MNI Commodity Weekly: Tariff War & OPEC+ Cause Crude Slump

By Andrew Couper and David Lee (09/04/2025)

- **Tariff War & OPEC+ Cause Crude Slump:** See our timeline on how Trumps tariffs and OPEC+ announcements have weighed on crude pricing.
- **Oil Markets:** Crude prices have seen sustained downward pressure this week from demand fears as the trade war between the U.S. and China escalates and combines with rising OPEC+ supply. Fuel prices also fall although diesel cracks have ticked higher as the underlying crude moves outpaces product price falls.
- **Analyst Views:** See oil market views across a range of analysts.

Tariff War & OPEC+ Cause Crude Slump:

Trump policies are again the key driver in oil markets but this week its back to tariffs with crude prices firmly watching the back and forth between China and the U.S. The two countries have effectively created a trade embargo on one another via ever increased tariff measures. See the key inflection points in the latest energy slump below: *(*View the PDF in double page mode to see the below commentary and price chart side by side. Colours in text match with arrows on the chart)*

- **April 2:** Trump unleashes a host of global tariffs on 'Tariff Liberation Day' from the White house Rose Garden, with China facing 34%. This brought the total effective tariff rate on Chinese goods to 54%, stacked atop previous impositions from February and March (10% each).
- **Oil response on April 2/3** (*impact ran into following day because of late announcement.) **:** Trump's sweeping tariff measures on April 2 shook markets, leaving the energy complex down over demand concerns. This is despite a carve out for oil, oil products and natural gas. WTI extended losses on April 3 on tariffs and the surprise OPEC+ announcement to speed up the pace of its voluntary cut unwinding.
    - **Above price move highlighted at green arrow.**

- **April 4:** China placed export restrictions on rare earth elements as part of its sweeping response to U.S. President Donald Trump's tariffs, squeezing supply to the West of minerals used to make weapons, electronics and a range of consumer goods.
- **Oil response on April 4:** WTI extended losses. Pressure came from continued concerns for global energy demand due to potential trade wars and the surprise OPEC+ acceleration in the pace of its voluntary cut unwinding.
    - **Above price move highlighted at red arrow.**

- **April 7:** Trump threatened to escalate tariffs further, warning of an additional 50% tariff on Chinese goods effective April 9 if China did not withdraw its planned 34% tariffs by April 8. This ultimatum heightened tensions, with no immediate indication of China backing down.
- **Oil response on April 7:** Crude markets came under further pressure on Monday as trade risk fears intensified over the weekend while US tariff deadlines remain on course.
    - **Above price move highlighted at orange arrow.**

- **April 8:** China showed no signs of retracting its tariffs as Trump's deadline passed.
- **Oil response on April 8:** Crude returned to losses after the White House Press Secretary confirmed the imposition of 104% tariffs on Chinese imports due to lack of China's response.

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- **Above price move highlighted at pink arrow.**

- **April 9:** China again vowed to “fight to the end” Wednesday in an escalating trade war with the U.S. as it announced it would raise tariffs on American goods to 84% from Thursday.
- **Oil response on April 9:** Crude tumbles as China announces 84% retaliatory tariff on U.S. goods.
  - Above price move highlighted at blue arrow.

Annotated front month WTI price chart highlighting key downward moves on U.S./China tariff escalations - Chart Source: Bloomberg

WTI slides from low $70’s to firmly in the $50’s on combined tariff escalations and surprise OPEC+ unwind

