

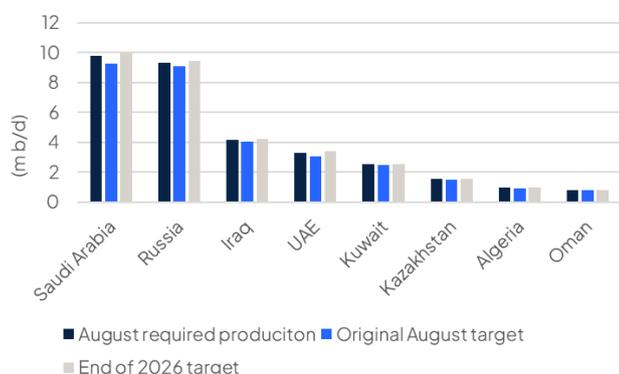
OPEC+ moves ahead with market share strategy

July 7 2025 – Commodities

OPEC+ has confirmed its shift to a market share strategy with another large production increase planned for August. Additional unwinds of the remaining OPEC+ production restraint are likely at upcoming meetings, even as oil prices face a downbeat outlook amid concerns that US tariffs will hit demand growth.

The eight OPEC+ countries that have been providing additional voluntary production restraint will increase output by 548k b/d in August, up from 411k b/d of monthly increases from May to July. In its statement accompanying the decision, the language from the voluntary group—the V8—said that the decision was in line with “healthy market fundamentals, as reflected in the low oil inventories” while also giving themselves the flexibility to pause or reverse the increase based on “evolving market conditions.”

OPEC far ahead of schedule



Source: OPEC, Emirates NBD Research.

Remaining restraint to be unwound

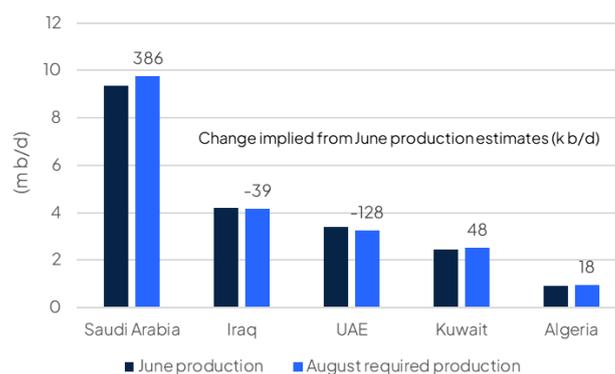
Another monthly increase for August was our expectation but the scale of the increase for next month suggests that OPEC+ will abandon any notion of production restraint at upcoming meetings and will bring forward all of its planned production increases for the rest of 2025 and 2026. The August required production levels for Saudi Arabia, for example, are only 2% or 222k b/d lower than what was planned for the end of 2026. For the UAE, end of 2026 target levels are just 3% higher than the required production levels of August.

Market reaction to the decision from the V8 group has been negative but contained. Brent futures fell on the open but are holding close to the USD 68/b level. As the decision to increase output was widely expected it was the scale of the increase that represents the surprise to the market. But once OPEC+ had begun the process of increasing output ahead of schedule with its May required production levels, there was little rationale to start with large increases and then pare them back, particularly as price reaction has been only modest on the downside.

Planned increase dented by recent output

The August numbers, while representing a large increase on paper, will be offset by production in several OPEC+ countries already being higher than target levels. The August targets for UAE and Iraq, for instance, would imply production declining from market assessments of what they had produced in June. According to the targets from OPEC+, output is meant to increase by close to 730k b/d from June to August among the core OPEC members while in practice the August levels are just 285k b/d higher than market assessments of June production.

August targets tempered



Source: Bloomberg, Emirates NBD Research.

Our own forecasts for oil market balances for the remainder of 2025 and 2026 had been based on OPEC+ increasing output ahead of schedule in any case so the August decision fits within our expectation of steady inventory builds over the remainder of 2025 and into next year. Our oil price

assumptions of Brent at an average of USD 65/b in Q4 2025 remains unchanged.

Downside risks to our oil price assumptions are high as the global economy faces a high degree of uncertainty stemming from when and how the US will implement its tariff policies. A sharp drop in activity in emerging markets will be a negative for global oil demand for the rest of 2025 and into 2026 while just the fear of policy uncertainty will be enough to limit investment.

The rapid deflation of the geopolitical premium in prices that emerged in the second half of June caused by the Israel-Iran war would suggest that markets are still more anxious about demand decelerating materially than real security of supply risks.

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