MNI Oil Weekly: September Oil on the Water Surges

By Andrew Couper and David Lee (08/10/2025)

- **September Oil on the Water Surges:** Oil on the water levels surged in September to near record highs as a multitude of factors converged on the world's top producers – pushing more barrels onto the water.
- **Oil Markets:** Crude front month has seen net gains so far this week after a smaller OPEC+ output rise for November than some prior reports had suggested. Crack spreads have regained some ground after falling into early October as concern for the impact of the partial Russia diesel ban eased.
- **Analyst Views:** See oil market views and outlooks by key market names.

September Oil on the Water Surges

Oil markets faced overall downward pressure in August and September on supply glut fears into Q4 – especially as OPEC+ (most notably Saudi) barrels started hitting the water last month at a far higher pace.

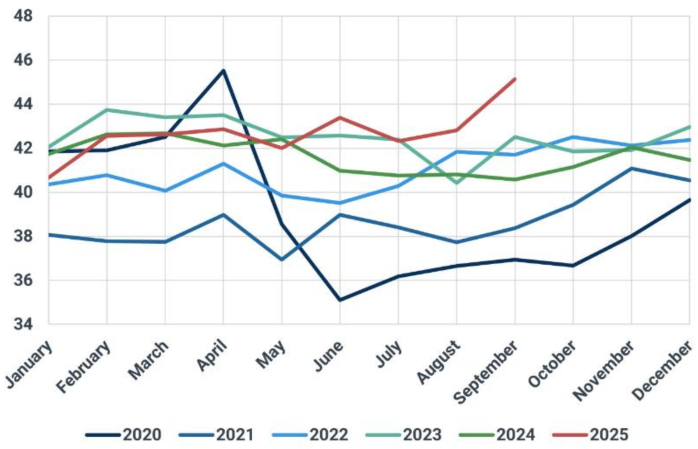
- Geopolitical risk played a part in pricing over that period over back and forth sentiment towards sanctions on Russian barrels – a fear that failed to materialize despite Putin's lack of intent to work towards a Ukraine peace deal.
- China and India buying of Russian oil remains resilient and markets have priced out any Russian secondary sanctions fears from the U.S. – European measures meanwhile are seen to lack any real threat.
- Oil market fundamentals instead come back to the forefront for oil prices with some key themes in the spotlight, barrels on the water, China stockpiling and OPEC+ intentions.

Oil on the Water:

For much of this year, increasing commitments by OPEC+ to unwind voluntary production were failing to notably show up in barrels on the water, eroding the pressure of paper commitments by the group physically showing up in the market for much off this year.

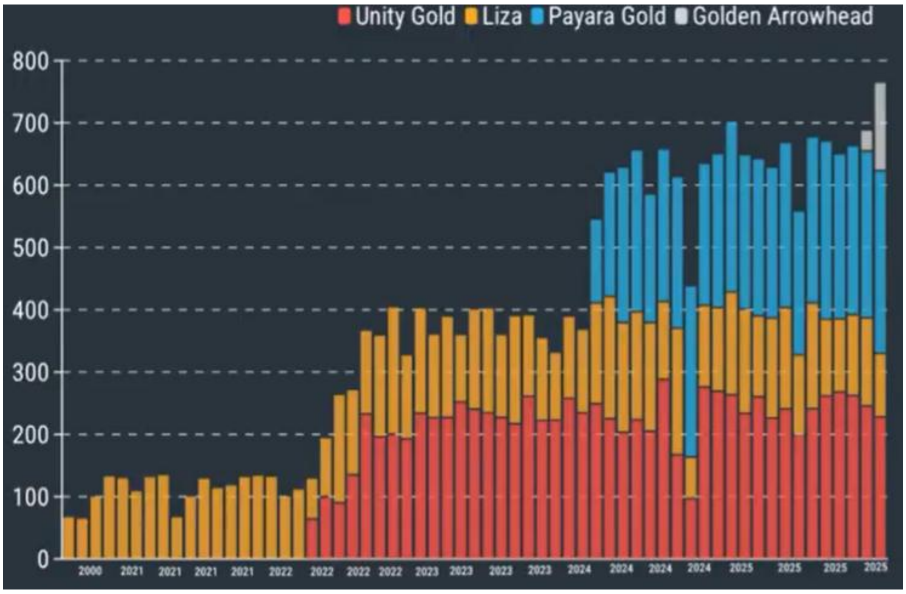
- That started to change in September with a big rise in barrels from both OPEC+ and non-OPEC supply. Key drivers were Saudi, Iran, the U.S., Russia, Guyana and even Venezuela according to vessel tracking firms.