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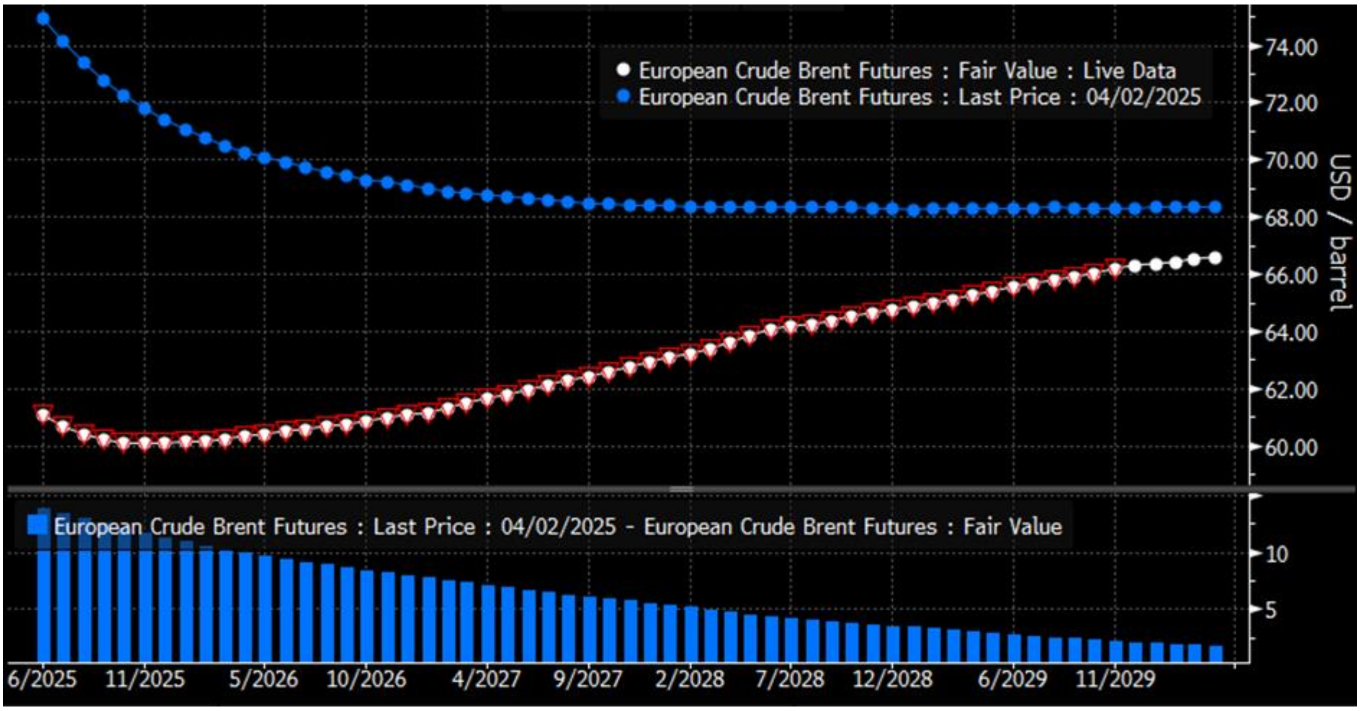
Oil Markets:

Crude prices have faced sustained downward pressure this week with **Brent below $60/bbl for the first time since Feb. 2021 and joining WTI in the $50's/bbl.** The **trade war escalations** between the U.S. and China and actual implementation of all reciprocal tariffs have sparked significant energy demand fears and combined with rising OPEC+ supply to weigh on prices.

- **Near term options** are the most bearish since 2021 driven by a surge in put volatilities and the Dec25-Dec26 spread has switched into contango for the first time since 2020. Brent crude second month implied volatility has surged to the highest since March 2023. Crude time spreads have more than reversed all the gains seen since mid-January due to potential supply concerns from sanctions.
- **Managed Money net long crude oil positions** increased in the week to April 1, according to the Commitments of Traders data released on Friday, before the U.S. tariffs announcement and surprise increase in OPEC+ output target for May.

Brent crude forward curve shape change – Source: Bloomberg



- **Goldman Sachs, Morgan Stanley and Citigroup** have all revised Brent forecasts lower in the last week amid weaker demand expectations.
- **US tariffs of 104% on China** have kicked in after Beijing refused to meet Trumps own deadline to withdraw its own retaliatory tariffs. China's Foreign Ministry spokesperson Lin Jian has said Beijing will take "firm and forceful" steps to protect itself and China has responded with an additional 84% tariff on U.S. goods from April 10. A baseline of 10% on all imports to the US, and higher for many major trading partners was implemented on April 9. Some Asian countries and the EU are suggesting willing to negotiate with the US.

