Monitoring of OPEC quotas

Is an oil price shock looming?

HCOB Economics

June 17, 2025

Executive Summary: Is an oil price shock looming? (I)

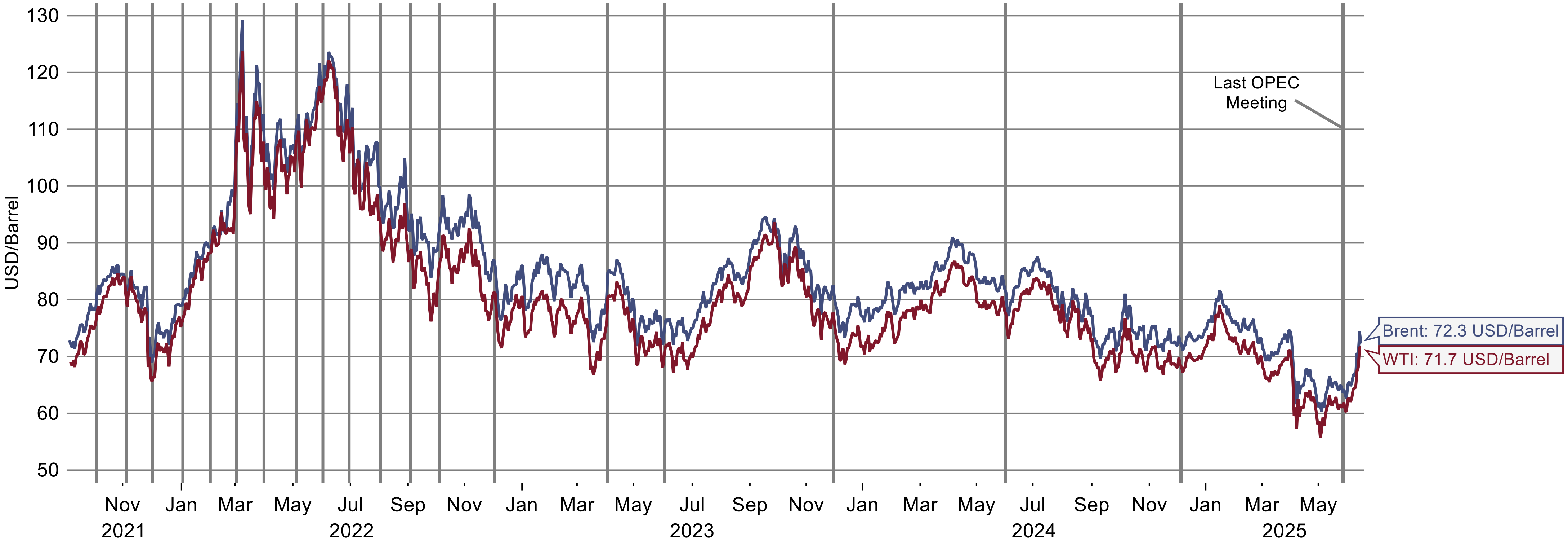
- On June 13, multiple Israeli airstrikes targeted Iranian territory, damaging nuclear facilities. In the days that followed, the conflict escalated further: both sides launched retaliatory attacks – Iran struck Haifa and Tel Aviv, while Israel bombed targets in Tehran, Isfahan, and Mashhad.
- As an immediate reaction to the initial Israeli strike, oil prices surged by more than 10% on June 13. The price of Brent crude temporarily reached around USD 77.46 per barrel, after having been below USD 70 the previous day. By the morning of June 16, Brent was trading at approximately USD 74.
- Against the backdrop of the Israeli attacks and Iranian retaliation, the nuclear talks between Iran and the U.S., which were scheduled to begin their sixth round on June 14–15, have been postponed indefinitely. A successful outcome might have led to a loosening of U.S. sanctions and paved the way for additional Iranian oil exports. That prospect is now off the table.
- The war between Israel and Iran has increased the likelihood of supply disruptions. These could occur through various channels:
    - Blockade or obstruction of tankers in the Strait of Hormuz, through which 20% of the world's oil supply is transported. Despite threats, Iran has never taken this step – not even during the Iran-Iraq War.
    - Iranian attacks on oil facilities in the region, such as in Saudi Arabia. While Iran and Saudi Arabia have recently moved toward rapprochement, Iran did attack the Abqaiq oil facility and the Khurais oil field in 2019.
    - Attacks on U.S. military bases in the region. Such a move would likely draw the U.S. into the war. Most observers believe this is not in Iran's interest, especially since President Donald Trump has threatened massive retaliation in such a case.
    - In the event of a blockade of the Strait of Hormuz, the U.S. and other OECD countries could release strategic oil reserves to cushion further price increases. However, such measures would only have a short-term stabilizing effect and would not be able to compensate for structural supply shortages in the long run.

