally to the highest since June with focus on further US-Iran talks this week while weighing the implications of the US tariffs decision and ahead of the latest OPEC+8 meeting on March 1. OPEC is expected to resume modest supply hikes in April, according to delegates cited by Bloomberg on Wednesday.

Markets:

Money managers cut net long Brent and WTI crude positions in the week to Feb. 17 to halt a previous rising trend. Despite the decrease, the long only position was the highest since April with market focus on US-Iran talks.

- The near-term crude call-put option skews turned more bullish again last week close to the most bullish since June and have held onto gains as the market prices in risk to supply through the Strait of Hormuz.
- Near term time spreads have eased with an easing of tight supplies while Iranian risks have not yet impacted exports from the OPEC member. The Brent Jun26-Dec26 time spread has also softened although remains in strong backwardation at around \$2.8/bbl.

Iran:

Trump reaffirmed his goal to solve the Iranian nuclear dispute via diplomacy at his State of the Union Speech on Feb. 24. He claimed Tehran was working to build missiles that "soon" would be capable of reaching the US.

- On Feb. 19, Trump gave a deadline of "10 to 15 days" to Iran to make a deal over its nuclear program or warned that "really bad things" will happen.
- Talks on Feb. 26, to be held in Geneva and mediated by Oman, will be attended by Trump envoys Steve Witkoff and Jared Kushner, along with Iranian officials.
- Iranian Foreign Minister Abbas Araghchi said Iran won't be pressured by a US military buildup in the region and that a deal with Washington to avert conflict was "within reach."
- US President Trump is considering a targeted attack on Iran ahead of or near to negotiations but is also considering an attack on a larger scale, The NYT reported.
- Secretary of State Marco Rubio has briefed top lawmakers on Iran as Trump weighs possible strikes.

- The State Department is pulling out non-essential personnel from the US embassy in Beirut, a senior State Department official said, amid growing concerns about the risk of a military conflict with Iran.
- Iran cut the OSP of Iranian Light crude for March sales to Asia by \$0.4/bbl at a premium of \$0.1/bbl to the Oman-Dubai average.
- Loadings of Iranian crude and condensate to vessels jumped to nearly 27m bbl last week, or 3.78mb/d, almost three times the recent weekly average of roughly 10m bbl, according to Kpler. The pattern shows unusual activity and could be Iran trying to front run barrels out of the country ahead of any potential US strike.

Tariffs:

The Supreme Court struck down large parts of Trump's import tariffs under the International Emergency Economic Powers Act, ruling them illegal. This removes a diplomatic tool previously used to renegotiate trade deals, although the broader tariff framework remains intact.

- Trump announced on social media that he intends to replace the invalidated duties with a 15% global tariff.
- President Trump's plan to impose a 15% global tariff is likely to keep US oil production costs high and increase economic uncertainty, according to Rystad. Rystad noted that trading partners like Canada, the EU and India are now back on the negotiating table.

Russia:

The Druzhba pipeline has been shut since January 27 after an attack on the pipeline. Hungary and Slovakia have accused Kyiv of intentionally holding back supply.

- Hungary's Foreign Minister has, along with Slovakia, called on the European Commission to enforce a rule that allows them to buy Russian crude by sea if pipeline deliveries are not possible. The demands come as both countries struggle for oil at present due to its section of the Druzhba pipeline remaining closed.
- Croatia remains reluctant to allow its pipeline to be used because of U.S. sanctions that do not offer it a carve out.
- Hungary's government is going to release 250k tons of crude oil from its strategic reserves after oil flows stopped.
- The Kaleykino oil pumping station in Russia's Tatarstan region, a key hub for the operation of the Druzhba oil pipeline, was attacked on the night of Feb. 22-23, according to Ukrainska Pravda. Russia's Transneft has reduced crude intake by around 250kb/d following the Ukrainian drone attack, Reuters said.
- EU's VdL asked for Ukraine Druzhba repairs to be "accelerated," although Slovakia's Fico said no oil is expected via Druzhba until March 3 at the earliest.
- Hungary plans to block EU decisions regarding Ukraine and EU loans to Ukraine until oil flows through Druzhba restart.
- The EC will submit a legal proposal to permanently ban Russian oil imports on April 15, three days after Hungary's parliamentary election, Reuters reports citing EU officials. The EU aims to circumvent any attempt by Hungary and Slovakia to block the ban.
- Russia's four-week average seaborne crude shipments edged higher by 25kb/d in the week to Feb. 22 to 3.44mb/d to match the loss in pipeline supply to Hungary and Slovakia, according to Bloomberg.
- The amount of Russian crude held on tankers has stabilized around 60m bbls higher than August at about 140m bbl.
- The discount to Brent for Russia's Urals blend has widened to \$28/bbl, the highest level since a peak in April 2023, according to Kommersant cited by Reuters.

