

Oil market outlook: The big questions facing the industry and what it means for Southern Africa

FIASA

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July 24, 2025

The big questions facing the industry and what it means for Southern Africa

1

How low can the **oil price** go?

2

Does a refining downcycle create **supply risk for southern Africa**?

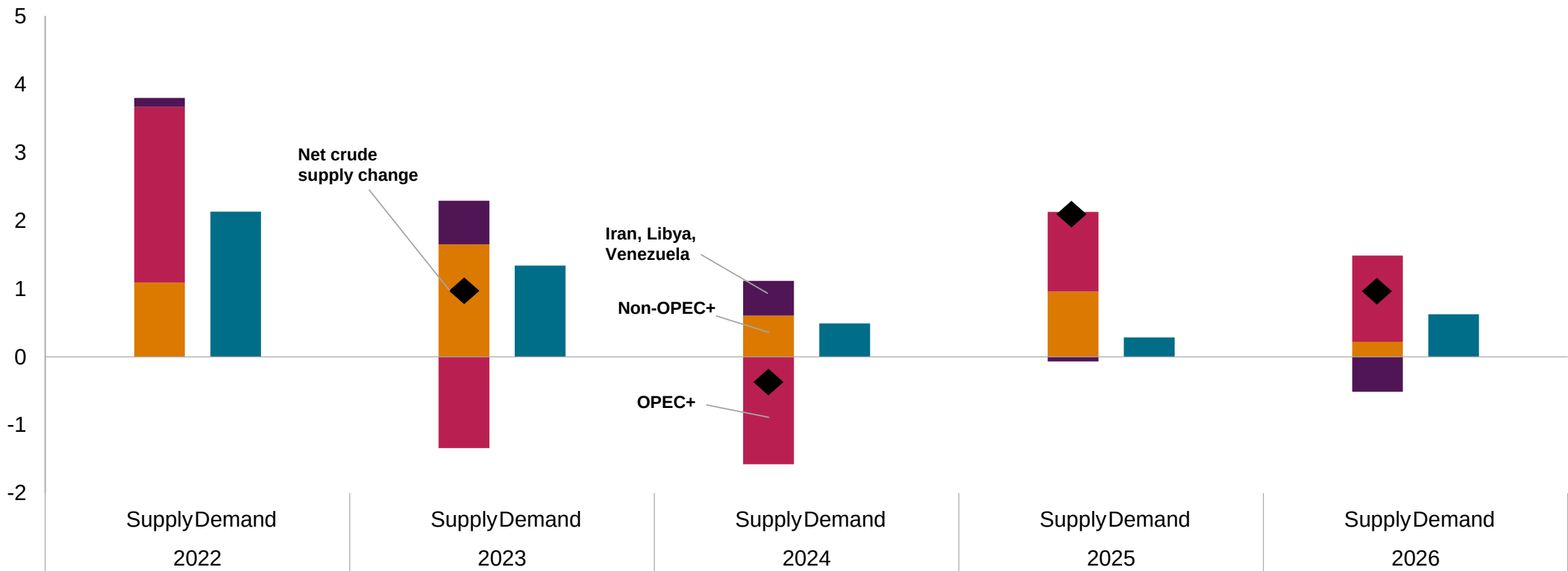
3

Has the **energy transition** stalled?

How low can the **oil price** go?

Bearish fundamentals point towards lower prices | Crude oil production growing faster than demand in 2025

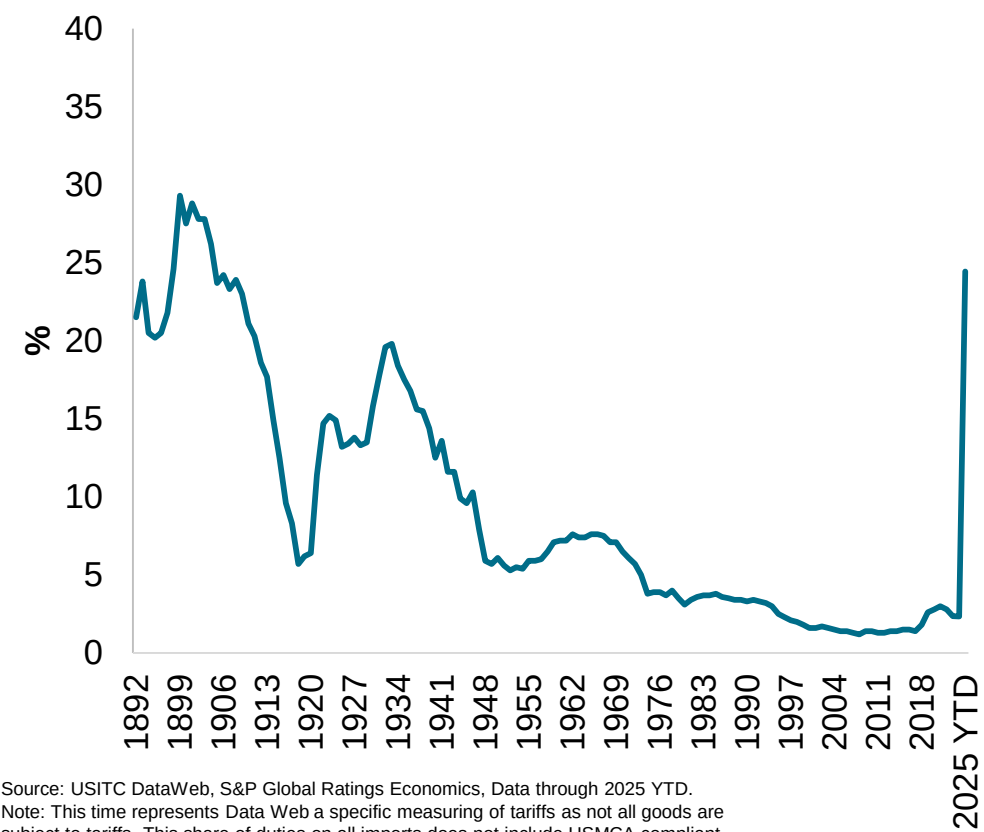
Annual change in global crude oil production and crude oil demand (million b/d)



Data compiled June 27, 2025.
Condensate is included in crude oil production and demand. Crude oil demand is refining runs and direct use of crude oil.
Source: S&P Global Commodity Insights.

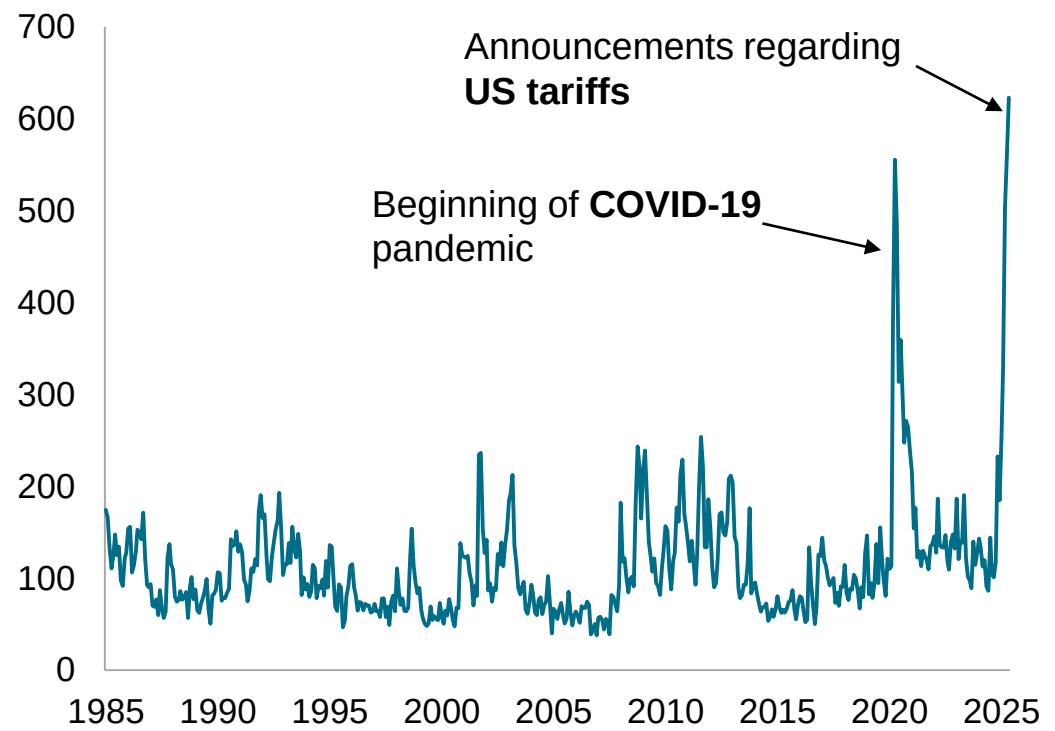
Tariffs are jeopardizing economic growth | Tariffs are at their highest level for over 100 years and uncertainty is soaring

US tariffs (duties as a share of all imports)