- **OPEC+ last week** announced production for May will rise more than expected by 411kb/d compared to the 135kb/d which was initially planned in the previous output hike schedule. OPEC+ ministers stressed the need for full compliance with oil output targets and called for overproducers to submit plans by April 15. The eight countries with additional voluntary adjustments will meet on the 5th of May to decide on June production levels, OPEC said.
- **OPEC oil output fell in March** by 110kb/d from February to 26.63mb/d, driven primarily by drops in supply from Nigeria, Iran and Venezuela, a Reuters survey showed.
- **Saudi Aramco cut its OSPs** to Asia for May more than expected by $2.3/bbl taking Arab Light crude to the lowest in four months at $1.2/bbl above the Oman/Dubai benchmark. May prices to Europe were cut $0.5/bbl and OSPs to the U.S. were cut $0.2/bbl.
- **Both Ukraine and Russia** continue to accuse one another of strikes on energy sites despite the apparent ceasefire, dampening any optimism for Ukraine peace. Russia and U.S. talks surrounding Ukraine peace efforts may continue this week according to Russian President Vladimir Putin's investment envoy Kirill Dmitriev Interfax and Tass reports. Kremlin spokesman Dmitry Peskov said that Moscow would keep working with the Americans despite what he called daily Ukrainian strikes on Russian energy infrastructure. Zelenskiy said that Russia was breaking the energy truce and called on the U.S. to boost sanctions against Moscow.
- The ongoing drop in the energy complex is **pushing Urals crude to around $53/bbl,** well below the benchmark of $70/b used for Russia’s 2025 budget planning, the Kyiv Independent reported. The Kremlin on April 7 announced it is “closely monitoring” oil markets after the price of its key export grade plunged towards the weakest level in nearly two years. **Russia’s ESPO Blend oil price fell below the $60/bbl G7 price** cap for the first time. ESPO FOB Kozmino was trading around $56-$57/bbl, Reuters said April 8.
- **Russian western port oil loadings** are expected to decline 6%, or about 125kb/d, in April 1-15 compared to the same period last month, to 1.86mb/d, according to Reuters, as refineries ramp up following repairs from drone attacks in Feb. and March. Russia’s seaborne weekly crude shipments rose 10kb/d on the week to 3.18mb/d to April 6 shipments, but four-week average exports declined as the OPEC+ output target rises by 26kb/d in April, according to Bloomberg.
- **Russia appears to have adapted to U.S. sanctions** introduced in January. Russia’s Pacific crude on tankers idle for at least seven days was unchanged in the week at 1.4mbbl, compared to a peak of 9mbbl in late February.
- **Iran crude output** could remain stable even if nuclear talks with the U.S. collapse and stricter sanctions are imposed, FGE analyst Mia Geng said. Ample storage capacity and a large fleet of Iranian-owned tankers for potential floating storage is available to absorb surplus barrels if buyers reduce imports. Iran’s total onshore crude and condensate storage is estimated up to 200mbbl. The U.S. may impose secondary and tertiary sanctions related to Iran’s oil trade “in the coming months,” Gunvor’s head of research for Asia Pacific Sri Paravaikkarasu said, cited by Bloomberg.
- On April 9, **CPC brought back one of the halted** moorings with loadings now taking place at two of the three moorings. A court ruled on April 4 to fine the consortium but not to halt loading from two mooring points. A resumption of normal operations is expected in the coming days.
- **Black Sea CPC Blend oil exports** for April were revised down to 6.2m tons or 1.6mb/d from a preliminary plan of 1.7mb/d, Reuters sources said. The revision lower was driven by Russian oil with no supplies from the oil depot in Krasnodar region following a large fire in March due to a drone attack. Kazakhstan's oil loading was unchanged at 5.8m tons. A Russian court also overturned a regulator decision to suspend operations of an oil berth at the Black Sea port of Novorossiisk.

