



# OPEC+ commits to higher output

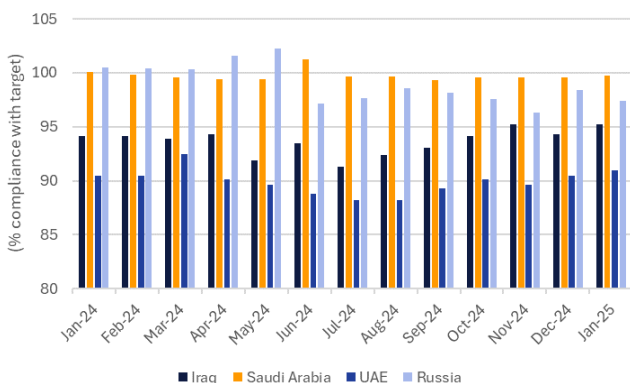
Market Economics | 4 March 2025

The eight members of OPEC+ that had been providing “additional voluntary adjustments” have committed to their plan to gradually restore production from April. The announcement to increase output stands at odds with current conditions in oil markets with prices falling year-to-date as the threat of a trade war has been hanging over demand expectations.

The countries providing the additional cuts, which include the UAE, Saudi Arabia, Russia and Iraq among a few others have said they will remain “adaptable to evolving conditions” which suggests they may still slow or pause the pace of restoring production. The statement again pushes for countries that have overproduced relative to target levels to submit a plan by mid March for how they will compensate.

Aggregate compliance across OPEC+ has been relatively steady at just shy of 100% though several countries have materially overproduced relative to target levels. Overproduction by some members is the perennial challenge in maintaining the effectiveness of production restraint as a tool for market management. Phasing barrels back in to markets to establish a large baseload level of OPEC+ production could be a shift in strategy to preserving market share and away from targeting specific price levels.

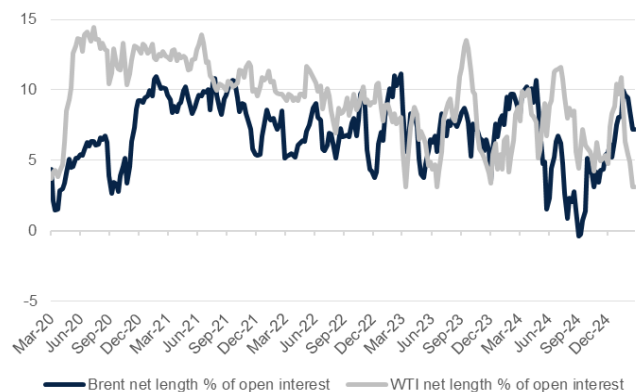
## Compliance among major producers



Source: IEA, Emirates NBD Research.

Oil futures turned lower following the announcement from OPEC+ and deepened the year-to-date losses for Brent to 4.7% at around USD 71/b and for WTI to 5.1% with the front month trading at USD 68/b. Price signals have grown more negative in recent weeks with time spreads in both the Brent and WTI markets eroding the wide backwardation that had been established at the start of the year while investors have grown much more downbeat on oil with speculative net length in WTI futures and options representing just 3% of total open interest.

## Investors turn sour on oil



Source: Bloomberg, Emirates NBD Research.

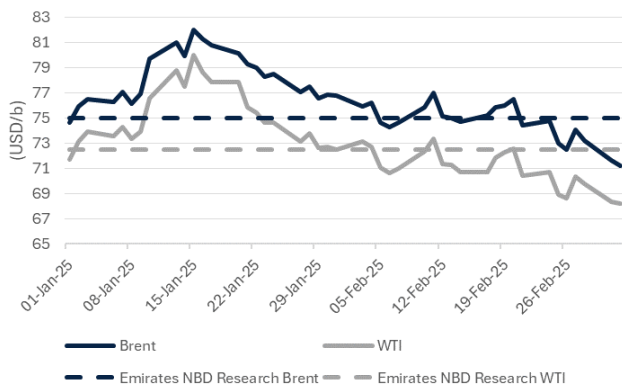
There had been growing speculation in the market that OPEC+ would delay plans to increase production amid uncertainty on the impact tariffs would have on global oil demand. However, our **long held view** was that OPEC+ would indeed push ahead with the planned production increase to avoid losing more market share to competing producers not bound by OPEC+ terms.

The announcement from OPEC+ will be negative for oil in the short term, particularly as it coincided with plans from the US government that it will impose tariffs on Canada, Mexico and China and could follow up with plans for wider-ranging reciprocal tariffs or duties on EU goods. Our projections for oil markets this year had been based on OPEC+ gradually fading production into the market so we hold to our views that prices will on average be lower



this year than they were in 2024. Both Brent and WTI futures are on track to converge with our Q1 target averages of USD 75/b and USD 72.50/b respectively.

#### Prices sliding year-to-date



Source: Bloomberg, Emirates NBD Research.

As global inventories build over the course of 2025, mainly as a result of higher output, we maintain our expectation that prices will slide further from here, targeting a Q4 average of USD 70/b for Brent and USD 68.50/b for WTI. Downside risks may grow more material if a global trade war widens and shipping has to re-orient to shorter, more regional routes or exporters forgo shipments entirely. Diplomatic efforts to reintegrate Russia into unrestricted commodities trade also represents another downside risk for oil and commodity prices in 2025.

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