

Monitoring of OPEC quotas

OPEC surprisingly raises production volumes for May

HCOB Economics

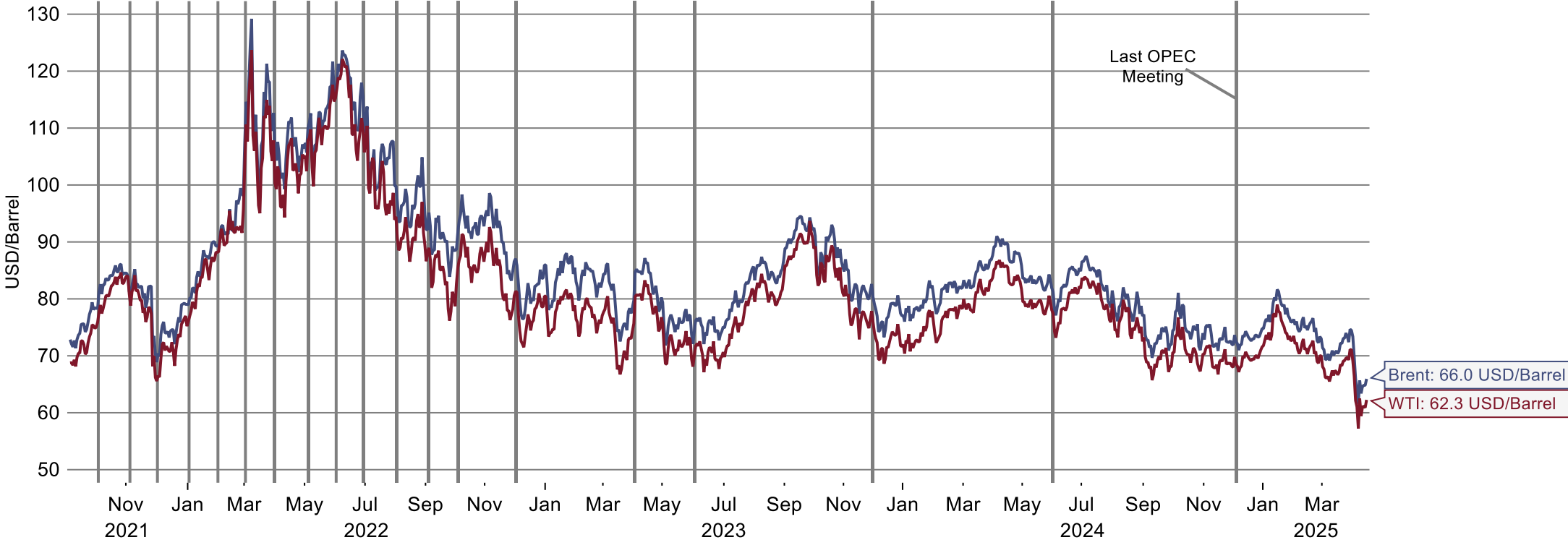
April 17, 2025

Executive Summary: OPEC surprisingly raises production volumes for May

- In March, OPEC+ crude oil production amounted to 35.61 million barrels/day. OPEC-9 accounted for 21.44 million barrels/day and the OPEC partners for a further 14.17 million barrels/day. Eight key members of the oil alliance – Saudi Arabia, Russia, Iraq, the United Arab Emirates, Kuwait, Kazakhstan, Algeria and Oman – already announced in December 2024 and reaffirmed in March 2025 that they would gradually increase their production from April by reversing parts of the voluntary production cuts of 2.2 million barrels/day that have been in place since 2023.
- On April 3, 2025, these eight countries surprised by announcing that they would increase crude oil production by 409,000 barrels/day in May – significantly more than the previously planned increase of 135,000 barrels/day. This decision was made despite a tense market environment with falling oil prices and weaker demand. The countries have agreed to hold monthly meetings to monitor the market more closely; the next meeting is scheduled for May 5 to decide on production volumes for June.
- In the first quarter of 2025, the average price of a barrel of North Sea Brent crude was around USD 75. However, following the announcement of new US tariffs on Liberation Day, the price fell sharply to USD 61.80, which was the lowest level since February 2021. In our baseline scenario, which we have revised downwards, we forecast an average Brent price of USD 65.75 per barrel in 2025. We justify this downward revision with the growing global trade risks and recession concerns triggered by the new US tariffs. These are likely to lead to a slowdown in global economic growth, particularly in export-oriented economies, and thus dampen industrial demand for oil. Even if global production partially adjusts to the lower price environment, the overall surplus supply is likely to increase.
- OPEC has lowered its forecast for global oil demand growth in 2025 by 150,000 barrels/day to 1.3 million barrels/day. This revision was justified by weaker than expected data in the first quarter and the negative impact of new US trade tariffs. One “wild card” is the question of whether the nuclear talks between the US and Iran will be successful or – at the other extreme – whether there will be a military strike against Iran’s nuclear facilities.
- The next regular meeting of OPEC+ with all member states is scheduled for May 28, 2025. However, in view of the current market dynamics, the organization reserves the right to convene extraordinary meetings at any time.

