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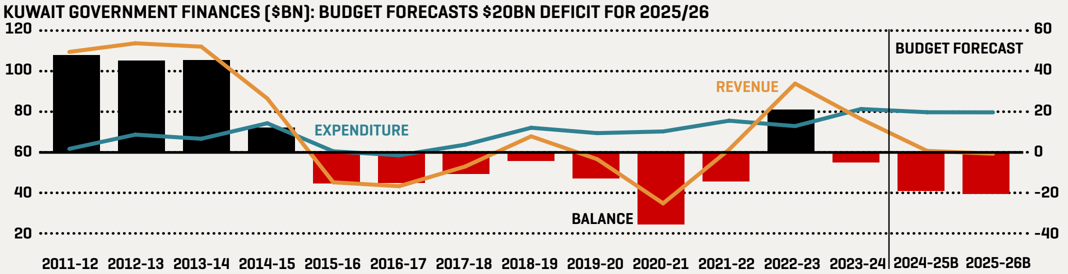
ECONOMY & FINANCE

Kuwait: New Debt Law, New Era For Investment?

With parliament suspended, Kuwait is seeking to implement overdue reforms aimed at diversifying and growing the economy. A long-awaited debt law has now been approved, could the cumbersome power plant investment framework be next up for reform? ***Page 13***

KUWAIT GOVERNMENT FINANCES ($BN): BUDGET FORECASTS $20BN DEFICIT FOR 2025/26



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OPEC & GLOBAL MARKETS

Opec+ Advances Cuts Amid Trump's Tariffs

Despite growing concerns over the global economic impact of President Trump's tariffs, Opec+ is accelerating planned output rises, though 'compensation cuts' will lessen the impact. ***Page 6***

OPEC & GLOBAL MARKETS

US Pulls Ahead As LNG Leader With Q1 Record

Record LNG exports from the US pushed the global LNG market to a new high in the first quarter of 2025. With lackluster Chinese demand, the supply surge is heading to Europe. ***Page 4***

GEOPOLITICAL RISK

KRG Gridlock Raises Risk Of US Sanctions

Talks to resume oil exports from Iraqi Kurdistan have been spectacularly derailed with Baghdad's decision to unilaterally impose the work scope for an independent consultant. ***Page 7***

DOWNSTREAM

Iraq Targets 250,000 b/d Refining Gains

Iraq is targeting 1.54mn b/d refining capacity as it seeks to generate more revenues from its oil reserves and catalyze industrial growth. It is looking to reboot 150kbd Missan plans. ***Page 9***

UPSTREAM OIL & GAS

Libya Output At 12-Year High; More To Come?

Libya's crude output hit a 12-year high 1.38mn b/d for Q1, with NOC aiming for 1.6mn b/d by end-2025 after years of political instability. ***Page 2***

CORPORATE

China's UEG: Record Output, Iraq Dominant

The center of gravity for China's UEG has firmly shifted from Pakistan and Egypt to Iraq with the planned development of a third Iraq block underscoring its primary focus. ***Page 3***

POWER & WATER

Oman: Green Gains, But Gas Still King

Renewables met just 4% of Oman's 2024 power supply. Despite plans to reach 30% in the next five years, gas-fired generation will remain dominant. ***Page 12***

POWER & WATER

Saudi Greens Desalination Capacity

Saudi Arabia's new Shuaibah 3 desalination plant will help curb oil burn, replacing an old 60,000 b/d oil-fired facility with part solar-powered efficient reverse osmosis technology. ***Page 11***

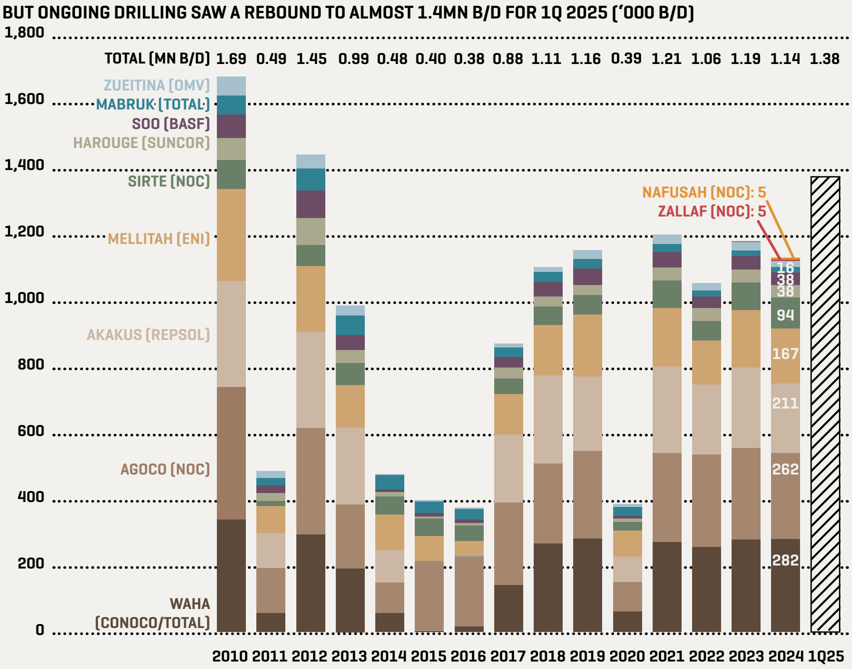
Libya Crude Output Hits 12-Year High As Producers Eye Further Gains

Libya's quarterly crude output is at a 12-year high of 1.38mn b/d, with NOC banking on new additions and a fresh bid round to lure back investors and boost production to 1.6mn b/d by end-2025 after years of political instability.

Libya's crude output hit 1.38mn b/d for 1Q 2025 according to MEES estimates, the highest quarterly figure since early 2013. These decade-highs follow ongoing development drilling and infrastructure upgrades as the country aims to boost output to 1.6mn b/d by end-2025 and 2-3mn b/d by the end of the decade (MEES, 31 January).

And while final 2024 figures show a slight slump from 2023's 13-year high of 1.18mn b/d (see chart) to 1.12mn b/d (MEES, 3 January), following several politically-motivated shut-ins (MEES, 4 October 2024), output has since rebounded with further gains from new additions and drilling campaigns, which had been on hold since the country's early-2011 revolution (MEES, 1 November).

OUTPUT FOR LIBYA'S KEY PRODUCTION COMPANIES FELL FOR 2024 ON LENGTHY SHUT-INS BUT ONGOING DRILLING SAW A REBOUND TO ALMOST 1.4MN B/D FOR 1Q 2025 ('000 B/D)



NAMED IOCS ARE NOC'S LEAD FOREIGN PARTNER AT EACH PRODUCTION COMPANY. SOURCE: CBL, NOC, MEES.

TOP PRODUCER

Among the main contributors to Libya's overall output hitting record highs is Waha Oil Company, which groups ConocoPhillips and TotalEnergies (20.41% each) with NOC (59.18%). According to the latest figures released by the central bank, Waha remains Libya's top producer for the second year in a row (see chart), producing 282,000 b/d in 2024 – slightly up from 2023's 280,000 b/d – despite a Q3 slump on the back of August-October shut-ins (MEES, 20 September 2024).

Waha's Q3 losses were offset by development drilling and infrastructure upgrades that saw the company end the year on a high note, hitting a record 306,000 b/d for Q4, the highest quarterly figure since early 2013 (MEES, 14 February).

On a daily basis, the company had made a series of further claimed records, the highest of which was 375,000 b/d on 24 December, the highest daily figures since December 2008.

LATEST ADDITIONS

This year's additions of new and rehabilitated wells have also contributed to Libya hitting record highs in Q1.

These include 5,000-7,000 b/d from TotalEnergies' Mabruk field in the country's Sirte Basin oil heartland, which NOC restarted in March following a 10-year hiatus (MEES, 14 March), having been overrun and badly damaged by IS-affiliated militants in 2015 (MEES, 6 March 2015). Total now plans to eventually boost output to pre-shutdown levels of 40,000 b/d (MEES, 10 December 2021).

The Repsol-led Akakus JV has also announced several additions in the past month, adding a total of 4,750 b/d from four wells in March. This comes as part of the company's plans to "finalize the drilling of 32 new [development] wells" during 2025 alone (MEES, 28 February).

Meanwhile, Sirte Oil Company on 15 March announced the completion of drilling operations at development well J5-H in the Matkhandoush field on block NC-101 in the Murzuq Basin of far southwestern Libya. SOC says that initial indications are that the well will be able to sustain output of 6,000 b/d, bringing the field's total capacity to 10,000 b/d. However, the company does not provide details on when the well is expected to produce or reach full capacity. With no pipeline infrastructure, output will have to be trucked – with a possible outlet the power plant in Ubari around 120km to the north-west which NOC says consumed around 75,000 b/d of liquid fuel (50,000 b/d diesel, 15,000 b/d crude, 10,000 b/d fuel oil) for Q1.

MORE SOON?

NOC now hopes that a fresh bid round launched in early March – the first in 17 years – will lay the foundation for further gains, luring back international investment after nearly two decades of political instability (MEES, 7 March).

Nine of the 22 blocks on offer include a total of 19 prior discoveries, seven offshore and 12 onshore, with estimated in-place reserves of 1.63bn barrels of oil equivalent (boe) (MEES, 14 March).

On the sidelines of the CERAWeek energy conference in Houston in mid-March, acting NOC chief Masoud Suleiman discussed the "promising" concessions on offer with representatives of existing and prospective international oil and gas majors, including Shell, Schlumberger, Eni, Total, Halliburton, and Repsol, NOC says.

The Houston event was the first of several international roadshows NOC is planning to promote the bid round, with the next event set to take place in London on 7 April. ◆◆

China's UEG: Iraq Ever-More Dominant Amid Output Records

The center of gravity for United Energy Group has firmly shifted from Pakistan to Iraq. UEG hopes to bolster flagging Egypt output through M&A, but the planned development of a third Iraq block underscores its primary focus.

Hong Kong-listed independent United Energy Group (UEG) produced a record 108,000 boe/d on a working interest basis last year, driven by booming production from its Iraq assets. Iraq consolidated its position as the firm's largest production source last year, ahead of Pakistan, and accounted for more than 50% of its production last year for the first time. The upshot of this is that UEG's portfolio is also becoming increasingly oil-weighted.

All UEG output came from Pakistan until it entered Iraq and Egypt via its 2019 purchase of Kuwait Energy. Whilst the firm's Pakistan output was and remains gas-focused, Iraqi gains and declines in Pakistan, mean that the liquids output share has soared from 15% for 2018 to a record 69% last year.

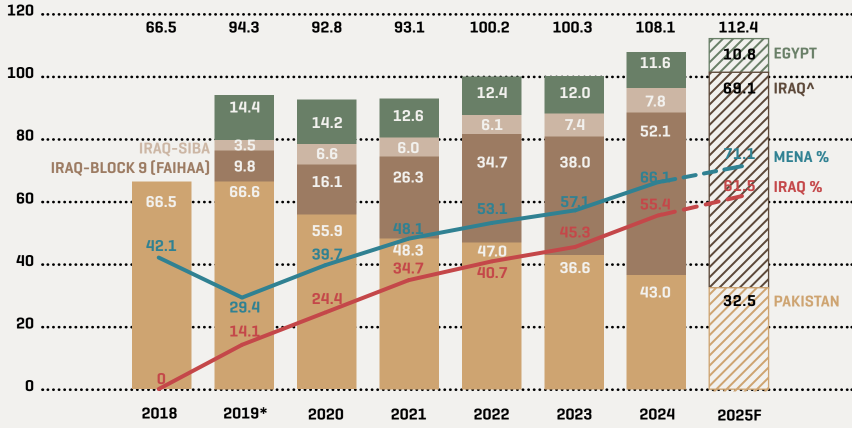
UEG's Iraq output leapt by 32% to a record 59,885 boe/d for 2024, driven by a 14,000 b/d increase from its Faihaa oilfield in Basra's Block 9 (UEG 60% op, Dragon Oil 30%, EGPC 10%). Gross Faihaa output of 86,832 b/d equated to a 52,100 b/d WI share for UEG (see chart).

Gross output from the nearby Siba (UEG 30%op, Turkish state TPAO 30%, Iraqi state Missan Oil Co 25%, EGPC 15%) increased by almost 5% to around 26,000 boe/d (17,100 b/d oil, 49mn cfd gas). Both fields set new records, bringing gross output from the firm's Iraq assets to 112,800 boe/d.

Siba is a non-associated gas field with a very high liquids yield. UEG says it has an "oil and liquids ratio of ~67% almost the same compared to last year." Siba is already producing at its plateau production target of 50mn cfd, although surface facilities can process up to 100mn cfd.

The gains at Faihaa came after 43 wells were connected to a new 100,000 b/d central processing facility in the first half of 2024 (MEES, 21 July 2024) followed by the commissioning of a 130mn cfd gas processing plant later in the year (MEES, 20 December 2024). Faihaa's oil plateau target is set at 130,000 b/d with further development eyeing the deeper Yamama formation.UEG expects to produce 65,100-73,000 boe/d on a WI basis from its Iraq assets this year, which at a midpoint of 69,050 boe/d implies an increase of more than 15% (see chart). Even accounting for further Pakistan declines, this would still propel its global output to a new record of 112,000 boe/d for 2025, of which a record 62% will be from Iraq.

