

Monitoring of OPEC quotas

OPEC holds firm on low oil production levels

HCOB Economics

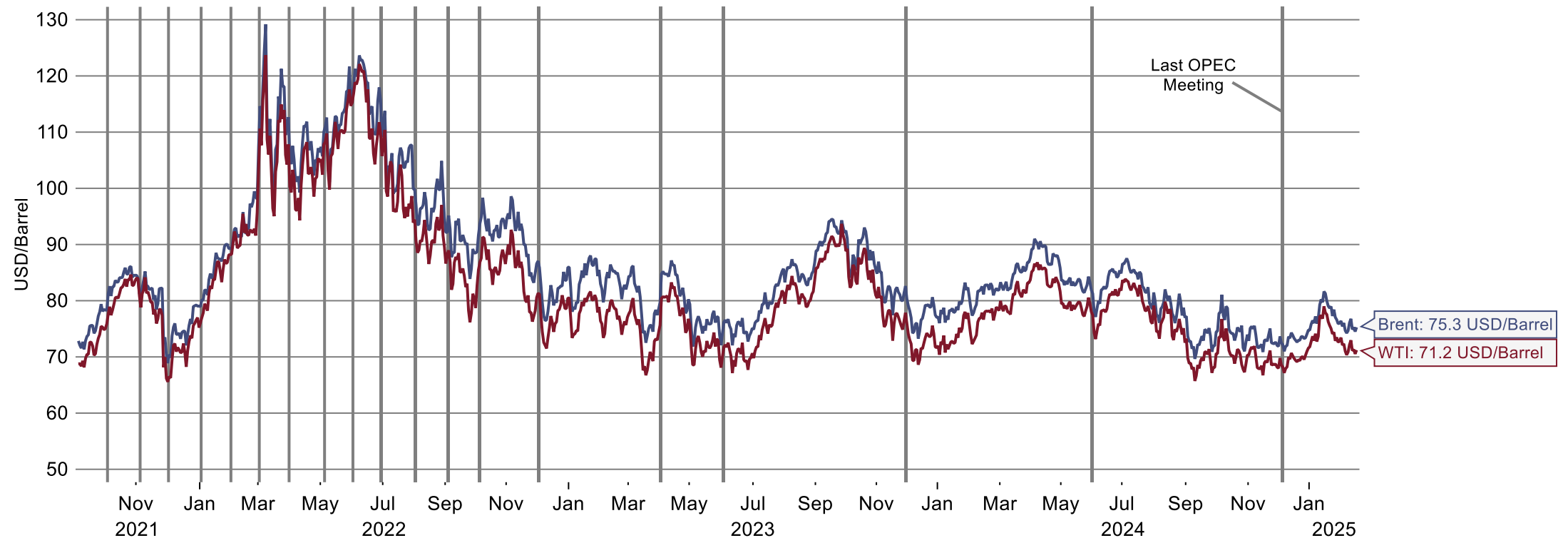
February 19, 2025

Executive Summary: OPEC holds firm on low oil production levels

- OPEC+ crude oil production amounted to 35.23 million barrels/day in January. Of this, OPEC-9 accounted for 21.38 million barrels/day and the OPEC partners for a further 13.85 million barrels/day. In recent months, the organization has largely maintained its production volume at this level, although it plans to increase its production in small steps from April onwards. It cannot be ruled out that OPEC+ will comply with Donald Trump's demands for a massive increase in production volumes, but this would require the USA to make concessions to Saudi Arabia, for example in the form of security guarantees.
- The oil price has been volatile in the first quarter of 2025 to date. At the beginning of the year, prices rose to over USD 80 per barrel as a result of stricter sanctions against Russian and Iranian oil and a cold spell in North America. The price of a barrel of Brent crude is currently significantly lower again, at around USD 75.
- In our base scenario, we forecast that the Brent price will fall to an average of USD 77.5/barrel in 2025 due to strong global growth in oil production and a slowdown in demand. By comparison, the average Brent price in 2024 was USD 81/barrel. Nevertheless, we see the potential for higher oil prices in the first half of the year, especially in light of the fact that the US has announced that it will increase pressure on Iran. However, market conditions could change as a result of the ongoing talks between Trump and Putin on a possible end to the Ukraine conflict, as more Russian oil could then enter the market again, which should lead to a fall in oil prices.
- In addition to our baseline forecast, we have prepared further forecasts based on various models. For example, we have assumed increased drilling activity in the USA in the scenario “Drill, baby, drill” . This could lead to a global supply surplus and thus to a further fall in oil prices.
- OPEC’s global oil demand forecast for 2025 has remained unchanged in the last two months at 105.2 million barrels/day. Compared to the previous year, the organization is forecasting growth of 1.4 million barrels/day. OPEC expects this growth to be driven by strong demand for fuel in aviation and good mobility in road transport.
- The next regular meeting of OPEC+ is scheduled for May 28, 2025. However, the organization reserves the right to convene extraordinary meetings if necessary.