Global Crude Exports – Source: Kpler



- Global crude exports hit a 5-year high in September according to Kpler. It marks the second highest monthly level in Kpler records, only surpassed by April 2020 during the Saudi-Russia price war along with a global pandemic.
- The Saudi story is supported by a seasonal shift away from direct crude burn as we move away from peak summer demand for air con – as well as supported by its voluntary cuts unwinding this year.
- Guyana has a new crude stream which has come online called Golden Arrowhead, taking its exports to a record of ~750kbd in September, having previously peaked around 700kbd last year.

Guyana monthly crude exports (crude/co, by grade) – Source: Kpler



- U.S. crude exports rebounded sharply in September, supported by higher U.S. refinery maintenance freeing up more barrels for export.
- Russia meanwhile is facing a Ukrainian drone onslaught against its refinery infrastructure with no signs of letting up. As a result, more crude is finding its way onto the water rather than being refined domestically. From a logistical standpoint, Russia will face limitations if this continues which could lead to production declines. Potential access to western rockets and U.S. intelligence risks this threat worsening for Russian refining. Peace talks are also off the cards.
- Iran's oil keeps moving through a tighter, more efficient shadow fleet despite the UN's snapback sanctions on Iran officially returning on September 27, Vortexa said. Voyages have stabilised within a 50–70-day range compared to around 85–90 days in 2022. This reflects a more disciplined, coordinated fleet operation, with fewer extended delays between load and discharge.

Iran's crude/condensate exports (bpd) – Source: Vortexa

What to watch:

- OPEC+ agreed to further heightened output quotas at the weekend but at a 137kbd increase for November, oil markets have viewed that as less risky as far as oversupply fears are concerned. Reuters and Bloomberg had touted levels around 500kbd could be agreed for November production increases which caused pressure on prices last week. The lower rate has offered support this week. Overall for OPEC+ quota increases, it is worth considering that these levels are unlikely to be reached with only Saudi and the UAE with any meaningful spare capacity.
- From a buying side, China stockpiling remains a key element soaking up barrels and a key trend to watch for Q4 and into next year. S&P Global Commodity Insight last month estimated China had stockpiled an average of 530,000 bpd so far in 2025 - supporting prices under pressure as the OPEC+ producers group winds down production cuts. Traders and consultancies say they expect the stockpiling, fuelled by prices recently below $70 per barrel, to continue at least through the first quarter of 2026.
- Since late 2023, Beijing has quietly issued mandates to state-owned companies to stockpile oil according to various reports. Energy Aspects in July cited a mandate calling for 140 million barrels to be purchased for strategic reserves, with deliveries through March 2026.
- Kpler pegged China's total onshore national reserves and commercial stocks, including holdings by state and private firms, at 799 million barrels by early September, 109 million barrels above levels at the start of 2023.
- Oil traders also look towards the impact of refinery maintenance as well as the long term impacts of Ukrainian drone strikes on Russian infrastructure, a trend with no signs of slowing down, especially now peace talks are effectively over and Trumps attention is towards a Gaza peace deal.

Oil Markets:

Crude:

Crude front month has seen net gains so far this week from a low of $64/bbl on Oct. 2 up to around $66/bbl after a smaller OPEC+ output rise for November than some prior reports had suggested. Soft Saudi OSP are more supportive for Asian demand while the market also continues to monitor the impact of strikes on Russian energy infrastructure.