UEG WORKING INTEREST OUTPUT (BOE/D): 2024 GAINS DRIVEN BY IRAQ INFRASTRUCTURE BUILDOUT WITH FURTHER GAINS EXPECTED IN 2025



F=FORECAST (MIDPOINT). *FROM 21 MARCH COMPLETION OF KUWAIT ENERGY PURCHASE. ^2025 FORECAST DOES NOT SPLIT OUT BLOCK 9 & SIBA. SOURCE: UEG, MEES.

DOUBLING DOWN ON IRAQ

Despite its portfolio becoming increasingly exposed to Iraq, UEG is further doubling down on the country. In October, UEG activated its contract for the Fao exploration block, which was awarded during last year's Fifth Licensing Round annex (LR5+) (MEES, 17 May 2024). The firm says that the 1,398 km² block has a resource base of 6bn barrels.

UEG sees the block as underpinning a move into more value-added activities in Iraq. "Fao also offers potential for downstream refining, oil product trading, new energy, and other projects, with huge potential for future growth," it says.

While UEG's key Mena assets are in Iraq, the firm is also present in Egypt, although here output has been on a distinctly downward trajectory. The majority of the firm's 11,567 boe/d (99% oil) Egypt working interest output comes from the country's Western Desert oil heartland. After falling 3% last year, UEG is forecasting output of between 9,500-12,100 boe/d for 2025, which at its midpoint of 10,800 boe/d would be a 7% fall.

Gross output from its Egypt assets was down 6% year on year to 15,872 boe/d, less than half of the peak 38,100 boe/d posted in 2015. Almost half of UEG's Egypt output comes from the firm's one non-operated stake, 49% of the East Ras Qattara concession operated by Chile's Enap.

Working interest and gross Egypt output should double though once UEG completes its proposed $150mn purchase of fellow Western Desert producer Apex International (MEES, 14 February). Apex gross output of around 16,000 boe/d (78% oil) equates to WI interest of around 10,400 boe/d. With UEG expecting WI output from its existing Egypt assets to slip again for 2025, the deal will nearly double its Egyptian output once approved.

"The completion of the acquisition is subject to the full satisfaction of conditions precedent mentioned in the share purchase agreement and the Egypt government approval before 7 February 2026," UEG says.

Despite the consistent downwards trajectory in Pakistan, UEG says it remains confident regarding its future position in the country. Citing an expected increase in national gas demand from 3.56bn cfd in 2020 to around 4.24bn cfd in 2030 it notes that "its sale of natural gas is almost guaranteed to be taken up by the state-owned gas distribution customers. The Group continues to leverage its experience and understanding of the geology and geophysics in Lower Indus Basin, Middle Indus Basin, Kirthar and Suleman Fold Belt of Pakistan to unlock the potentials of these assets." The firm picked up two new exploration blocks in Pakistan in January 2024 as it aims to capitalize on the country's gas shortages. ◆◆

US PULLS AHEAD AS TOP LNG PRODUCER WITH RECORD EXPORTS

Record LNG exports from the US pushed the global LNG market to a new high in the first quarter of 2025. With lackluster Chinese demand, much of the increased gas is heading to Europe which is looking to refill stocks after a winter drawdown.

Global LNG exports have started the year with a bang, hitting an all-time high of 108.7mn tons for the first quarter of the year according to Kpler data, beating the previous record set in 4Q 2023 (see chart 1). LNG trade typically quietens in the middle of the year as demand falls once temperatures in the northern hemisphere rise, and exporters implement maintenance programs.

Even with European buying expected to remain elevated in order to refill storage facilities ahead of next winter, global trade may subside somewhat in the coming months, but with the US continuing to bring new capacity online, Q1's record could be broken in Q4.

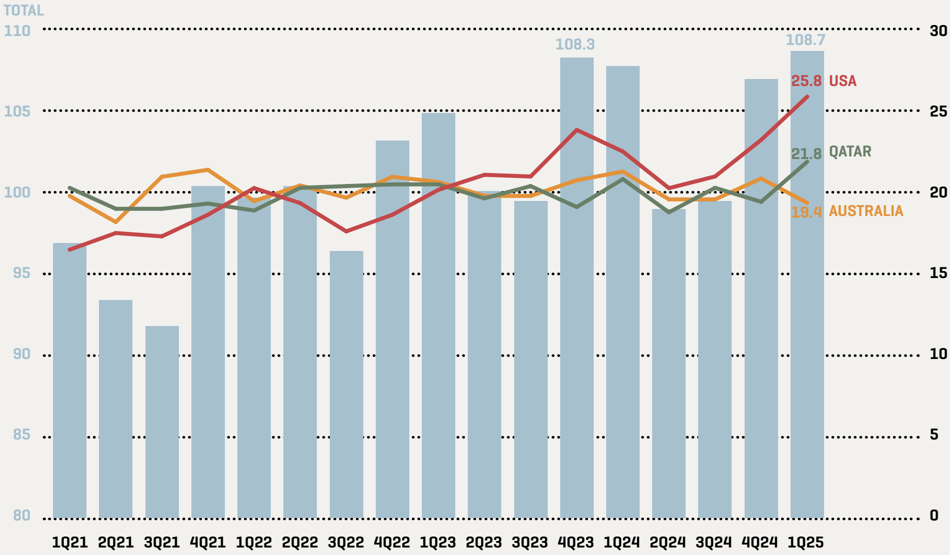
The US has been the primary driver of LNG supply growth in recent years, and Kpler shows that exports from the country reached a new high of 25.8mn tons in the first quarter of the year (23.7% of the global total), beating the previous record 23.8mn tons from 4Q 2023.

Increased output came from the ramp up of the 20mn t/y Plaquemines liquefaction plant in Louisiana. Since shipping its first cargo in December 2024, exports from the facility cracked 1mn tons in March, more than doubling since January. This trend is only set to continue as a series of American projects come online. The first LNG cargo was exported from the 10mn t/y Corpus Christi Stage 3 expansion project in March and output will gradually be ramped up this year, followed in 2026 by the 18mn t/y Golden Pass project in Texas (MEES, 3 January).

Further north, Canada is also set to add to North America's LNG capacity. Speaking on his firm's Capital Markets day on 25 March, Shell CEO Wael Sawan says the 14mn t/y phase one of LNG Canada is "on track for first cargoes to be shipped around middle of this year."

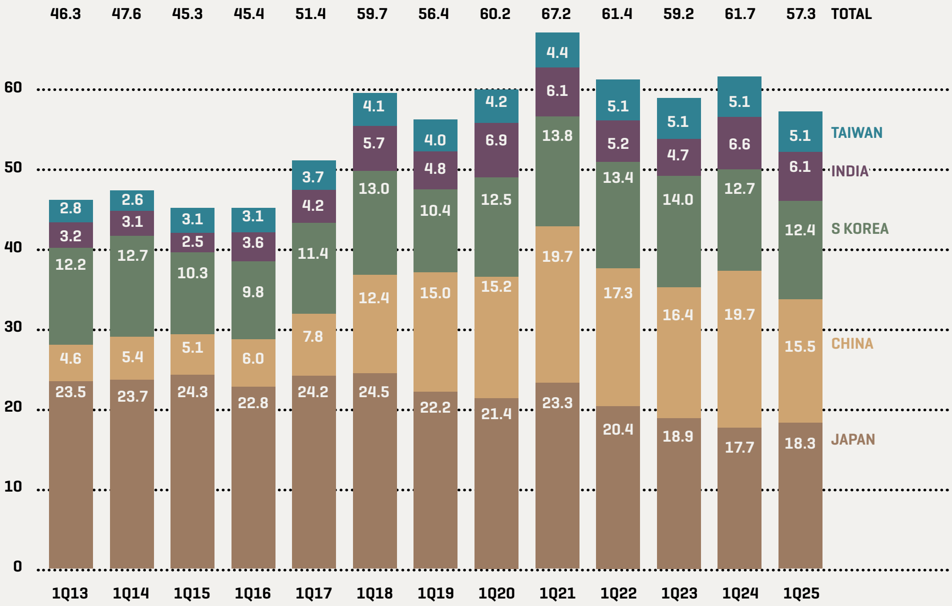
North America isn't where all of the action is, with Kosmos Energy announcing in February that it and BP's 2.45mn t/y Tortue LNG project on the Mauritania-Senegal maritime border has begun producing LNG, although the first cargo has yet to be shipped (see p14 & MEES, 28 February).

1: GLOBAL LNG EXPORTS REACH AN ALL-TIME HIGH ON THE BACK OF SURGING US VOLUMES (MN TONS)



SOURCE: KPLER, MEES.

2: ASIAN* LNG IMPORTS: VOLUMES DROP 9% YEAR-ON-YEAR TO THEIR LOWEST Q1 LEVEL SINCE 2019 (MN T)



*TOP 5 NAMED IMPORTERS ONLY. SOURCE: NATIONAL STATISTICS, KPLER, MEES.

QATAR: OVERSHADOWED FOR NOW

Overshadowed by the US, Qatar still managed record quarterly LNG exports despite not adding any new liquefaction capacity. The first phase of its massive 65mn t/y North Field expansion will bring online the 32mn t/y North Field East (NFE) project in 2026.

In the first three months of the year the emirate exported a record 21.8mn tons of LNG, Kpler data shows. Most of its exports head to major Asian consumers, with China leading the pack on 5.19mn tons. China has cemented its position as top buyer of Qatari LNG in recent years with state firms signing up to major long-term supply deals (MEES, 6 December 2024).

BIG FIVE: CHINA DEMAND SLUMPS...

Last quarter's record LNG exports came despite soft buying from the world's biggest purchasers. Imports from the big five — China, Japan, South Korea, India, and Taiwan — slipped by 9% year-on-year to 57.3mn tons according to MEES calculations (see chart 2). This was the lowest Q1 figure since 2019, driven largely by a sharp decline in Chinese imports.

Chinese LNG demand slumped at the start of the year after a mild winter, strong domestic production and pipeline deliveries (MEES, 21 March), coupled with high inventory levels. It imported just 15.5mn tons, the

Continued on – p5

Continued from – p4

lowest quarterly figure since the first quarter of 2020, with spot imports down to a two-year low of 4.3mn tons, according to Kpler.

With Japanese imports rising to a two-year high 18.3mn tons last quarter, it overtook China to be the world's largest LNG importer for the first time since 1Q 2023. But Japan's imports remain firmly on a downwards trajectory. And while China takes the headlines for its 600,000 ton year-on-year drop, South Korea and India also imported less last quarter while Taiwan volumes stayed steady.

Soft Chinese demand coincides with the country on 4 March announcing a 15% tariff on US LNG imports in response to a raft of tariffs introduced by US President Trump during his first months in office (see p6). While the US was never a large supplier of LNG to China – volumes in 2024 were just 4.16mn tons - the tariffs will undercut the economics of what little US LNG made its way to China.

...WHILE EUROPE RUSHES TO REFILL

Muted Asian demand has been a welcome development for Europe which grappled with a cold winter driving up gas consumption and must now pivot to filling up depleted inventories. Quarterly imports into Europe reached a new high of 36.4mn tons, up 5% from the previous record of 34.8mn tons hit in 1Q 2023. Prices for European gas benchmark TTF have been creeping up in recent months, hitting a two year high $15.3/mn BTU in February (see chart 3), and they would doubtless have been higher still had Asian buying been more robust.

This surge in demand comes on the heels of a colder winter than the past two years. Added to this was a winter plagued by 'Dunkelflaute' — a German term literally meaning 'dark lull' to describe a lack of sun and wind undercutting renewable power generation. Europe therefore was forced to draw down its gas supplies to their lowest level since 2022 and below the five-year average (2019-2024: see chart 4).

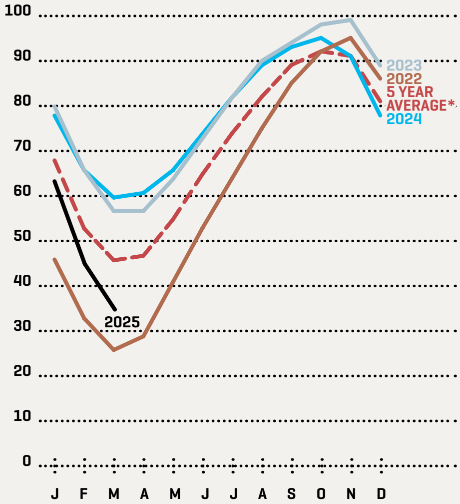
To replenish its gas stocks Europe is ramping up LNG imports, with the vast majority coming across the Atlantic from the US (see chart 5). In March, Europe also scaled up imports from Nigeria and Algeria. Europe has become increasingly dependent on LNG imports, and imports from the US in particular, since 2022 when it moved to end its dependence on Russian pipeline gas in the wake of the Russian invasion of Ukraine.