Oil prices on the slide: The new US tariffs have weighed heavily on oil prices. They are currently trading at their lowest level since the first half of 2021.

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



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

Oil price forecast: For 2025 and 2026, our models predominantly forecast falling oil prices.

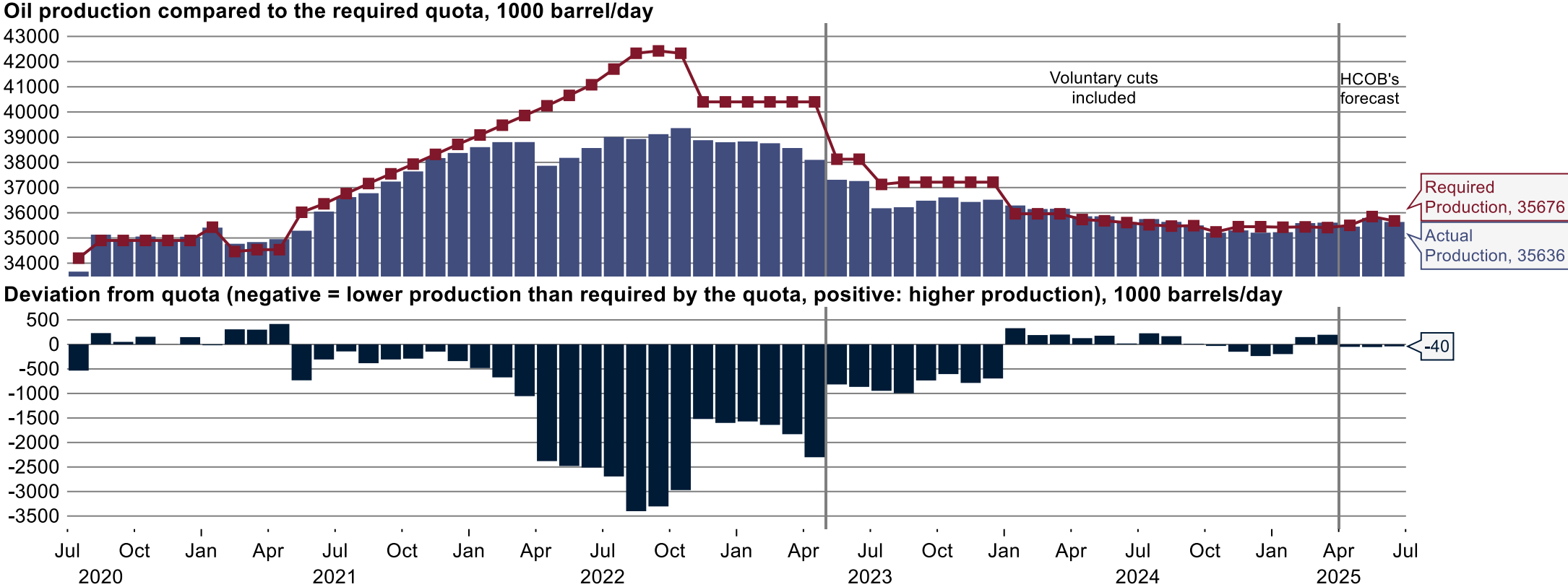
April 2025	Forecasts, Brent crude oil price, USD per barrel							
	2025 Q1	2025 Q2	2025 Q3	2025 Q4	2026 Q1	2026 Q2	2026 Q3	2026 Q4
HCOB baseline	75	60	63	65	68	68	65	65
HCOB VAR	75	67	67	67	66	66	65	65
HCOB OECD inventories								
<i>Scenario 1: Drill, baby, drill</i>	75	66	65	62	60	57	55	52
<i>Scenario 2: Stagnation</i>	75	67	67	67	66	66	66	66
<i>Scenario 3: Decline</i>	75	68	69	71	73	75	77	79
Oil futures	75	67	66	65	65	64	64	65
EIA	75	76	66	66	64	63	62	61
Analysts' consensus	75	71	71	70	70	70	70	---

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.
- **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: OPEC+ surprised in April by announcing a larger increase in oil production for May than previously communicated.