Markets:

Crude options are slightly less bearish in line with the rally in crude futures. The Brent second month 25 delta call-put spread has narrowed from around -1.3% last week to about -0.65%. The bearish Brent Dec26 call-put skew continues to narrow from -5.6% in late August to around -3.8%. Daily Brent put options have traded in greater volumes than calls over the last week.

- Money managers cut net long Brent crude oil positions in the week to Sep. 30 to the lowest since Aug. 26, in data prior to the latest OPEC+ decision. The Nymex commitments of traders data release was delayed due to the US government shutdown.
- ICE reported oil open interest rose 14% year-on-year in Sep. 2025, including record futures of 11.1m lots on Sep. 29. Brent open interest rose 14% on the year, including record futures of 3.0m lots on Sep. 24.
- Higher financing costs could shift any potential contango deeper than in previous oil market gluts, according to Bloomerg's Javier Blas. Traders suggested that interest rates at current levels could add $0.1/bbl per month to a contango, meaning a one-year timespread could be more than $1/bbl wider than otherwise.
- A soft outlook was reflected in the EIA's October report as it is forecasting global oil inventories to build through next year pushing Brent down to $52/bbl from $62/bbl in Q4 2025. Global output rises across its forecast horizon are driven by non-OPEC while OPEC may not be able to achieve its higher production targets. The EIA has raised its forecast for global oil demand in 2025 by 0.2mb/d to 104.0mb/d while demand for 2026 is stable at 105.1mb/d.

OPEC:

OPEC+ will raise November output by a modest 137kb/d, the same rise as agreed for October, following a meeting on Oct. 5 against glut fears into Q4. OPEC+ production targets have risen cumulatively by 2.7mb/d this year.

- Reuters sources had reported heading into the meeting that Saudi was eager to boost production by higher levels of up to 500kb/d.
- According to Bloomberg there were some dissenting views with Russia arguing that prices needed to be supported and Algeria that demand could weaken but Saudi arguing for a larger target increase.
- The group is trying to regain market share, but most members have limited spare capacity except Saudi Arabia, and so the impact of output decisions on physical supply is unclear.
- OPEC+ did not discuss raising production by more than 137kb/d according to Russia's Deputy PM Alexander Novak, Interfax reports.
- OPEC crude output rose by 400kb/d in September as the group formally completed the unwinding of 2.2mb/d of cuts, Bloomberg reports. Saudi Arabia boosted output by 320kb/d m/m to 9.98mb/d in September, in line with their OPEC+ quota. Exports soared to an 18-month high. Iraq's output remained steady at 4.32mb/d, significantly above its OPEC+ target.