Price development: At the beginning of the year, prices rose to over USD 80 per barrel due to stricter sanctions against Russian and Iranian oil.

Oil price, Brent und WTI, US-Dollar/Barrel (lines indicate the OPEC/OPEC Plus meetings)



Source: Macrobond, HCOB Economics, Intercontinental Exchange (ICE)

Oil price forecast: Our models predominantly forecast falling oil prices for the years 2025 and 2026.

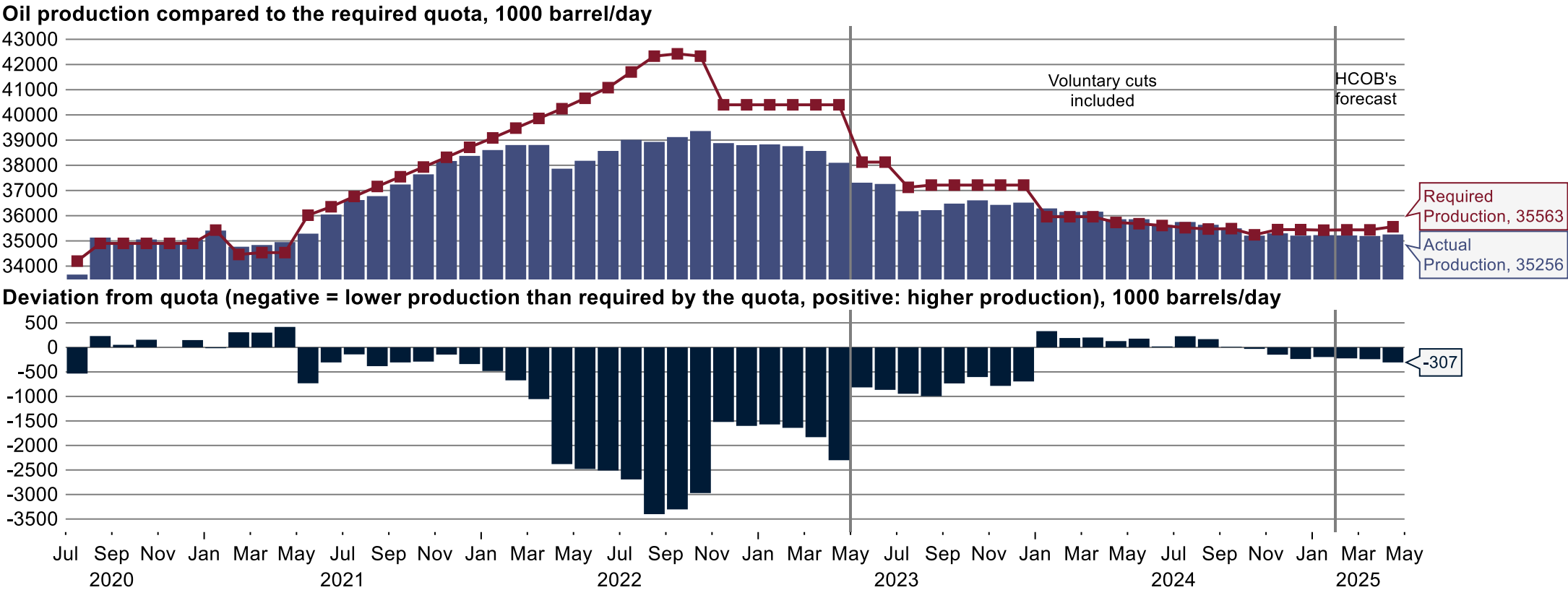
February 2025		Forecasts, Brent crude oil price, USD per barrel							
		2025 Q1	2025 Q2	2025 Q3	2025 Q4	2026 Q1	2026 Q2	2026 Q3	2026 Q4
HCOB baseline		80	80	75	75	70	70	70	70
HCOB VAR		76	74	74	73	72	71	70	69
HCOB OECD inventories									
<i>Scenario 1: Drill, baby, drill</i>		76	74	71	69	66	64	61	58
<i>Scenario 2: Stagnation</i>		76	76	75	75	75	74	74	74
<i>Scenario 3: Decline</i>		77	77	79	81	83	85	87	89
HCOB additive trend		78	76	73	70	67	65	62	59
Oil futures		76	74	73	72	71	70	70	70
EIA		77	75	74	72	69	67	66	64
Analysts' consensus		76	75	75	74	74	74	---	---