Executive Summary: Is an oil price shock looming? (II)

- While none of the above scenarios are considered highly likely, the probability of one or more of them occurring has now increased significantly. In such cases, oil prices could easily rise to USD 100 per barrel of Brent (see also slide 5).
- In May, total crude oil production by OPEC+ amounted to 35.79 million barrels per day (mb/d). Of this, the OPEC-9 produced around 21.62 mb/d, while the remaining 14.17 mb/d came from OPEC+ partners. Despite planned production increases, the actual rise fell short of expectations: the OPEC-9 increased output by only 200,000 barrels per day, about half of what was originally agreed.
- On May 3 and May 31, 2025, meetings were held among the eight OPEC+ countries that had implemented voluntary production cuts since 2023 – including Saudi Arabia, Russia, and the United Arab Emirates. The goal was to coordinate the next steps for gradually phasing out the cuts. For June and July 2025, production increases of 411,000 barrels per day were agreed upon for each month.
- Whether OPEC will implement these planned increases amid the geopolitical turmoil remains uncertain. If the conflict in the Middle East leads to a blockade of the Strait of Hormuz, key OPEC+ countries such as Saudi Arabia, Iraq, the UAE, and Kuwait would be physically unable to export their planned volumes. Given limited storage capacity and the economic impracticality of long-term storage, these countries would effectively have to reduce production – regardless of the announced quotas.
- On May 28, the 39th OPEC+ Ministerial Meeting was held. Member states confirmed the “real” production targets agreed at the previous (38th) meeting – excluding voluntary cuts or compensation measures – and decided to maintain them through the end of 2026.
- The next regular OPEC+ meeting with all member states is scheduled for November 30, 2025. The eight countries that had previously reduced their quotas will meet earlier, on July 6, 2025, to decide on quotas for August.

Oil prices: Following Israel's attacks on Iran on June 13, oil prices temporarily shot up to just below USD 78/barrel (Brent) and USD 77/barrel (WTI).

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



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

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Oil price forecast: If the Strait of Hormuz is blocked, oil prices close to USD 100 could be realistic. We simulate such an oil price shock in scenario 4.

