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Chinese demand growth in 2025 but oversupply remains

China imported less oil in 2024 than in 2023, a major contributor to the emergence of oversupply. The IEA expects this oversupply to continue in 2025. This depresses the price, partly because the 'marginal barrel' to meet demand becomes cheaper. The narrative of oversupply in 2025 may be at risk if the Chinese government pulls the handbrake on stimuli. On the other side of the Pacific, we see US oil production hitting another record high. A number of factors seem to indicate that opportunities for growth are running out, despite Trump's intentions.

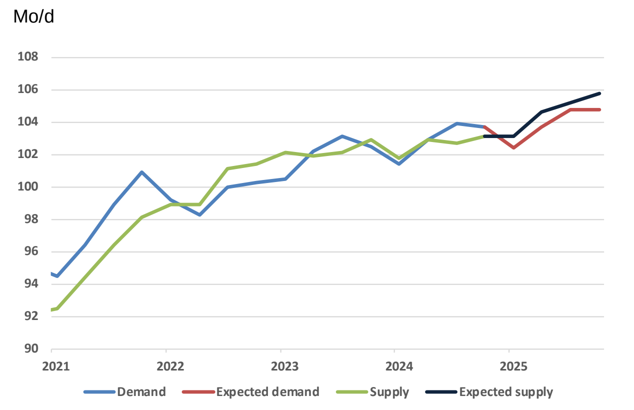
The gas market in the last weeks of 2024 was dominated by the expiring transit contract of Russian gas through Ukraine, which pushed the TTF gas benchmark towards EUR 50/MWh. In this Market Update we look further ahead, where we see the LNG market changing from a seller's to a buyer's market from mid-2027 onwards. This is important for the procurement strategy of European players, where the focus may shift more to spot markets. At the same time, this also brings risks compared to long-term contracts.

Forecast oversupply by 2025 is commonplace in oil market

In 2024, the oil market entered an oversupply situation. The general expectation of organisations such as the IEA is that the oil market will also be oversupplied in 2025. A narrative that is widely supported among market participants and thus played an important role in the downward trend in oil prices in 2024.

The shift in the supply and demand situation, and the resulting oversupply, underlies the pressure on oil prices over the past year. Although the bulk of demand growth still comes from China, it is largely responsible for this situation. Whereas China was the driver of demand growth for many years, disappointing economic growth (by Chinese standards) and sustainability, especially of its car fleet, caused oil imports to fall in 2024. China imported about 11.07 million barrels per day (mb/d) last year, 210 thousand barrels per day (kb/d) less than in 2023. On the supply side, oil production in the US and other non-OPEC+ producers rose steadily.

IEA expects oversupply by 2025



Source: IEA

Both trends will continue in 2025, according to the IEA, maintaining oversupply . How large this oversupply will be depends largely on OPEC+. In December, the phase-out of the most recent production cuts was once again postponed. According to the current phase-out path, the production cuts will be phased out from April, until the most recent production cuts are fully back on the market in 2026. Should the phase-out path be implemented as currently announced, the oversupply would reach 1.4 mb/d, according to the IEA, compared to 950 kb/d if the production cuts do remain in place in 2025.

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