- There is little indication that Russia could be forced to cut back crude exports significantly due to sanctions, Vortexa said. Recent patterns in Russian STS operations suggest a growing dependence on China as the ultimate export outlet.

Seaborne Arrivals of Russian Crude – Source: Vortexa



India:

India’s crude oil imports in January fell by 0.6% year on year to 21.09m tons, compared to the highest since March at 21.59m tons in December, according to PPAC.

- There is uncertainty about India’s crude buying patterns given the latest US Supreme Court tariff decision and potential impact on Russia’s ability to maintain strong crude exports.
- India is set to import the most Saudi Arabian crude since November 2019 this month, amid a reduction in the supply of Russian barrels. Shipments from Saudi Arabia are set to rise to 1-1.1mb/d and now broadly in line with Russia supplies, according to Kpler. Russia is still expected to be the country’s biggest supplier this month at 1.2mb/d but shipments are set to drop further to 0.8-1.0mb/d next month.
- Nayara refinery maintenance over April and May could reduce Russian volumes even more.
- India is diversifying crude purchases and active negotiations are underway on importing Venezuelan oil, the US ambassador to New Delhi said.

China:

China’s seaborne crude imports from Russia rose to 1.9mb/d in Feb 1-24 taking the share of total imports to 18%, compared to 11% last November. Nearly 90% was delivered into private refiners in Shandong, Vortexa said.

- Shipments of Urals loaded for China soared to 600k b/d in December, the highest in data going back to 2018, Bloomberg said.

- Asia crude imports are on track to reach a record high of 28.51mb/d in February supported by deliveries to China and India, according to Kpler data cited by Reuters. Imports compare to 27.48mb/d in December and 26.22mb/d in January while the mix of suppliers is shifting in response to geopolitical disruptions.
- Lower OSPs are supporting supplies from Saudi Arabia to China to 1.58mb/d in Feb from 1.2mb/d in Jan. Arrivals could rise to the highest since Oct. 2022 at 1.85mb/d in March, Kpler data shows.

Iraq:

Chevron has signed agreements to explore taking over Iraq’s West Qurna 2 field, Bloomberg reports.

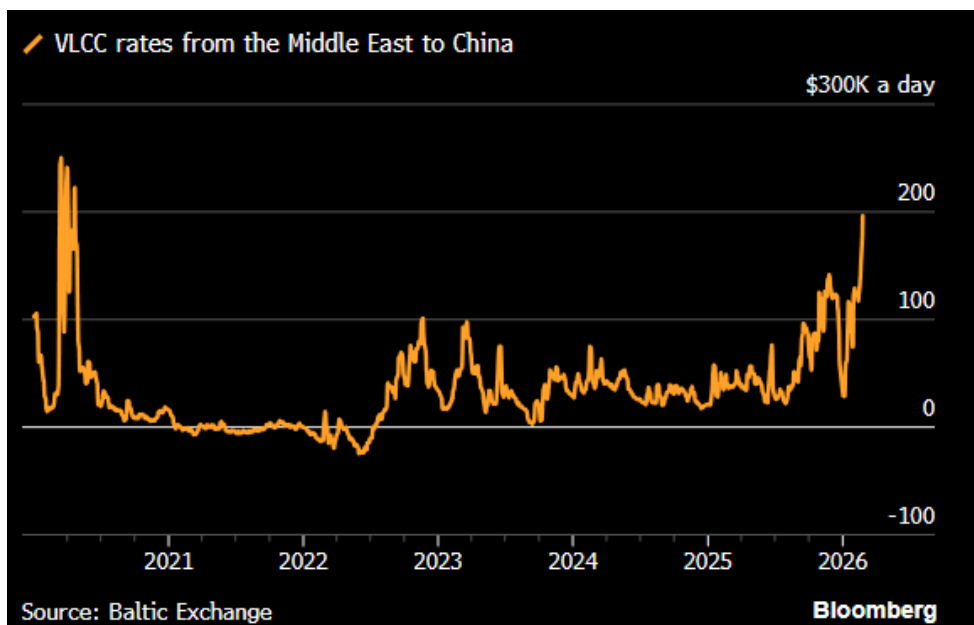
- Iraq's West Qurna 2 oilfield could nearly double its output to 750k–800kb/d under Chevron Iraq's Oil Minister Hayan Abdel-Ghani told Rudaw.
- Iraq had last week approved a settlement process to transfer Lukoil operations of the oil field to state-run Basra Oil Company.
- Operations of West Qurna 2 have been in focus since Lukoil was sanctioned by the US last year.

