

## MNI: Political Drivers for Energy June 30-July 6

By Lawrence Toye (30/06/2025)

### Executive Summary:

- With the July deadline looming, **US tariffs have returned to focus**
- Fears of supply disruptions due to conflict in Iran** have diminished, but future flare ups remain a risk

### Tariffs Thrust Back into Focus

Market attention has returned to tariffs and the looming July 8 expiry date for the pause on any levies beyond the 10% baseline (July 9 for the EU).

- In addition to the baseline 10% rate, Trump imposed additional tariffs on countries depending on their trade deficit with the US. These will come into force should countries fail to strike bilateral deals with the US before the deadline.
- There was already an exemption for US energy imports as part of the “Liberation Day” package announced April 2

### Negotiations Ongoing

Trump said July 26 that the US has signed a deal with China, but this was later clarified as “an additional understanding of a framework to implement the Geneva agreement.” This will relax US tariffs in exchange for lifting restrictions on rare earth mineral exports.

- Trump said June 27 that he was abandoning talks with Canada due to Ottawa’s tax policy targeting tech companies. Canada has since dropped the tech tax to restart negotiations. It hopes for a deal by July 21.
- Trump said last week that “a very big” deal with India was likely soon, despite tough negotiations.

### Further Extensions Not Guaranteed

Trump said he doesn’t think he will need to extend the looming deadline for countries to strike trade deals and avoid higher tariffs. “I don’t think I’ll need to,” he told Fox News June 29. “I could, no big deal.”

- On July 27, Treasury Secretary Scott Bessent cast doubt on the timeline, saying some deals might not be finished in time. Focus is on the top 18 trading partners.
- “If we can ink 10 or 12 of the important 18 — there are another important 20 relationships — then I think we could have trade wrapped up by Labor Day,” Bessent said.

**OUTLOOK:** Trump has traditionally extended pauses on tariffs in the event of adverse market reactions and or signs of compromise. It is likely that countries without deals before the July 8 deadline will receive some form of extension - provided Trump sees progress.

- However, an additional pause may not immediately rollover the current the deadline: Trump may allow for a short-term period of steeper ‘no-deal’ tariffs to weaken his partners negotiating position.
- Consequently, Markets are likely to face a period of volatility while assessing the new trading environment.
- While bilateral deals will alleviate trade frictions and support energy demand, trading terms are very likely to be inferior to the pre-2025 status quo.
- This will keep oil and gas demand growth outlooks below pre-‘Liberation Day’ forecasts.

## Uncertainties Remain for Iran Outlook

Oil and gas markets continue to shed the risk premium linked to the small chance of disruption in the Straits of Hormuz. With a ceasefire between Iran and Israel holding, that risk has all but evaporated.

- While attention pivots away from the Persian Gulf, questions surrounding US-Iran relations, sanctions, and Tehran's nuclear programme have not disappeared.
- Trump has voiced mixed messaging towards Iran, likely waiting for the Islamic Republic's next move.
- Following the US strikes on Iranian nuclear facilities, Trump declared June 24 that China was free to buy Iranian oil, before subsequently denying lifting sanctions on June 29.
- Trump has also fluctuated on his position towards sanctions, writing June 27 that work on lifting sanctions was halted due to the Islamic Republic's Supreme Leader Ali Khamenei's "statement of anger, hatred, and disgust."
- He then softened his stance July 29 and said sanctions could be lifted if Iran shows it is willing to 'stop hostile behaviour and pursue a more peaceful course'. This likely includes zero future uranium enrichment.

### Iran's Next Move Key

Iran has called Trump's statements "psychological and media games" and shows little sign of softening its stance towards the US.

- On the question of its nuclear programme, the Iranian ambassador to the United Nations, said his country will "never stop".
- Media reports emerged about a preliminary assessment of US strikes on nuclear facilities, seeing Iran's programme set back by just "a few months". The White House later pushed back against that assessment.
- Rafael Mariano Grossi, head of the IAEA, said "it is clear that there has been severe damage, but it's not total damage," adding that uranium enrichment could return "in a matter of months,"
- This gives Iran a choice: negotiate with the US and abandon enrichment or push ahead aggressively with restoring the nuclear programme.
- The former could appear like capitulation, whereas the latter – a higher risk strategy – could deter further attacks and ensure the regime's survival.

**OUTLOOK:** In the near-term, sanctions are likely to persist and disruption in the Straits of Hormuz looks very unlikely.

- The longer-term trajectory depends on Iran's next steps. If Iran were to acquiesce and negotiate with the US, there is a pathway to sanctions relief, opening its oil to global markets.
- However, if the regime sees its only hope of guaranteeing its survival resting on a credible nuclear threat, it may push to rebuild its programme.
- An accelerated nuclear programme could result in further strikes from the US and Israel, raising the stakes of wider escalation in the region and disruption to energy markets.