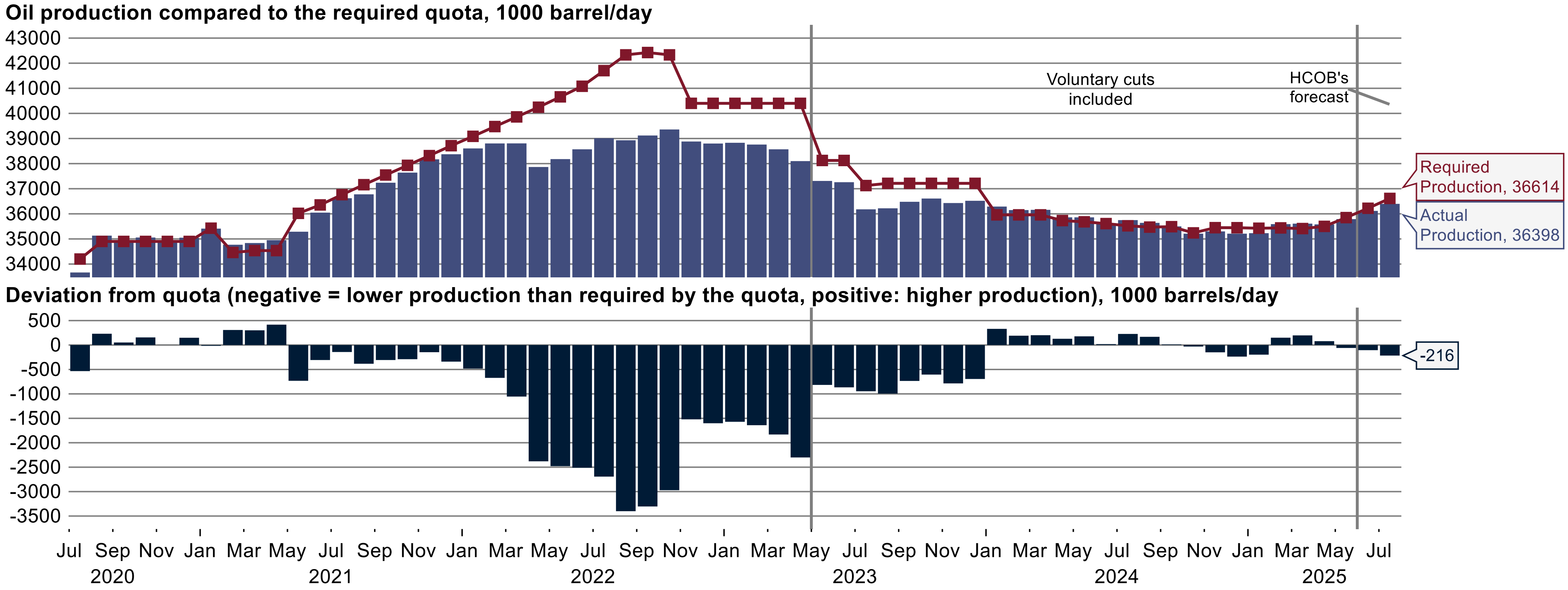
June 2025	Forecasts, Brent crude oil price, USD per barrel						
	2025 Q2	2025 Q3	2025 Q4	2026 Q1	2026 Q2	2026 Q3	2026 Q4
HCOB baseline	66	63	65	68	68	65	65
HCOB VAR	66	67	66	65	64	63	62
HCOB OECD inventories							
Scenario 1: Drill, baby, drill	66	66	62	59	56	52	49
Scenario 2: Stagnation	66	67	66	66	65	65	64
Scenario 3: Moderate decline	67	69	70	72	74	76	79
Scenario 4: Rapid decline	67	77	95	97	95	93	91
Oil futures	66	67	65	65	65	65	65
EIA	66	62	61	60	60	59	58
Analysts' consensus	66	65	65	64	64	65	---

Blockade of Strait of Hormuz-Scenario

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 four scenarios. Scenario 1 (Drill, baby, drill) assumes increased drilling activity and therefore higher inventories, scenario 2 (Stagnation) assumes stagnating OECD inventories, while scenario 3 (Moderate decline) and scenario 4 (Rapid decline) assume declining OECD inventories. Scenario 4 assumes a sharp and sustained drawdown of OECD oil inventories, driven by a major geopolitical disruption such as a prolonged blockade of the Strait of Hormuz. Specifically, it models a depletion rate of 4.4 million barrels per day over a six-month period, resulting in a total inventory reduction of approximately 792 million barrels. Scenario 4 reflects a situation in which emergency reserves are used at near-maximum capacity to offset a global supply shortfall of around 20% of daily oil exports. Such a development would likely lead to severe market volatility, sustained high oil prices, and increased risk of stagflation in major economies. Note that, 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+ has announced that it will increase oil production by 411,000 barrels per day in both June and July.

