

MONITORING OF RUSSIA'S ECONOMIC OUTLOOK

trends and challenges of socio-economic development

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OIL MARKET IN Q2 2025

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Increased oil production both within OPEC+ and outside it limits the potential for price growth in 2026 to an average of \$64 per barrel. Demand growth is being driven by India, China, the Middle East, and Africa, while OECD countries continue to reduce oil consumption. Escalation in the Middle East and US trade policy are the main sources of volatility in the oil market. For Russia, the key tasks remain adapting logistics to sanctions and finding new channels for energy exports and implementing international projects in the fuel and energy sector.

Agreement on OPEC+ oil production adjustments

During the 39th meeting of ministers from countries participating in the OPEC+ agreement (ONOMM)¹ on May 28, 2025, the OPEC+ oil production volumes agreed at the 38th ONOMM were extended until December 31, 2026. Particular attention was paid to the need for strict compliance with the established quotas and timely compensation for excess production.

Eight OPEC+ countries (Saudi Arabia, Russia, Iraq, the UAE, Kuwait, Kazakhstan, Algeria, and Oman), which announced in April and November 2023 additional voluntary reductions in oil production in connection with stable global market prospects and favorable current indicators, reflected in low oil inventories, as well as in accordance with the decision adopted on December 5, 2024 to begin a gradual reduction of this voluntary reduction of 2.2 mn bpd from April 1, 2025, and to adjust their production plans for the following month on a monthly basis.

The oil production volumes agreed at the 38th ONOMM and adjusted for 2025–2026 are presented in *Table 1*.

In addition, the eight OPEC+ countries that have taken on additional voluntary oil production cuts noted that reducing the voluntary production cuts would allow participating countries to accelerate compensation for excess production. The compensation plan dated April 16, 2025, is presented in *Table 2*.

1 39th OPEC and non-OPEC Ministerial Meeting // OPEC. 17.07.2025. URL: <https://www.opec.org/pr-detail/564-28-may-2025.html>

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Table 1

Agreed oil production volumes for 2025–2026 for countries participating in the OPEC+ agreement that have voluntarily cut production (thousand barrels per day)

	Period	Algeria	Iraq	Kuwait	Saudi Arabia	UAE	Kazakhstan	Oman	Russia
2025	January-March	908	4 000	2 413	8 978	2 912	1 468	759	8 978
	April	911	4 012	2 421	9 034	2 938	1 473	761	9 004
	May	914	4 024	2 428	9 078	2 963	1 477	764	9 030
	*May (of 03.04.2025)	919	4 049	2 443	9 200	3 015	1 486	768	9 083
	June	917	4 037	2 436	9 145	2 989	1 482	766	9 057
	*June (of 03.05.2025)	928	4 086	2 466	9 367	3 092	1 500	775	9 161
	July	919	4 049	2 443	9 200	3 015	1 486	768	9 083
	*July (of 31.05.2025)	936	4 122	2 488	9 534	3 169	1 514	782	9 240
	August	922	4 061	2 451	9 256	3 041	1 491	771	9 109
	*August (of 05.07.2025)	948	4 171	2 518	9 756	3 272	1 532	792	9 344
	September	925	4 073	2 458	9 311	3 066	1 495	773	9 135
	October	928	4 086	2 466	9 367	3 092	1 500	775	9 161
	November	931	4 098	2 473	9 422	3 118	1 504	778	9 187
	December	934	4 110	2 481	9 478	3 144	1 509	780	9 214
2026	January	936	4 122	2 488	9 534	3 169	1 514	782	9 240
	February	939	4 134	2 496	9 589	3 195	1 518	785	9 266
	March	942	4 147	2 503	9 645	3 221	1 523	787	9 292
	April	945	4 159	2 511	9 700	3 246	1 527	789	9 318
	May	948	4 171	2 518	9 756	3 272	1 532	792	9 344
	June	951	4 183	2 526	9 811	3 298	1 536	794	9 371
	July	953	4 196	2 533	9 867	3 324	1 541	796	9 397
	August	956	4 208	2 541	9 922	3 349	1 545	799	9 423
	September-December	959	4 220	2 548	9 978	3 375	1 550	801	9 449
	Allowed level (38th ONOMM)	1 007	4 431	2 676	10 478	3 519	1 628	841	9 949

* Date of adjusted decision.

Source: OPEC press-releases.

Table 2

Compensation plan for excess oil production in 2025–2026 for OPEC+ member states that have voluntarily reduced production (thousand barrels per day)

	Period	Algeria	Iraq	Kuwait	Saudi Arabia	UAE	Kazakhstan	Oman	Russia
2025	April		120	8	15	5	63	5	6
	May 2025		140	15		10	116	12	85
	June		140	23		10	132	15	111
	July		135	30		10	126	17	137
	August		130	38		10	141	19	163
	September		135	37		10	135	14	189
	October		135			10	160	15	
	November		135			20	114		
	December		130;			20	69		
2026	January		125			33	49		
	February		125			33	38		
	March		124			33	40		
	April		120			57	38		
	May		120			62	42		
	June		120			63	36		
	Total	0	1934	150	15	386	1299	97	691

Note. The 40th OPEC and non-OPEC Ministerial Meeting is planned for November 30, 2025.