Source: HCOB Economics, U.S. Energy Information Administration (EIA), Intercontinental Exchange (ICE), Baker Hughes, Bloomberg

The table above presents an overview of a range of forecasts, including in-house forecasts based on different models as well as forecasts from external sources.

- **HCOB baseline:** The oil price outlook HCOB Economics considers the most likely, judgmental forecast.
- **HCOB VAR:** Vector Autoregression (VAR) model that captures the relationship between multiple time series (e.g., oil price, oil supply, oil consumption, etc.).
- **HCOB OECD inventories:** Forecasts based on inventory data from the OECD, considering three scenarios. Scenario 1 (Drill, baby, drill) assumes increased drilling activity and therefore higher inventories, scenario 2 (Stagnation) assumes stagnating OECD inventories, while scenario 3 (Decline) assumes declining OECD inventories. Generally, there is an inverse relationship between OECD inventories and oil prices. An increase in OECD inventories typically indicates an oversupply of oil, as excess production is absorbed into storage. This surplus supply can put downward pressure on oil prices. Conversely, declining inventories suggest tighter market conditions, which can drive prices higher.
- **HCOB additive trend:** Additive time series model trained for short-term forecasting.
- **Oil futures:** Projections based on the forward curve from the oil futures market data from ICE (1st to 24th position).
- **EIA:** Forecasts from the U.S. Energy Information Administration.
- **Analysts' consensus:** Bloomberg survey of crude oil prices, average over multiple analysts' forecasts.

Production quotas: It is possible that OPEC+ will comply with Trump’s demands for a massive increase in production volumes.