Kpler also shows a slight increase in Middle East supplies to Europe, which averaged 1.09mn tons/month through Q1,

3: EUROPEAN TTF PRICES ($/MN BTU): WELL BELOW THEIR 2022 PEAK BUT CREEPING UP

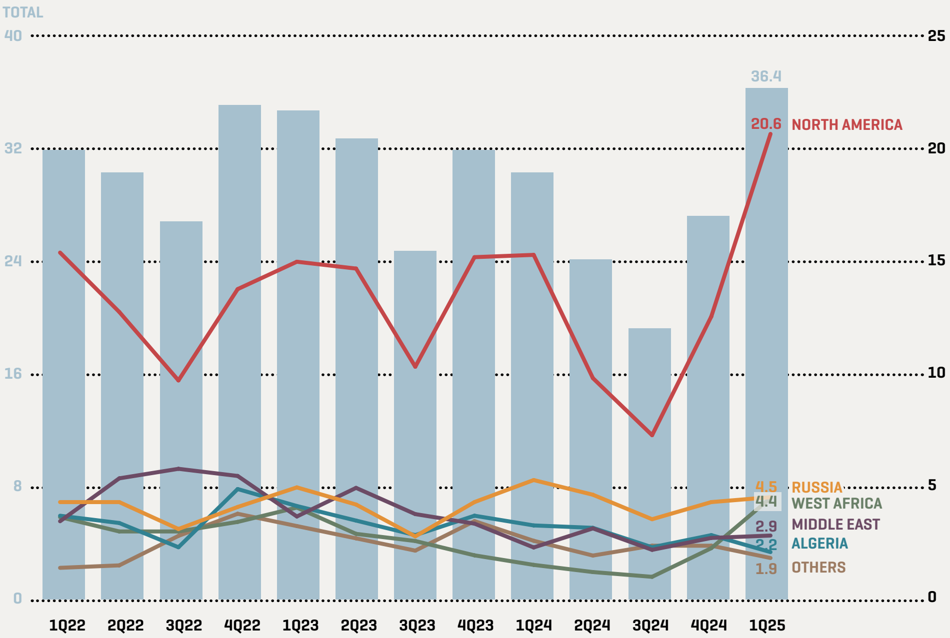
SOURCE: IMF, MEES.

4: THE EU'S GAS STOCKS REACHED A THREE-YEAR LOW (% FULL)...



*2019-2024. SOURCE: GIE AGSI

5: ...PROMPTING RECORD EUROPEAN IMPORTS OF LNG FROM THE US (MN TONS)



SOURCE: KPLER, MEES.

the highest three-month rolling average since February 2024's 1.10mn tons. The overwhelming majority of this comes from Qatar, but a rare cargo of Omani LNG was supplied to Turkey in February. Most notably, it transited the Suez Canal, marking a rare northbound LNG cargo through the Red Sea with the trade having essentially been shut down last year amid Houthi attacks on shipping (see p16 & MEES, 21 March).

As global LNG demand drops seasonally, prices are declining slightly, with current TTF futures prices just over $13/mn BTU, but the decline is much less than usual. This could make Europe a more attractive than usual destination for Middle East LNG this summer, especially if Asian buying remains muted. That said, the Gas Exporting Countries Forum (GECF) March report notes that despite the recent declines in Asian LNG imports, "The primary sources of growth in global gas demand [for 2025] will be Asian countries, which remain heavily reliant on gas imports, particularly LNG."

The GECF notes that markets are expected to remain tight this year, with global spot gas prices expected to increase as a result. After averaging $11/mn BTU last year, the GECF forecast an average TTF price of $13.5/mn BTU for 2025, which then softens to around $11/mn BTU in 2026 as new liquefaction capacity comes online. ◆◆

OPEC+ ACCELERATES PRODUCTION CUTS AS US 'LIBERATION DAY' SLAMS MARKETS

Despite growing concerns over the global economic impact of President Trump's tariffs, Opec+ is accelerating the easing of production cuts. The scale of the increase should be much less than the headline 411,000 b/d figure given persistent overproduction from some members, even if compensation cuts aren't implemented, but oil prices slumped on the news.

Opec+ took observers by surprise this week by announcing that it is accelerating the pace of production increases less than 24 hours after the US unveiled its new tariff policy. Oil markets were already softening following US President Donald Trump's 2 April 'Liberation Day' press conference, before the Opec+ announcement put them into a tailspin, with Brent dropping from $74.95/B to close 3 April at $70.14/B, and barely $65/B as MEES went to press.

The group had earlier implemented its first easing of production cuts since September 2022 on 1 April, when the 'Group of Eight' eased voluntary cuts by 138,000 b/d. When the eight producers – Saudi Arabia, UAE, Kuwait, Iraq, Algeria, Russia, Kazakhstan and Oman – met virtually on 3 April to discuss whether to continue with the monthly production increases in May few outside the group expected anything other than a simple rubberstamping.

However, instead of agreeing to ease cuts by the planned 135,000 b/d on 1 May, Opec announced that "the eight participating countries will implement a production adjustment of 411,000 b/d, equivalent to three monthly increments, in May 2025." The eight members will then meet again on 5 May, to decide on June production levels, with a source noting that further production increases could be agreed on then. Opec says the process can be paused or reversed at the meeting.

BOLD TIMING SURPRISES

An Opec press release on the decision says that it was taken "in view of the continuing healthy market fundamentals and the positive market outlook." Two delegates reiterated this, with one noting that "we are seeing a healthy market right now and are choosing the [most opportune] time to bring back barrels." Another added that "This is not new, it was already agreed before, we are just advancing it."

There have certainly been indications of market fundamentals improving recently. Standard Chartered noted on 1 April that contrary to expectations, "Q1 fundamentals have instead proved to be constructive, with a modest inventory draw... While demand has been robust, non-Opec+ supply growth has slowed; y/y growth was 1.1mn b/d in Q1, the slowest in any quarter for four years." Oil prices had gradually strengthened since the start of the month, while oil futures pricing structures were healthy.

However, fundamentals are not the only factor shaping markets, sentiment is also crucial (see p15). Mr Trump's 'Liberation Day' package of tariffs has caused global equity markets to slump, and with global economic confidence souring, oil market sentiment was fragile even before the Opec+ announcement.

OPEC 'GROUP OF 8' OUTPUT TARGETS ('000 B/D): PLEDGED COMPENSATION CUTS CURB SCALE OF PLANNED HIKE

	March	April	May	vs April	Implied May*	vs April
Algeria	908	911	919	+8	919	+8
Iraq	4,000	4,012	4,049	+37	3,914	-98
Kuwait	2,413	2,421	2,443	+22	2,428	+7
Saudi Arabia	8,978	9,034	9,200	+166	9,194	+160
UAE	2,912	2,938	3,015	+77	3,005	+67
Kazakhstan	1,468	1,473	1,486	+13	1,429	-44
Oman	759	761	768	+7	768	+7
Russia	8,978	9,004	9,083	+79	9,007	+3
Total	**30,416**	**30,554**	**30,963**	+411	**30,664**	+110

*ADJUSTED FOR COMPENSATION CUTS, AS SUBMITTED MARCH 2025. SOURCE: OPEC, MEES.

Global markets may well stabilize in the coming days, especially if the US strikes bilateral agreements with trading partners to reduce tariffs now that the grand theater of the initial announcement has played out. But the decision to accelerate the production increases amid the current heightened economic uncertainty appears to mark a divergence from the cautious approach adopted by the group's leadership in recent years.

Investment banks reacted cautiously to the news. Morgan Stanley says that "until further clarity emerges," it is sticking with its H2 Brent forecast of $67.5/B. Citi has kept its Q2 base case outlook unchanged at $68/B Brent.

TAKING AIM AT OVERPRODUCERS

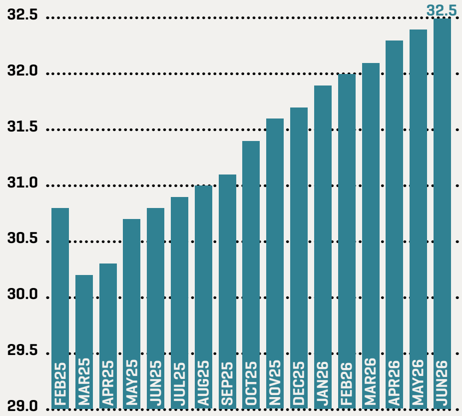
The Opec press release says that "the eight Opec+ countries also noted that this measure will provide an opportunity for the participating countries to accelerate their compensation." This is a reference to countries which have repeatedly produced above their production quotas – most notably Kazakhstan and Iraq.

With overproduction undermining the market impact of production cuts, Opec+ leadership has become increasingly frustrated with the transgressors (MEES, 6 December). Considerable outreach efforts have been made in an effort to encourage improved compliance, with overproducers also submitting plans to compensate for overproduction with extra cuts (MEES, 21 March). New "front-loaded" plans are to be submitted by 15 April.

Most recently, Kazakhstan has attracted considerable focus as the ramp up of its Tengiz expansion project led it to overproduce by 299,000 b/d in February. Despite pledges to cut production there were few signs of concrete action until on 1 April Russia announced the closure of two SPMs at its Novorossiysk terminal from which Kazakhstan's CPC crude grade is exported. Consultancy FGE says this will take 700,000 b/d of Kazakh crude off the market.

Accelerating the tapering of cuts appears to have been driven in large part by a desire to tackle the issue of overproduction. One delegate says the move was in order to "punish" overproducers, although another says "it's not necessarily about putting pressure on them. Actually, it will help them to compensate."

OPEC+ 'GROUP OF EIGHT' IMPLIED PRODUCTION ROADMAP IF COMPENSATION^ CUTS ARE IMPLEMENTED. COMBINED OUTPUT TO REMAIN BELOW FEBRUARY LEVELS* IN MAY (MN B/D)



*FEB PRODUCTION ACCORDING TO OPEC SECONDARY SOURCES. ^AS PER MARCH 2025 SUBMISSIONS. SOURCE: OPEC, MEES.

This appears an acknowledgement that the only scenario in which overproducers will be willing and able to comply, let alone implement compensation cuts, is if their quotas are increased significantly. For instance, even after this week's announcement, the current compensation plan mean that Iraq's adjusted quota will remain below February production of 4.01mn b/d until December. With Iraq coming under increased US pressure to stop importing Iranian gas and electricity, it may need to burn record amounts of oil in power plants to prevent widespread blackouts this summer, limiting its ability to implement deep cuts (MEES, 14 March).

Even if compensation cuts aren't fully implemented, the fact that some producers are well above quota means that a large chunk of the 411,000 b/d increase will be on paper only. Should compensation cuts be implemented in full, Group of Eight cumulative production in May of 30.664mn b/d would still be less than February's 30.771mn b/d (see chart). The actual production increase could well be as little as 100,000 b/d (see table), while the scale of the potential Kazakhstan outages could drive a significant drop against March levels. ◆◆

KURDISTAN GRIDLOCK RAISES RISK OF US SANCTIONS ON IRAQ'S OIL SECTOR

GEOPOLITICAL RISK

Talks to resume oil exports from Iraqi Kurdistan were spectacularly derailed last week, when Baghdad's decision to unilaterally impose the scope of work for an independent consultant was met with fury by IOCs. The move also risks prompting US sanctions.

Talks to resume oil exports through the Iraq-Turkey Pipeline (ITP) have hit a brick wall after Baghdad's Ministry of Oil moved to force terms on the Kurdistan Regional Government (KRG) as well as IOCs with operations in the semi-autonomous region without their agreement. In a 27 March letter sent to the KRG's Ministry of Natural Resources (MNR) and seen by MEES, the oil ministry said it had secured PM Mohammed al-Sudani's approval for the expansive scope of work it has set out for a consultant needed to assess the region's oil and gas sector (see table).

Apikur, the industry body representing IOCs in Kurdistan, reacted fiercely. In a 28 March statement, it responded that Baghdad "has demonstrated it is unwilling to negotiate a solution that honors IOCs contract sanctity and is attempting to establish a process to unilaterally alter the economic framework of legal and valid contracts between the KRG and IOCs." It adds that this is "not acceptable" and that its member companies "will not resume exports" until there is commitment from Baghdad to "honor our contracts including payment surety for past and future exports."

While the oil ministry in Baghdad insists that the consultant should have the remit to evaluate all contractual terms, whether technical or financial, the MNR and IOCs have been adamant that its work should be limited to auditing financial statements rather than deep-diving into the details of signed Production Sharing Contracts. The IOCs are concerned Baghdad will seek to alter their contractual terms through the assessment process (MEES, 7 March).

A source aware of the oil ministry's thinking says that the IOCs are overreacting, saying that the ministry has simply "documented" discussions in recent meetings after failed attempts at agreeing minutes with the MNR, and that the ministry already informed its KRG counterparts of the proposed scope in a sperate 13 March letter.

Yet throughout meetings over the past weeks, the MNR was clearly opposed to this proposal, raising questions over whether the move was intended to sabotage talks.

Mr Sudani's approval of the consultant's scope raises further questions. His Chief of Staff, Ihsan al-Awadi, was involved in earlier direct talks with a small group comprising representatives from the IOCs, MNR and the US Embassy on 20 March where the issue was still a matter of active discussion. The oil ministry was not present at that meeting.

Washington has taken a keener interest in restarting exports since the Trump administration took office, dialing up pressure on Baghdad. US embassy staff attended several of the meetings held between the oil ministry, MNR and IOCs last month as observers.

IRAQ'S FEDERAL OIL MINISTRY UNILATERALLY SETS SCOPE OF WORK FOR CONSULTANT TO ASSESS KRG OIL SECTOR

1- Conduct visits to Kurdistan oil fields
2- Review signed contracts and all their annexes and amendments
3- Review development plans for each field
4- Review works conducted as per development plans (no. of wells, surface facilities, pipelines, export systems, etc.)
5- Review depreciation assumptions for fixed assets and equipment
6- Review capital and operating expenditure since contract activation
7- Access information, documents, balance sheets and any data required to conduct cost assessment
8- Secure any other information needed to conduct assessment
9- Utilize acquired information to assess production and transportation costs for each field
10- Inform Federal Board of Supreme Audit of progress

SOURCE: IRAQ'S OIL MINISTRY, MEES.