- **Reciprocal tariffs** imposed on all goods originating from the U.S. from April 10 could push China's crude imports from the U.S. to zero, according to OilChem. Chinese buyers could look for alternative barrels, either from the Middle East or from other parts of the Americas, such as Canada and Mexico.
- An ongoing tightening in the **Americas heavy crude market** has also bolstered Mexican crude pricing, Kpler said. This price strength for Mexican grades is unexpected since crude exports have risen strongly from January's multi-year low to 900kb/d in March, Kpler said. Pemex may look to diversify trade away from the U.S. amid the continued threat of tariffs (despite oil currently being exempt under the current U.S. policy).
- **Canadian crudes** look set to continue receiving support as USGC buyers are forced to find alternatives to Venezuelan barrels, Kpler said, such as the likes of Canada's Cold Lake Blend. U.S. refinery runs are seen rising further in the coming weeks, while Venezuelan flows will find increasing pressure. Further upside will emanate from seasonally declining crude supply in Alberta, as well as continued tight inventories in Western Canada. Canadian grades also look set to avoid tariffs into the US, which had been a concern for both Alberta's producers and for U.S. refiners.
- South Bow shut down the **Keystone oil pipeline** from Canada to the U.S. after systems detected a pressure drop and oil spilled near Fort Ransom, North Dakota April 8. The pipeline is to be shut until at least April 9.
- Colorado State University forecast above-normal activity in the **2025 Atlantic hurricane season** with 17 named storms, including nine hurricanes, of which four are predicted to be major. The forecast shows above-average probability for major hurricanes making landfall in the U.S. and the Caribbean. Last week AccuWeather forecast 13 to 18 storms, including 7-10 hurricanes, between three and five major hurricanes and three to six direct U.S. impacts this year with similarities to the 2024 season.

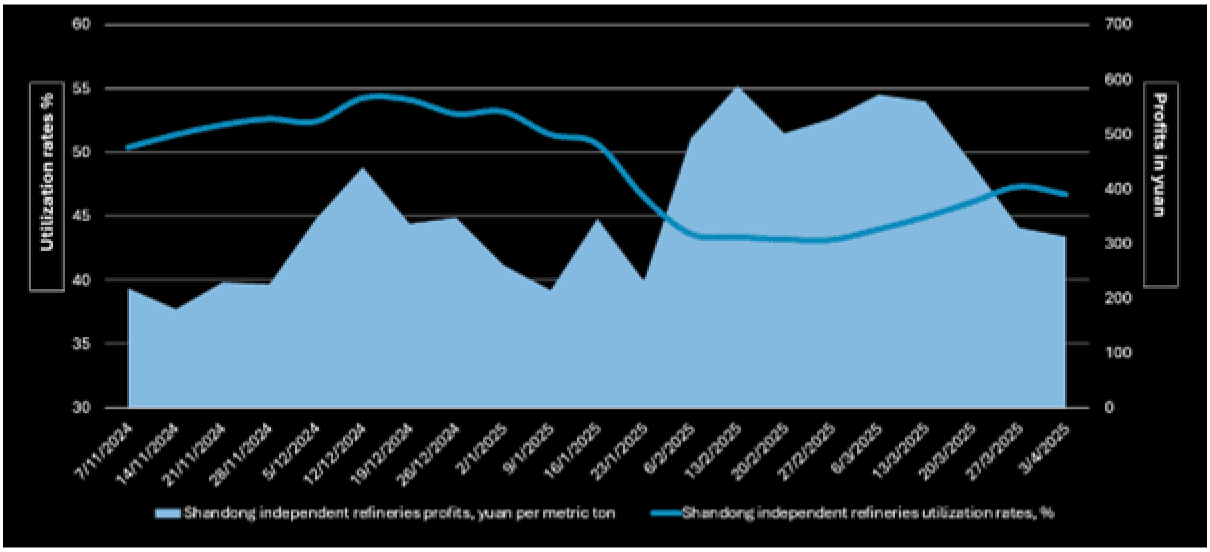
Oil Products:

Diesel crack spreads have been net ticking higher in the last week as the drop in underlying crude outpaces product price falls, despite the downward pressure on fuels prices due to the global demand fears.