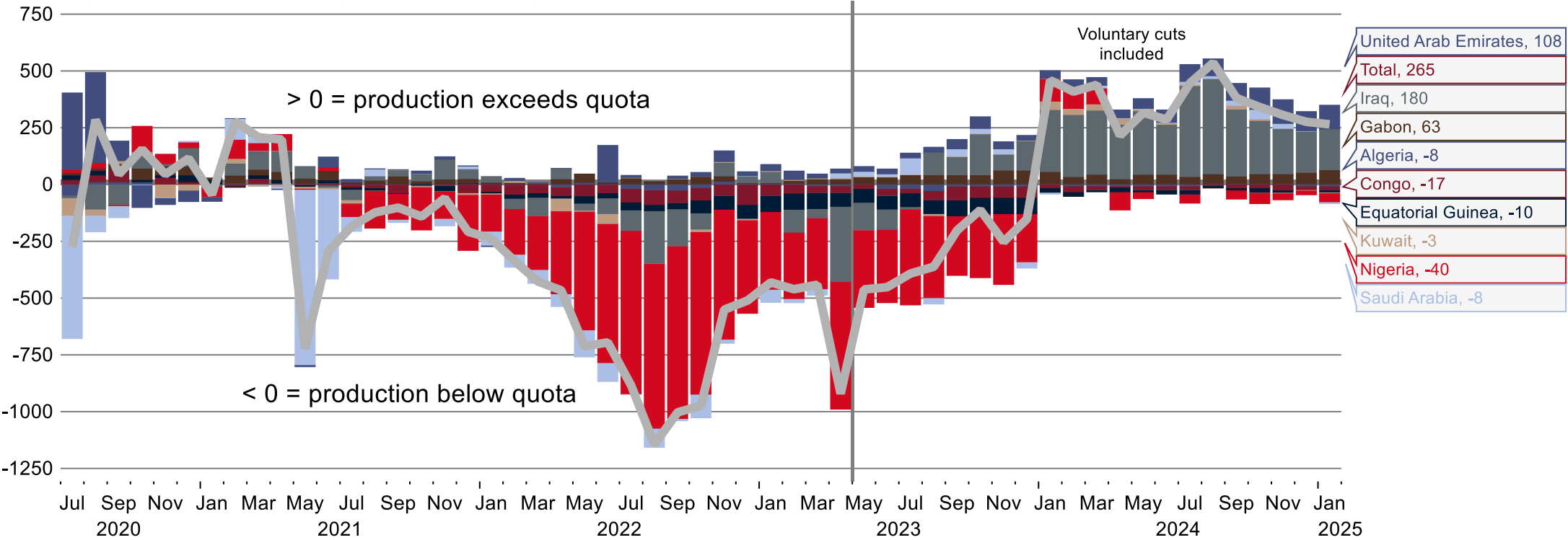


Source: Macrobond, HCOB Economics, S&P Global Platts, IEA

Note: Voluntary crude production cuts are **included** in the required production target from May 2023 onwards. OPEC+ countries that currently implement voluntary cuts are Saudi Arabia, Russia, Iraq, UAE, Kuwait, Kazakhstan, Algeria, and Oman. Also note that Iraq, Russia, and Kazakhstan have submitted “compensation plans” to make up for past surplus volumes.

OPEC-9 compliance: Although Iraq's production volume has fallen, it still exceeded the agreed quota by 180,000 barrels/day.

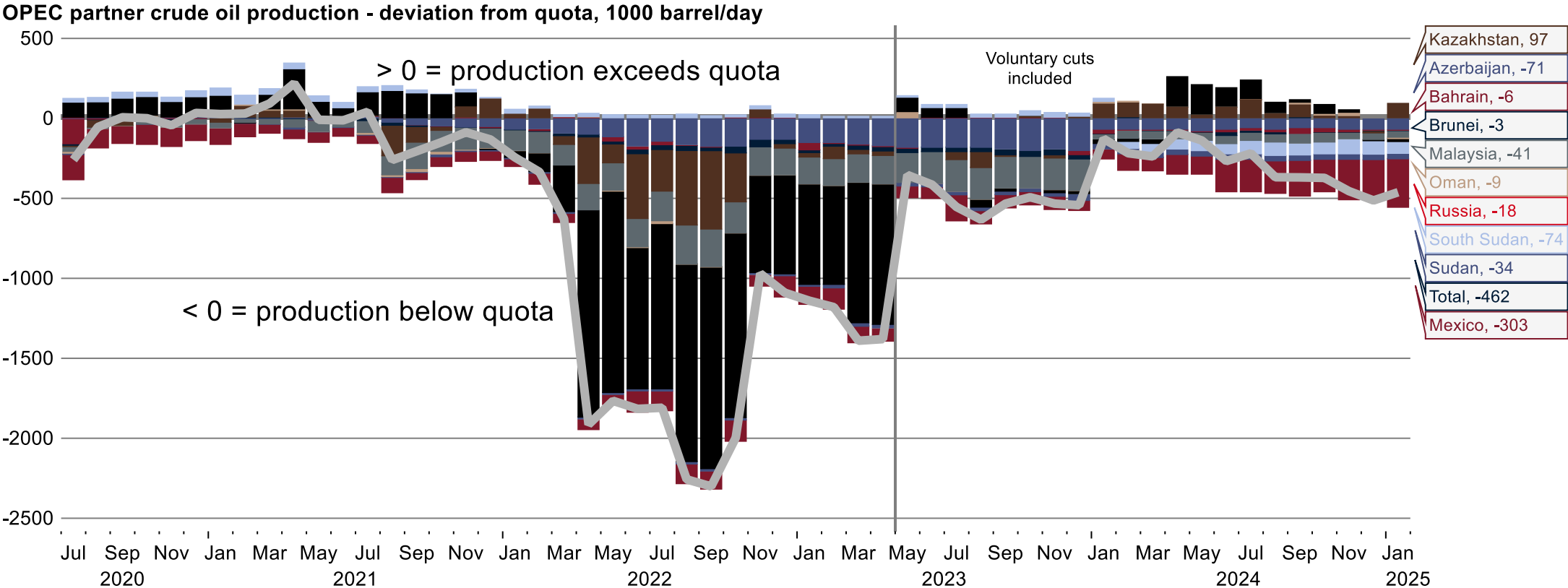
OPEC-9 crude oil production - deviation from quota, 1000 barrel/day
Currently not part of the OPEC agreement: Iran, Libya, Venezuela