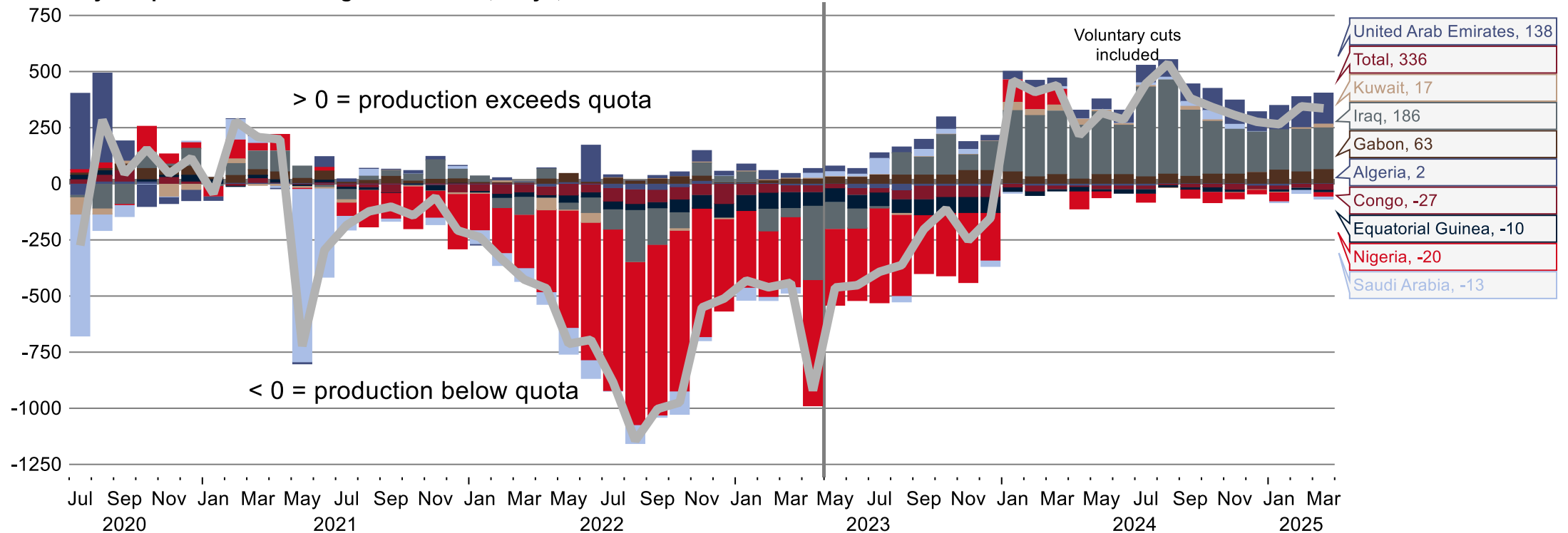


Source: Macrobond, HCOB Economics, S&P Global Platts, IEA

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 Saudi Arabia, Russia, Iraq, UAE, Kuwait, Kazakhstan, and Oman have submitted “compensation plans” to make up for past surplus volumes.

Compliance of OPEC-9: Although Iraq submitted a compensation plan for past over-production, it once again significantly exceeded its quota.