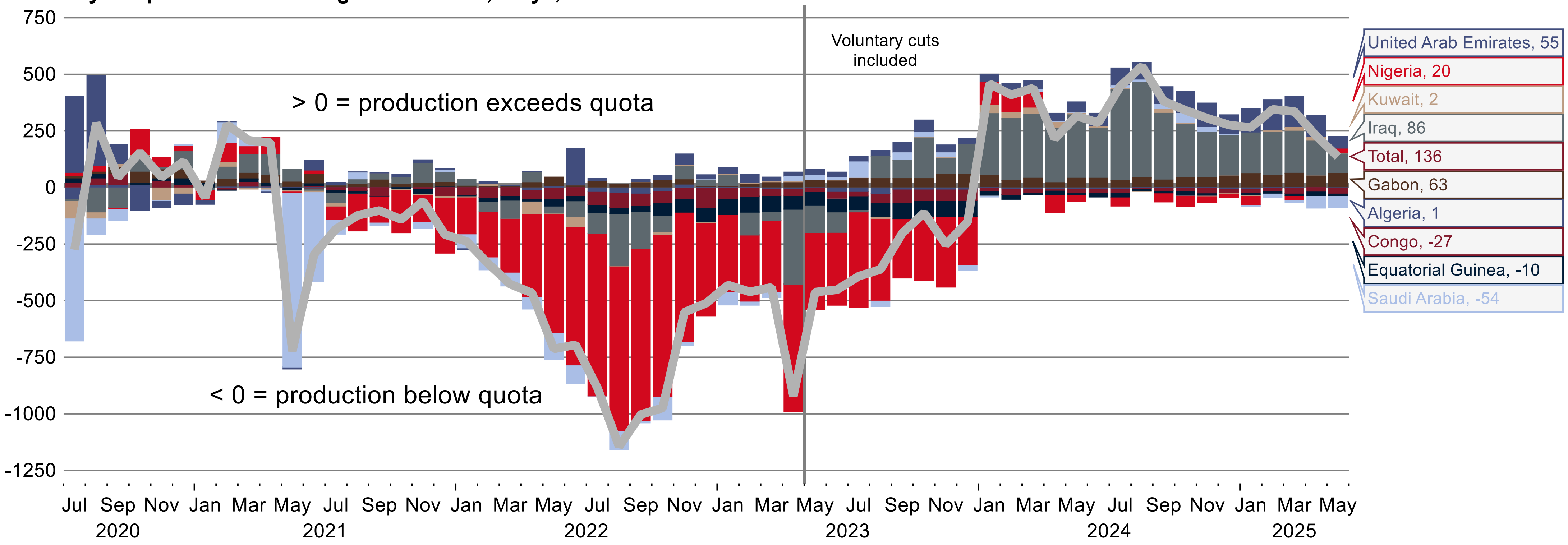


Source: Macrobond, HCOB Economics, S&P Global Platts, IEA

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: Saudi Arabia produced below its quota in May. This is surprising because a production increase had previously been announced for May.

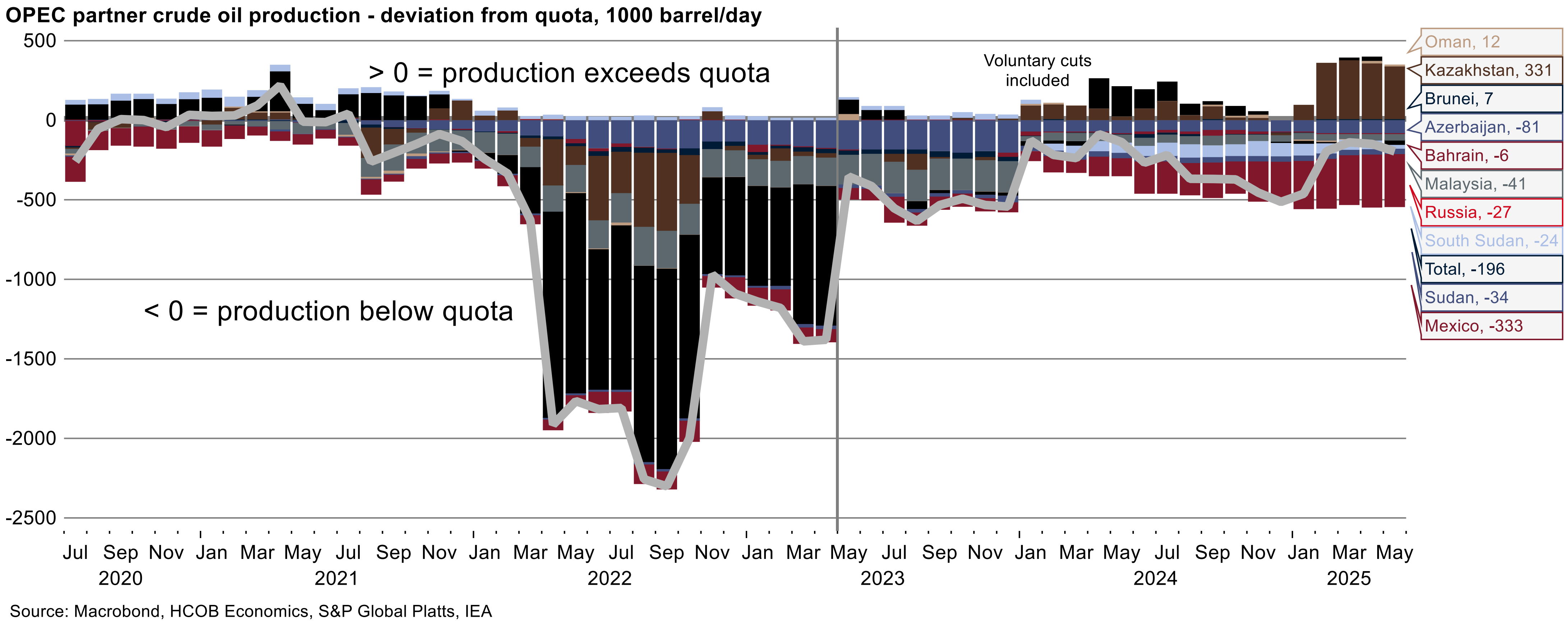
OPEC-9 crude oil production - deviation from quota, 1000 barrel/day
Currently not part of the OPEC agreement: Iran, Libya, Venezuela