Source: USITC DataWeb, S&P Global Ratings Economics, Data through 2025 YTD.
Note: This time represents Data Web a specific measuring of tariffs as not all goods are subject to tariffs. This share of duties on all imports does not include USMCA compliant.
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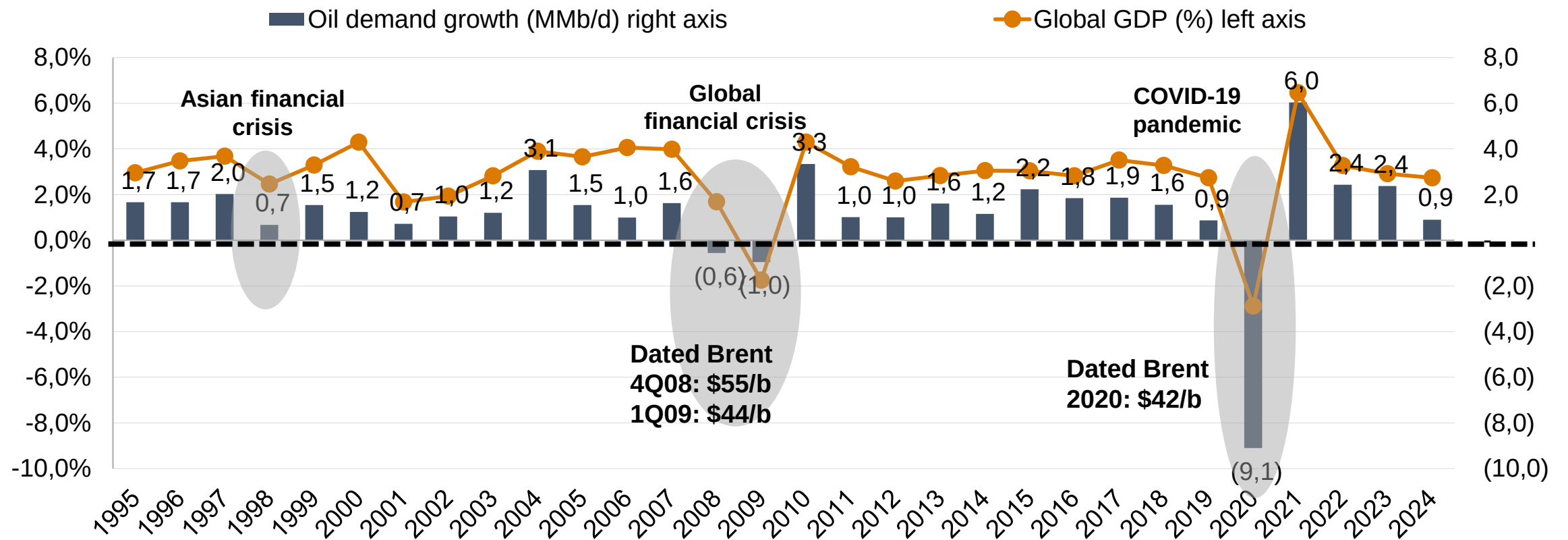
Economic Policy Uncertainty Index for United States



As of May. 06, 2025.
Monthly data until May 2025 which reflects daily averages through 6 May 2025.
Source: Federal Reserve Economic Data, Federal Reserve Bank of St. Louis. S&P Global Commodity Insights
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How low can oil demand go? | Oil demand has only contracted twice in the last 30 years

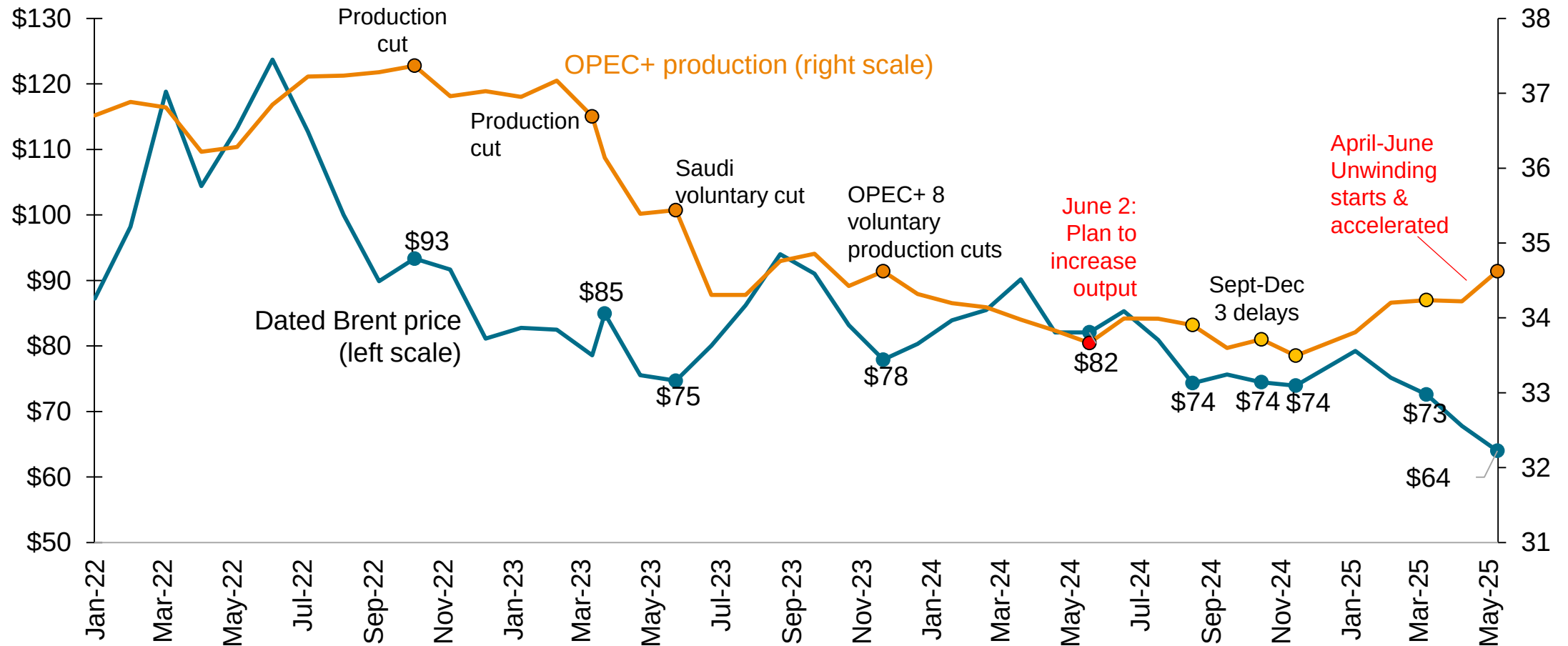
Global Oil Demand vs GDP Growth: 1995-2024



As of March 7, 2025
Source: S&P Global Commodity Insights, S&P Market Intelligence
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OPEC is increasing production even as the oil price falls | Will OPEC+ row back on planned production increases?

The oil price (\$/b) and OPEC+ crude oil production (million b/d)

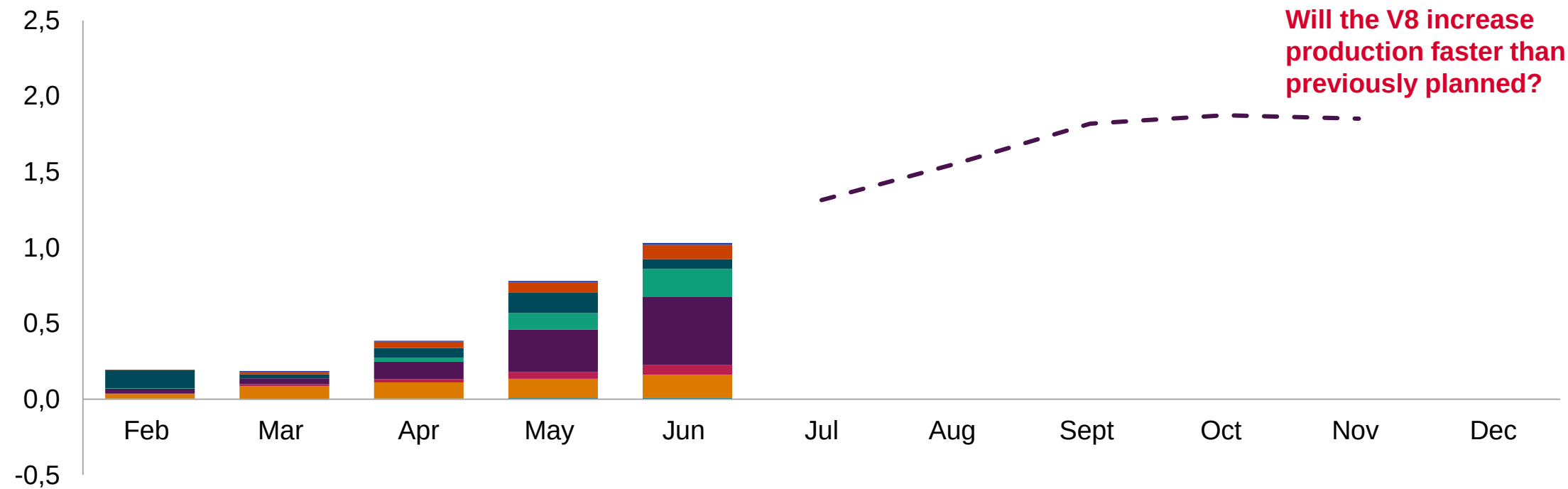


Data compiled May 16, 2025. May 2025 price through May 16. May 2025 production is a projection. All figures are on a monthly average basis. Monthly average prices are rounded.
Source: Platt's for price history and S&P Global Commodity Insights oil market research team for OPEC+ production. Angola is not included.
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OPEC+ increases: Gulf-3 add 500,000 b/d in two months | An accelerated timeline would add ~2MMb/d of production by September

V-8 crude oil production relative to January levels, million b/d

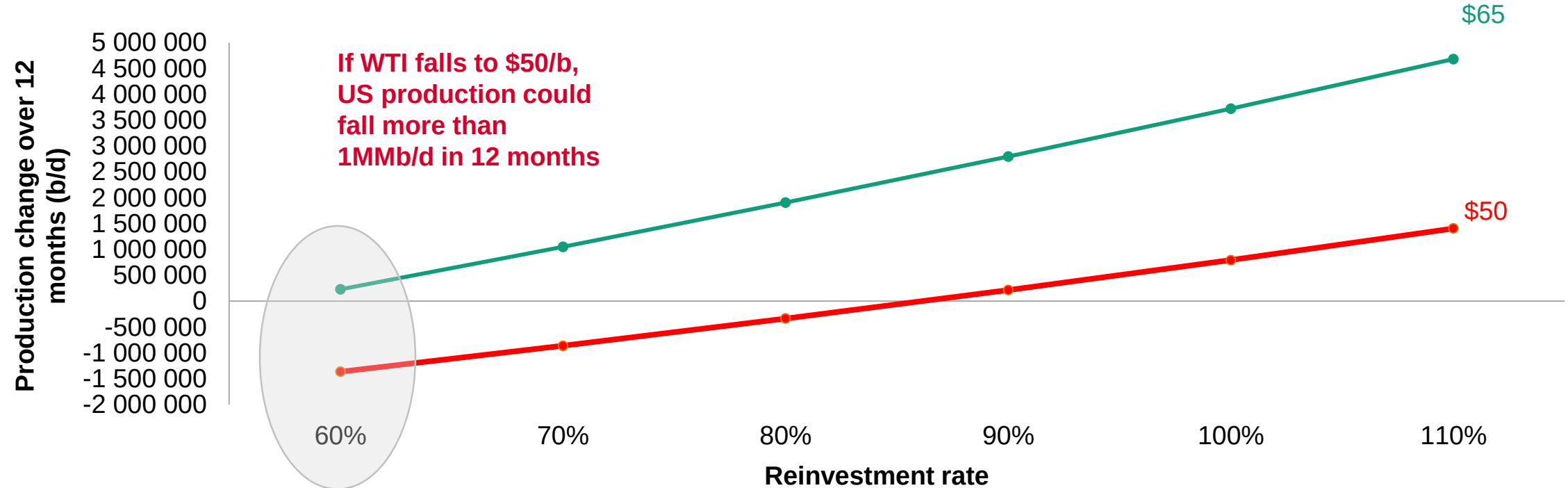
Algeria Iraq Kuwait Saudi Arabia UAE Kazakhstan Russia Oman — Ongoing acceleration potential