Tankers:

The cost of securing VLCCs on long-term contracts has surged to a record high, driven by tight vessel availability and rising geopolitical risks, Bloomberg said. Hiring a VLCC for a year now averages more than \$92,000/d, the highest level since records began in 1988.

- A key factor is the aggressive accumulation of VLCCs by South Korea’s Sinokor, which could ultimately control around 40% of available, unsanctioned ships not already tied to contracts.
- Saudi Arabia’s Bahri has provisionally hired at least five VLCCs, adding to demand for the ships at a time when rates are soaring, Bloomberg reports.

VLCC Rates from Middle East to China – Source: Bloomberg Finance L.P.



Oil Products:

Diesel and gasoline crack spreads have been holding relatively steady this week after diesel spread gains in mid-Feb amid market focus on US-Iran tensions.

- **ICE Gasoil and Nymex diesel net longs** reduced again in the week to Feb. 17 although both maintain a net long. Nymex gasoline net long positions also edged lower but remain near the most bullish since mid-December.
- **European ARA Gasoil stocks** are holding around 4.2% below the five-year average but US distillate stocks last week fell to 6.2% below normal and Singapore Middle Distillates inventories fell to 20% below.
- **Escalating US-Iran tensions** around the Strait of Hormuz expose 10% of the global gasoil trade and 20% of jet fuel/kerosene flows to disruption at a time of already-constructive market fundamentals, according to a Kpler.
- **Strait of Hormuz disruption** would block about 5mb/d of refined product supply from the Arabian Gulf, according to Rapidan Energy Group cited by Bloomberg. Europe is vulnerable to any disruption to diesel and jet fuel/kerosene imports with “few short-term sourcing options should Hormuz flows be interrupted.”
- Transport fuels account for about **25% of total Arabian Gulf product exports** with most headed to Europe and Africa. Europe imports an average of 300k b/d of jet fuel/kerosene imports from the Gulf, and accounting for roughly 20% of its demand.
- **A tanker carrying diesel from India** has arrived in ARA, the first since the EU imposed sanctions on imports of oil products made from Russian crude from Jan. 21. The tanker loaded in mid-January at the Indian port of Sikka, used for exports from Reliance’s Jamnagar facility, Vortexa shows. A Reliance spokesperson said its products supplied to Europe came from a facility that, “stopped importing Russian crude from Nov. 20, 2025.”
- Earlier this month, Reliance **Industries partially offloaded a jet fuel cargo** in Italy from the Aframax tanker Liwa-V.
- **Discounted Russian diesel** has increasingly flowed to Brazil, displacing US supplies and freeing up US Gulf Coast barrels for Europe. Russian seaborne diesel and gasoil exports rose 19% month on month in January to about 963kb/d, with Brazil and Turkey the largest buyers.
- **US diesel exports to Europe** surged to record highs in January as the EU tightened restrictions on Russian-derived fuels, reshaping global trade flows, Reuters said. US shipments to the EU reached an all-time high of 336k b/d in January, according to Kpler, with Vortexa estimating flows even higher at 410k b/d. India’s diesel exports to Europe fell to a one-year low of 26k b/d.
- **Crude throughput at Indian refineries** was largely unchanged m/m at 5.6m b/d in January, according to Argus citing government data. IOC’s nine refineries rose throughput by 3% y/y to 1.63m b/d but fell by 3% m/m due to marginal declines in throughput at the 120k b/d Barauni and 300k b/d Panipat refineries.
- **Nayara’s 400k b/d Vadinar refinery** saw stable throughput m/m but 6% lower y/y as some units were down because of catalyst poisoning from running 100% Urals, sources told Argus.
- **India’s total January oil product exports** fell 10.3% year on year to 4.91m tons and down from 5.41m tons in December. Diesel exports fell by 14.6% year on year to 2.38 tons while gasoline exports rose 3.2% on the year to 1.41m tons. Data released earlier this month showed fuel consumption in India rose 2.9% year on year but fell 3.0% on the month to 21.05m tons in January.
- **Russia’s refinery runs** declined to just over 4.9m b/d during Feb. 12-18, as two of Lukoil’s refinery’s halted operations after Ukrainian drone attacks, Bloomberg reports. That’s a drop of over 350k b/d from the previous seven days and is the lowest weekly average since the second half of November.