Source: Macrobond, HCOB Economics, Bloomberg, S&P Global Platts

Note: Voluntary crude production cuts are **included** in the required production target from May 2023 onwards. OPEC-9 countries that currently implement voluntary cuts are Saudi Arabia, Iraq, UAE, Kuwait, and Algeria.

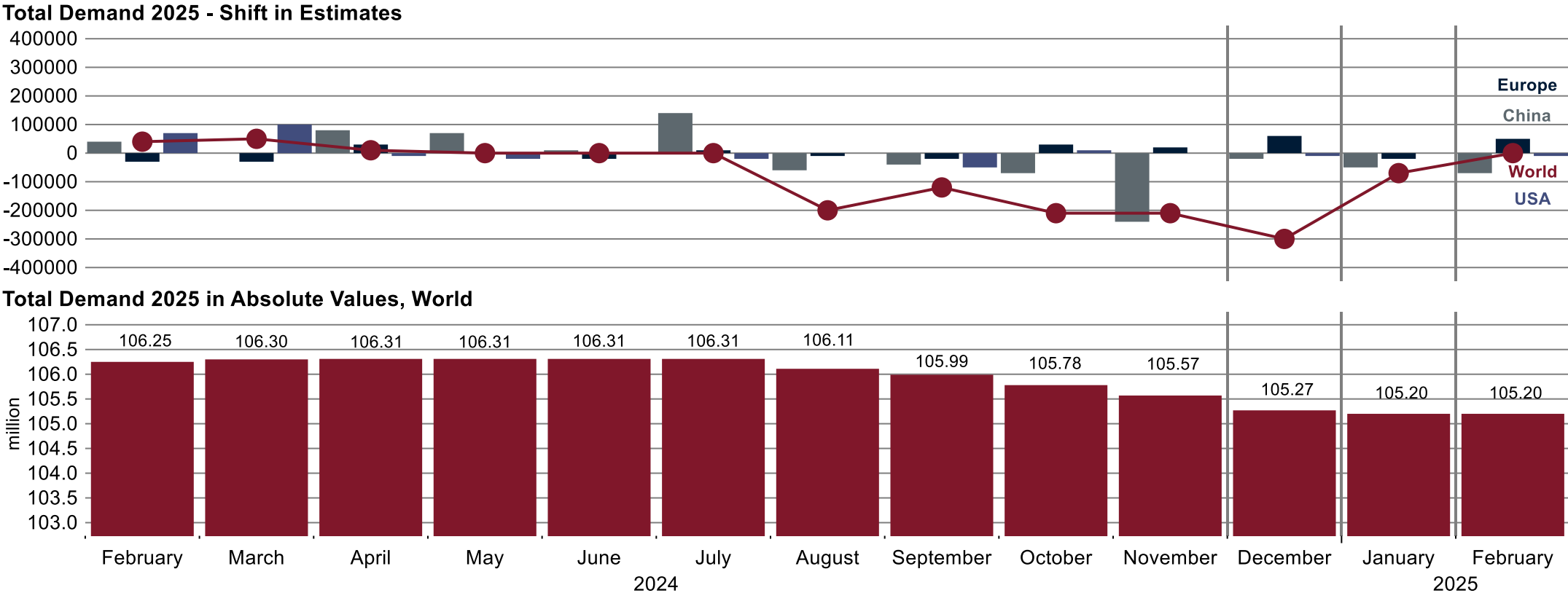
Compliance of OPEC partners: Russia's production is now at 8.96 million barrels/day and thus roughly at the agreed quota.



Source: Macrobond, HCOB Economics, S&P Global Platts, IEA

Note: Voluntary crude production cuts are **included** in the required production target from May 2023 onwards. OPEC partner countries that currently implement voluntary cuts are Russia, Kazakhstan, and Oman.