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 missed its quota again in May and produced around 331,000 barrels/day more than agreed.



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.

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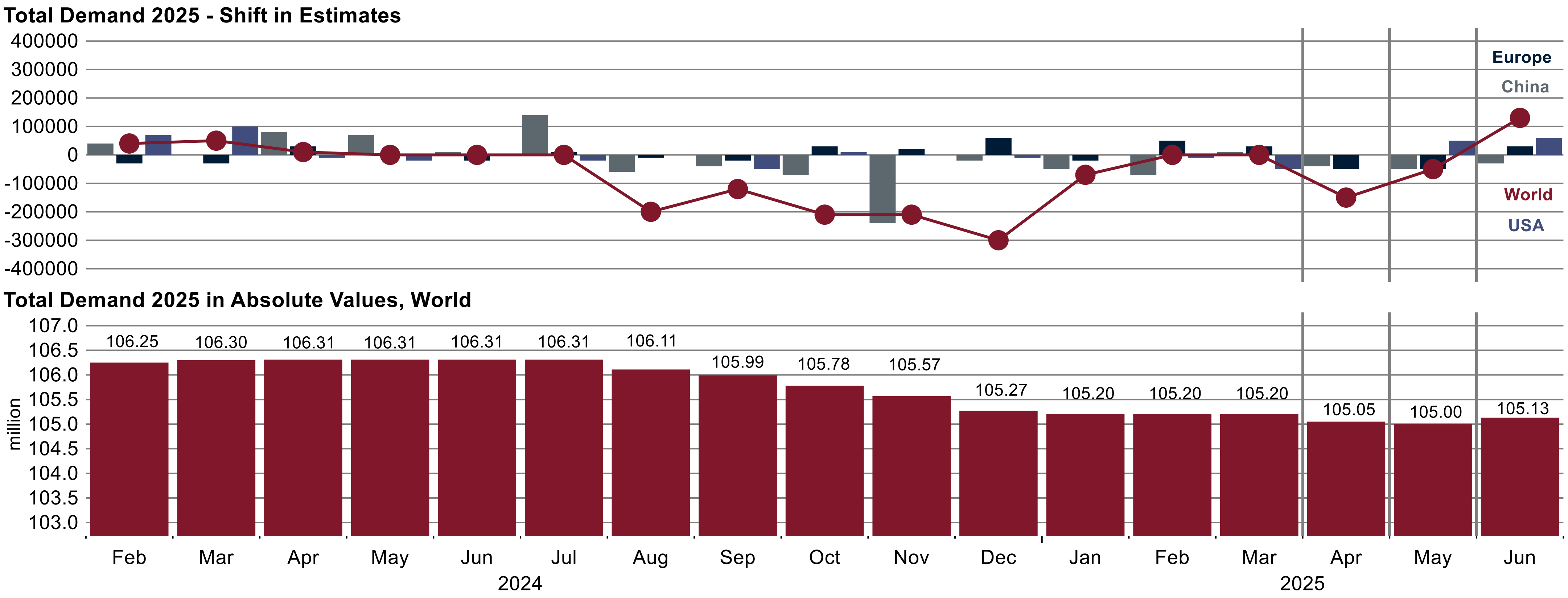
Oil demand forecast: OPEC has revised its forecast for global oil demand slightly upwards. It estimates it at 105.13 million barrels/day in 2025.