Source: OPEC press releases.

International forecasts for crude oil prices

According to EIA forecasts,¹ the price of Brent crude oil in H2 2025 will be \$66 per barrel. In June, oil prices rose for the first time in five months, averaging \$71 per barrel. Higher short-term prices are due to increased geopolitical risk premiums associated with the escalation of the conflict over Iran's nuclear program in mid-June. As a result, Iran considered blocking the Strait of Hormuz, through which, according to EIA estimates, 20% of global oil consumption is transported. Market participants' concerns about this caused oil prices to rise and become more volatile.

At the same time, a significant increase in global oil reserves will exert sustained downward pressure on oil prices during 2025–2026. According to EIA estimates, global oil reserves increased by 1.2 mn bpd in H1 2025 and will increase by an average of 0.9 mn bpd until the end of the year and by 1.1 mn bpd in 2026. The projected price of Brent crude oil in 2025 will be \$69 per barrel, and in 2026 – \$58 per barrel (*Fig. 1*).

In addition, factors of uncertainty in the oil market include ongoing negotiations between the US and its trading partners, as well as future decisions by OPEC+ and its members' compliance with production targets, given the growth in oil supplies from non-OPEC+ countries. The growth in global oil production is driven by increased OPEC+ production, as well as growth in production in the US, Brazil, Canada, and Guyana. At the same time, according to EIA forecasts, production in non-OPEC+ countries will increase by 1.3 mn bpd in 2025 and by 0.5 mn bpd in 2026.

The EIA's forecast for global oil consumption growth of 0.8 mn bpd in 2025 and 1.1 mn bpd in 2026 is almost entirely driven by demand from non-OECD countries. This is mainly due to India (+0.5 mn bpd) and China (+0.4 mn bpd).

According to OPEC, since the beginning of 2025,² the average price of Urals crude oil has been \$58.26 per barrel, and WTI crude oil has been \$67.73 per

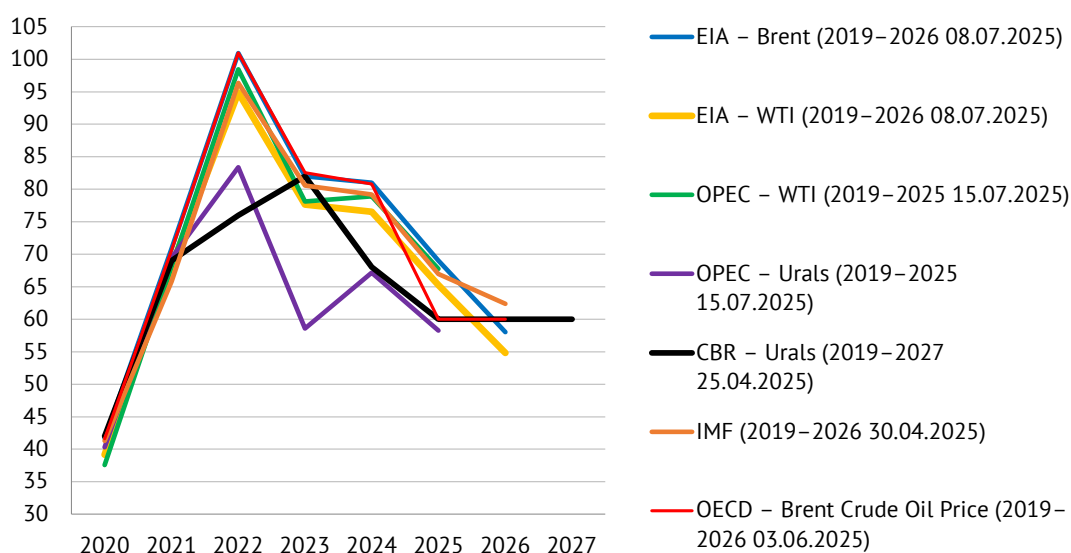


Fig. 1. Oil prices forecast (USD/bbl.)

Note. The date of the forecast publication is given in brackets.

Source: Own calculation on the data released by EIA, OPEC, IMF, CBR, OECD.

1 Short-term energy outlook. Global oil markets // EIA. 17.07.2025. URL: https://www.eia.gov/outlooks/steo/report/global_oil.php

2 Monthly Oil Market Report // OPEC. 17.07.2025. URL: <https://publications.opec.org/momr/chapter/143/2655>

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barrel. The main factors contributing to increased volatility during this period were geopolitical events in the Middle East and Eastern Europe, as well as uncertainty surrounding US trade policy towards its key economic partners. According to OPEC's forecast, global oil demand growth in 2025 and 2026 will amount to 1.3 mn bpd: in OECD countries by approximately 0.1 mn bpd; in non-OECD countries by 1.2 mn bpd. Liquid hydrocarbon production outside the countries that signed the Declaration of Cooperation is expected to grow by approximately 0.8 mn bpd by the end of 2025. The corresponding figure for 2026 is forecast at 0.7 mn bpd. The main drivers of growth are the US, Brazil, Canada, and Argentina.