- **Russian exports of oil products** are expected to fall 10% m/m in Feb due to refinery outages and harsh weather hampering loading conditions sources tell Reuters. It said that January exports totalled 9.12mn metric tons.
- **Russian Baltic ports** are dealing with thicker ice this winter than in prior years, denting vessel accessibility. Forecasts suggest the ice could get thicker, slowing things further.
- **Demand for middle distillates** in Germany remained subdued in mid-February, while supply was high even as refineries enter maintenance season, according to Argus. Heating oil demand continued to decline as many consumers had stocked up in previous weeks. A recent rise in Ice gasoil futures pushed up domestic values and further dampened buying interest.
- **Global oil firms and traders** including Vitol, Trafigura and TotalEnergies have won tenders to supply Libya with gasoline and diesel as the country reduces imports of Russian fuel, Reuters reports citing three trading sources. Rather than swapping fuel imports for crude exports, Libya has instead awarded tenders to cover its fuel needs. Russian fuel exports to Libya have fallen to around 5k b/d in 2026, from 56k b/d in 2024-25, when it was the dominant supplier, Reuters says citing Kpler data.

Analyst Views:

Goldman Sachs:

Goldman Sachs has raised its Brent forecast for Q4 2026 by \$6/bbl to \$60/bbl and now expects OPEC8+ to gradually raise production from Q2 2026, amid lower OECD stocks.

- The upgraded Q4 forecast comes as the bank now assumes that 19% of expected stock builds this year materialise in OECD commercial stocks, vs 27% prior.
- The bank now assumes that 25% of the 2026 surplus shows up as Russian/Iranian crude building up at sea.
- Goldman maintains its 2.3m b/d surplus for 2026, assuming no major supply disruptions or Russia-Ukraine peace.
- There is a further \$8/bbl of fair value upside for Brent if tensions in the Middle East lead to a 1m b/d Iranian supply disruption for 12 months, the bank said.
- Meanwhile, potential sanctions relief on Iran/Russia would accelerate land stock builds and unlock higher supply, posing \$5/bbl of downside risk to Q4 2026 prices.
- In 2027, Goldman forecasts Brent/WTI to average \$65/61, recovering to \$70/66 by Dec. 27 on solid demand and slowing supply growth.

Goldman Sachs:

Oil markets are pricing “moderate” Iran escalations as the base case according to Goldman Sachs co-head of global commodities research Daan Struyven speaking with CNBC on Thursday.

- “Our base case has no sustained large supply disruption [from Iran]. If we were to see for instance, a 1mn bpd drop in Iranian exports that lasts for one year, it would cause \$8/bbl of uplift in prices from a fundamental perspective. In practice, markets would re-asses the risks of further escalation,” Struyven added.
- “The market is pricing a geopolitical risk premium, largely related to Iran. On a physical side, while the market is clearly in a significant surplus, we are not seeing large builds in OECD pricing centres – the places where builds matter the most for prices,” he said.
- “The builds are materializing as sanctioned crude stuck at sea,” he added.

- “That supply will eventually make its way to market but for now, that supply is not really available for refiners,” Struyven said.

Goldman Sachs:

Global oil prices have risen this year despite a worldwide surplus, in part because much of the excess has come in the form of sanctioned crude that’s “stuck at sea”, according to Goldman Sachs cited by Bloomberg.