Source: Macrobond, HCOB Economics, OPEC

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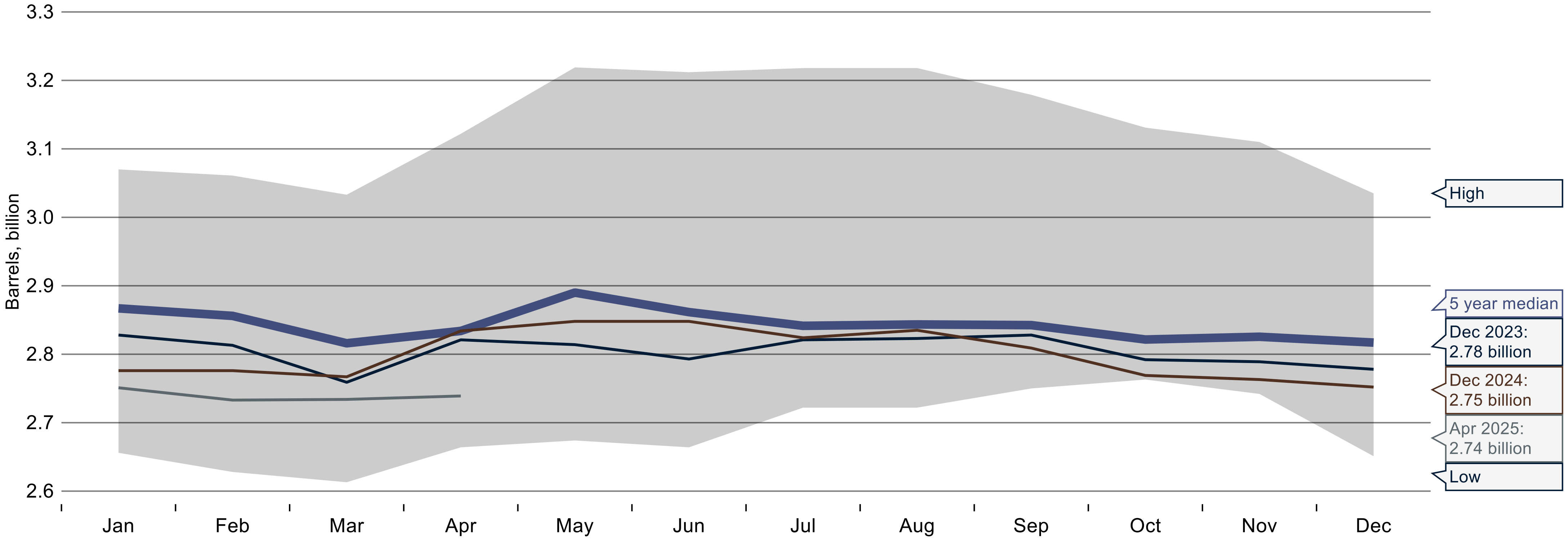
OECD inventories: OECD oil inventories have fallen to 2.74 billion barrels and are below the five-year median.

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 2, 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 postpons 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.
  - At its 38th Ministerial Conference, OPEC+ decides on its production quotas for 2025 and 2026. These “real” production quotas, without taking voluntary cuts into account, are to amount to 39.725 million barrels/day for 2025 and 2026.
- **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.
- **May 3, 2025**
  - The eight OPEC countries that previously voluntarily cut their production announce their production quotas for June 2025. These correspond to the production quotas originally announced in the easing plan for October 2025. In total, these countries plan to produce around 411,000 barrels/day more in June compared to May.

OPEC decisions (IV)

- **May 28, 2025**
  - OPEC+ holds its 39th Ministerial Conference and confirms that it will adhere to the production quotas for 2026 agreed at the 38th Ministerial Conference.
- **May 31, 2025**
  - The eight OPEC countries that had previously voluntarily cut their production have announced their production quotas for July 2025. These correspond to the production quotas originally announced in the easing plan for January 2026. In total, these countries plan to produce around 411,000 barrels/day more in July compared to June.

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