As of May 15 2025. May and June figures are projections.
Source: S&P Global Commodity Insights
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Will US production fall to quickly balance the oil market? | Only if the price falls far enough

US Lower 48 onshore crude oil production at different WTI prices and reinvestment rates



At a steady WTI price of \$50/b, US Lower 48 onshore production could decline by more than 1 million b/d over the course of a year, assuming the reinvestment rate of the upstream industry is unchanged from our current assumption of 60%. The reinvestment rate is the share of cash flows reinvested by the industry in upstream operations. In a \$50/b oil world, we believe US onshore operators would continue to prioritize returns to shareholders and thus reduce their activity to keep their reinvestment rate from rising to a large degree.

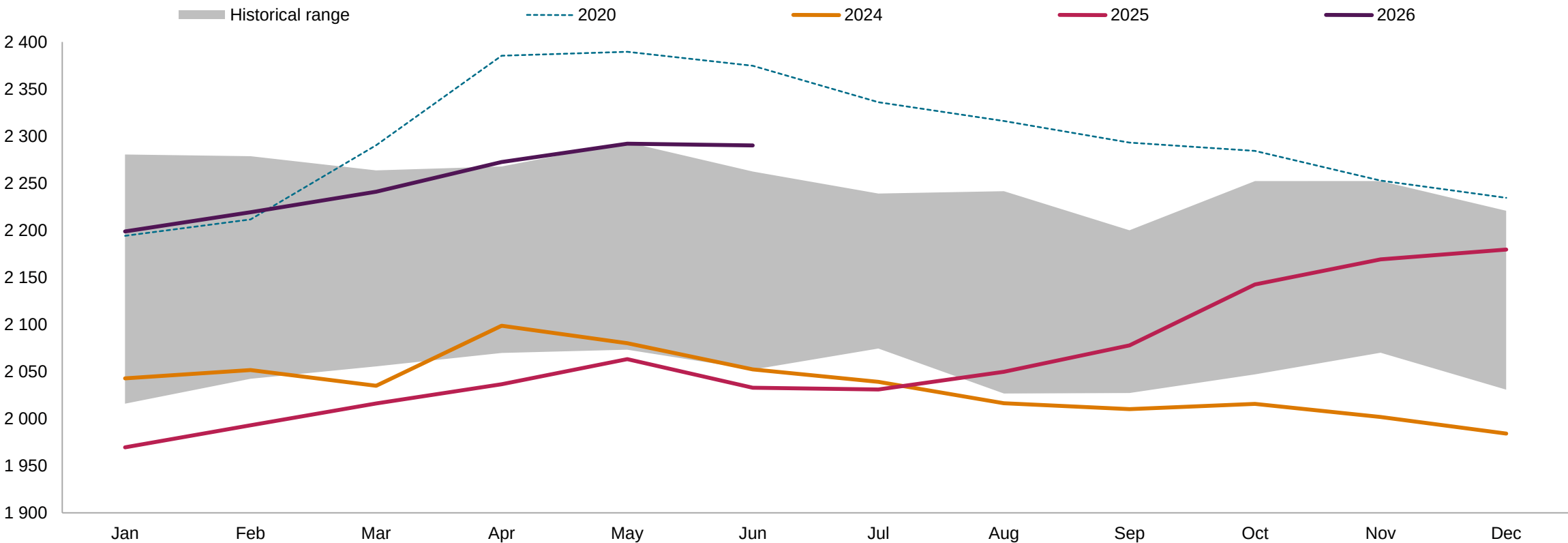
Data compiled April 25, 2025.

WTI prices are shown in chart legend and are in per-barrel terms. Reinvestment rate is the share of cash flows reinvested by the industry in upstream operations. A reinvestment rate above 100% implies taking on debt to fund upstream operations.

Source: S&P Global Commodity Insights.

Inventories to build rapidly in the second half of 2025 | An accelerated unwinding of production cuts will see inventory soar

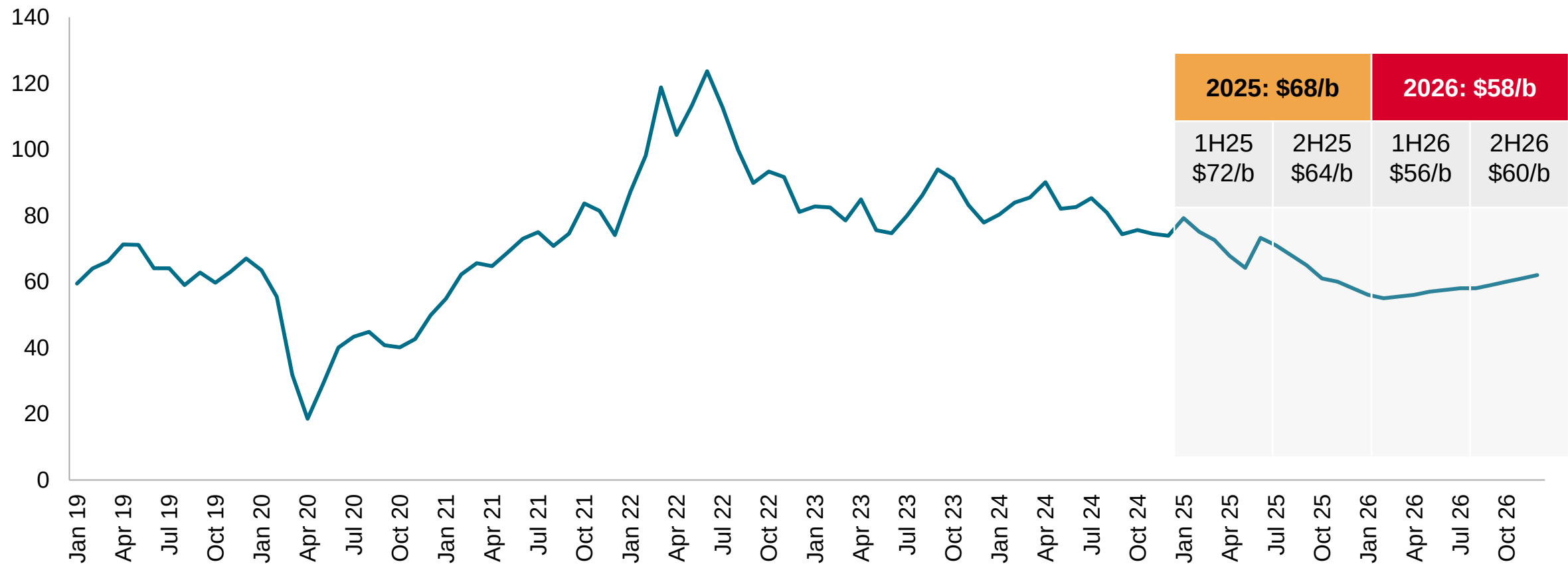
Non-China commercial crude inventory onshore (million barrels)



Data compiled June 27, 2025.
Data is weekly.
Source: S&P Global Commodity Insights.

Fragile prices | More supply and less demand will lead to lower prices... ...faster unwinding of OPEC+ cuts could see Brent below \$50/b

S&P Global Commodity Insights Dated brent price outlook (\$/b)



As of Jun. 27, 2025.

Historical Dated Brent prices from Platts.

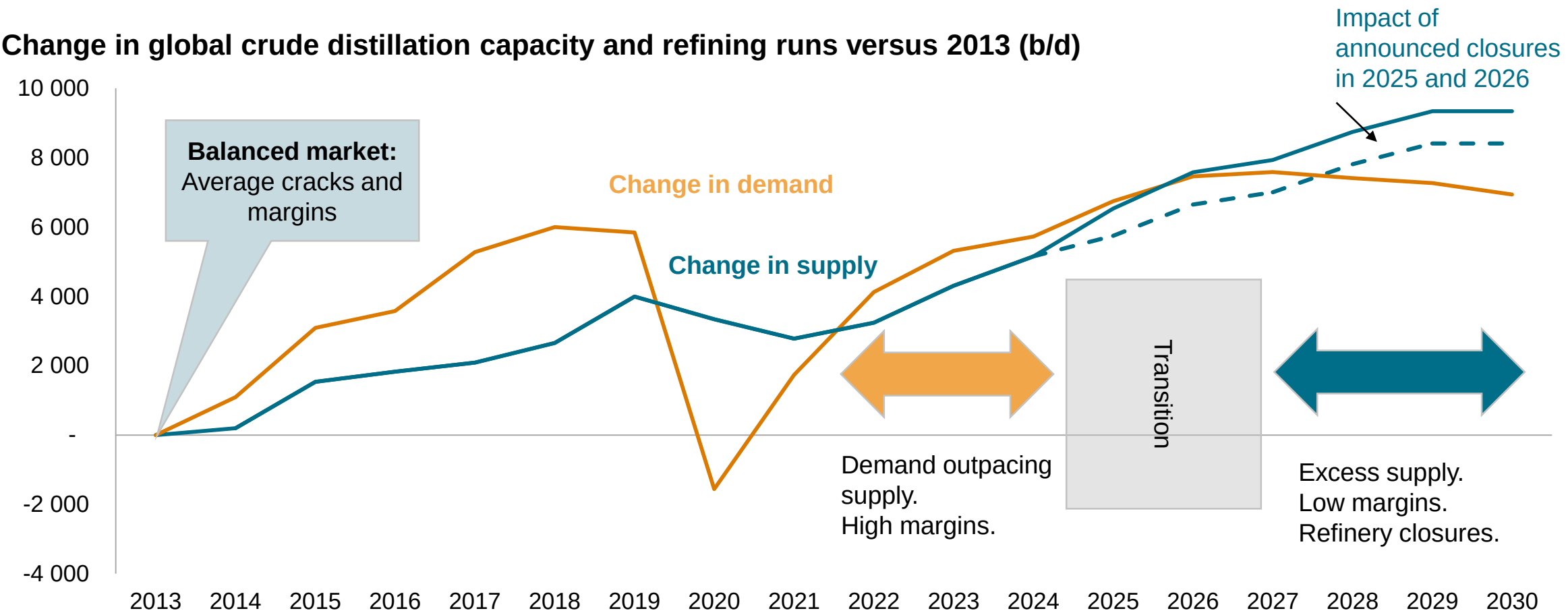
Source: S&P Global Commodity Insights.