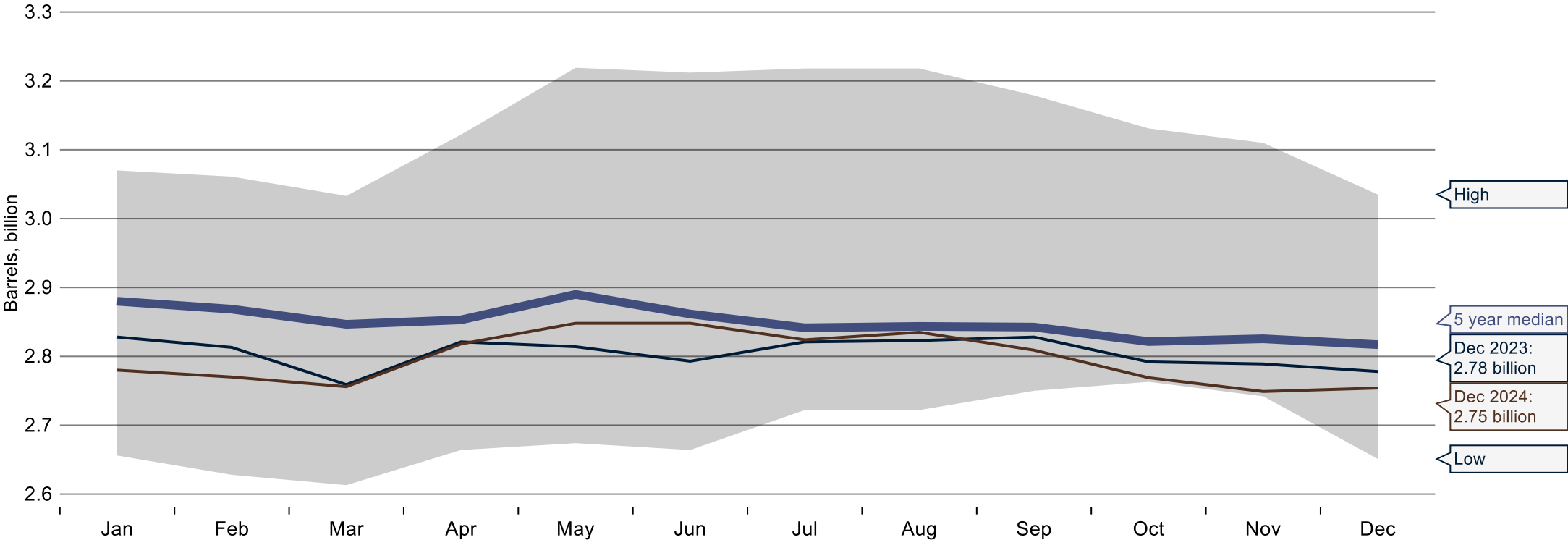
Oil demand forecast: OPEC’s forecast for global oil demand in 2025 remains unchanged for two months at 105.2 million barrels/day.



Source: Macrobond, HCOB Economics, OPEC

OECD inventories: Under Trump’s administration, there could be an expansion in US oil production and an increase in OECD oil inventories.

Oil inventories (crude and products) of OECD countries according to the data of OPEC, most recent development and five year average



Source: Macrobond, HCOB Economics, OPEC

Background: OPEC countries and OPEC partners

OPEC-9

- Algeria*
- Congo
- Equatorial Guinea
- Gabon
- Iraq*
- Kuwait*
- Nigeria
- Saudi Arabia*
- United Arab Emirates*

Excluded from the agreement due to political difficulties:

- Libya
- Iran
- Venezuela

OPEC partners

- Azerbaijan
- Bahrain
- Brunei
- Kazakhstan*
- Malaysia
- Mexico
- Oman*
- Russia*
- Sudan
- South Sudan

*Note: These OPEC countries currently implement voluntary cuts.

OPEC decisions (I)

- **April 3, 2023**

- The OPEC+ decides on voluntary production cuts of 1.66 million barrels/day, to be effective from May until the end of 2023. This includes, among others, Saudi Arabia and Russia, each committing to a reduction of 500,000 barrels/day. The voluntary cuts are subtracted from the original production targets. In the case of Russia, the voluntary adjustment is to be based on the average production quantity determined for the month of February 2023.

