

## Geopolitics hangs in the background for oil markets

August 19 2025 – Commodities

Oil markets are waiting on the next clear signal from diplomatic maneuvers between the US, Russia and Ukraine to set a near-term trading range. After a sharp run higher at the end of July, with Brent futures rising to more than USD 73/b, prices have eased in August as the prospect of more US restrictions on Russian oil exports receded. US President Donald Trump has pushed for a bilateral meeting between his Russian and Ukrainian counterparts, followed up by a trilateral meeting between the three presidents. So long as the prospect of diplomatic negotiation remains live, then the threat of harsher US or European penalties on trade in Russian oil will pull back.

### Geopolitics having a limited impact on oil



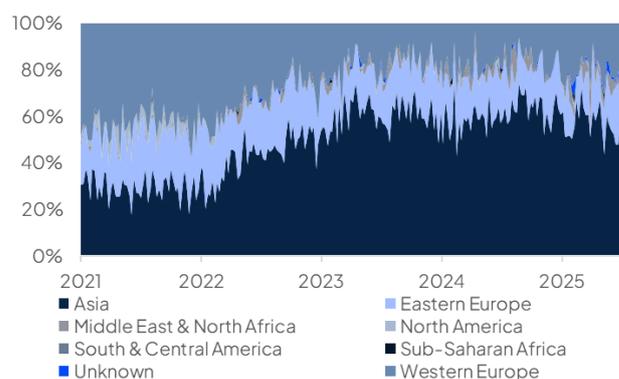
Source: Bloomberg, Emirates NBD

Geopolitical developments have only managed to have brief effects on oil markets this year with prices quickly unwinding their spike in mid-June during the Iran-Israel war. Brent jumped to more than USD 81/b on 23 June but then ended the month below USD 70/b as it became clear there was no disruption to oil production or transport. The pullback in US threats on accessibility to Russian oil exports looks to have been worth about USD 7/b and while a diplomatic resolution to the conflict may still take a long time to achieve, the potential for more Russian oil exports opens up downside pressure for oil.

Overall seaborne shipments of Russian oil have been fairly steady since the war began but there has been a material shift in their destination. In 2021, prior to the war, Western European ports received more than 40% of Russian oil shipments while Asian markets received less than 30%. By the first half of 2025 the dynamic had more than reversed with Asia

taking 57% of total Russian oil exports and Western European markets taking around 21%.

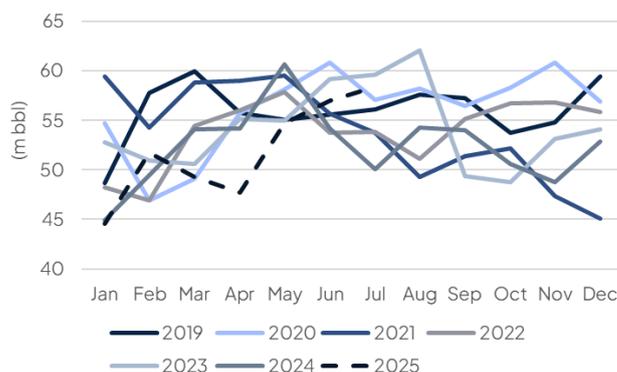
### Shift in destinations for Russian oil



Source: Bloomberg, Emirates NBD Research

European markets are hardly screaming out for additional flows of oil. Crude oil inventories at the ARA ports (Amsterdam, Rotterdam, Antwerp) have picked up meaningfully in the last several months while forecasts for oil demand from both the IEA and the more robust projections from OPEC suggest European consumption holding steady in 2025-26.

### ARA crude oil stockpiles

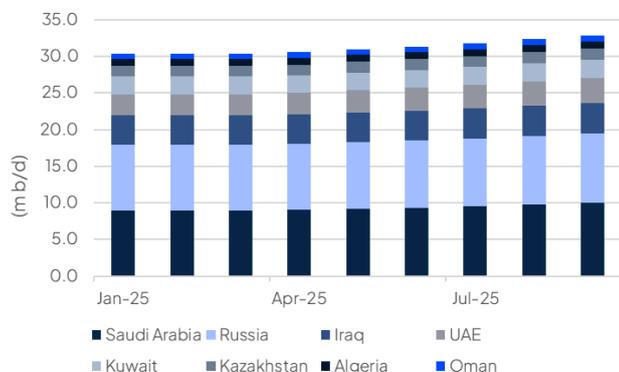


Source: Bloomberg, Emirates NBD

At the same time that diplomacy has gathered pace around the Russia-Ukraine war, OPEC+ has maintained its policy of returning output to markets in large volumes. Earlier in August, the eight members of the exporters' alliance that have been providing additional production restraint announced they would increase output by almost 550k b/d in September, achieving their original end of 2026 target by next month. From target levels of

30.4m b/d at the start of 2025, the V-8 countries within OPEC+ will have increased output targets to almost 33m b/d for September.

### OPEC+ targeting higher output levels



Source: OPEC, Emirates NBD

### Oil prices to linger around current levels

Brent futures have recorded an average of USD 68.60/b so far in Q3, moderately above our Q3 target of USD 65/b. We expect prices will hold close to our forecast levels of USD 65/b in H2 for the balance of 2025 as inventory builds gather pace amid moderate demand growth and supply increases from OPEC+ and elsewhere weigh on balances.

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