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Does a refining downcycle create
supply risk for southern Africa?

Transition ahead | Transportation fuel balances are set to become looser as demand growth slows and new capacity is brought online

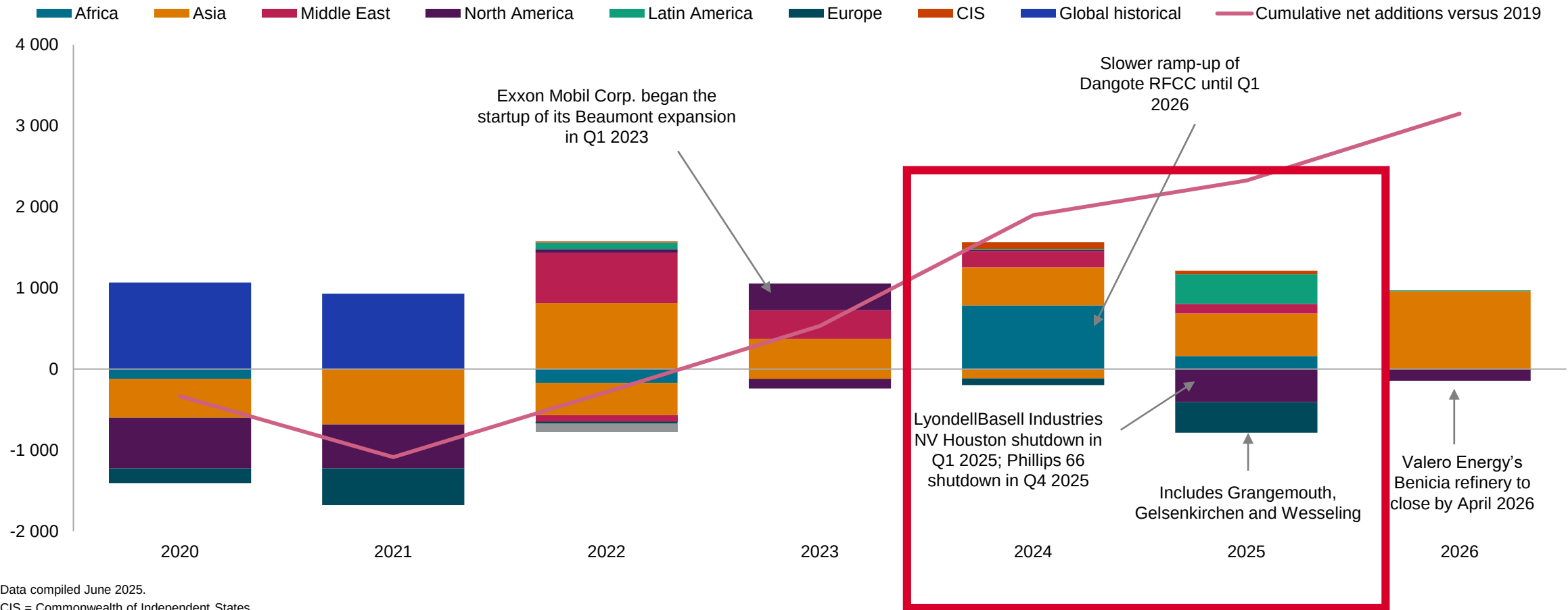
Change in global crude distillation capacity and refining runs versus 2013 (b/d)



As of June 13, 2025.
Source: S&P Global Commodity Insights.
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Nameplate capacity increasing | 3 MMb/d of capacity currently starting up, ramping up or shutting down

Anticipated crude capacity additions and closures to 2026 (thousand b/d)



Data compiled June 2025.

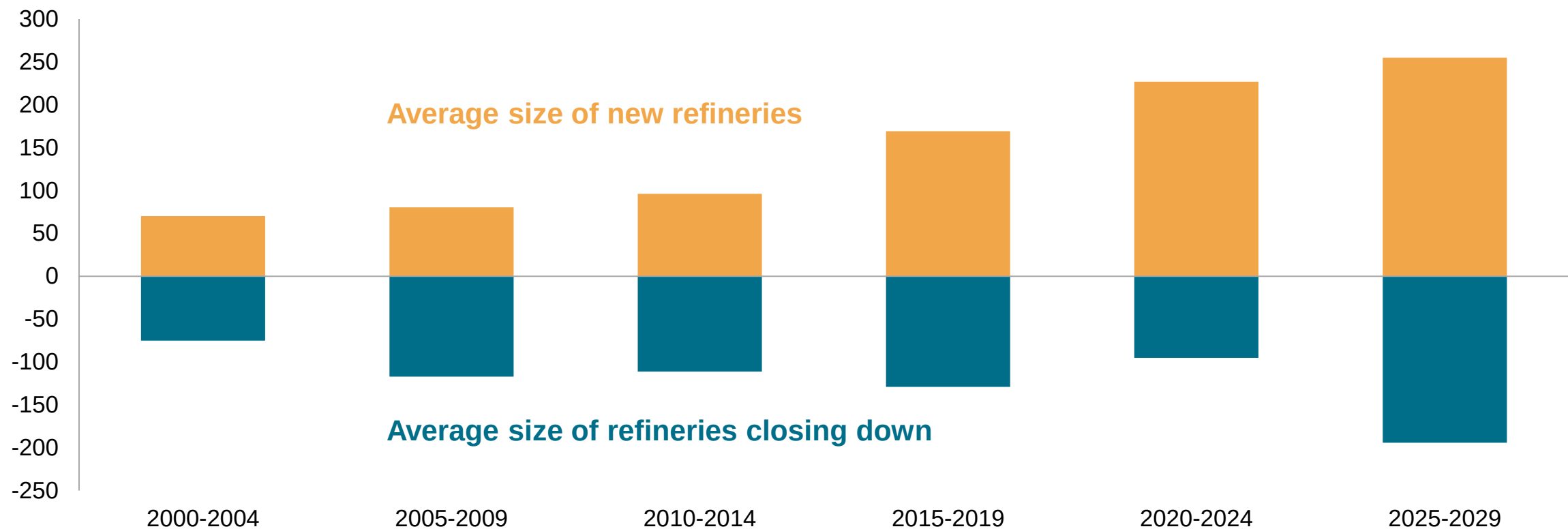
CIS = Commonwealth of Independent States.

Historical capacity additions represent global sum of new projects and incremental capacity creep at existing refineries. Closures of crude distillation unit (CDU) capacity include biorefinery conversions. Chart reflects initial startup of CDU capacity; see slide 16 for specific timing of production ramp-up.

Source: S&P Global Commodity Insights.

The two sides of supply | The average size of refineries starting up and shutting down is increasing, leading to greater supply-side uncertainty

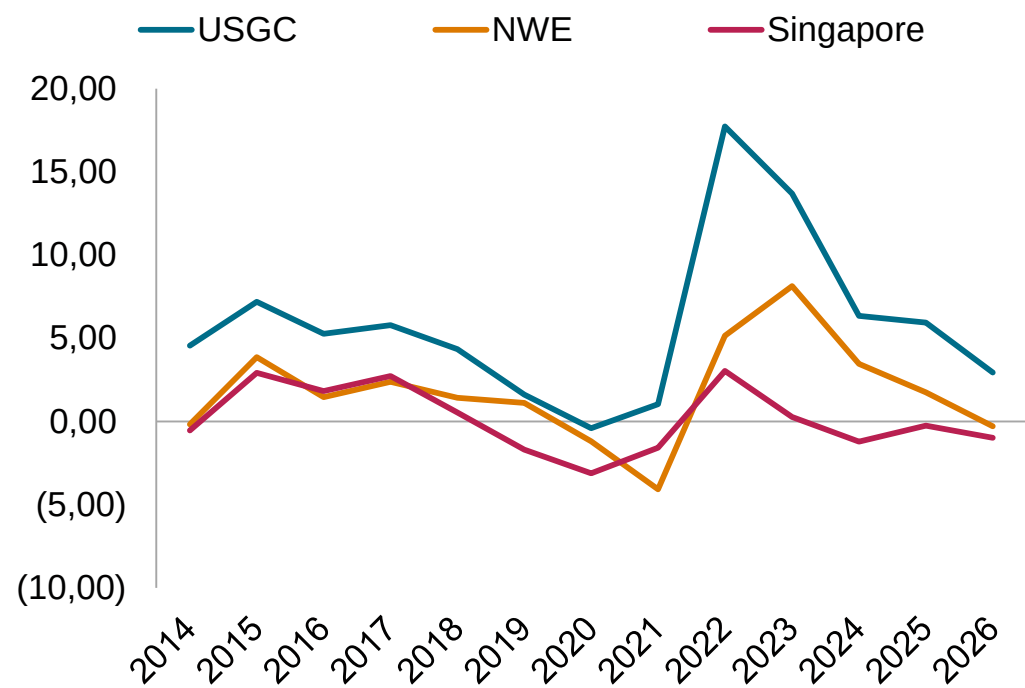
Average size of refineries starting up or shutting down (thousand b/d)



