

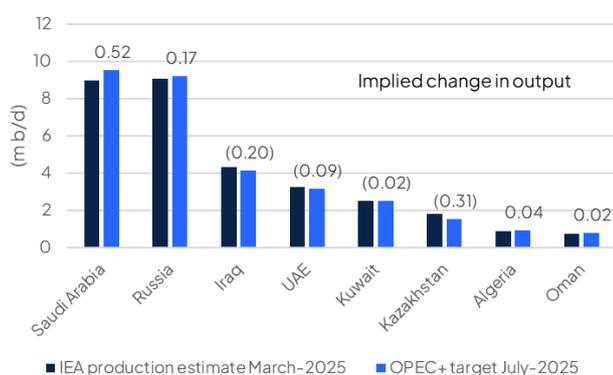
## OPEC+ accelerates production increases again

### June 2 2025 – Market Economics

The OPEC+ countries that have been contributing additional voluntary cuts – the so-called V8 group – agreed to increase production for July by 411k b/d from June target levels. This is the third month in a row where the bloc has planned a larger increase than OPEC+ had originally plotted out for the return of barrels out to the end of 2026.

Like the previous announcements covering the larger increases for May and June, the decision for July is motivated by the failure of some members to stick to production targets and gives over-producers “an opportunity to...accelerate their compensation.” The July target levels are actually lower than recent production estimates for four of the V8 members, covering a total of about 620k b/d. The overall net change in production by July from estimates of March production will be about 135k b/d.

### July target levels vs output estimates



Source: IEA, OPEC, Emirates NBD Research.

The three consecutive decisions from OPEC+ are aligning production targets with estimated production levels and the impact on overall balances will be more muted than the headline change of 1.2m b/d for May-July implies. Our own forecast for oil markets this year is based on higher production from OPEC+ so the announcements for May-July fit within our expectations.

What OPEC+ decides for output for the rest of 2025 and into 2026 is a more open question. We had assumed a steady pace of production increases, at a higher path than OPEC+'s own expectations, but the jump up in output for Saudi Arabia is higher than our original forecasts for the year. The July 2025

target level of 9.5m b/d for Saudi Arabia is what the country was originally meant to produce in January 2026 and we doubt that there will be appetite to shift output lower. For the second half of 2025, the higher OPEC+ levels will contribute to a meaningful widening of oil market balances and reinforces our view that oil prices will drift lower by year-end. The V8 members of OPEC+ will likely keep adjusting targets higher to better align targeted production with well-head output.

The impact on prices for the July announcement has been muted so far, given that it was widely expected by the market. Oil futures have traded higher following the announcement for July as focus has shifted to geopolitical risks between Russia and Ukraine, rather than oil market fundamentals.

### Impact of OPEC+ plans fading on price



Source: Bloomberg, Emirates NBD Research.

Another wild card for oil markets for the rest of the year will be whether US – Iran negotiations currently under way result in a deal that lifts sanctions on exports of Iranian oil. Iran’s oil production is currently holding around 3.3m b/d, roughly 500k b/d below where output peaked in 2017-18 when Iran, the US and other partners were operating under the aegis of the Joint Comprehensive Plan of Action (the JCPOA or Iran nuclear deal). A diplomatic resolution between the US and Iran could allow more Iranian oil onto the market though whether the country has the capacity to hit previous peaks is unclear.

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