NO MORE MEETINGS

It remains unclear why the oil ministry was excluded from the 20 March meeting, and a US State Department source suspects that perhaps Mr Sudani's office "saw them [the oil ministry] as a roadblock to reaching an agreement." Another American source tells MEES "we can't control who they [Iraqis] include in meetings," and that the ministry's non-involvement in that meeting reflects that it was "intransigent and a solution wouldn't be reached with them," adding that "their letter added proof to this."

The 20 March meeting saw some progress and called for follow-up meetings to attempt to find common ground on the consultant's scope of work. MEES understands that an idea to establish an escrow account, with access for all parties to alleviate IOC concerns over surety of payment, was discussed and that Mr Awadi was open to such an arrangement pending KRG approval. The meeting also delved into arrears and discussed determining a share of output for the KRG to consume and monetize domestically. Mr Awadi apparently signaled his government's willingness to respect recent Baghdad court rulings that upheld the contracts.

But the ministry's exclusion from the 20 March meeting appears to have further fueled some Iraqi officials' animosity towards the MNR and IOCs, with MEES told that attempts to convene follow-up meetings in Baghdad on 26 and 27 March involving minister Hayan Abdulghani were blocked by the ministry. It was subsequent to this that the ministry issued the letter to the MNR.

An American source says that the ministry "ignored negotiations, refused to meet last week, then sent [its] letter." As for Mr Sudani's approval of the ministry's version of the scope of work, they speculate "he's being badly informed it seems."

When it comes to the notion that the letter merely documents an agreement already struck with the MNR, the US source maintains that this is "absolutely false," and that "the US government and IOCs have been completely blindsided." The source further states that "what the oil ministry's letter revealed to IOCs and the US government is that thus far the Iraqi government has not been negotiating in good faith and a new approach will be required."

SANCTIONS: READY TO GO?

What will that approach be? US-based sources expect that, sooner or later, Washington will examine whether Iraq's oil infrastructure is being used by Iran to evade US sanctions on Tehran, and/or by Iran-backed militias and entities in the country to finance their operations.

Such an assessment will add further pressure on Baghdad, and could lead to the imposition of sanctions, especially given that the US has already been keeping a close eye on suspected domestic fuel oil smuggling at Basra's Khor al-Zubair port and clandestine Iranian oil exports within Iraqi waters (MEES, 1 November 2024).

US sources claim that six "existing, significant" sanctions packages against entities and/or persons within Iraq's oil sector have already been prepared at the Treasury Department. A Washington insider says that the choice of package(s) to be released will depend on "which one sends the right message? Which one will be flashier?" And while they did not disclose the entities considered, the insider says "some of that stuff [packages] has been there for quite a while and is being refined constantly while others are being worked up since the Trump administration came in."

But a State Department source maintains that they are not aware of such packages, and traditionally these would require time, resources and research by the US Treasury which would typically involve the State Department. They add that the Treasury's Office of Foreign Assets Control (OFAC) would need a "reason to suspect" Iraqi government entities of involvement in helping Iran and they believe that "there will be a case at one point to submit them [Iraqi entities] for process." That process would be under President Trump's 'maximum pressure' NSPM-2

Continued on – p8

Continued from – p7

directive against Iran (MEES, 7 February).

That said, sources point to OFAC currently being "bottlenecked" implementing NSPM-2, rendering Iraq as a "sideshow." OFAC also remains "short staffed" and suffers "bandwidth restrictions," they add. MEES is told that, for now, there are no near term moves planned after last month's decision not to renew a 120-day waiver previously allowing payment for Iranian electricity exports to Iraq (MEES, 14 March).

But all sources indicate that an Iraq sanctions assessment process is likely to gain more momentum once Mr Trump's appointees on Middle East policy pass their Congress confirmation. The president has nominated Joel Rayburn as Assistant Secretary of State for Near Eastern Affairs and John Hurley as Treasury's Under Secretary for Terrorism and Financial Crimes. Both men are army veterans and close to Republican circles, with Mr Rayburn a staunch critic of Iran's role in Iraq.

SUDANI DÉMARCHE

What links sanctions on Iraqi oil sector entities to restarting oil flows from Kurdistan? Two US sources agree that it is "difficult to link" the two issues, at least on the surface, but they argue that the ITP restart has taken priority over other bilateral issues given the "pro-American business" nature of the Trump administration.

On 19 March, State Department spokeswoman Tammy Bruce said that the US is urging the Iraqi government to reach an agreement with the IOCs to resume exports "as soon as possible" and to "honor the existing contracts with US companies" in a reference to those operating in Kurdistan. The Washington insider explains that while Washington has many objectives in Iraq, "getting US investors protected gives the Kurdistan [oil exports] issue an outsized impact within US government and Republican circles."

Speaking on his company's latest results call on 19 March, Paul Weir, CEO of London-based KRG producer Genel Energy, says he is optimistic that exports will resume "within weeks or a couple of months," basing his assessment on the pressure US officials are placing on Baghdad. "We know that our American IOC peers have done a very good job of lobbying the American government and the American government is also applying pressure to try and resolve this issue," he explains.

The American source says that US concerns, and the potential "consequences" for Iraq of failing to address them were communicated to PM Sudani by the Trump administration in an "official démarche," but they question whether Baghdad has yet to fully understand the likelihood that pressure will be stepped up once appointees are confirmed. "That doesn't seem to have permeated in right places yet," they add.

The Washington insider explains that the démarche – which typically constitutes the verbal communication of a government's position on a specific issue – could have been delivered implicitly by any of the US officials Mr Sudani recently spoke to, many of whom have stressed Washington's support for a speedy restart of Kurdish oil exports while also highlighting Iranian influence in Iraq.

US National Security Advisor Mike Waltz spoke to PM Sudani on 9 March, right after the electricity import waiver was cancelled, linking that decision to Mr Trump's Iran 'maximum pressure' policy, while stressing that Baghdad should work with the KRG to "address remaining contract disputes and pay arrears owed to US energy companies." In late February, Secretary of State Marco Rubio discussed "reducing Iran's malign influence" with Mr Sudani, while highlighting that Iraq needed to "quickly reopen" the ITP and "honor contractual terms for US companies working in Iraq."

IRAN OIL SMUGGLING

Mr Sudani appears to have read between the lines. MEES is told that Baghdad has formed a committee involving the foreign ministry, central bank, national security service and state oil marketer Somo, amongst others, specifically to investigate oil smuggling through Iraqi ports and Iran's utilization of the country's maritime territory for ship-to-ship transfers. The committee also discussed US dollar leakage from Iraq's banking system to Iran.

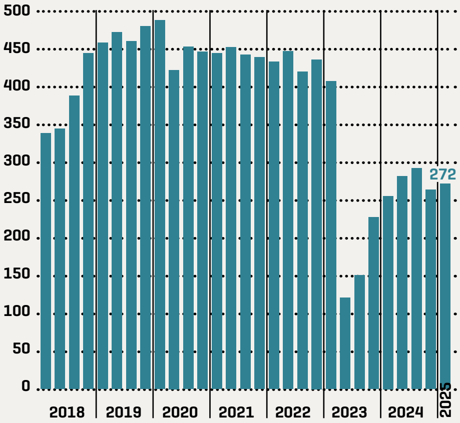
The committee recognizes that local fuel oil smuggling is happening but claims that there is no hard proof that finances generated are shared with Iran. Rather, it believes that these monies are used by Iran-backed "political parties" for their Iraq operations. MEES is also told that findings point to Ministry of Industry-linked berths being used for fuel oil smuggling, with the cargoes carrying documents that falsify their nature, so they do not fall within the remit of oil product exports by Somo. As for forging Iraqi documents for Iranian oil cargoes and activities offshore, "this is beyond our control," a source says.

Forming the committee appears to be a step by the Iraqi government to cover its bases, before political appointees are confirmed in the US. The Washington insider questions the seriousness of the exercise, and whether it is an echo chamber to "whitewash" what is happening on the ground. "They have control over stopping co-mingling of Iranian volumes offshore Iraqi waters. There is a degree of gross negligence and not enough is being done," they say.

But the threshold is too low. The State Department source says that the Treasury "needs a reason to suspect" that there is Iraqi involvement in allowing "co-mingling, blending or moving of Iranian oil through Iraqi ports," while the Washington insider says "the US Treasury is not a court of law, they need evidence and they have lots of open source and confidential [US government] material to use."

For its part, the Iraqi committee has yet to finalize its recommendations and MEES is told that Baghdad is looking at deploying additional security measures at its terminals and offshore waters to curb smuggling. Although it is doubtful that such an effort would lead to any realistic impact.

KURDISTAN CRUDE OIL OUTPUT REMAINS SUPPORTED BY STRONG LOCAL SALES ('000 B/D)



MEES ESTIMATE STARTING 2Q23. SOURCE: DELOITTE, COMPANY STATEMENTS, MEES

'ALL STICK BUT NO CARROT'

Another motivation for US government pressure to restart Kurdish oil exports, as the State Department source puts it, is the belief in Washington that "maybe the ITP reopening will add volumes to market as Iranian oil is sanctioned out." Kurdistan's crude oil output last quarter averaged below 300,000 b/d with all volumes sold locally (see chart).

Kurdistan's oil production as it stands makes up less than 0.3% of global supply, and with the oil ministry and MNR agreeing to only initially export 185,000 b/d through the pipeline, the impact on global supply will be negligible. In addition, many doubt that US sanctions on Iran will lead to a significant reduction in its exports, let alone bring them to zero as Mr Trump wishes. The Opec+ alliance is also speeding up unwinding its voluntary cuts adding to expectations of ample market supply (see p6).

For Iraq, there is little financial incentive to enable Kurdish oil exports to restart. The proceeds to the Federal treasury will be far less than those from oil exported from the south, and with Opec+ now pressing Baghdad harder to compensate for last year's overproduction, the oil ministry does not see it in its favor to restart exports especially if Kurdish oil production eventually rebounds to its previous 400,000 b/d levels, forcing Iraq to either cut from the south or produce far above its quota.

But the risk of inaction remains dear, given the threat of sanctions on Iraqi oil sector entities. "Sudani can make it go away [US pressure/sanctions threat] for a small cost," argues the Washington insider. Although they admit that the Trump administration is not interested in politically supporting the PM's bid for a second term. "What is the payoff for [Sudani in] improving the IOCs position? It is all stick but no carrot," they add. ◆◆

IRAQ TARGETS 1.54MN B/D REFINING CAPACITY WITH RELAUNCH OF 150,000MN B/D MISSAN PLANS

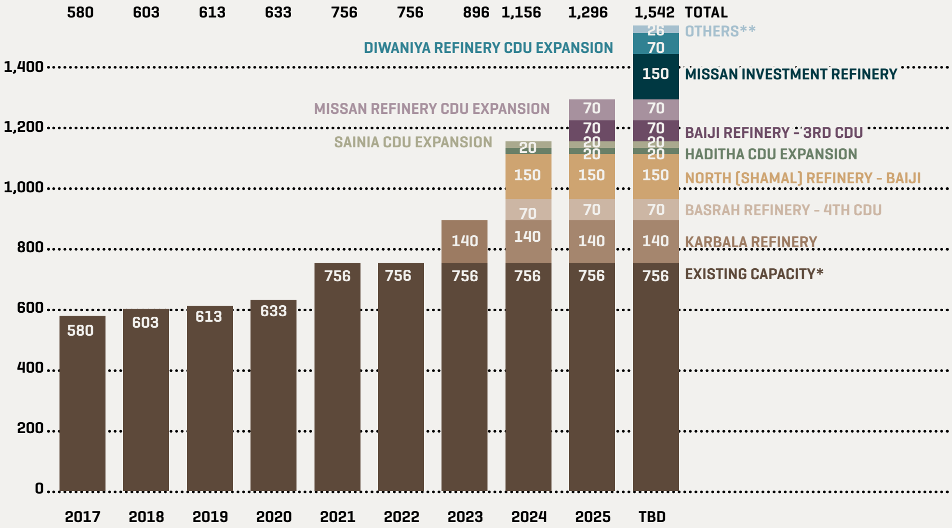
Iraq is targeting 1.54mn b/d refining capacity as it seeks to generate more revenues from its oil reserves and catalyze industrial growth. For near term CDU additions, the oil ministry is primarily relying on state firms, but the PM claims to have awarded a contract for the 'Missan investment refinery.'

Iraq aims to bring its crude distillation capacity to 1.542mn b/d, PM Mohammed al-Sudani said on 30 March. Though he failed to give a specific timeline for achieving this, his comments imply that this is a relatively near-term target.

Iraq's current CDU capacity is level with the end-2024 figure of 1.156mn b/d following 380,000 b/d in additions over 2023-24. With 140,000 b/d in new additions in Saladin and Maysan provinces due online by end-2025 this will leave Iraq around 250,000 b/d shy of the PM's target (see chart).

Should Iraq hit this target it will have tripled refining capacity since 2017, when the country was struggling to cope with the aftermath of the 2014 destruction of its largest refinery, the 290,000 b/d Baiji complex, by Islamic State (MEES, 26 September 2014). Mr Sudani says the new refining additions are part of his government's efforts to maximize the value derived from its oil production and catalyze the development of new domestic industrial facilities.