As of May. 06, 2025.
2025-2029 reflects announced closures at Benecia, Gelsenkirchen, Grangemouth, Houston (LyondellBasell), Los Angeles (P66) and Wesseling. 2025-2029 reflect "Firm" greenfield projects at Barmer, Olmeca, Panipat and Panjin.
Source: S&P Global Commodity Insights.
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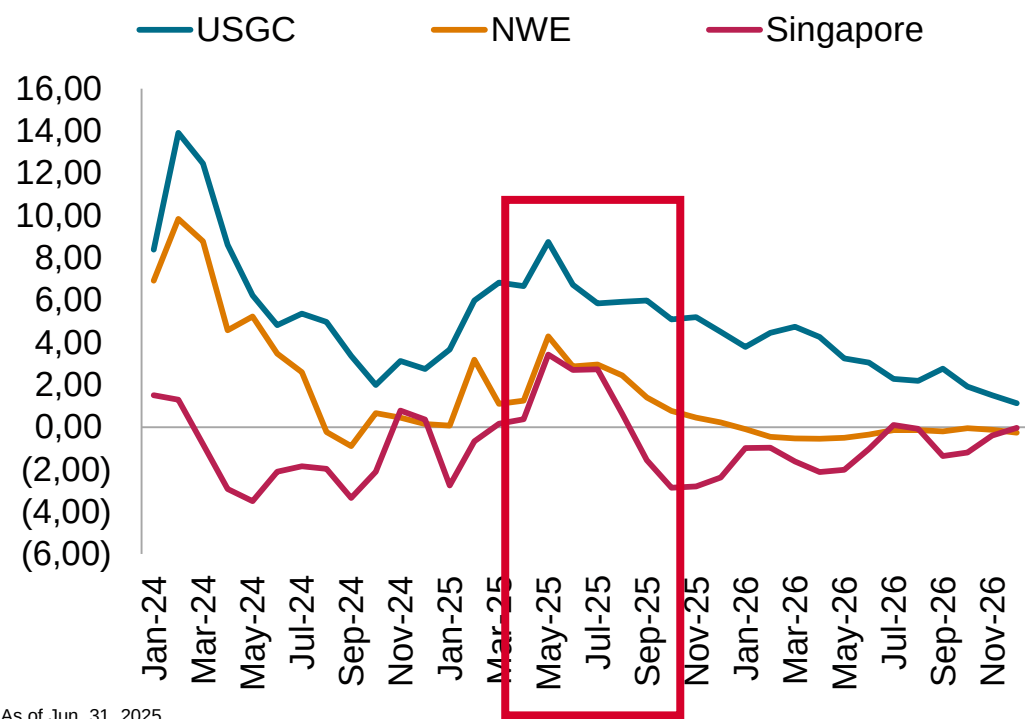
Margins | Despite weakening demand, we see supply-side support for cracks and margins in 2025

Average annual benchmark net refining margins (nominal \$/b)



As of Jun. 31, 2025.
USGC is a heavy-sour coking configuration. Northwest Europe is a light-sweet hydrocracking configuration. Singapore is a light-sour FCC configuration. USGC margin is RIN-less.
Source: S&P Global Commodity Insights.
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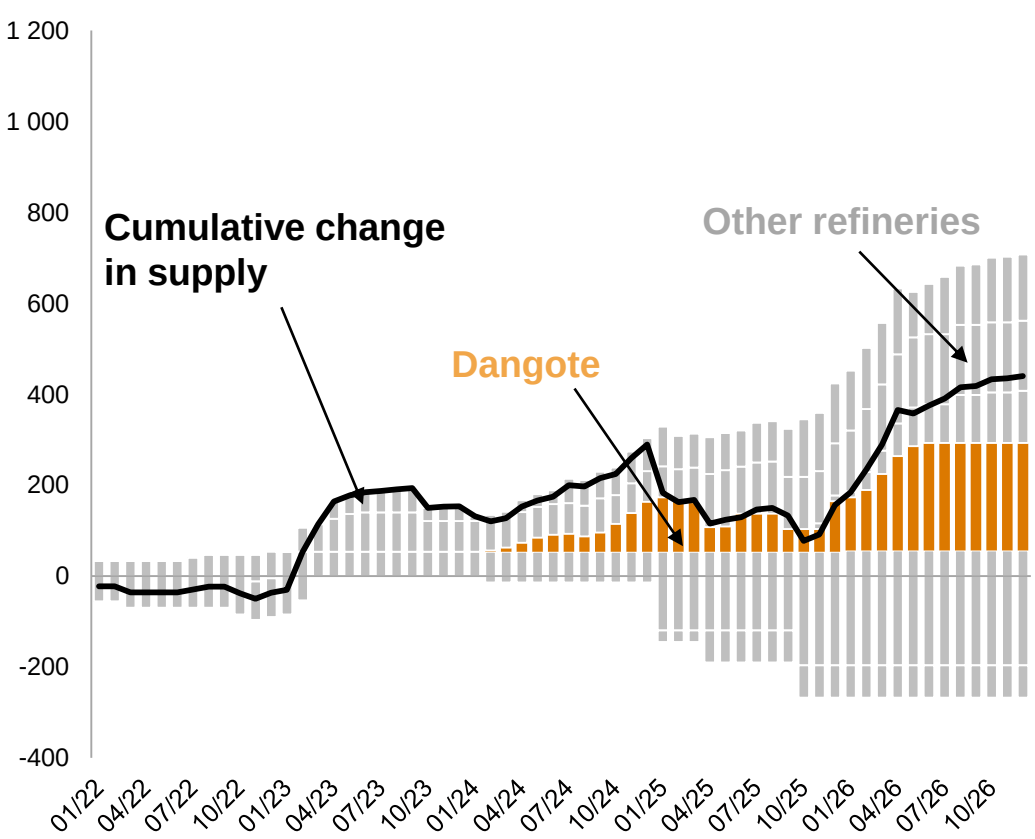
Average monthly benchmark net refining margins (nominal \$/b)



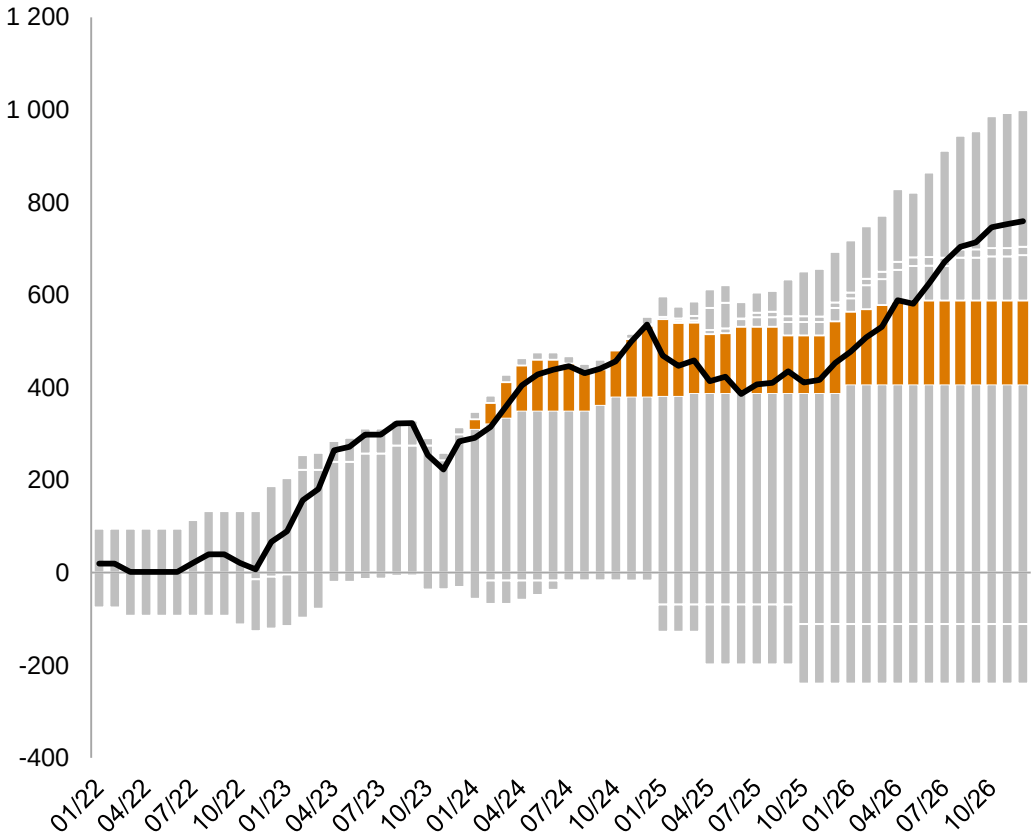
As of Jun. 31, 2025.
USGC is a heavy-sour coking configuration. Northwest Europe is a light-sweet hydrocracking configuration. Singapore is a light-sour FCC configuration. USGC margin is RIN-less.
Source: S&P Global Commodity Insights.
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Dangote matters | Dangote startup will be a big driver of gasoline and diesel balances and cracks

Gasoline supply increase from new refinery capacity (thousand b/d)



Diesel supply increase from new refinery capacity (thousand b/d)