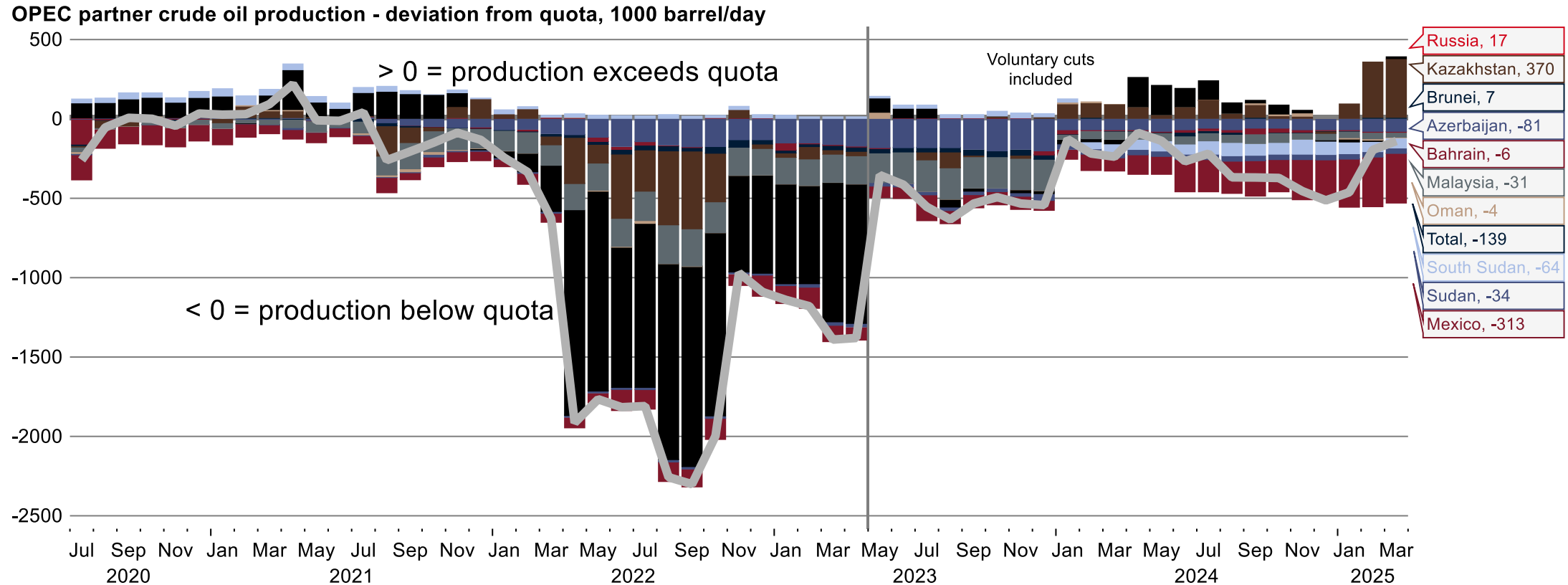
OPEC-9 crude oil production - deviation from quota, 1000 barrel/day
 Currently not part of the OPEC agreement: Iran, Libya, Venezuela



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: Kazakhstan surprised with a significant increase in production of around 0.3 million barrels/day in February and March.

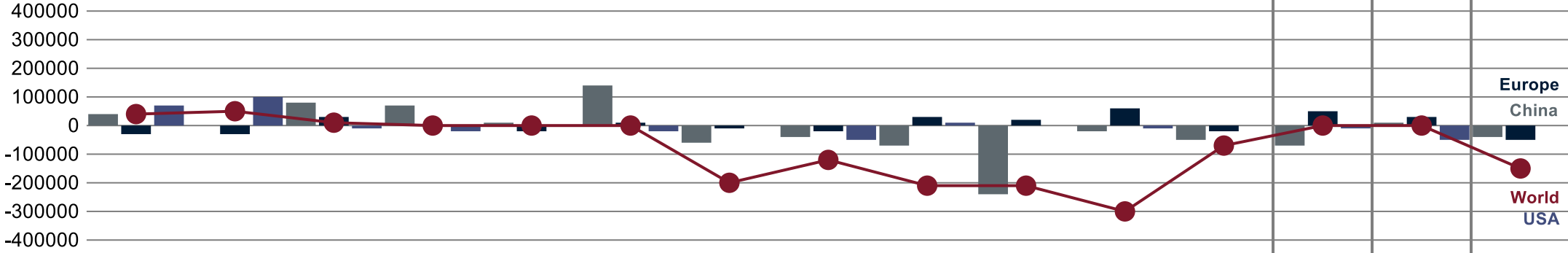


Source: Macrobond, HCOB Economics, S&P Global Platts, IEA

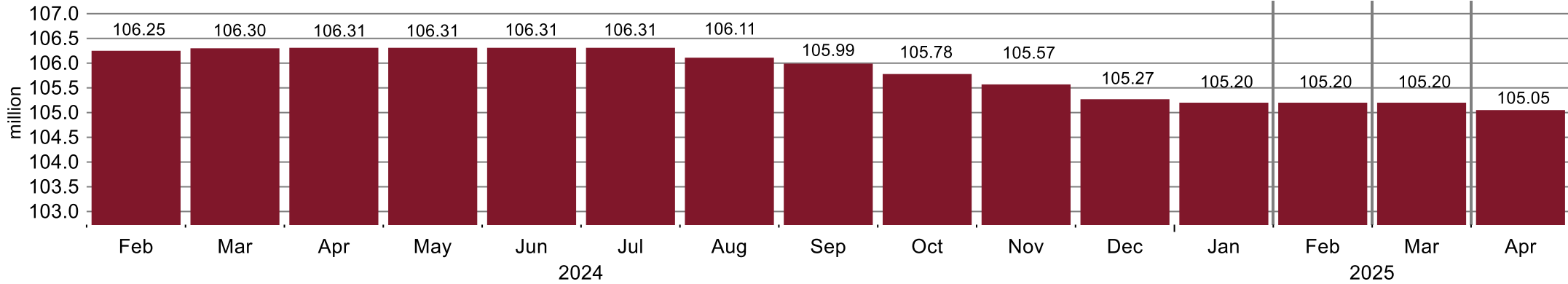
Note: Voluntary crude production cuts are **included** in the required production target from May 2023 onwards. OPEC partner countries that currently implement voluntary cuts are Russia, Kazakhstan, and Oman.

