

## UNPACKING THE CHANGING DYNAMICS IN OIL IN 2025

WHY OPEC+ IS LOSING GROUND AND WHAT IT MIGHT MEAN FOR INFORMED INVESTORS.

For decades, OPEC and its allies (OPEC+) have been the key players in managing global oil supply and, by extension, oil prices. However, the group's ability to sway the market appears to be diminishing. As we approach 2025, investors in the oil market face a new reality: OPEC+ is no longer the dominant force it once was, and this shift could keep oil prices subdued next year.

### CHANGING LANDSCAPE OF GLOBAL OIL SUPPLY

Since 2022, OPEC+ has kept nearly six million barrels of oil per day off the market – about 5% to 6% of the global supply – in an effort to support prices. While these cuts have historically succeeded in propping up prices, the strategy is showing diminishing returns. Countries outside the OPEC+ alliance, including the U.S., Canada, and Brazil, have ramped up production to capitalize on the gap left by OPEC+ cuts.

The result? A redistribution of market share. The U.S. alone has significantly boosted its oil output, driven by the shale revolution, while Brazil and Canada have expanded their capacity through offshore and oil sands projects. This growing competition has weakened OPEC+'s influence and undercut its ability to keep prices above \$70 per barrel.

### OVERSUPPLY LOOMS IN 2025

Despite OPEC+'s production constraints, analysts project an oversupply in the oil market next year.

Increased output from non-OPEC producers is expected to offset the barrels withheld by OPEC+, keeping a lid on prices. Current forecasts suggest oil prices will hover around \$70 per barrel or lower in 2025, barring any major geopolitical upheavals.

Compounding the issue is OPEC+'s

hesitance to resume production. Although the group had initially planned to gradually reintroduce oil into the market starting in October 2024, this timeline has been delayed twice. Production is now expected to ramp up in January 2025, but the uncertainty surrounding this decision is reflective of OPEC+'s weakening hand.

### GEOPOLITICAL UNCERTAINTY ADDS COMPLEXITY

Geopolitical factors could further influence oil prices in 2025. The potential policies of President-elect Donald Trump, for example, add a layer of unpredictability. A trade war with China could lead to an economic slowdown, reducing oil demand and forcing OPEC+ to cut production even more. Conversely, stricter sanctions on Iran and Venezuela could tighten global supply, providing a temporary boost to prices.

However, even if additional sanctions remove up to one million barrels per day from the market, analysts believe this would not drastically alter the supply-demand balance. Non-OPEC producers

are likely to continue filling the void, further eroding OPEC+'s relevance.

### WHAT IT MEANS FOR INVESTORS

For oil bulls, the waning influence of OPEC+ means fewer catalysts for significant price increases in 2025.

The traditional safety net of OPEC+ production cuts may no longer be enough to drive prices higher.

Instead, investors should focus on other market dynamics:

1. Supply Trends Outside OPEC+: Monitor production growth in the U.S., Canada, and Brazil. These countries are poised to set the tone for global oil supply in the coming year.

2. Geopolitical Risks: Pay close attention to policy developments, particularly in the U.S. regarding trade, sanctions, and relations with key oil-producing nations.

3. Demand Growth: With concerns about a

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# CLADIS

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*Wishing you and  
your families a  
Happy Holiday and  
Blessed 2025!*

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*(continued)*

potential economic slowdown, understanding global demand patterns – especially in emerging markets – will be critical.

4. Technological and Renewable Energy Advances: The transition to renewable energy and advancements in technology could weigh on long-term oil demand, making diversification key for energy investors.

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### LOOKING AHEAD

OPEC+'s diminishing control over the oil market represents a seismic shift for the energy sector. While geopolitical factors and supply disruptions could still cause short-term price fluctuations, the long-term trend suggests a more competitive and fragmented market.

For investors, this new era requires a strategic, informed approach to navigate the evolving dynamics of global oil markets.

**HOLIDAY CLOSURES:**  
CLOSING EARLY ~ DECEMBER 24TH  
CLOSED ~ DECEMBER 25TH  
CLOSING EARLY ~ DECEMBER 31ST  
CLOSED ~ JANUARY 1ST