- The rise in volume of Russian, Iranian and Venezuelan crude on water to 375m bbl has driven about one-third of global visible crude builds y/y, Goldman analysts said in a Feb. 18 note.
- At the same time, stockpiles in pricing centres in OECD nations have been largely stable, which is a “key reason” for price support.
- Overall import demand for sanctioned crude has fallen short of increased export supply.
- India has lowered purchases of Russian crude, while China has reduced Iranian purchases, although that is partially driven by a pivot to Russian crude.
- Assuming the outlook for global surpluses doesn’t change, every 1m b/d rise in sanctioned exports on water for 12 months boost Brent prices by as much as \$8/bbl, Goldman says.
- Every 100m bbl reduction in oil-on-water reduces prices by \$3-\$4/bbl.

Citi:

Uncertainty over U.S. action in Iran is keeping the market trading water, according to Citi bank.

- "On the one hand, military actions could be imminent," Citi's Anthony Yuen says in a note. "On the other hand, bringing the situation to the brink could be a negotiation strategy, although market pricing in oil does not seem to be reflecting this as much."
- Citi's bull case for Brent around \$75/b reflects supply risks in Iran and Russia, but not the closure of the Strait of Hormuz.
- Conflict with Iran which results in disruptions to flows through the strait would likely cause a larger rise, Yuen said.

UBS:

UBS said on Tuesday that it expects a modest decline in oil prices in the coming weeks provided there’s no escalation of tensions in the Middle East that could disrupt supply, Reuters reports.

- “A gradual fading of the risk premium and easing of supply disruptions resulting in a better supplied market should bring Brent back into the \$60 to \$70 a barrel range,” UBS said.
- UBS also set an end-March 2027 Brent forecast of \$67/bbl and widened its assumed WTI-Brent discount to \$4/bbl from \$3/bbl.

Diamondback Energy:

Fears of a global oil glut are fading amid resilient energy demand, according to Permian Basin driller Diamondback Energy, cited by Bloomberg.

- As recently as mid-Dec., the prevailing outlook was that a large oversupply was approaching that would send crude prices tumbling.
- But the danger appears to be receding, according to Diamondback CEO Kaes Van’t Hof.

- “The wave of oversupply that has been widely telegraphed for the better part of the last two years continues to get pushed to the right,” he said.
- “At some point the market will slowly begin to find reasons to be less bearish as demand is strong and the global economy is growing.”
- Diamondback is taking a cautious approach, pledging to hold output roughly steady with the final three months of last year.

Kpler:

Global crude and condensate balances have tightened in 1H 2026 but will “loosen materially” in 2H as OPEC+ increases output, according to Kpler cited by Bloomberg.

- Kpler expects OPEC+ to resume oil output increases for six months starting in April, unwinding the remaining 1.2m b/d of its 1.66m b/d voluntary cuts.
- However, actual supply increases will amount to only half the advertised volumes as Russia struggles to hike.
- Therefore, a major downside impact on crude prices is expected to be limited with Brent averaging \$65/bbl this year, Kpler said, cited by Dow Jones on Feb. 16.
- Q1 oversupply is averaging 1.8m b/d, compared with last month’s estimate of 2.6m b/d, according to Kpler.
- Kazakhstan “remains the largest near-term supply disruptor,” with output in January-February revised down 430k b/d.
- 2H oversupply has been revised up to 1.36m b/d as OPEC+ revives the current supply tranche by September.
- OPEC+ is set to meet on March 1 to review policy for April and possibly beyond.

OIES:

OIES has raised its Brent forecast for 2026 by \$2.2/bbl to \$67/bbl and forecast to rise further to \$69/bbl in 2027.

- Prices are projected to retreat marginally to \$65/bbl assuming geopolitical tensions ease and no physical supply disruptions, before firming in H2 2026.
- Tightening balances to push prices into the low-\$70s in H2 2027.
- The oil market is forecast at a 950 kb/d surplus in 2026, before moving back toward balance in 2027 with a small 150 kb/d surplus amid weaker supply growth alongside solid demand growth.
- Global oil demand is projected to increase by 1.2 mb/d in 2026 and by 1.3 mb/d in 2027. Growth is driven by non-OECD led by China and India and broader gains in other Asia, Africa and the Middle East.
- Global oil supply is forecast to grow by 1.6 mb/d in 2026 with non-OPEC+ crude growth slowing to 690 kb/d and assuming no OPEC+ output hikes after March 2026. In 2027 growth is forecast at 470 kb/d with non-OPEC+ at 240 kb/d as US crude flattens.