IRAQ HAS SET A 1.54MN B/D CDU CAPACITY TARGET (000 B/D)



*FEDERAL, NOT INCLUDING KURDISTAN. **LIKELY EXPANSIONS TO EXISTING CAPACITY. SOURCE: OPEC, IRAQ'S OIL MINISTRY, MEES.

VOLUME OVER QUALITY

However, Iraq's successes in expanding its crude distillation capacity have been enabled by a focus on simple refineries without the secondary units required to boost yields of more valuable products such as gasoline and diesel. Adding complex secondary units would take longer, and cost more money, and their absence means that Iraq is left with a high fuel oil yield of over 40%, driving exports of the low value product to a record 200,000 b/d last year (MEES, 28 March).

Of the recent additions, by far the most advanced facility is the 140,000 b/d Karbala refinery, which was commissioned in 2023. Iraq also added a fourth 70,000 b/d CDU at the 280,000 b/d Basrah refinery in late-2023 and gradually started up the 150,000 b/d Shamal (North) refinery in Baiji last year, followed by small incremental CDU additions at the 50,000 b/d Sainia and 36,000 b/d Haditha refineries

Mr Sudani hopes these projects will help Iraq become self-sufficient, ending gasoline and gasoil imports. But gasoil imports restarted this year, with Kpler data showing imports of over 700,000 barrels so far this year.

TWO 70,000 B/D CDUs IN 2025

The PM was speaking at the ground-breaking ceremony for the 40,000 b/d Missan refinery expansion project which will see a 70,000 b/d CDU added to the small plant, taking crude processing capacity to 110,000 b/d. The project was first announced in February, and Adnan Mohammed Hmoud, the oil ministry's new deputy for oil refining, says he expects the first phase to be delivered before year-end, an implausibly-rapid timeline with Mr Sudani targeting completion in "6-8 months."

The CDU will be built by state firms and local contractors, whom Mr Sudani praised for delivering refining projects "for less [vs foreign firms] and in record time." This was in reference to work on Shamal and Basrah's fourth CDU where a Czech contractor was ousted in late 2023 with the ministry's South Refineries Company taking over alongside local EPC contractors (MEES, 15 September 2023).

At Shamal, the ministry almost completely relied on its Heavy Engineering Equipment State Company (HEESCO) for fabricating needed equipment (MEES, 16 February 2024), as well as recovered stolen parts of the Islamic State-dismantled plant (MEES, 18 August 2023).

Mr Hmoud owes his recent promotion to that success as North Refineries Company CEO. He has not disclosed when Missan's secondary units will be added as part of the project's second phase. A press release from Mr Sudani's office states that these will include naphtha hydrotreatment, continuous catalytic reforming (CCR), kerosene and diesel hydrodesulfurization units as well as a Fluid Catalytic Cracker (FCC) complex. Mr Hmoud adds that Missan will eventually produce Euro-V compliant products.

The second 70,000 b/d CDU slated for 2025 addition comprises the addition of a third CDU of this size at the 140,000 b/d Baiji refinery in Saladin province, bringing its capacity to 210,000 b/d. Mr Sudani says he has been assured that this can be delivered "in two months," implying commissioning by early-June. Shamal and Baiji constituted the Baiji refining complex, and once the new CDU is built this will take total Baiji complex processing capacity to 360,000 b/d, even exceeding the 290,000 b/d figure prior to the plant's 2014 shuttering and extensive damage. The expansion coincides with BP's entry to the giant Kirkuk oilfield from which feedstock for Baiji is typically sourced (MEES, 28 March).

MISSAN INVESTMENT IS BACK

Mr Sudani says that another refining complex is to be developed in Maysan province. In addition to this year's planned 70,000 b/d expansion at the 110,000 b/d Missan refinery, the PM says his government has approved the long-delayed 150,000 b/d Missan investment refinery "after more than eleven years of delay." The project was originally signed in late 2013 with a $6bn price tag but only led to the infamous Wahan-Satarem scandal and has never progressed since (MEES, 4 March 2016). It is unclear who the project has been awarded to, although Iraq has recently relied ever more on politically-connected Iraqi conglomerates to deliver large infrastructure projects. In February, local Al Barham Group signed a $800mn project to add a 70,000 b/d CDU to the 20,000 b/d Diwaniya refinery.

Mr Sudani, who originally hails from Maysan province, promises that the two Missan refineries will ultimately form the cornerstone for a petchems and fertilizers complex that will generate thousands of local jobs. Relaunching the Missan investment refinery project may help Iraq attract interest in other long-stalled 'investment refinery' opportunities (MEES, 27 January 2023). But even the Chinese-led 300,000 b/d Fao investment refinery and petchems plant appears to have seen little progress since being awarded in mid-2024 (MEES, 17 May 2024).

The reality remains that Iraq's refining sector is state-controlled with heavy and generous subsidies inhibiting private sector and foreign interest. Mr Sudani's comments may also mark the beginning of political campaigning ahead of parliamentary elections which are due by the end of this year. ◆◆

ISRAEL OIL STATS: DEMAND DOWN, AT LEAST ON THE SURFACE

With the country in a state of war official stats may not give the full picture.

*Official stats from Israel's two refineries for 2024, as well as latest shipping and trade figures from data intelligence firm Kpler, suggest that the country's oil demand remains well down on recent highs set in 2022. However, with the country having been in a continuous state of war over the 18 months following Hamas' 7 October 2023 assault, the figures likely do not give the full picture.

*National oil demand data, provided alongside the results of the country's largest refiner, the 197,000 b/d Bazan plant at Haifa, comes with a big proviso: it excludes military use. These stats show the country's non-military oil consumption falling 4% to a three-year low 218,900 b/d for 2024, with civilian jet-kero consumption down 31% at 13,900 b/d and that for diesel down 6% at 69,000 b/d, though gasoline demand was steady at 79,900 b/d (see chart 1).

*Official output stats for the country's two refiners match this pattern. Combined products output from Bazan and the 100,000 b/d Ashdod Refinery 130km to the south was down 7% to a four-year low 268,100 b/d for 2024 with jet-kero down 13% at 23,400 b/d and diesel/gasoil at 8% a seven-year low 97,100 b/d, though gasoline output was up 3% at an eight-year high 78,100 b/d (see chart 2).

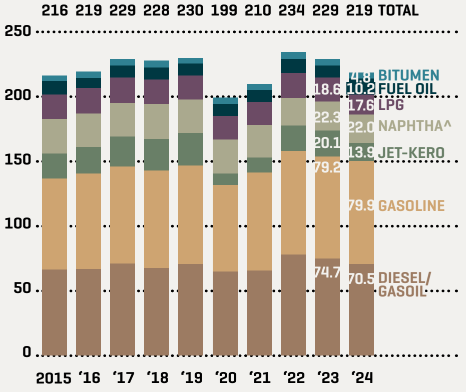
*Both plants blame the conflict for lower sales. Ashdod Refinery says a "significant decrease in demand for diesel" for 2024 was due to "the effects of the war," whilst Bazan says lower oil demand was due to a "decrease in activity in the Israeli economy" as a result of war.

*Kpler's stats for Israel crude imports paint a similar picture. 2024 imports of 200,700 b/d were down 24% on 2023 for a seven-year low, whilst 1Q 2025 imports of 224,500 b/d were down 12% year-on-year for the lowest Q1 in eight years (though up 7% on Q4). Azerbaijan was both top supplier for 2024, with 72,700 b/d, and for 1Q 2025 when it supplied a quarterly record of 116,800 b/d (see chart 3).

*Kpler data also indicates only modest oil products imports. But with opaque military consumption offsetting at least some of the drop in civilian demand, why has refining output dropped so much? The answer may lie with products exports, which slumped by 42% to 31,000 b/d last year. Volumes to Israel's traditional primary market of Turkey dropped from 11,000 b/d to just 2,000 b/d.

*The US has continued supplying high-spec oil products to the Israeli military. A July 2020 filing by the US Defense Security Cooperation Agency (DSCA) announces the sale to the government of Israel at "an estimated cost of $3bn" of "approximately 990 million gallons (3.75bn liters, 23.6mn barrels) of Petroleum-based products, to include JP-8 Aviation Fuel, Diesel Fuel, and Unleaded Gasoline." "The proposed sale of the JP-8 aviation fuel will enable Israel to maintain operational aircraft. Diesel fuel and unleaded gasoline will be used for ground vehicles. The proposed sale will improve Israel's ability to meet current and future threats in order to defend its borders," the DCSA adds. Whilst the period covered by this sale is unclear, the volumes equate to 65,000 b/d if averaged over a year. Given continued massive US support for Israel and its military, oil products have likely continued to constitute a large portion of this.

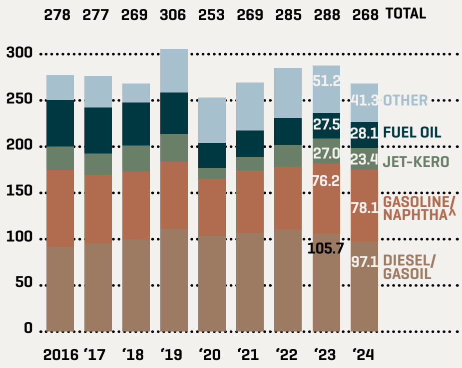
1: ISRAEL'S OFFICIAL* OIL DEMAND STATS SHOW A 4% FALL FOR 2024 WITH JET AND DIESEL BOTH WELL DOWN ('000 B/D)...



*EXCLUDES MILITARY USE. ^"PETROCHEMICAL FEEDSTOCK". SOURCE: BAZAN, MEES.

2: ...A TREND ALSO REFLECTED IN COMBINED PRODUCTS OUTPUT STATS FOR THE COUNTRY'S TWO REFINERS* ('000 B/D)

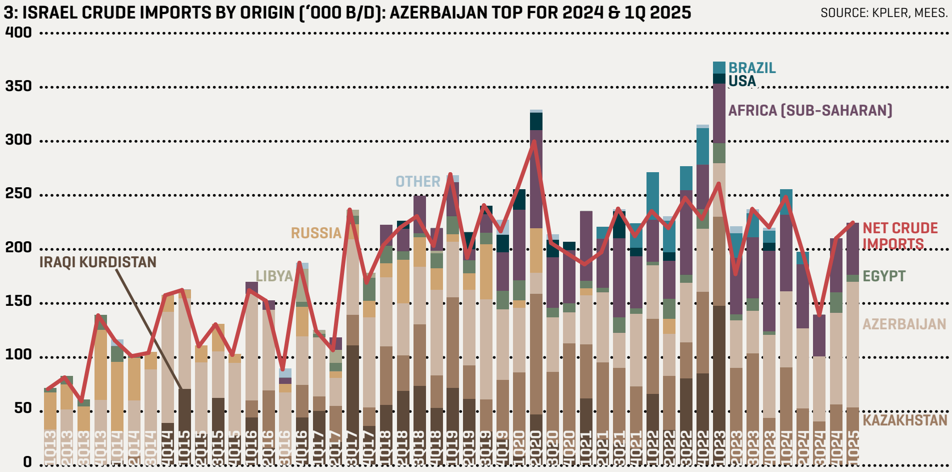
SOURCE: BAZAN, PAZ, MEES.



*BAZAN HAIFA (197,000 B/D CDU CAPACITY) AND PAZ ASHDOD (100,000 B/D).

3: ISRAEL CRUDE IMPORTS BY ORIGIN ('000 B/D): AZERBAIJAN TOP FOR 2024 & 1Q 2025

SOURCE: KPLER, MEES.



GEOPOLITICAL THREATS

*Israel's crude supplier base has always been constrained by geopolitics, with key Gulf producers such as Saudi Arabia, Kuwait and Iran (Israel's top supplier in the 1970s) refusing to countenance deliveries. And such constraints have tightened in recent years. Though Iraq also has no relations with Israel, the country's autonomous Kurdistan region emerged as top supplier to Israel a decade ago (MEES, 27 March 2015). As recently as 1Q 2023 Israel 'imported' a record 147,700 b/d from the KRG – boosting Israel's overall nominal crude imports to a record 374,500 b/d – though most of the KRG volumes were re-exported to Asia from Eilat on the Red Sea having transited the country via the EAPC pipeline from Ashkelon on the Mediterranean (MEES, 17 March 2023).

*Such flows ground to a halt as the closure of Iraq's export pipeline to the Turkish Mediterranean port of Ceyhan in March 2023 ended independent KRG crude exports (MEES, 31 March 2023). A subsequent agreement between Erbil and Baghdad means that if and when such exports eventually restart (see p7), volumes will be marketed by Baghdad meaning that flows to Israel will not resume (MEES, 2 June 2023).

*Attacks by Yemen's Houthis on Red Sea shipping since late 2023 – with 'Israel-linked' vessels continuing to be singled out for particular targeting (MEES, 21 March) – also make it inconceivable that EAPC to Asia shipments will resume in the near future. This also makes it both logistically and economically challenging for Israel to import crude from 'east of Suez' destinations. Even before this, such cargoes had been a rare occurrence: the only such volumes in the past two years were two short-haul cargoes from Egypt's Gulf of Suez (350,000 barrels of Ras Gharib in June 2023 and 500,000 barrels of Zeit Bay in November 2024).