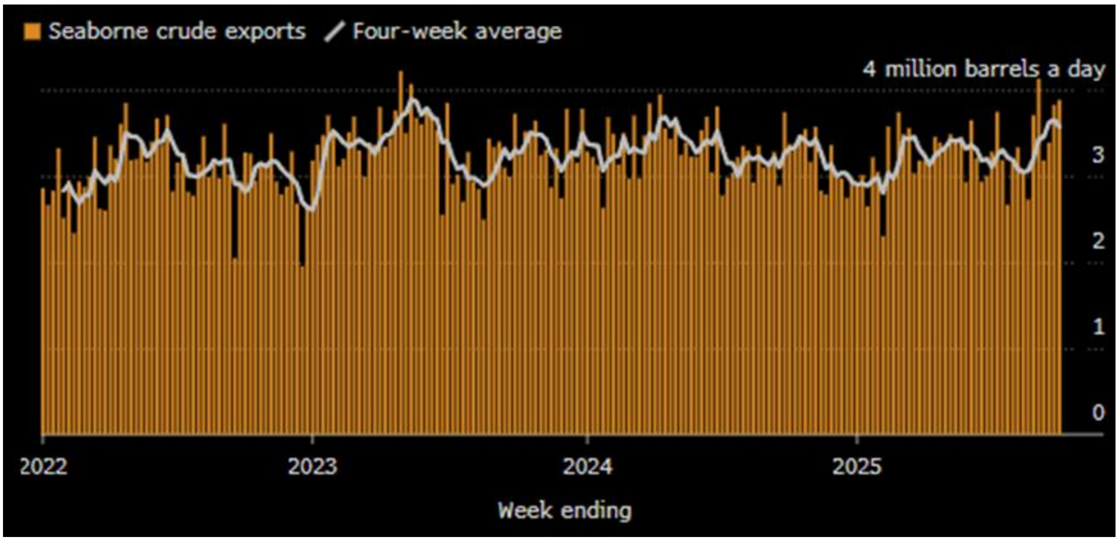
- OPEC+ has received a new compensation plan from members exceeding previous quotas.
- Saudi Aramco has maintained its OSPs for Super Light, Extra Light and Light crude for November loading to Asia. A Bloomberg survey had expected a $0.3/bbl rise, while a Reuters survey expected between $0.2-$0.4/bbl higher. Aramco trimmed prices for its Arabian Medium and Heavy crude by $0.3/bbl.

Russia:

G7 nations finance ministers said they will take steps to increase pressure on Russian oil sales by targeting those who purchase the oil and circumvent sanctions. No country was identified in the statement.

- The U.S. will provide Ukraine with intelligence to support strikes on long range energy targets in Russia according to two officials last week. Ukraine's strategy to hit Russian refineries is proving successful and is resulting in more oil hitting the water and less oil products.
- The European Parliament is considering accelerating a phaseout of Russian oil and gas imports as part of an amendment to RePowerEU, Bloomberg reports. The measures would see Russian oil and petroleum-product imports halted at the start of 2026. A vote is scheduled for Oct. 16.
- Russia's four-week average seaborne crude shipments in the week to Oct. 5 held just below the highest since May 2024 at 3.57mb/d, according to Bloomberg. Drone strikes on Russian refineries and diversion of crude to export terminals may have contributed to the recent increase in shipments.
- Russia's ability to divert crude to the global market is diminishing as crude export capacity has fallen after recent refinery attacks, according to Bloomberg. Ukraine has targeted at least 15 refineries across the European part of Russia since the start of August. Spare capacity at Russia's crude export terminals may be very limited. Three western ports have about 165kb/d to 265kb/d of spare capacity between them.

Russian Seaborne Crude – Source: Bloomberg



India:

There is adequate Russian crude supply in the market available for refiners, a senior Indian government official said, according to Bloomberg. Indian officials have previous said that a significant reduction in Russian oil imports would require Washington to allow crude purchases from sanctioned suppliers Iran and Venezuela, Bloomberg reports.

- Indian refiners are expected to boost oil imports from Russia in the coming months, as Urals discounts widen amid ample supplies, Bloomberg reports. Discounts on Urals loading in November are $2-to-$2.50/bbl to Dated Brent, making it attractive compared to $1/bbl discounts seen in July-to-August. Ship-tracking data points to an uptick in Indian imports of Russian crude for October to around 1.7mb/d, 6% higher m/m.
- Traders selling Russian oil are increasingly asking Indian state refiners to settle payments in Chinese yuan, according to trade sources.

Middle East:

Crude oil flows from Iraq's Kurdistan region to Turkey's Ceyhan port are running at around 180kb/d, up from 150k-160kb/d, Reuters said.