- **US tariffs and retaliatory** measures are likely to lower the outlook for global economic growth. This will hamper demand for oil products used as transport fuels or in the construction sector. Both correlate with economic growth.
- **Manged money positioning** of ICE Gasoil and Nymex Diesel were relatively unchanged in week to April 1 with both holding a small net short position prior to the U.S. tariffs announcement. Nymex gasoline net longs increased to the highest since mid-February.
- **Capacity utilization rates** at China's independent oil refiners in Shandong recovered in March to an average of 46%, according to Oilchem, but remain under pressure from muted demand and supply risks. Arrivals of feedstocks, including crude, fuel oil, and bitumen into Shandong's independent refineries totalled 12.13m mt in March, OilChem said, a 43% rise on the month.
- **Crude runs at Shandong independents** are estimated up 50kb/d in March, having dropped by 400kb/d between December 2024 and February 2025, FGE said. A further recovery is expected in April and May with a seasonal rise in domestic diesel demand but will remain 250kb/d down on the year, FGE added. Lower global oil prices since mid-January and Sinpoec refinery maintenance are expected to support runs, but Iranian feedstock supply uncertainties will undermine profitability in coming months. Teapots may seek more crude from Russia, Brazil, and the Middle East or could even lower runs with rising crude costs due to Iranian sanctions, Rystad Energy said.

- **China's teapots** are expected to sharply reduce Venezuelan crude oil imports in April from the 443kb/d in March as U.S. secondary sanctions take effect, Platts said. Some teapots are taking a "wait and see" approach to gauge whether the secondary sanctions will be enforced.

Shandong teapots improve run rates in March first time in three months - Source: OilChem



- **CDU capacity utilisation rates at China's state-owned refineries** are expected to rebound in the week to Aril 10, according to OilChem, with some refineries slightly lifting production. Among independent refineries in China's Shandong province, CDU capacity utilisation rates are estimated to fall with scheduled outages newly starting. CDU capacity utilisation rates at domestic refineries in China averaged 69.01% last week, down 0.22 percentage points on the previous seven-day period.
- **China's gasoline demand** is projected to maintain momentum owing to a small travel peak during the Qingming festival. However, China's daily gasoline consumption is seen falling 0.9% year-on-year in April amid steady substitution of electric vehicles, OilChem said. This is likely to be outpaced by a strong fall in production, seen falling 8.1% on the year in April.Gasoil demand is likely to turn bearish with restricted transportation capacity of hazardous chemicals during the holiday.
- **Russian refined oil product exports** fell 2% on the month in March and 1% below year ago levels at 2.3mb/d after disruptions due to Ukraine drone attacks limited rates, according to Bloomberg citing Vortexa data. Diesel and gasoil exports fell 4% from February to 1.06mb/d driven by a drop in supply to Africa to offset an increase to Asia.
- **Russia's crude oil processing rates** during the first two days of April increased to 5.49m to levels not seen since late January as refineries ramped up following repairs due to drone attack damage, Bloomberg said. In the first 26 days of March, Russia's crude processing rates averaged a five-month low of 5.18mb/d. The increase was driven by rising runs at the Tuapse and Afipsky refineries, as well as the Saratov refinery in the Volga reguin. Russia's offline primary oil refining capacity for April may drop to 2.137m tons in April from 3.58m tons in March, based on LSEG data.