*Leaving aside the KRG, Israel's baseload crude suppliers have long been key Caspian producers Azerbaijan and Kazakhstan (number two with 53,000 b/d for Q1) with Russia also making a strong showing until such volumes near ground to a halt as Israel complied with US and European sanctions in the wake of the February 2022 invasion of Ukraine. Additional volumes have come from west Africa (Nigeria and Gabon were numbers three and four for Q1 with 24,300 b/d and 23,800 b/d respectively), as well as the Americas – Brazil and the USA for 2023, though such volumes fell to zero for 2024.

*Top supplier Azerbaijan has long had strong relations with Israel. And the energy aspect of these relations has deepened substantially in recent months. State oil and gas firm Socar last month signed up alongside BP to operate exploration acreage offshore Israel (MEES, 21 March) and is awaiting regulatory approval for its $510mn purchase of 10% of the 1bn cfd Tamar field (MEES, 7 February).

Saudi Arabia Commissions Shuaibah-3 RO Desalination Plant

Saudi Arabia's new Shuaibah 3 desalination plant will help curb oil burn, replacing an old 60,000 b/d oil-fired facility with efficient reverse osmosis technology powered in part by captive solar capacity.

Saudi Arabia has decommissioned its oldest Independent Water and Power Project (IWPP), the Shuaibah-3 plant, replacing it with the more-efficient Shuaibah-3 reverse osmosis (RO) facility. The move is symbolic of Saudi Arabia's ongoing efforts to upgrade its energy-intensive utilities sector, with the old oil-fired Shuaibah plant replaced with a new grid-connected facility with its own captive solar power capacity.

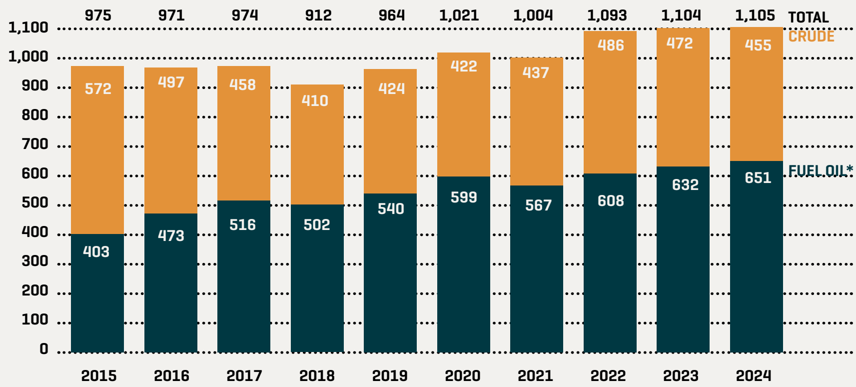
The original Shuaibah 3 plant was operated by the Shuaibah Water and Electricity Company (SWEC: PIF 32%, SEC 8%, Acwa Power 30%, Malakoff 24%, TNB 6%) under a 20-year PWPA (power and water purchase agreement), with operations starting in 2010. SWEC will continue to receive capacity payments until the PWPA expires. The facility had capacity to produce 880,000 m³/day and generate 900MW of electricity, using 22mn barrels of Arab Light crude oil feedstock annually (60,000 b/d).

The new $821mn Shuaibah 3 RO plant has a smaller desalination capacity of 600,000 m³/day and is operated by the Shuaibah Three Water Desalination company (Acwa 68%, PIF 32%). It has a captive solar plant with 60MW capacity, which Acwa says can provide 20% of its power requirements, implying it will need another 240MW from the grid. The independent water project (IWP) was awarded to the partners in 2022. It is not the first solar/RO plant commissioned in Saudi Arabia, with the 600,000 m³/day Jubail 3A plant having started up in 2023 with 45MW of solar PV capacity.

All water is purchased by the Saudi Water Partnership Company (SWPC) which serves as offtaker. SWPC announced that first potable water from the new RO plant had been achieved on 3 February, while in a 1 April LinkedIn post, Acwa Power CEO Marco Arcelli stated that "This week we decommissioned the old Shuaibah MSF desalination plant and started production of green water from the new Reverse Osmosis plant." Legacy MSF (multi-stage flash distillation) technology is far less efficient than RO.

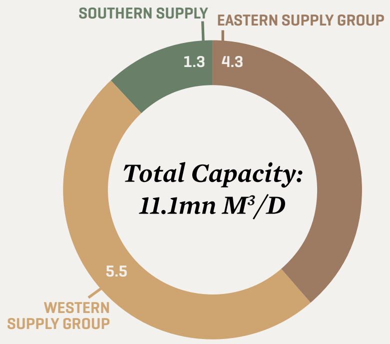
"We bid farewell to the first ever Acwa Power plant to jump into the future with one of the most efficient and green plants in the world, reducing power consumption by 87%, integrating 65 MW of locally produced solar power, and bringing 22 million barrel of oil and 9 million tons of CO_2 annually to ZERO!"

1: SAUDI OIL BURN* HAS FLATLINED AT 1.1MN B/D SINCE 2022 ('000 B/D)



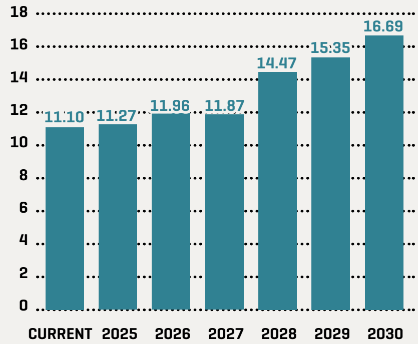
*PRESUMES ALL FUEL OIL CONSUMPTION IS BURNED, ALTHOUGH SOME IS USED IN MARINE BUNKERING. EXCLUDES SMALL VOLUMES OF DIESEL. SOURCE: JODI, MEES.

2: SAUDI ARABIA DESALINATION CAPACITY BY REGION (MN M³/D)



SOURCE: MEWA, SWPC, MEES.

3: SAUDI ARABIA DESALINATION CAPACITY IS PROJECTED* TO INCREASE 50% BY 2030



*SWPC 7-YEAR STATEMENT 2024-2030. SOURCE: SWPC, MEWA, MEES.

The 9mn t/y of CO_2 quoted is for scope 1 emissions, but the plant is reliant on the grid for most of its electricity which is overwhelmingly powered by hydrocarbon feedstock. A total of 324TWh electricity was transmitted over the grid last year, of which MEES estimates no more than 10TWh (3%) was from renewables and the rest from oil and gas. Saudi Arabia targets a 50:50 renewables/gas split by 2030, but for now it is burning more than 1mn b/d of oil annually for power generation and water desalination (see chart 1).

The Shuaibah upgrade will help to reduce oil burn and aligns with an expansive plan to convert 22.3GW of oil-fired power generation capacity across the kingdom to gas by 2030. Work began on the first plant under this scheme last year, an upgrading of the 3.6GW PP10 power plant at Riyadh to run on natural gas, with SEC saying that the first of two phases will be completed later this year (MEES, 21 March).

DESALINATION CAPACITY: 50% GROWTH TARGET

Following the Shuaibah-3 conversion project, MEES calculates that Saudi Arabia has installed desalination capacity of 11.1mn m³/d (see chart 2), of which nearly 4.16mn m³/d is through public-private partnerships. The SWPC's latest 7-year statement released last year projects that installed capacity will increase by 50% to 16.69mn m³/d by 2030 (see chart 3), despite aging plants being decommissioned. Capacity expansions are required to keep up with Saudi Arabia's population growth.

SWPC will be responsible for driving this growth and has a further ten plants with combined capacity of 4.25mn m³/d due online between now and 2032, lifting its installed capacity to 8.41mn m³/d. Next up is the 600,000 m³/d Rabigh 4 RO plant (MEES, 14 April 2023), which is due online in March 2026 and is being developed by a consortium of Acwa Power (45%), Haji Ali Reza (HAACO 35%) and Al Moayyed (20%).

Acwa Power is also expected to lead two consortiums to develop reverse osmosis plants with combined capacity of 900,000 m³/d. An IWP for the 300,000 m³/d Ras Mohaisen IWP was signed in February, with the project due online in two phases in 2028 and 2030. Meanwhile another Acwa-led consortium was announced preferred bidder in December for the 600,000 m³/d Jubail 4&6 RO IWP; commercial operations are expected in 1Q 2028. ◆◆

Oman Renewable Power Generation Faces Uphill Battle Against Gas Dependence

Power supplied in Oman from renewable sources made up a modest 4% of the total in 2024, according to Oman's state grid operator. Despite plans to reach 30% in the next five years, gas-fired generation will remain dominant.

Oman's state grid operator Oman Electricity Transmission Company (OETC) supplied a record 1.855 TWh of renewable power in 2024, up 11% from the previous year, the firm says in its annual Sustainability Report, released 29 March.

This increase was not due to any new capacity additions. Instead, all the renewable power supplied came from the existing 500MW Ibri II solar plant and the 50MW Dhofar wind project. But renewable generation should nearly triple in 2025 after the start-up of the combined 1GW Manah I and II solar plants in January (MEES, 24 January). The 2024 total equates to an average of 211MW across the year for an average load factor of 38%.

OETC says this renewable generation saved the equivalent of 392,000 tons of CO_2-equivalent emissions in 2024. But this figure is a fraction of the 18.7mn tons that OETC says thermal power plants emitted in 2023 and a mere speck of Oman's nearly 100mn tons of CO_2-equivalent national emissions (MEES, 25 October 2024).

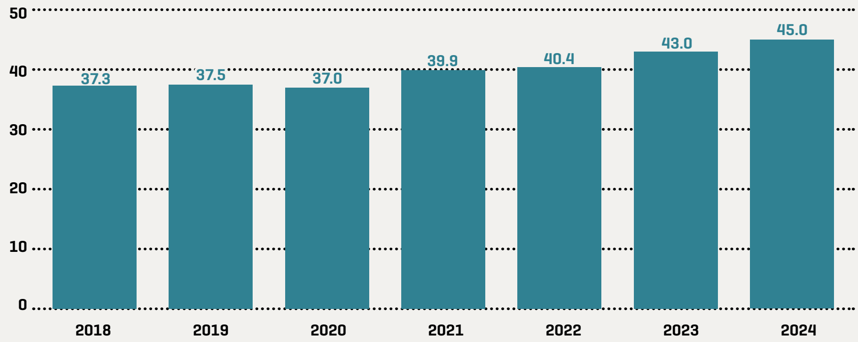
For the year as a whole, net power supply jumped 5% in 2024 to a new record 45TWh according to recently released data (see chart 1). This means that renewable energy accounted for just 4% of Oman's total power supplied in 2024. Oman has plans to scale this up to 30% by 2030. But, even if achieved, this would still leave gas with a dominant 70% share of the total (MEES, 31 January).

Based on 2024 demand, Oman would require around 3.75GW of installed renewables to account for 30% of power supplied, but with strong demand growth the required figure will be significantly higher by 2030. Oman's current renewable powergen project pipeline is for 3.7GW by 2028 (MEES, 20 September 2024). As such, the 30% target looks tough, but achievable.

GAS POWER REIGNS IN SULTANATE

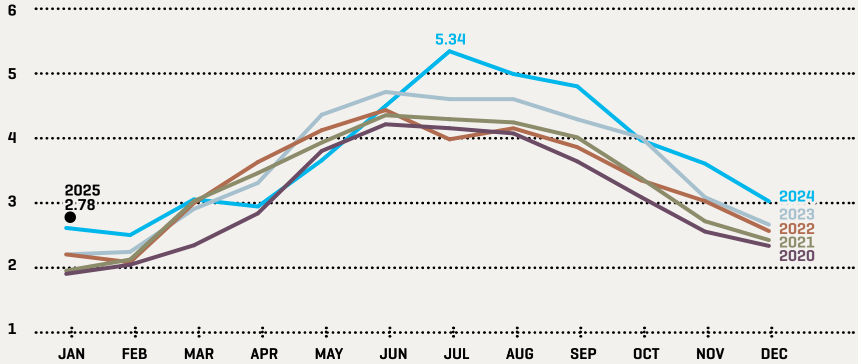
Oman's total power capacity stands at 11.3GW, of which gas-fired plants account for 9.7GW. State offtaker Nama Power and Water Procurement is currently tendering for a further 2.4GW split across two combined-cycle plants due online in 2Q 2028. This outstrips the 2GW of additional solar and wind capacity that Oman aims to bring online over the same period.

1: OMAN SUPPLIED* RECORD ELECTRICITY IN 2024 (TWh)...



*NET. SOURCE: NCSI, MEES.

2:...ON THE BACK OF AN ALL-TIME SUMMER PEAK (TWh)



The push for new gas-fired power plants is a response to Oman's rapidly increasing electricity demand and the need for solid baseload capacity. In 2024, peak net supplies smashed previous records reaching 5.34TWh for July compared to 2023's monthly peak of 4.71TWh, hit in June that year (see chart 2). Electricity supply is also rising outside of the peak summer months. 2025 began with a record January figure of 2.78TWh according to the latest government data.

Oman's grid operator has yet to release details for demand for 2024, but past reports show it comes primarily from the populous capital Muscat and the fast growing Sohar industrial hub in the north of the country (MEES, 14 June 2024).

ONE GREENER GRID

On top of commissioning new power plants, the sultanate is also upgrading its national network. In total, OETC has outlined $2.2bn in investment over the five years from 2024 to 2028, according to a green financing framework released in October. This includes the second phase 'Rabt' project to link the country's main northern grid with the isolated southern Dhofar network by 2027 (MEES, 29 March 2024).