- Iraqi crude exports from Kurdistan to Turkey were halted briefly on Oct. 3 for technical reasons as oil tanks at Ceyhan reached capacity but flows quicly resumed, according to Rudaw cited by Bloomberg. Iraq sold an initial shipment of 650kbbl of crude from the Kurdish region via Ceyhan last week and bound for European markets.
- The Trump administration is working to ensure recently restored Kurdish flows via Turkey keep flowing longer term according to a State Department official cited by Bloomberg. The current agreement only lasts until the end of the year with the parties scheduled to hold talks on hundreds of millions of dollars of dues owed to the companies.
- Production of oil at Kazakhstan's Karachaganak field fell from 264.3kb/d in August to 200kb/d in September, according to Reuters. The drop coincided with planned maintenance at Russia's Orenburg gas processing plant from September 8 to 30, which processes raw gas from Karachaganak.

China:

China's onshore crude stocks have fallen by 12mbbl over the past week, according to Kpler, with resilient oil prices seeing buyers pull back. Independent refiners face tight import quotas and higher freight costs are starting to erode WoS arbitrage. China's refinery runs peaked in September near 15.5mb/d but arrivals slowed. September seaborne crude imports averaged around 9.6mb/d, down 1.2mb/d m/m and the lowest since January.

- China's oil stocks are more likely to draw by year-end, rather than continue building, Kpler said.
- China's state oil companies will add at least 169mbbl of storage capacity across 11 sites during 2025 and 2026, Reuters reports. The 2025-2026 additions nearly match the 180-190mbbls of capacity added in the previous five years, according to Vortexa and Kpler estimates. Traders and consultancies say they expect

stockpiling to continue at least through Q1 2026. Kpler estimated China's total onshore national reserves and commercial stocks at 799mbbl by early September, 109mbbl above levels at the start of 2023.

Americas:

ExxonMobil Guyana's Production Manager Huzefa Ali said that the Floating Production Storage and Offloading (FPSO) One Guyana will reach name-plate capacity of 250kb/d in another month. FPSO One Guyana, whose storage capacity is about 1mbbl of oil, began production in August. Guyana's current output is 650kb/d from Liza 1, Liza 2 and Payara according to Ali

- Canada and Alberta are 80% aligned on a potential oil export pipeline proposal out of the province, Premier Danielle Smith told Reuters. Canadian pipeline companies Enbridge, South Bow and government-owned Trans Mountain have agreed to provide advice and technical support to Alberta as it develops its proposal, according to Smith.

Nigeria:

Nigeria has increased daily crude oil production to between 1.7mb/d and 1.83mb/d, while the number of active drilling rigs rose from 31 in January to 50 by July, Reuters said. The gains reflect the impact of reforms introduced under President Bola Tinubu to revitalise the country's petroleum sector.

Oil Products:

Crack spreads have regained some ground in recent days after falling in late September and early October. The **Gasoil-Brent spread** fell into early October as concern for the impact of the partial Russia diesel ban has eased. ARA stores are back near normal after recent gains, but supplies remain relatively tight amid seasonal refinery maintenance ahead of winter.

- **The second month Gasoil call-put spread** slightly favours the calls after narrowing to near parity late last week, Bloomberg shows.
- **ICE Gasoil net longs** edged up to the highest since March 2022 in the week to Sep. 30. ICE reported Gasoil interest was up 5% year on year in September. Average daily volume of other crude & refined products was up 23% while open interest was up 19% year-on-year, including record futures of 6.1m lots on September 29.
- **Russia crude-processing** increased about 10kb/d to average 4.87mb/d in the week to Oct. 1 compared with the week of Sept. 18-24 amid ongoing Ukrainian drone attacks, Bloomberg said. Rates were about a 50kb/d below the September average. Recent attacks on the Orsk and Kirishi refineries on Oct. 3 and Oct. 4 were not included in the data.
- **The Kirishi oil refinery** halted a crude distillation unit, CDU-6, following a drone attack and subsequent fire on Oct. 4, two industry sources told Reuters. The unit's recovery is expected to take about a month. Rosneft's Tuapse refinery was also attacked by drones, causing a fire which was quickly extinguished.
- **Russia's refinery primary throughput** is seen growing to almost 5.3mb/d in December compared with less than 4.9mb/d in September but 400kb/d below the seasonal five-year average, Kpler said cited by

Bloomberg. Loss of Russian processing capacity is estimated in the range of at least 500k-550kb/d over September and October.