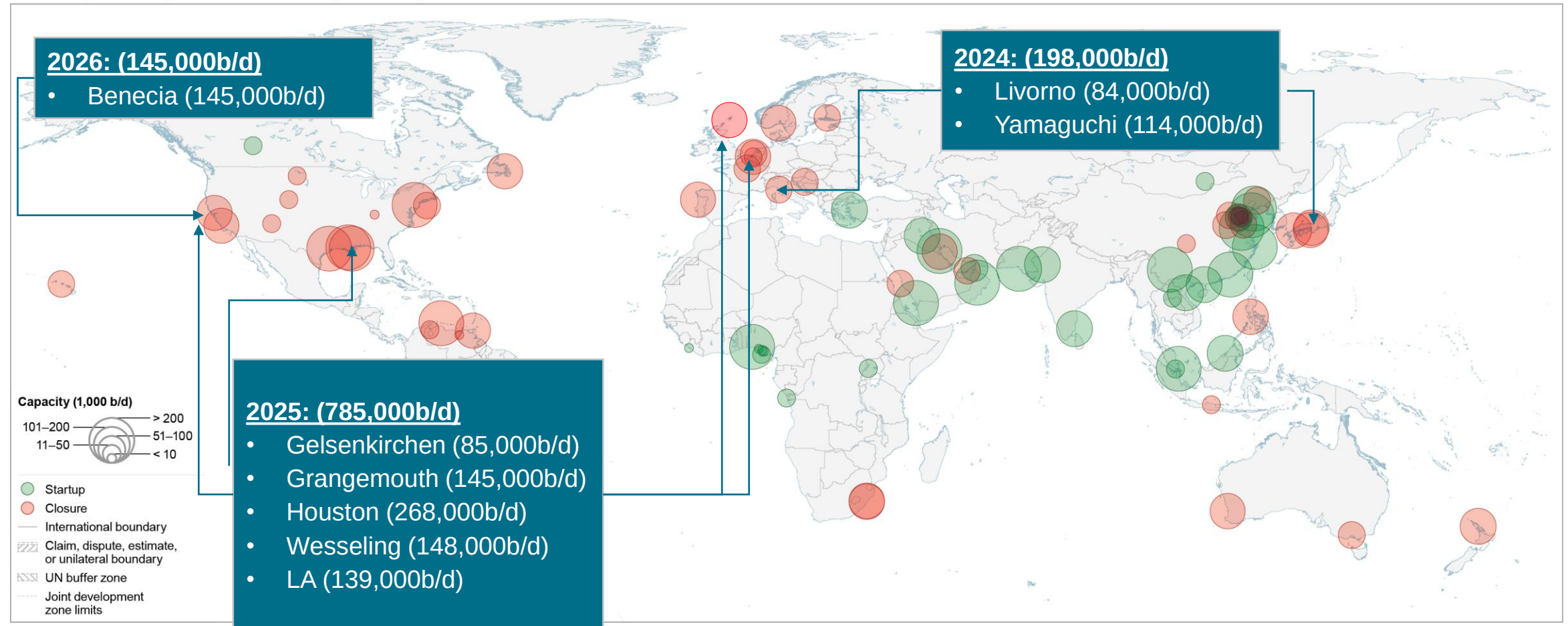


Data compiled June 2025.
Middle Eastern refineries include Jizan, Al Zour and Duqm. European refineries include Grangemouth, Wesseling, Gelsenkirchen and Livorno. Houston refers to LyondellBasell; Los Angeles refers to Phillips 66. Some refineries' supply may reflect incremental production elsewhere because of feedstocks produced from the new capacity. Please note that mainland China's supply changes have been added in this month's report.
Source: S&P Global Commodity Insights.

Closures | We expect almost 1 million b/d of closures by the end of 2025

Several closures have been announced and yet the exact timing remains uncertain

Refinery startups and closures (2017–26)



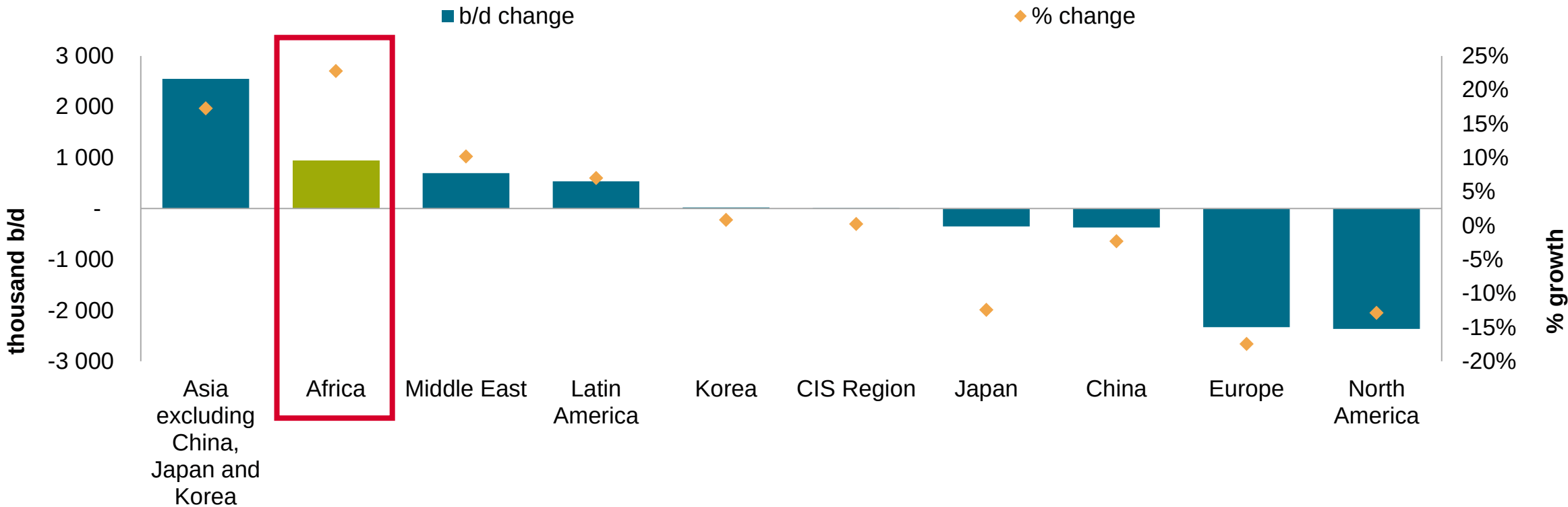
Data compiled Dec. 27, 2022.

Source: S&P Global: 2008217.

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Africa is on a different path | The African continent will have the fastest pace of demand growth over the next decade

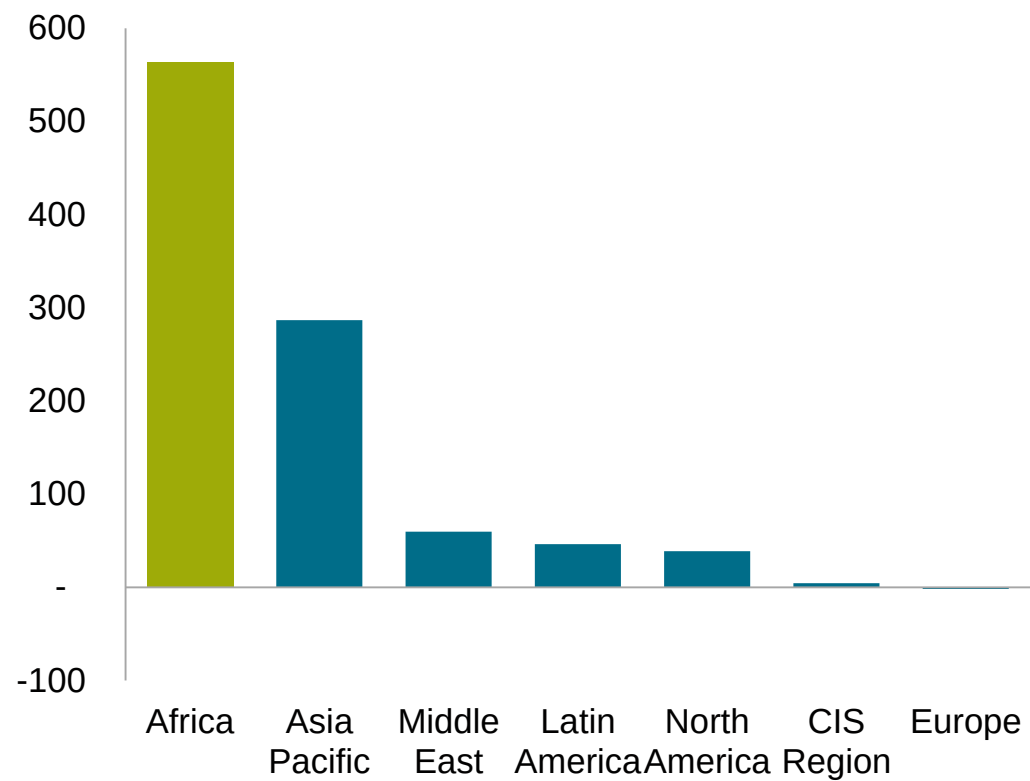
Refined products demand growth 2025 to 2035



As of Jul. 17, 2025.
Data from Annual Strategic Workbook 2025.
Source: S&P Global Commodity Insights.
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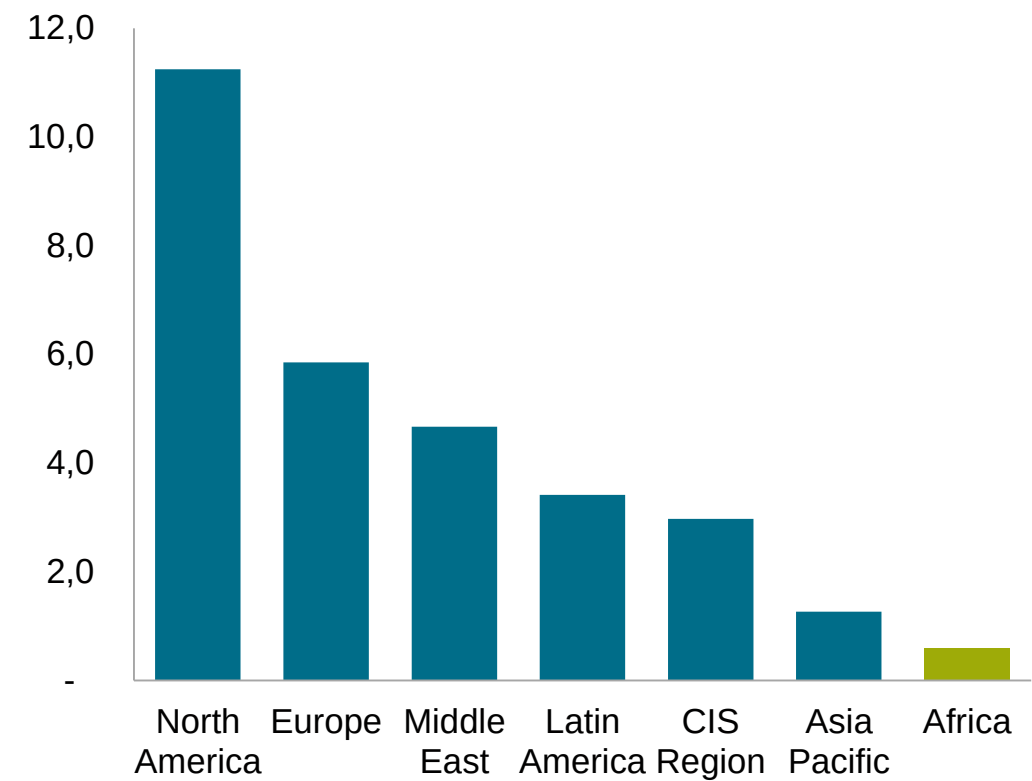
Macro trends support robust demand growth | Population growth and trek out of energy poverty will support demand growth

