

## **Persistent Uncertainty in Crude Oil Markets and OPEC-plus Responses**

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On November 30, OPEC-plus convened an online ministerial meeting and reaffirmed its commitment to maintain the coordinated production cut of 2 million barrels per day (b/d) through the end of 2026, a policy that has been consistently implemented to support crude oil prices. Simultaneously, the voluntary reduction group within OPEC-plus—comprising eight countries including Saudi Arabia—announced its decision to uphold the suspension of previously planned production increases (rollback of cuts) for the January–March 2026 period, as confirmed in the previous meeting. These decisions were made in light of the ongoing downward trend in crude oil prices and the perceived risk of oversupply in the international oil market.

Since the beginning of 2025, crude oil prices have generally exhibited a declining trajectory. From early January through the end of November, the average price (near-month futures, closing price) stood at \$68.80 for Brent and \$65.39 for WTI, representing year-on-year decreases of \$11.65 (14.5%) and \$10.91 (14.3%), respectively. In addition to this overall decline, prices that occasionally exceeded \$80 in January have steadily fallen, with WTI consistently trading below \$60 since mid-October—a situation that has effectively become the “new normal.”

The primary driver behind this price weakness is the easing of global supply-demand fundamentals. Since April, concerns over global economic prospects—exacerbated by the Trump tariffs—have spread, while sustained production growth among non-OPEC-plus producers, particularly in the Americas, has continued. Concurrently, OPEC-plus (including its voluntary reduction group) implemented production increases (rollback of cuts), collectively exerting downward pressure on prices. Although geopolitical risks—such as the “12-Day War” between Iran and the U.S.-Israel alliance in June—occasionally triggered short-term price spikes, the overarching trend throughout 2025 has been shaped by persistent pressure from abundant supply.

Moreover, looking ahead, the international oil market in 2026 is expected to face further destabilizing and opaque factors. One notable concern is the growing perception among market participants that the sense of oversupply, which has already become evident during the current year, will intensify in 2026. A representative view of this outlook is reflected in the International Energy Agency’s (IEA) latest monthly oil market report, released in November. According to this projection, global oil supply in 2026 could exceed demand by approximately 4 million barrels per day (b/d). This surplus would significantly surpass the estimated 2.4 million b/d oversupply recorded in 2025. Of course, there are diverse analyses regarding the actual magnitude of this potential oversupply, with some assessments offering more conservative estimates. Furthermore, factors such as China’s efforts to expand its strategic petroleum reserves—an issue that attracted considerable attention in the international oil market earlier this year—introduce additional complexity. Such stockpiling activities are difficult to count under conventional definitions of “demand,” making it challenging to accurately gauge the true extent of oversupply. Consequently, considerable uncertainty remains regarding how severe this

imbalance between supply and demand will ultimately become.

However, from an overall perspective, the possibility that the sense of oversupply will become even more pronounced in the coming year is widely recognized among market participants.

The most difficult aspects of forward-looking analysis lie not only in interpreting inventory and stockpiling trends on the demand side, as noted above, but also in assessing developments on the global supply side. At present, the future trajectory of Russia's oil supply remains a critical factor that commands the attention of market participants, given its potential to significantly influence the outlook for the oil market. Amid ongoing negotiations and maneuvering surrounding ceasefire and peace efforts in the Russia–Ukraine war, both parties have continued—and in some cases intensified—military strikes against energy-sector infrastructure, including oil supply facilities. Naturally, any physical damage inflicted upon such infrastructure, depending on its severity, could serve as a catalyst for upward price pressure. In this regard, the evolving situation concerning attacks on key components of the oil supply chain and their implications warrants continued and careful monitoring as an essential element in analyzing crude oil price dynamics.

Furthermore, the implications of developments surrounding the ceasefire and peace negotiations themselves cannot be overlooked. Western nations have signaled a clear intent to intensify sanctions on Russia's energy sector—the lifeline of its economy—as part of efforts to exert greater pressure toward achieving peace. New approaches have emerged, including the designation of Russian oil companies such as Lukoil as targets for sanctions. The extent to which these measures will affect Russia's actual oil supply has become a focal point of global attention. Should Russian oil output decline under these conditions, and assuming other factors remain constant, upward pressure on crude oil prices in the international market would be inevitable. However, such measures carry the characteristics of a “double-edged sword,” and the degree of commitment by Western powers to enforce these sanctions will constitute a critical determinant in shaping the future of the international oil and energy markets.

Conversely, should Russia adopt a more conciliatory stance and progress toward a ceasefire and peace, downward pressure on prices within the international energy market would likely emerge. Of course, even if such developments occur, it is certain that restoring Russian oil and energy flows to pre-invasion levels will require considerable time. Nevertheless, futures markets operate on expectations, and if market participants begin to anticipate Russia's reintegration into global energy trade, this perception could exert influence well before actual supply recovery takes place. In such a scenario, downward pressure on crude oil and other energy prices could materialize in advance of any tangible increase in physical supply. Thus, for the foreseeable future, geopolitical dynamics surrounding Russia will remain a critical determinant of international oil market trends, commanding close attention from energy stakeholders worldwide. Needless to say, developments in the Middle East—such as the situation in Iran—and associated geopolitical risks will continue to be of paramount importance.

Against this backdrop of continuing uncertainty, the recent decision by OPEC-plus can be interpreted as a strategic measure aimed at countering the prevailing downward pressure on crude oil prices. A price level hovering around \$60 per barrel is far from desirable for Saudi Arabia—the leading member of OPEC-plus—from the perspective of fiscal balance. Conversely, such a price range exerts a restraining effect on relatively high-cost oil development projects, such as U.S. shale oil production. Observing this delicate equilibrium, OPEC-plus appears to have opted to suspend production increases

for the time being, with the objective of preventing any further decline in prices amid looming concerns over oversupply. At the same time, the organization seems to maintain a posture of readiness, allowing for flexible adjustments depending on future developments in the global oil market.

In the latest OPEC-plus meeting, another noteworthy decision was announced. Specifically, it was agreed that an evaluation of each member country's maximum sustainable crude oil production capacity will be conducted, serving as a reference benchmark for determining production baselines beyond 2027. This assessment will be carried out under the leadership of the OPEC Secretariat, with assistance from external specialized institutions. Updating the estimates of maximum sustainable production capacity for OPEC-plus producers carries significant implications for the future of the international oil market. One aspect is that it will provide the most current data on the supply side of the global oil balance, thereby improving transparency regarding actual supply-demand conditions. Another is that it will deepen understanding of the true extent of surplus capacity, which forms the foundation of market stability. For these reasons, the progress of this initiative deserves close attention as a critical factor in shaping the outlook for the global oil market.

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