- **June 4, 2023**

- The OPEC Plus decides on the production targets for the year 2024. According to this decision, the overall production target for OPEC Plus is 40.46 million barrels/day, with 24.99 million barrels/day contributed by the OPEC-10 countries and an additional 15.46 million barrels/day by the OPEC partners.
- Saudi Arabia announces further production cuts amounting to 1.00 million barrels/day until the end of 2023. This increases the total cut by OPEC+ to 2.66 million barrels per day.

- **June 13, 2023**

- The February production of Russia, upon which the voluntary production target of Russia is calculated, is revised from 9.83 million barrels/day to 9.96 million barrels/day. The new value is intended to serve as Russia's production target for the year 2024.

- **November 30, 2023**

- The OPEC+ decides to continue its reduction policy in the first quarter of 2024. In addition, further voluntary cuts of 688,000 barrels/day have been announced, which are intended to supplement the existing cuts and are scheduled to be implemented from January 2024 until the end of March. This includes, among others, Iraq with 223,000 barrels/day and the UAE with 163,000 barrels/day. Additionally, Russia announced a voluntary reduction of exports by 500,000 barrels/day for the same period (from January 1 to the end of March 2024). These export cuts are based on the average export quantities of May and June 2023.

OPEC decisions (II)

- **December 21, 2023**
 - Angola announces its intention to withdraw from OPEC in January 2024.
- **March 3, 2024**
 - OPEC+ announces that it will continue its voluntary production cuts into the second quarter of 2024. Voluntary production quotas remain unchanged for most member countries. Russia plans a gradual transition from an export cut to a production cut and announced that production will fall to the same level as Saudi Arabia by June, namely to 8.98 million barrels/day.
- **June 6, 2024**
 - OPEC+ holds its 37th Ministerial Conference and announces that it will continue its voluntary production cuts until September 2024, after which it will gradually increase crude oil production again until September 2025. If this quota discipline is adhered to, OPEC+ would produce around 38 million barrels/day of crude oil by then. At its meeting, OPEC also announced its “real” production quotas, i.e. those quotas without the voluntary cuts, for 2025. These are to amount to 24.135 million barrels/day for OPEC-9 and 15.590 million barrels/day for the OPEC partners, meaning that OPEC+ has imposed a total quota of 39.725 million barrels/day for 2025.
- **July 24, 2024**
 - Iraq, Russia and Kazakhstan present “compensation plans” for past overproduction.
- **August 22, 2024**
 - Iraq and Kazakhstan present updated “compensation plans”.
- **September 5, 2024**
 - OPEC+ postpones its plans to increase crude oil production. Instead of starting in October as originally planned, the organization has announced that it will not increase production until December 2024.

OPEC decisions (III)

- **December 5, 2024**
 - OPEC+ once again postpones its plans to increase production. The organization announced that it will now start increasing production in April 2025 instead of the previously planned December 2024. Additionally, it has extended its production increase schedule, now aiming to reach its original production level in October 2026 instead of October 2025.
 - The actual production quotas, excluding voluntary cuts, are to be 39.725 million barrels/day for 2025 and 2026, according to OPEC.

Contact persons

Editing and shipment

Economics

Dr. Cyrus de la Rubia

Chief Economist

Tel: +49 160 90180792

cyrus.delarubia@hcob-bank.com

Dr. Tariq Chaudhry

Economist

Tel: +49 171 9159096

tariq.chaudhry@hcob-bank.com

Jonas Feldhusen

Junior Economist

Tel: +49 151 22942945

jonas.feldhusen@hcob-bank.com

Christian Eggers

Senior FX Trader

Tel: +49 171 8493460

christian.eggers@hcob-bank.com

Norman Liebke

Economist

Tel: +49 171 5466753

norman.liebke@hcob-bank.com

Nils Müller

Junior Economist

Tel: +49 171 3534492

nils.mueller@hcob-bank.com

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Gerhart-Hauptmann-Platz 50

20095 Hamburg

Phone 040-3333-0

Further contact persons

Capital Market Sales

Fritz Bedbur

Tel.: +49 151 14651131

Boris Gettkowski

Tel.: +49 175 2281619

Christoph Matthews

Tel.: +49 160 97222509

Syndicate & Credit Solutions

Tim Boltzen

Tel: +49 151 15244845

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