Change in population 2025 to 2040 (millions)



As of May. 29, 2025.
From Global Energy and Climate Scenarios.
Source: S&P Global Commodity Insights.
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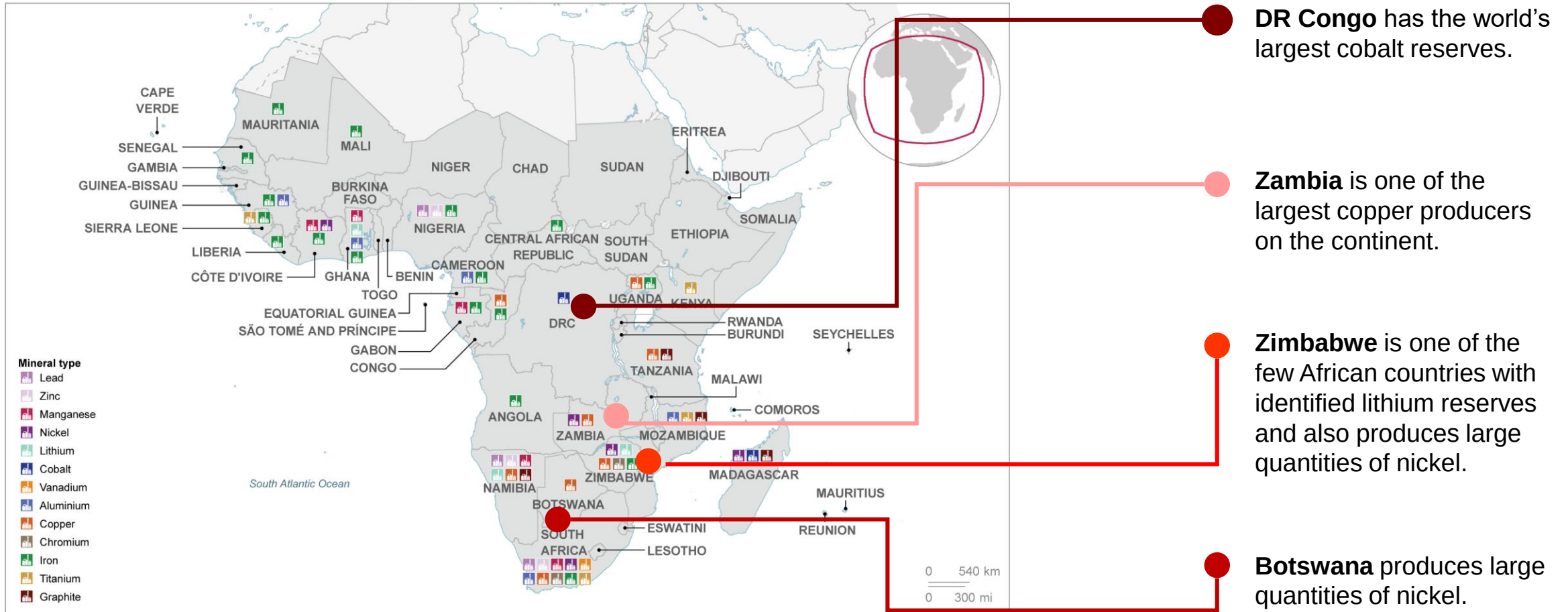
Transportation fuel consumption (bbls per person)



As of May. 29, 2025.
From Annual Strategic Workbook 2025. Includes MOGAS, gasoil/diesel and jet/kero.
Source: S&P Global Commodity Insights.
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Energy transition to support African oil demand | Mining activity to surge on the back of energy transition investments

Sub-Saharan Africa: Minerals for energy technology



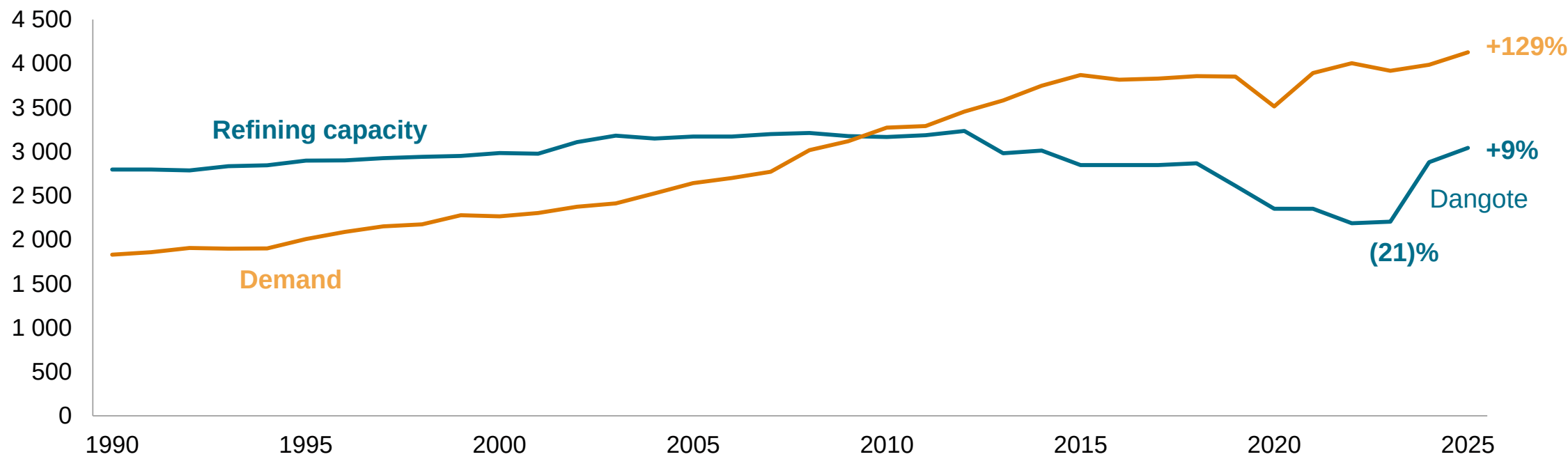
Data compiled May 26, 2023.

Source: S&P Global Commodity Insights: 2009686.

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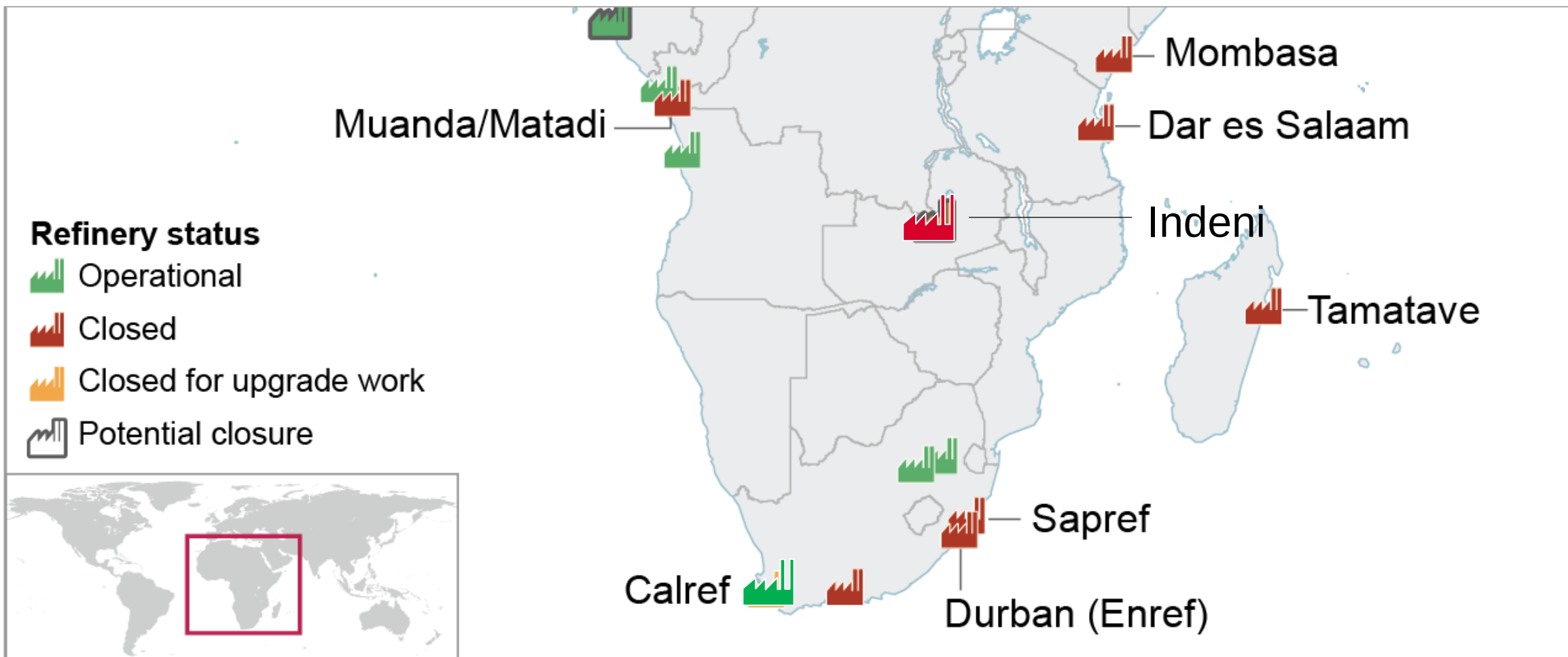
Refining stagnating as demand surges | Is Dangote an anomaly or a blueprint for future refining development in Africa?