OPEC's long-term forecasts¹ paint a contrasting picture: continued high growth in oil demand in non-OECD countries and a decline in demand in OECD countries. Asia, the Middle East, and Africa will be the main sources of additional demand growth (+22.4 mn bpd from 2024 to 2050): India – 8.2 mn bpd; China – 1.8 mn bpd – a significant part of this growth will occur in the medium term (growth is slowing due to the transition to electric vehicles and LNG). The largest increase in demand is forecast in the automotive, petrochemical, and aviation sectors. The US withdrawal from the Paris Climate Agreement on January 20, 2025, is also expected to lead to an increase in demand for hydrocarbons in general and oil and gas in particular. According to the forecast, by 2030, the drivers of production growth outside the countries that signed the Declaration of Cooperation will be the US (+1.4 mn bpd), Brazil (+1.1 mn bpd), Qatar and Canada (+0.5 mn bpd each), Argentina (+0.3 mn bpd), and others; after 2030, only Canada, Brazil, and Argentina.

Following its meeting on April 25, 2025,² the Bank of Russia lowered its forecast for Russian oil prices in 2025 from \$65 to \$60 per barrel. This was due to the negative impact of tighter foreign trade restrictions on the prospects for global economic growth and oil demand. Following discussions on the key rate on June 20,³ the Bank concluded that oil prices are likely to remain low. In 2026 and 2027, according to the forecast, the price of Russian oil will also be \$60 per barrel.

The International Monetary Fund forecasts average oil prices of \$66.94 per barrel in 2025 and \$62.38 per barrel in 2026.⁴

Sanctions restrictions on the Russian oil industry

In 2025, sanctions against Russia's fuel and energy sector and oil industry continue to tighten. The main sanctions include:

Restrictions on exports of oil and petroleum products through a prohibition on the supply of petroleum products and the introduction of a price cap on oil. Thus, a ban on the supply of petroleum products to the EU has been in place since 2023, and in 2025 the ban was extended to petrochemicals. The G7 countries, the EU, and Australia are using a price cap mechanism for Russian oil (\$60/bbl), but as part of the 18th package of sanctions, the EU intends to lower the cap to \$47.6/bbl, while introducing regular adjustments of 15% of the market value.

1 World Oil Outlook // OPEC. 17.07.2025. URL: <https://publications.opec.org/woo>

2 Medium-term forecast of the Bank of Russia following the meeting of the Board of Directors on the key rate // Bank of Russia. July 17, 2025. URL: https://cbr.ru/Content/Document/File/175397/forecast_250425.pdf

3 Summary of the discussion on the key rate // Bank of Russia. July 17, 2025. URL: https://cbr.ru/dkp/mp_dec/decision_key_rate/summary_key_rate_20062025/

4 World Economic Outlook Update // IMF. 17.07.2025. URL: <https://www.imf.org/en/Publications/WEO/Issues/2025/04/22/world-economic-outlook-april-2025>.

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Sanctions against shipping and logistics by blocking the “shadow fleet” and restricting tanker insurance. The US and the EU have imposed sanctions on ships transporting Russian oil at prices above the cap. In 2025, new companies from the UAE, Turkey, and Hong Kong were added to the sanctions list. In April 2024, the International Group of P&I Clubs announced that the price cap on Russian oil was not working, with more ships joining the “shadow fleet.”

Technological embargo through a ban on equipment supplies. Unfriendly jurisdictions are blocking exports of high-tech equipment for oil and gas production, including systems for Arctic and offshore projects. For example, as part of the 16th package of sanctions, the EU imposed a ban on the export of software related to oil and gas exploration, which also applies to the provision of goods, technologies, and services for oil projects.

Financial restrictions in the form of blocking payments in dollars and euros and freezing assets, pressure on third-country banks working with the Russian energy sector. China and India have switched to settlements in yuan and rupees, but trade volumes have declined. Foreign assets of oil and gas companies, in particular Rosneft, Gazprom, and Lukoil, remain frozen.

Various secondary sanctions. For example, the US is discussing possible protective tariffs of 100% or 500% on key Russian trading partners. If new duties were introduced, the main costs would be borne by China (the main buyer of Russian coal), India (the largest importer of Russian oil), and Turkey (through which re-exported oil products are supplied to the EU).

Thus, in H1 2025, the oil market remained under the influence of a complex combination of factors: the extension of OPEC+ quotas, geopolitical instability, growth in supply outside the cartel, and increased sanctions pressure on the Russian oil industry. OPEC+ countries confirmed their commitment to agreed production levels until the end of 2026, while beginning a gradual reduction of additional voluntary restrictions. Short-term price growth in Q2 2025 is linked to escalating tensions in the Middle East. However, in the medium term, growing global oil reserves and a slowdown in global economic growth will put downward pressure on prices. The forecasts of the EIA, OPEC, IMF, Central Bank of Russia, and OECD agree that prices will decline or remain at current levels in 2026. Tighter sanctions against Russia's energy sector create additional barriers to the production and export of energy resources. ▲