Oman has three separate grids servicing the southern governorate of Dhofar, the tiny northern exclave of Musandam, and the main populated regions in northern Oman. A key benefit of the project will be linking up future solar and wind projects spread out across the length of the country.

On the back of these billion-dollar growth projects, OETC was gearing up for an IPO this year. It was set to be the final state firm to float a minority stake as part of broader plans to raise $5bn for sovereign wealth fund Oman Investment Authority (MEES, 22 November 2024). But, according to sources quoted in a 12 March Bloomberg report, the grid operator has paused its IPO plans in favor of a bond issuance to help fund its ambitious plans. ◆◆

Kuwait Debt Law Breakthrough: A New Era For Investment?

With parliament suspended, Kuwait is seeking to implement overdue reforms aimed at diversifying and growing the economy. A long-awaited debt law has now been approved, could the cumbersome power plant investment framework be next up for reform?

In a seismic development, Kuwait has finally passed a new debt law following years of wrangling. The new law enables it to tap international markets for the first time in eight years. The debt law had become a totemic issue for Kuwait in recent years, symbolizing the impasse between the country's government and successive parliaments which successfully obstructed its passage.

After being approved by government earlier in the month, the new law was finally issued on 26 March, setting a new debt ceiling of KD30bn ($97bn), with bond maturities of up to 50 years permitted and both Islamic and conventional finance envisaged. Its passage was only possible because the Emir suspended parliament for up to four years in May 2024, otherwise MPs would doubtless have continued to block its passage (MEES, 17 May 2024).

The stalled debt law had become emblematic of Kuwait's paralyzed political system, with observers seeing its passage as a crucial economic reform which would give the government the fiscal firepower and flexibility to invest in essential infrastructure upgrades without tapping into its reserves. Counter to this, MPs argued that government inefficiencies and alleged corruption were more urgent issues to be tackled, and raising concerns over how borrowed funds would be used (MEES, 11 December 2020). The onus now is on the government to invest any such funds wisely.

Faisal al-Muzani, Director of Public Debt at the Ministry of Finance, says the new law will boost the attractiveness of Kuwait's financial markets, help fund mega-projects, stimulate the domestic economy and boost the country's credit rating.

A LONG EIGHT YEARS

"Kuwait's approval of a long-delayed draft financing and liquidity law should improve fiscal financing flexibility, and removes a source of credit risk," says ratings agency Fitch, "The measure will enable the government to issue debt for the first time since the expiry of the previous financing and liquidity law (called the public debt law) in 2017" (MEES, 7 April 2017).

The IMF put Kuwait's debt at just 3.2% of GDP as of end-2023, and expects this to gradually rise to 25% by 2032 with the enactment of the new Financing and Liquidity law, "driven by a policy objective to develop the sovereign debt market." Even 25% is very low by international standards.

The inability to borrow put substantial financial strain on Kuwait during the Covid-19 pandemic, when the sharp drop in oil prices crushed government revenues. Even after slashing spending, Kuwait was still left with a record $35.5bn deficit for 2020/21 (to 31 March) (MEES, 13 August 2021), which it financed through withdrawals from the General Reserve Fund (GRF). A $21bn surplus for 2022/23 as oil prices spiked following Russia's invasion of Ukraine helped stabilize finances, but Kuwait then slipped back to a $5bn deficit for 2023/24 and a similar result is likely this year.

Shortly before the debt law was passed, the government approved the 2025/26 budget in early February. Based on a $68/B oil price assumption, the budget projects a deficit of KD6.3bn ($20.5bn) (see chart), although with the primary Kuwait Export grade averaging more than $75/B so far in 2025 the ultimate deficit should come in smaller.

The budget calls for capital investments of KD2.24bn ($7.3bn), which if implemented in full – a rare development in Kuwait – would be the highest annual figure since 2021/22's $8.5bn.

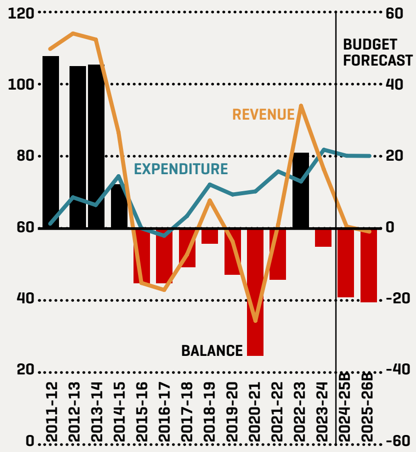
SIGNAL OF INTENT

Kuwaiti officials have said that the funds raised through issuing debt will go to a number of planned capital-intensive projects including the Mubarak Al Kabeer Port, Northern Special Economic Zone and the new T2 airport terminal. The Mubarak Al Kabeer port is intended to serve as a regional transportation hub and has been an aspiration for the government for more than a decade. It is a pillar of the Kuwait Vision 2035, which envisions the private sector catalyzing growth and restoring "the regional leadership role of Kuwait as a financial and commercial hub," while boosting the non-oil sector.

While passage of the debt law is a step that has been widely welcomed – the IMF has long been calling for it – more reforms are required. The IMF's latest Article IV report notes that "Structural reforms to improve the business environment and promote private investment are required to enhance competitiveness and diversify the economy."

Attempts to bring private sector investment into key infrastructure have been struggling to gain traction amid parliamentary objections and stifling bureaucracy. For instance, while independent power projects [IPP] are increasingly prominent elsewhere in the GCC, in Kuwait only one IPP/IWPP has been awarded – for the 1.6GW, 486,000 m³/d Az-Zour North gas-fired plant in 2013 – with the Kuwait Authority for Partnership Projects (KAPP) overseeing a highly inefficient process.

KUWAIT GOVERNMENT FINANCES ($BN): BUDGET FORECASTS $20BN DEFICIT FOR 2025/26



SOURCE: MOF, MEES.

Kuwait is desperately in need of new power generation capacity as rising demand is resulting in increasingly frequent blackouts, as seen this week (see p14), but planned projects have stalled. The government is currently tendering for the 2.7GW Az-Zour North 2&3 CCGT project (MEES, 21 February), as well as the 1.1GW Dibdibah Power and Al-Shagaya Phase 3 (Zone 1) solar projects and the 300MW Abdaliya (MEES, 21 March).

"The slow process of IPP/IWPP projects is the result of many factors," says former electricity minister Salem Alhajraf. In particular, he notes that "a revised IPP law to make projects more attractive for national, regional and international investors was prepared but never approved by parliament, and that with parliament suspended government can expedite the process and approve the revised IPP law." Approval of the law would send another strong signal that Kuwaiti authorities are serious about overhauling the country's economy.

Other measures being undertaken by the government include the introduction of a 15% domestic minimum top-up tax on multinational companies which Fitch says could generate KD250mn ($810mn) annually from 2027. There are also local media reports that excise taxes could be introduced in the near term. ◆◆

NEWS IN BRIEF

KURDISTAN SET FOR 2026 GAS BOOST

The UAE's Crescent Petroleum and Dana Gas announced on 3 April that expected completion of work to add 250mn cfd capacity to the Khor Mor gas field has been brought forward to 1Q 2026. The expansion project for the field in Iraqi Kurdistan, which is currently producing nearly 525mn cfd, had been scheduled for 2Q 2026 (MEES, 7 February). Khor Mor is operated by Crescent Petroleum and Dana Gas on behalf of the Pearl Consortium, which also includes OMV, MOL and RWE.

Pearl also has the license to the nearby Chemchemal field, and the partners now say that following the restart of appraisal work, output of up to 71mn cfd is expected to start next year. The partners say that $160mn will be spent to "drill three wells, install an extended well test (EWT) facility, and construct associated enabling infrastructure." The partners last drilled an appraisal well in Chemchemal in late 2019, with Dana Gas reporting promising results back then (MEES, 4 October 2019).

An assessment of the two fields in 2019 by Gaffney Cline & Associates put 2P reserves at 6.9tcf gas, 173mn barrels oil and 18mn tons LPG at Khor Mor, and 5.7tcf gas, 215mn barrels oil and 20mn tons LPG for Chemchemal.

SHELL QUITS MAURITANIA AS TORTUE TIMELINE SLIPS

Shell in its 2024 annual report released last week reveals that it has quit what had been Mauritania's last two active exploration blocks, C-2 and C-10. This follows last year's drilling flop at the PannaCotta-1 wildcat on block C-10 – where QatarEnergy partnered the London-based major (MEES, 17 November).

Back when Shell entered in 2018, offshore Mauritania was an exploration hotspot: ExxonMobil and Total had entered the previous year (MEES, 27 July 2018). But Exxon quit in 2021 followed by Total in 2023, whilst BP handed back all of its exploration assets impairing $4.5bn in the process (MEES, 7 March).

This leaves BP's sole asset as the PSC for the Tortue FLNG development on the Mauritania-Senegal maritime boundary (MEES, 31 March 2023).

At Tortue, also known as GTA, the first cargo from the 2.45mn t/y project has missed the Q1 target set out by both BP and partner Kosmos in their 2024 results – Kosmos on 24 February said it expected two cargoes to have sailed by the end of March (MEES, 28 February). As of 4 April, BP's British Sponsor LNG carrier, which has been in the vicinity of the Gimi FLNG vessel for several months having provided 'cool down' volumes in late 2024, has yet to load the initial cargo as planned (indeed in recent days it has not been moored alongside the FLNG either).

OMAN BLOCK 12 WELLS COME UP DRY

TotalEnergies reveals in its recent annual report that two exploration wells drilled in 2024 on Oman exploration Block 12 (Total 80%op, PTTEP 20%) were dry. Muscat awarded Total the right to explore non-associated gas prospects in the concession back in 2019 after carving it out of the massive Block 6 operated by state firm PDO (MEES, 12 April 2019). Total did not respond to questions from MEES about its future plans for the block.

News of the onshore gas flop comes on the back of more promising developments on two Oman blocks where Total partners Shell. The UK-based major is appraising a gas discovery on Block 11 (Shell 67.5%op, TotalEnergies 22.5%, OQEP 10%) after it successfully ramped up output at the 500mn cfd Mabrouk North East field in Block 10 (Shell 53.45%op, TotalEnergies 26.55%, OQ 20%).

Block 12 is Total's only exploration block in Oman after it relinquished offshore Block 41 in 2015 following barely a year of exploration, although its producing assets in the country netted it a record 65,000 boe/d for 2024 (193mn cfd gas, 29,000 b/d oil).

The energy ministry has now divided Block 41 into three in preparation for offering it as part of the second phase of its 2025 bid round (MEES, 7 February).

TAQA AWARDED ABU DHABI GAS-FIRED POWER PLANT

Abu Dhabi state utilities firm Taqa has signed a 24-year power purchase agreement (PPA) with the emirate's offtaker Ewec to develop a 1GW open cycle gas turbine power plant in Abu Dhabi. In a 3 April announcement, the firms said Taqa will build, own and operate the Al Dhafra plant with 100% ownership.

Ewec is also tendering for another open cycle plant, the 1.5GW Madinat Zayed, as well as for the 2.5GW Taweelah-C combined cycle gas turbine plant (MEES, 2 August 2024). Despite the vast strides made in boosting nuclear and renewable power generation, gas will remain a core component of the future power generation mix in Abu Dhabi and throughout the UAE for the foreseeable future.

KUWAIT CURBS POWER SUPPLY AHEAD OF SUMMER PEAK

Kuwait cut power to some agricultural and industrial users on 2 April as rising demand coupled with power plant maintenance threatened to overstrain the power sector. The move came despite peak electricity demand of just over 10GW being in line with recent seasonal norms, with similar demand levels reached in early April last year. This raises further concerns as to Kuwait's ability to meet expected summer peak demand of around 18GW. The move is especially unusual given that available capacity – i.e. capacity after taking into account units under maintenance – was already at 10.02GW by February and has never been less than 12GW in recent years.