- **India's fuel demand** in March rose by 9.3% month-on-month but fell 3.1% year-on-year to 20.91m metric tons, according to the oil ministry Petroleum Planning and Analysis Cell data. High speed diesel sales rose by 0.9% y/y and up 10.1% m/m to 8.08m tons. Gasoline sales rose by 5.7% y/y and up 10.7% m/m to 3.51m tons.
- **India's Reliance** has shut a crude unit and some secondary units at its 660kb/d Jamnagar domestic market focussed refinery for 21 days of maintenance Reuters sources report.
- Motiva plans to complete its **Port Arthur FCC** restart in Texas by April 10 after two recent failed attempts, the most recent of which resulted in compressor damage according to Reuters sources. The 81k-b/d FCC was shut on January 21 for a planned overhaul expected to take two months to complete.

Analyst Views:

Goldman Sachs:
Goldman Sachs cut its Brent and WTI forecasts for the second time in a week amid recession risks and the possibility of higher-than-expected OPEC+ supply.

- Dec. 2025 has been revised down $4 to $62/bbl as U.S. trade policy risks a stagnating U.S. economy.
- The average 2026 price forecast was lowered to $58/bbl for Brent and to $55/bbl for WTI.
- The oil demand growth estimation has been revised down from 600kb/d to 300kb/d in 2025 due to the negative influence of a weaker GDP. Demand growth is predicted at 400kb/d in 2026.
- The bank raised the 12-month U.S. recession probability from 35% to 45%.
- "Oil prices would likely exceed our forecast if the Administration were to reverse tariffs sharply and deliver a reassuring message to markets, consumers, and businesses," Goldman said.
- "While the uncertainty around compliance and OPEC8+ production is very large, we still assume that the four months of OPEC8+ crude increases will total around 0.7-0.8mb/d."

Goldman Sachs has reduced its Brent crude price forecast by $5/bbl to $66/bbl in December to an average of $69/bbl in 2025, due to risks of higher OPEC+ supply and a recession triggered by tariff escalation.

- "Our annual average forecasts are now $69/66 for Brent/WTI in 2025 and $62/59 in 2026," a note from April 3 said.
- Oil demand growth revised down to 0.6mb/d in 2025 and 0.7mb/d in 2026 from 0.9mb/d prior.
- "The risks to our reduced oil price forecast are to the downside, especially for 2026, given growing risks of recession and to a lesser extent of higher OPEC+ supply."
- Economic downgrades account for $3-4/bbl of the Dec25 oil price downgrade with $2-$3/bbl from the larger May OPEC hike.
- The OPEC's output decision this week showed flexibility to rapidly implement large output hikes, reducing upside price risks in the short term from lower sanctioned supply.
- "Price volatility is likely to stay elevated on higher recession risk."

Citigroup:
The tariff fallout means that Brent's next stop is $60/b, according to Citigroup analysts, cited by Bloomberg.

- Citi group has cut its immediate-to-three-month brent price target to $60/b, down from $68/b.
- "It is entirely plausible these targets are reached over the coming week," the bank said.

- Citi added that a major supply response from U.S. shale drillers or OPEC+ is unlikely until the Brent hits that $60/b level.
- Citi had previously warned last month that the market could be "significantly under-pricing the impact" of tariffs.

The double effect of the OPEC+ decision to unwind voluntary cuts along with tariff fears are weighing on crude prices and there's room to go according to Citi's Global Head of Commodity Research Max Layton.

- "Tariffs are the big catalyst right now, no question—they're disrupting supply chains and slamming the brakes on industrial activity. But you're right to bring up recession fears. The U.S. dollar strength we're seeing is capping demand for commodities across the board," Layton said.
- " And then you've got China's economic data continuing to disappoint—weak PMI numbers, no real stimulus bazooka coming out of Beijing. Add OPEC+ oversupply into the mix, and it's hard to see a floor for crude or copper anytime soon. We're looking at Brent averaging $60 for the year, and copper could easily test $3.50 a pound or lower," Layton added.
- "There's a lot of room for these markets to move down before we see any real support."

Morgan Stanley:
Morgan Stanley lowered its Brent crude estimates for 2025, as it expects tariffs and faster-than-expected OPEC+ cut unwinding to hit demand growth.

