MNI Research: Political Drivers for Energy Markets Jul 14-20

By Lawrence Toye (14/07/2025)

Executive Summary:

- The market is awaiting further clarity **on Trump's 'major announcement'** vis a vis Russia
- The threat of **US tariffs on key trading partners** will be closely watched by the market
- **Iraq and the KRG** are said to be intensifying talks to resume oil exports via the Ceyhan pipeline.

Market Awaits Trump Announcement on Russia

Trump said that he has a major announcement today regarding Russia, which is likely to be linked the further funding of weapons for Ukraine and preliminary approval for the Senate's proposed sanctions/tariff package against Moscow. The package would slap 500% tariffs on buyers of Russian oil, gas, and Uranium.

- Greater support from Trump towards the measures would mark a shift in his attitude towards Putin. He had previously been more reluctant to implement greater measures against Russia as a means to build dialogue and secure a peace deal, but signs suggest he is now changing tack.
- Senator Lindsay Graham's, who proposed the punitive sanctions/tariffs bill, said on X: ".... A turning point is coming." He told Axios: "Trump is really pis--- at Putin. His announcement tomorrow is going to be very aggressive."
- Any sanctions package is likely to come with a significant presidential waiver that could dilute its effectiveness or allow the White House to utilise sanctions as a negotiating tool. Trump told NBC the bill, "lets the president do whatever he wants... it's at my option if I want to use it."

OUTLOOK: It remains unclear as to what the announcement will be, but it is widely expected to endorse the sanction bill. Nevertheless, it is worth noting that Trump has declared major announcements in the past only for them to underwhelm in terms of new measures.

- The wording of the bill means that sanctions would give Trump the final say in enacting and repealing measures. Consequently, Trump could use the credible threat of further tariffs to try and extract greater concessions from Russian.
- Trump may also put a deadline for progress before enacting the sanctions, so it is unlikely that further restrictions on Russian oil and gas sales will go into force immediately after legislation passed.
- However, it still raises the near-term probability of greater sanctions against Russian energy and would likely send a bullish ripple through the market.
- If sanctions and secondary tariffs were ratcheted up, it would likely have a strong bullish impact on oil and gas as buyers look for scarce alternatives.
- While the Biden administration looked to income Russia could generate from energy exports, it always intended to keep volumes flowing to the market.
- India's buying of Russian oil would be severely affected. India received 4.71m mt of the 7.55m mt of Urals crude that Russia exported in June, according to Bloomberg.
- Furthermore, the EU still relies heavily on Russian LNG on long-term contracts and does not intend on phasing out Russian energy entirely until at least year-end 2027.
- Countries who maintain better trading relations with the US are most likely to eschew Russian energy in the event of new sanctions.

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Trump Tariff Threats Return to Focus

Trump has threatened to hit the EU - its largest trading partner - with 30% tariffs on August 1. This is even higher than the 20% tariffs announced on April 2 and a sign that negotiations have borne no fruit.

- The EU is likely to hit with counter tariffs which were proposed in April but suspended during the negotiations. However, these are highly unlikely to be levied against imports of US oil or LNG.
- The EU's chief negotiator Maros Sefcovic warned that 30% rates could is "effectively prohibitive" to transatlantic trade. This would severely hit economic growth, indirectly cutting energy demand.
- Likewise, previous wording on US tariffs has excluded levies on imports of energy products like oil, so hydrocarbon imports are unlikely to be directly affected by the policy. In similar fashion, the impact will come from the hit to economic growth.
- Trump is also promising 30% and 35% tariffs on key trading partners Mexico and Canada. However, this is only likely to impact the small number of goods not covered by the US-Mexico-Canada free trade agreement (USMCA). Trump signed this into legislation during his first term.
- Energy imports to the US are included in the USMCA, so there are unlikely to be any tariffs on Canadian or Mexican crude exports to the USA.

OUTLOOK: As the tariffs are not going into force until Aug. 1, the market still expects that there could be a further break through in trade or further delays to that date (as has occurred during previous tariff deadlines).
Hence, there has been limited downward pressure on oil and gas prices.

- However, were the tariffs to take effect, it would have a strong bearish impact on both oil and gas, with a likely significant hit to near-term economic growth globally.

Iraq-KRG Oil Export Talks Intensifying

Recent media reports over the weekend suggest that a deal to restart exports from Iraq's Kurdistan region is nearing, with talks intensifying between Baghdad and Erbil to reach an agreement.

- Kurdish exports via the pipeline to Ceyhan Turkey have been halted since March 2023 due to a dispute over oil sales between the Federal and regional governments. This pipeline previously handled 0.5% of global oil production.
- The sides are struggling to agree on how to manage and pay for Kurdistan's oil production.
- the Association of the Petroleum Industry of Kurdistan (APIKUR) issued a statement July 14 which said it was ready to restart exports "as soon as written agreements are executed that honour our existing contracts which are governed by international law." A source from APIKUR told Kurdish media outlet Rudaw that the group has obtained guarantees from Baghdad regarding their demands for oil production and exports.
- A meeting is expected on the evening of July 15 which sources told Rudaw "will be decisive in resolving disagreements about oil and salaries."

OUTLOOK: While the rhetoric should be seen as encouraging, there have been several previous occasions where a deal appeared to be near, only for talks to collapse. Thus, intensified talks should be viewed as a positive step but no guarantee that the KRG's oil exports will resume any time soon. A deal would also not raise Iraq's cumulative crude production and would simply redirect flows.