CRUDE OSPs ($/B): IRAN CUTS APRIL PRICES IN LINE WITH SAUDI

	Feb25	Mar25	Apr25
IRAN: to Asia (FOB Kharg Island, vs Oman/Dubai average)			
Iranian Light (33-34°)	+1.95	+4.35	+3.95
vs Saudi Arab Light	*+0.45*	*+0.45*	*+0.45*
Iranian Heavy (30-31°)	-0.30	+2.20	+1.90
vs Saudi Arab Medium	*-1.05*	*-1.05*	*-1.05*
Foroozan (31°)	-0.05	+2.45	+2.15
South Pars Condensate	-1.80	+0.80	+0.55
Soroosh (18.6°) vs Iran Heavy	-3.15	-3.05	-2.95
to Northwest Europe/South Africa (FOB Kharg Island, vs ICE Brent)			
Iranian Light (33-34°)	-1.35	+1.85	+1.75
vs Saudi Arab Light	*-1.40*	*-1.40*	*-1.30*
Iranian Heavy (30.7°)	-3.15	+0.05	-0.05
vs Saudi Arab Medium	*-2.40*	*-2.40*	*-2.30*
Foroozan (31°)	-8.00	+0.15	+0.05
to Mediterranean (FOB Kharg Island, vs ICE Brent)			
Iranian Light (33-34°)	-1.25	+1.95	+1.70
vs Saudi Arab Light	*-1.20*	*-1.20*	*-1.15*
Iranian Heavy (30-31°)	-3.35	-0.15	-0.40
Foroozan (31°)	-3.25	-0.05	-0.35
SAUDI ARABIA: to Asia (FOB Ras Tanura, vs Oman/Dubai average)			
Arab Super Light (>40°)	+2.25	+4.35	+4.05
Arab Extra Light (36-40°)	+1.50	+3.90	+3.30
Arab Light (32-36°)	+1.50	+3.90	+3.50
Arab Medium (29-32°)	+0.75	+3.25	+2.95
Arab Heavy (<29°)	-0.50	+2.10	+1.80
ABU DHABI			
Murban (40.3°)	73.28	80.22	77.62
Das (38.8°)	72.88	79.82	77.27
Das-vs Murban	-0.40	-0.40	-0.35
Umm Lulu (38.7°)	73.53	80.47	77.92
Umm Lulu-vs Murban	+0.25	+0.25	+0.30
Upper Zakum (34.1°)	73.28	80.32	77.92
Upper Zakum-vs Murban	+0.00	+0.10	+0.30
QATAR			
Qatar Land (40°)-vs Dubai^	+0.30	+2.75	+1.85
Qatar Marine (36°)-vs Dubai^	+0.45	+2.90	+2.10
ALGERIA (vs Dated Brent)			
Saharan Blend (45.7°)	+0.95	+0.30	+0.20
LIBYA (vs Dated Brent)			
Zueitina (41°)	-0.25	-0.40	-0.40
Brega (40°)	-1.30	-1.55	-1.40
Sirtica (41°)	-1.05	-1.05	-0.75
Es Sider (37°)	-1.15	-1.35	-0.75
Bu Attifel (36°)	-0.85	-1.05	-0.55
Sarir (36°)	-3.50	-3.70	-3.20
Amna (36°)	-0.25	-0.70	-0.40
Sharara (43°)	-0.40	-0.70	-0.70
Mellitah (41.6°)	-1.10	-1.40	-1.25
Bouri (26°)	-1.55	-1.55	-1.55
Al Jurf (30°)	-0.45	-0.45	-0.45

From Facts to Feelings: The Role of Data, Narrative & Sentiment in Oil Markets

*-By Dr Sara Vakhshouri**

In an April 2024 piece for the Atlantic Council, I noted how dominant narratives were distorting global energy security. Nearly a year later, it was encouraging to hear IEA Executive Director Fatih Birol echo similar concerns. Speaking at the 24 March launch of the IEA's 2025 Global Energy Review, Mr Birol encouraged the market to "stick to data" and warned to avoid "narratives driven by different motivations." It's a constructive appeal for analytical rigor – but it also invites a broader, more nuanced conversation. In many cases, data is the narrative, and the distinction between the two is not always as clear-cut as it may seem.

Facts are raw observations, but once we begin selecting, organizing, and modeling those facts, we apply interpretive frameworks – intentionally or not. The resulting data reflects those assumptions. In this sense, data is shaped by methodology and context, and while not inherently biased, it is rarely entirely neutral. As such, data can carry narrative weight depending on how it is constructed, framed, and communicated.

Projections and forecasts take this further. They embed expectations about future developments – policy, behavior, technological shifts, and macroeconomic risks. Every forecast reflects a lens, shaped by methodology, institutional context, and strategic priorities.

Understanding how narratives shape market expectations is essential. Though often based on data, they influence pricing, investment, and energy strategy. Decision-makers must look beyond the numbers to the assumptions.

A clear example is the methodological difference between IEA and Opec projections. Both institutions rely on data-driven models, yet they apply distinct frameworks that reflect different perspectives on how the future may unfold. The IEA incorporates assumptions about the future impact of policy commitments – particularly related to climate and regulatory pathways – while Opec's models rely more heavily on classical economic forecasting models and focusing closely on supply-demand dynamics. Both approaches are data-driven, yet they reflect different frameworks and, therefore, different narratives.

BEYOND THE NARRATIVE: UNDERSTANDING MARKET SENTIMENT

Overlaying all of this is market sentiment—a powerful but often underappreciated force. Sentiment isn't data, and it's not a forecast, nor is it easily measured by traditional analytical tools. It's the collective mood or conviction that drives how markets respond to a given narrative at a particular moment. In many cases, it reflects the story the market chooses to believe.

A telling example emerged last year: despite intensifying geopolitical risk in major oil-producing regions, oil prices remained relatively subdued. This wasn't due to a lack of concern about supply – it was that sentiment had shifted toward skepticism about China's economic growth and global demand softness. Supply risks didn't disappear; they were simply overshadowed by a more dominant bearish narrative. In moments like these, sentiment often outweighs fundamentals – especially in periods of heightened uncertainty.

NARRATIVE AMPLIFICATION IN THE AGE OF ALGORITHMIC TRADING

This becomes even more complex in the age of algorithmic trading, where automated systems – especially those using natural language processing (NLP) – ingest and react to vast streams of information in real time, from fundamentals to technical indicators to media headlines. While these systems are designed to account for multiple variables, they are often highly sensitive to whichever narrative dominates the media and public discourse at a given moment. A surge in attention around a particular theme – such as weakening demand in China or escalating tensions in the Middle East – can trigger immediate positioning shifts, even when underlying fundamentals remain largely unchanged. For example, a Financial Times article titled "Saudi Arabia to Drop $100 Crude Target to Win Back Market Share" from 2024 citing unverified sources, led to a 1.7% drop in Brent prices – showing how quickly markets react to media headlines without confirmation.

This creates a feedback loop: dominant narratives drive media coverage, media coverage influences algorithms, and algorithmic trades reinforce the narrative through market movement. The result is amplified volatility, where perception – not fact – can become the main price driver, at least in the short term.

STEP ZERO: WHEN FACTS ARE UNCLEAR & REALITIES DISPUTED

Today, the oil market is grappling with more than diverging projections or competing narratives – it's facing uncertainty in the facts themselves and the breakdown of a shared baseline of facts. Rapid, often contradictory policy shifts – especially from major economies like the US – blur the line between strategic intent and tactical messaging. As a result, the market responds not just to fundamentals, but to headlines, signals, and perceived intent.

Between policy and perception, a tactical spectrum of oil market volatility has emerged. The current US posture reflects a dual-track strategy – mixing punishment with high-stakes incentives – from the threat of military pressure on Iran and tariffs on Russian oil buyers, to possible negotiated deals, aiming to shape outcomes through both punishment and engagement.

These opposing forces pull the market in different directions. Tariffs – whether used as a sanction tool or trade policy – can drive inflation and suppress demand, while geopolitical risks elevate supply concerns and risk premiums.

In this fog of ambiguity, where facts, data, narratives, and the assumptions behind them are often misaligned, we find ourselves navigating a market shaped as much by perception as by reality. In such an environment, careful discernment of all these factors becomes not just important, but essential.

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FURTHER READING

Opec+ Output Decision: Will Geopolitical Uncertainty Trump Market Fundamentals? (MEES, 28 February)

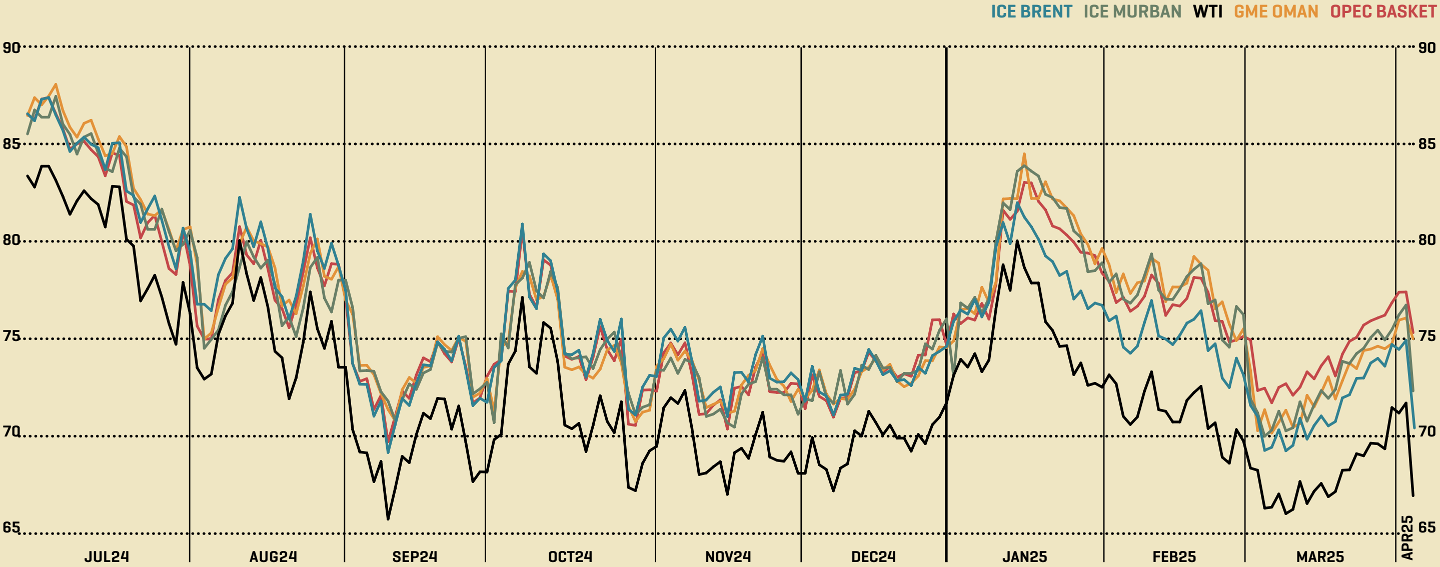
China Slowdown Fuels Global Oil Demand Concerns (MEES, 13 September 2024)

SELECTED DATA

BENCHMARK CRUDE PRICES ($/B)

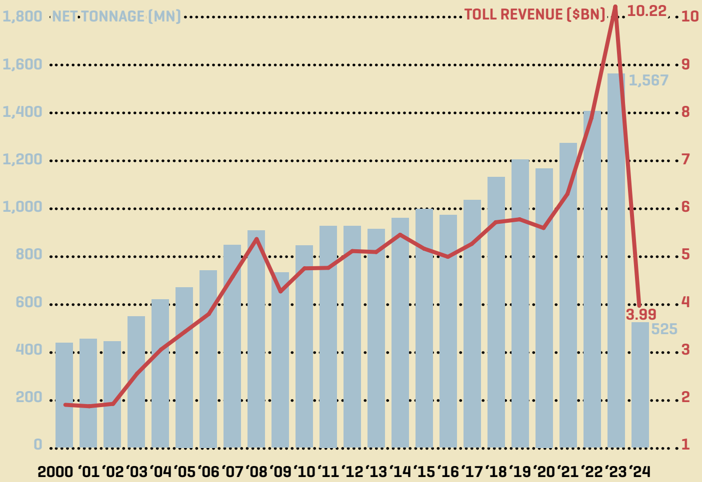
	3Apr	24-28Mar	17-21Mar	Mar25	Feb25	Jan25	1Q 2025	4Q 2024	3Q 2024	2025 (3Apr)	2024	2023	2022
WTI	66.95	69.35	67.64	67.93	71.19	75.22	71.51	70.31	75.38	71.44	75.79	77.58	94.37
ICE Brent	70.14	73.49	71.31	71.47	74.95	78.35	74.98	74.01	78.72	74.95	79.86	82.18	99.02
ICE Murban	72.36	74.88	72.89	72.58	77.34	80.18	76.74	73.76	78.34	76.67	79.74	82.80	98.84
GME Oman	75.04	74.33	72.80	72.51	77.64	80.02	76.76	73.60	78.47	76.71	79.61	82.02	94.42
OPEC Basket	75.35	75.83	74.01	74.00	76.81	79.38	76.77	73.54	78.97	76.77	79.89	82.95	100.08
JCC	na	na	na	na	80.4	76.57	na	78.24	85.86	na	83.92	86.56	102.70

AVERAGE SETTLEMENT PRICES FOR PERIOD IN QUESTION.

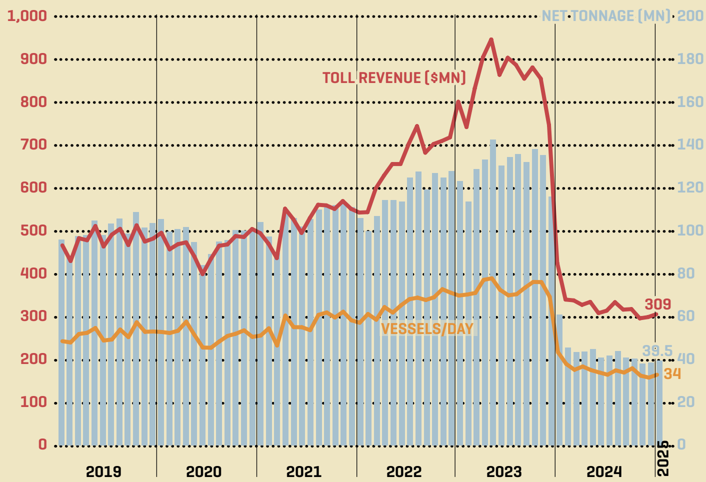


SUEZ CANAL TRAFFIC & REVENUES REMAIN AT MULTI-DECADE LOWS

2024 TONNAGE WAS DOWN 2/3 AND REVENUES 61% TO PLUMB 22 AND 18-YEAR LOWS...



...WITH NO SIGN OF IMPROVEMENT IN THE LATEST MONTHLY STATS THROUGH JANUARY



SOURCE: SUEZ CANAL AUTHORITY, ECB, CAPMAS, MEES.