Oil demand forecast: OPEC has revised its forecast for global oil demand downwards to 105.05 million barrels/day due to the new US tariffs.

Total Demand 2025 - Shift in Estimates



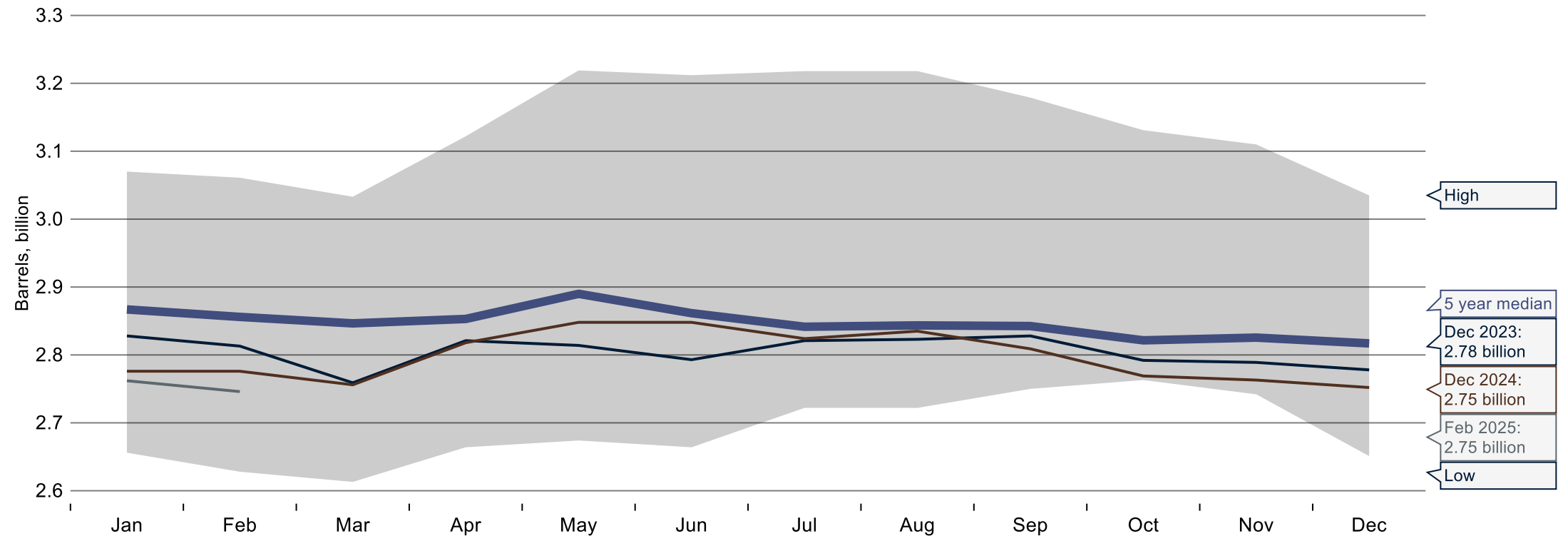
Total Demand 2025 in Absolute Values, World



Source: Macrobond, HCOB Economics, OPEC

OECD inventories: OECD oil inventories have fallen to 2.764 billion barrels and are below the five-year median.

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 announced its withdrawal from OPEC in December 2023, which was completed 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.
- **March 3, 2025**
 - OPEC+ confirms that it intends to continue implementing its plans for the gradual withdrawal of voluntary cuts from April 2025.
- **March 20, 2025**
 - Saudi Arabia, Russia, Iraq, the United Arab Emirates, Kuwait, Kazakhstan and Oman present revised compensation plans for their past overproduction.
- **April 3, 2025**
 - Saudi Arabia, Russia, Iraq, the United Arab Emirates, Kuwait, Kazakhstan and Oman have announced production quotas for May 2025. The countries have also agreed to hold monthly meetings to better monitor the market.

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