- Q2 is seen at $65/b, down from $70/b previously. In Q3 and Q4, Brent is seen at $62.5/b, down from $67.5/b previously.
- "We suspect that the twin-headwind of higher-than-expected trade tariffs and faster-than-expected OPEC+ quota increases will still weigh on oil prices in months ahead," analysts at the bank said.
- Morgan Stanley has revised down its oil demand growth forecast to 700kb/d from 900kb/d previously.
- 2026 demand growth is seen at 500kb/d, down from 800kb/d previously.

RBC:
OPEC+ unwinding cuts faster than expected shows the group is confident of demand holding up but is also a gamble according to RBC's head of commodity strategy Helima Croft.

- The group, which includes Saudi Arabia and Russia, decided yesterday to raise combined production by 411k barrels per day starting in May, a move that caught the market by surprise and sent crude tumbling.
- "There's internal pressure to let some members breathe a little, especially those who've been constrained by these voluntary cuts. But it's also a test. OPEC+ wants to see how much supply the market can absorb without crashing prices too far," Croft said.
- "The broader 22-member alliance still has 3.66 million barrels per day of cuts locked in through 2026, so this isn't a free-for-all. It's a calculated step to balance their budgets—many of these producers need higher prices to fund their fiscal plans—while avoiding a repeat of 2015 when they lost control of the market," Croft added.
- "They've built in flexibility, saying these hikes can be paused or reversed if market conditions weaken, which tells me they're still keeping a close eye on global economic signals," Croft said.

ING Groep NV:

ING Groep NV has cut the average Brent price forecast for 2025 by $2 to $72/bbl, according to Bloomberg.

- The Q4 2025 forecast was lowered from $71/bbl to $68/bbl.
- The cut is driven by a potential demand hit due to U.S. tariffs as well as more OPEC+ supplies. Price pressures remain due to stronger supply vs demand uncertainty.
- Prices could gradually move higher in mid-year with a “modest deficit” expected over Q2-Q3.

Energy Aspects:

The latest U.S. tariffs may cut global fuel consumption by 1.1mb/d, according to Energy Aspects cited by Bloomberg.

- The biggest impact will be on petrochemical feedstocks, fuel oils and diesel.
- Diesel refining margins may fall more than other products with close ties to the overall economy and industry.
- “Uncertainty and fear of the impact of U.S. tariffs on the global energy market has left industry executives asking what to expect for supply and demand and how to plan in the midst of uncertainty,” Amrita Sen said.
- While some tariffs will likely be negotiated, “demand is going to take a hit regardless,” Sen added.
- CTAs are set to sell almost $6bn of commodities products every day this week and are set to turn net-short on crude oil, according to Nicky Ferguson at Energy Aspects.
- Rising volatility is also set to reduce exposure from discretionary traders who remain net-long Brent, metals and agricultural products.

Eurasia:

Oil Producers Fight for Market Share as OPEC+ Hikes Output: Eurasia

“There are early signs of an aggressive fight among oil producers for market share,” after OPEC+’s higher-than-expected output hike, according to Eurasia Group, cited by Bloomberg.

- “Saudi Arabia, meanwhile, has announced price cuts for its crude in Asia, aimed at gaining market share in the world’s biggest consumer region,” Eurasia said.
- It tariffs hamper oil demand, the supply surplus could rise beyond 1mb/d later in 2025, putting pressure on prices, the business intelligence firm added.
- However, there could be a price floor for oil as the chaotic tariff rollout hits U.S. shale activity, slowing the nation’s output.

Rystad Energy:

The downturn in oil prices is expected to be short-lived due to persistent geopolitical risks and anticipated summer demand, according to Rystad Energy cited by WSJ.

- "With potential supply disruptions stemming from sanctions and tariffs--on both sellers and buyers--oil prices are unlikely to stay below $70 for long," said Mukesh Sahdev.
- "OPEC+ has made an opportunistic move by boosting supply in May, capitalizing on the expected stagnation in non-OPEC production," Sahdev said.
- Mid-cap public players in the Permian are especially at risk in a prolonged period of oil prices in the low $60s, Rystad Energy said.

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