- **Russia's seaborne diesel and gasoil exports** dropped by 20% m/m in September to about 2.4m metric tons, as unplanned refinery outages curbed production, Reuters reports. Several major refineries were hit by drones in August and September, including Kirishi refinery, Volgograd refinery, and the Samara group of refineries. The port of Primorsk also suspended loadings for a short period in September following a drone attack. Diesel exports via Primorsk fell 30% m/m to 0.93m tons.
- **Russia's exports of refined products** fell to their lowest since Aug. 2024, BNEF said. Russian fuel exports dropped by 240kb/d, to around 2mb/d in September led by declines in fuel oil and naphtha.
- **Russia's Energy Ministry continues** to take "all necessary measures to maintain stability and uninterrupted supplies of all types and brands of fuel," it said in a Telegram statement cited by Bloomberg. The ministry **isn't currently considering the option of banning diesel exports** for producers. Russian gasoline prices continue to hit fresh records, according to St Petersburg Exchange data cited by Kommersant.
- There were **no Russian seaborne gasoline exports** last month, Kpler says, for the first time since its records began.
- **Russian September diesel/gasoil exports** are the lowest seasonal level since 2017 at 760kb/d but should recover in late Q4 after refinery maintenance, although subject to long lasting damage from drone attacks.
- **India's diesel exports to Europe** probably hit an all-time high in September as traders cashed in on robust profits in the west during a refinery maintenance season, Reuters reports. September volumes from India to Europe were at 1.3m to 1.4m metric tons (9.7m to 10.4m bbl), data from LSEG, Kpler and two trade sources showed. The diesel east-west spread averaged $45/mt in September, up from less than $30/mt in August. India's fuel exports may fall m/m in October due to higher domestic demand during the Diwali festive season, a Vortexa analyst said.
- **In Europe, 550kb/d to 600kb/d of crude processing capacity** is expected to be offline in October up from around 400kb/d in September.
- **European refiners** could see a gasoline export rebound in the near-term, Kpler says, as volumes to WAF and the US re-enter the seasonal range as PADD1 inventories fail to catch up and as problems at Dangote pile up.
- An explosion and fire occurred at **Chevron's El Segundo refinery** near LA late Oct. 2, affecting the isomax unit, which produces jet fuel from heavy gasoil. The 285kb/d El refinery will be making operational adjustments to meet Southern California's fuel demands after a fire on Thursday, Chevron said. The fire underscores mounting market concern over the state's shrinking refining sector, BNEF said.
- **Colonial Pipeline restarted** the largest US fuel pipeline network after briefly shutting the system early Oct. 2 for unplanned maintenance, Bloomberg reported.
- **Nigeria's gasoline imports** fell to at least an eight-year low in September, despite maintenance and union disruptions at the 650kb/d Dangote refinery, Argus said. The country imported just 116kb/d of seaborne gasoline, down from 154kb/d in August. Net gasoline imports fell further to 38kb/d, as Dangote exported cargoes to New York Harbor.
- **The refinery's RFCC unit** was taken offline Sep. 2 for maintenance and returned in early October. Furthermore, a two-day strike by oil workers also briefly disrupted crude and gas supply but was resolved quickly.

Analyst Views:

HSBC:

HSBC maintains a Brent crude forecast for Q4 25 and 2026 at $65/bbl, according to Reuters on Oct. 6

- There are downside risks if inventory increases materialise in the OECD.
- The bank strongly disagrees with views that "only Saudi Arabia has any real spare capacity." Production from the UAE, Iraq and Kuwait is expected to rise.
- The OPEC+ group "has embraced a market share strategy," said Kim Fustier, senior global oil and gas analyst last week prior to the latest OPEC+ meeting.
- "We are skeptical that OPEC+ will blink unless oil prices fall materially."
- In mid-September, HSBC forecast an oil surplus of 1.7mb/d from Q4 2025 and a surplus of 2.4mb/d in 2026.

