Oil Market Report - January 2025

Global oil demand experienced a seasonal rise in the fourth quarter of 2024, achieving strong annual growth of 1.5 million barrels per day (mb/d). This marks the highest level of growth since the same quarter in 2023 and exceeds earlier projections by 260,000 barrels per day (kb/d). Key drivers included declining fuel prices, colder-than-usual weather across the Northern Hemisphere, and ample petrochemical feedstock availability. Annual growth for 2024 is now pegged at 940 kb/d, with a projected increase to 1.05 mb/d in 2025 as economic conditions show slight improvement.

Global oil production edged up by 20 kb/d month-on-month in December, reaching 103.5 mb/d—390 kb/d higher than the same period in the previous year. This increase was primarily attributed to higher output from OPEC+ producers in Africa, offsetting seasonal declines in non-OPEC+ production. For 2025, worldwide oil output is forecast to grow by 1.8 mb/d, bringing the total to 104.7 mb/d, following a more modest rise of 660 kb/d in 2024. Non-OPEC+ production is anticipated to expand by 1.5 mb/d each year, reaching 53.1 mb/d in 2024 and 54.6 mb/d in 2025.

Russian oil exports dipped by 40 kb/d in December, settling at 7.33 mb/d. This decline stemmed from a 250 kb/d reduction in crude oil shipments, which was mostly offset by increased product exports. Export revenues rose slightly, by $0.41 billion, to $15.1 billion due to improved product prices. On January 10, the United States announced new sanctions aimed at curbing revenue from Russia's oil industry.

Refinery crude throughput rose sharply by 1.2 mb/d in December, reaching a five-year peak of 84.3 mb/d. This increase followed the conclusion of autumn maintenance schedules and an improvement in refining margins. Year-on-year, refinery runs grew by 930 kb/d, with significant contributions from the United States, the Middle East, and Africa. For 2025, refinery runs are expected to rise by 660 kb/d, following a 510 kb/d increase in 2024. Growth will be concentrated in non-OECD regions, while closures in the Americas and Europe weigh on OECD throughput.

Observed global oil inventories rose by 12.2 million barrels (mb) in November, reaching 7,655 mb. This was driven by an increase in crude stocks both on land and at sea, despite product stock draws. However, OECD industry stocks fell by 20.1 mb, landing at 2,749.2 mb—118.3 mb below the five-year average and at their lowest level since August 2022. Preliminary data indicates that global inventories continued to grow in December, driven largely by a rise in oil product stocks held on water.

Oil prices surpassed the $80 per barrel (bbl) mark in early January, fueled by intensified sanctions on Russian and Iranian oil, coupled with severe cold weather in North America. December trading had been relatively stable, with markets influenced by concerns over potential US tariff increases and comfortable 2025 supply balances. At the time of writing, Brent crude futures were trading at $81/bbl.

A Shift in Market Dynamics
Crude oil prices rallied in January, climbing to $81/bbl as new US sanctions targeted Russia and Iran, and freezing temperatures gripped the Northern Hemisphere. This marked a four-month high, reflecting an $8/bbl increase from December levels.

The winter heating season began mildly but turned sharply colder in December across Canada, the northern and central US, Europe, Russia, China, and Japan. Heating degree days exceeded the previous year's figures and were slightly above the five-year average, contributing to higher oil consumption. As a result, OECD oil demand for the fourth quarter of 2024 was revised upward by 250 kb/d, leading to a 90 kb/d increase in the global growth estimate for 2024. In non-OECD regions, oil demand trends were mixed, with modest year-on-year growth in China but weaker-than-expected performance in Saudi Arabia, Brazil, and India. Global demand is expected to rise by 940 kb/d in 2024 and by 1.05 mb/d in 2025, reaching 104 mb/d.

Supply concerns also influenced prices. Weather-related production disruptions in North America could be significant, especially with Cushing crude inventories at decade lows. During last year's Arctic cold snap, oil production in the US and Canada dropped by over 1.8 mb/d between December and January. Although a less dramatic seasonal decline is anticipated this year, the prolific Permian Basin has so far escaped major weather impacts.

Meanwhile, US sanctions announced on January 10 targeted Russian oil producers Gazprom Neft and Surgutneftegaz, 160 tankers involved in Russian, Iranian, and Venezuelan oil transport, and related insurance providers. These measures further complicate oil logistics for affected countries. However, Russian oil priced below price caps remains exportable on non-shadow tankers.

Speculation also surrounds a potential tougher stance by the US administration on Iranian oil exports. Additional sanctions imposed on December 19 targeted vessels carrying Iranian crude, impacting nearly one-third of the country's exports, averaging over 500 kb/d in 2024. Operators are reportedly starting to withdraw from Iranian and Russian oil trades due to the new restrictions.

Should weather, sanctions, or other factors significantly reduce supply, oil stocks may need to be tapped to meet short-term demand. Still, non-OPEC+ producers are expected to add 1.5 mb/d of supply annually through 2025, led by growth in the United States, Brazil, Guyana, Canada, and Argentina. OPEC+ members are also poised to increase output by reversing voluntary production cuts if required, ensuring adequate supply to meet projected demand growth.