RBC:

OPEC+ agreed to raise daily oil production by 137kb/d for November, but the actual increase will be "less than half" that figure, according to RBC cited by Bloomberg.

- Only Saudi Arabia has sizeable spare capacity to commit to increased production.
- Ukraine attacks the Russia's production are a risk. Russia accounted for about a third of the second layer of cuts totalling about 1.66mb/d.
- "Officials who we have spoken with suggest that Ukraine's ability to do material damage to the Russian energy infrastructure will only increase once it obtains new long-range missiles to augment its drone arsenal."
- "OPEC policy is not one-directional, and if a substantial glut were to emerge, the group could consider a policy reversal at the year-end meeting."

UBS:

- "UBS expects Brent crude to stay in the $60-70/bbl trading range." – Reuters
- "UBS says oil demand likely already peaked for the year and should gradually fall over the coming months." – Reuters
- "UBS says while the OPEC+ production quota increase is 137kb/d for November, we estimate the actual volume additions will be only 60k-70k" - Reuters

Bank of America:

The markets had priced in expectations of higher OPEC+ output commitments over the weekend according to Francisco Blanch, Head of Commodities at BofA Securities.

- "Those fears were misplaced and the market is rebounding with the more modest increase than people feared a few days ago," Blanch said.
- On oversupply concerns, Blanch pointed to Guyana, Brazil and Canada as non-OPEC supply growth coming online at the same time as OPEC+ is returning barrels.
- "Not all the barrels that OPEC has announced will materialise, for the time being, we have seen 70-75% of the initial uplift announced in April, now we will see how much of the second leg from the 1.6mn bbls part of the announcements will eventually make its way through," Blanch said.
- "We are bearish, we have been bearish for a while, we think we will probably get down to $60-61/bbl on average for the quarter," Blanch added.

Goldman Sachs:

Goldman Sachs has kept oil price forecasts unchanged with Brent to average $56/bbl in 2026 and WTI at $52/bbl, according to Bloomberg.

- The forecast that "strong supply will likely reduce oil prices further over the next year appears on track."
- An average surplus of 2mb/d in Q4 and 2026 is expected leading to rising stockpiles, weaker time spreads and lower prices.
- OPEC+ may pause increases next year after another rise in December, following the "modest" production hike for November.
- Supplies are expected to rise 4.1mb/d in Q4, up from a previous outlook for 3.7mb/d, driven by the US and Iraq to outweigh a Russia downgrade.
- Timespreads are set to "decline substantially." OECD nations are expected to absorb more than 30% of global stockpile builds to the end of 2026.

JPMorgan:

JPMorgan maintains a $61/bbl Brent price forecast for Q4 as the bank sees September as a turning point, with the market now heading towards a 'sizeable surplus.'

- Oil prices have averaged $5/bbl above the bank's Q3 projection of $63/bbl.
- This reflects a $3-$4 storage premium from aggressive Chinese stockbuilding, and an additional $1 geopolitical premium from Ukrainian drone attacks, JPMorgan says.
- The bank expects this outperformance to fade, with prices converging towards fair value in Q4, amid oil surpluses of around 2mb/d in November and December.
- Refinery runs are set to decline by 2.6mb/d from August to October due to maintenance, while demand will soften by 0.9mb/d seasonally during the same period.
- With the Saudi Crown Prince scheduled to meet US President Trump in November, "we do not rule out a rise in November quotas that exceeds October's 137kb/d tapering rate."
- Meanwhile, as OPEC volumes increase and flow eastward, Asian refiners are likely to scale back their purchases of Atlantic Basin crudes.

- This should free up volumes in the Atlantic Basin to replenish crude storage in Europe and the US, the bank says.
- JPMorgan expects China's stockbuilding to continue at 1mb/d through Q4 and at around 0.5mb/d in 2026.