African refined products demand and crude distillation capacity (thousand b/d)



As of Jul. 17, 2025.
Data from Annual Strategic Workbook 2025.
Source: S&P Global Commodity Insights.
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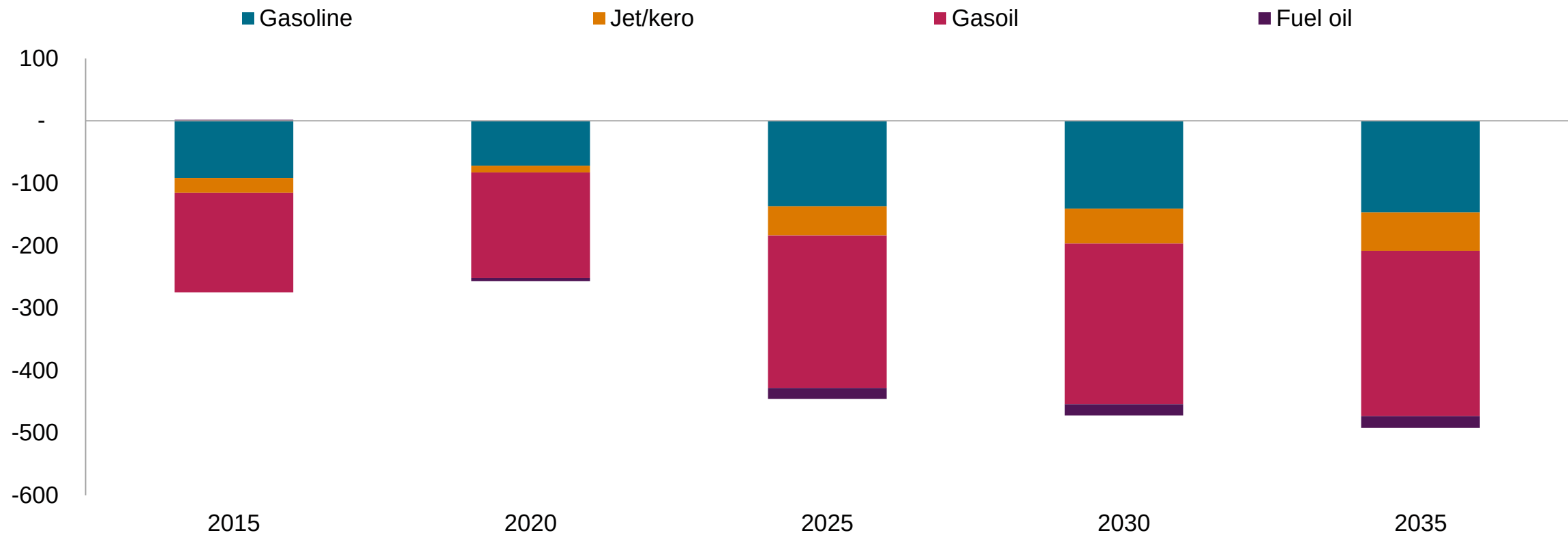
Regional refining capacity has contracted | All of coastal East Africa's refineries have closed and there are no projects on the horizon



Source: S&P Global Commodity Insights

Net imports have surged and are set to grow further in the next decade

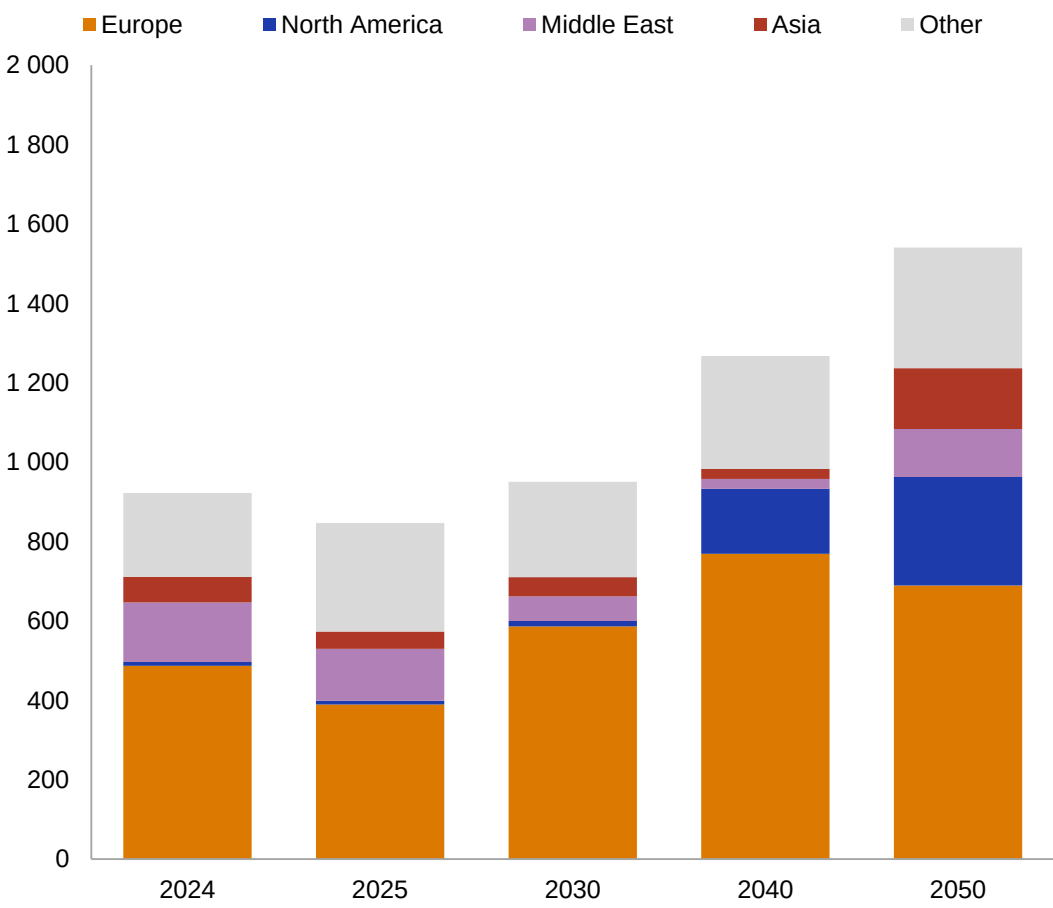
Net refined product imports into Botswana, Eswatini, Lesotho, Namibia and South Africa (thousand b/d)



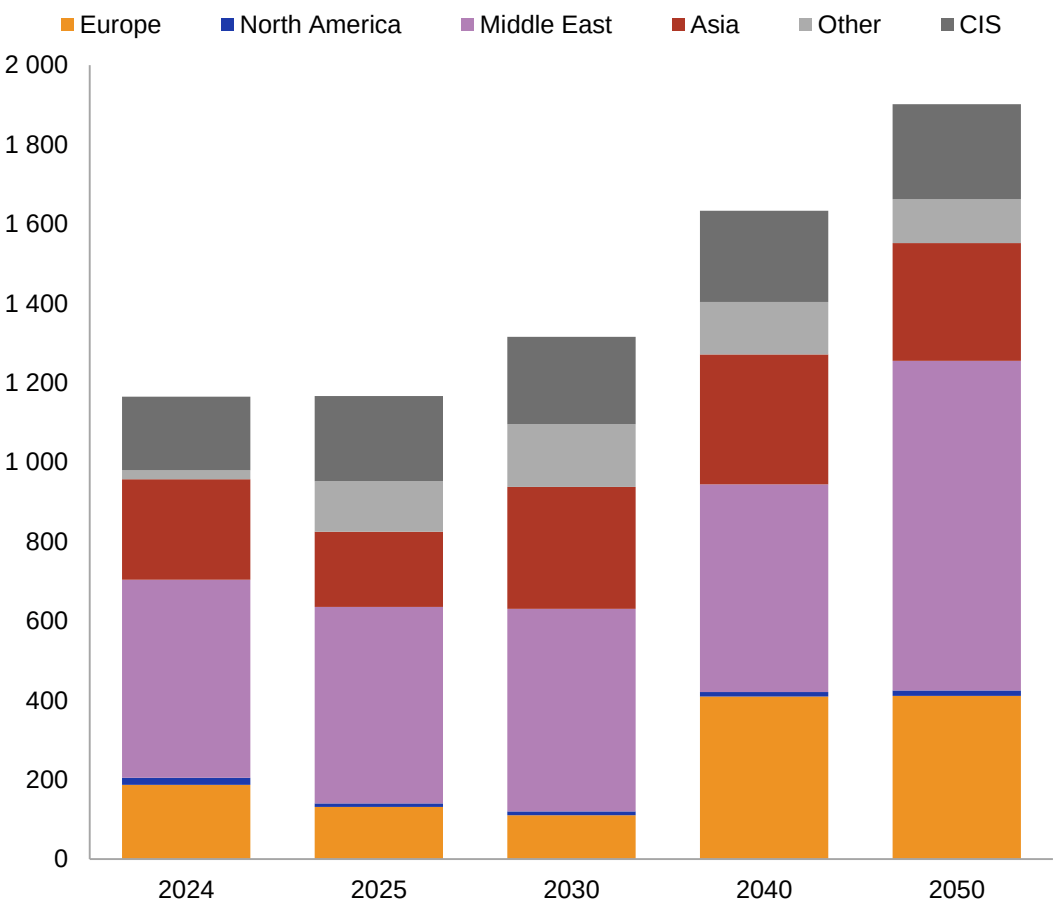
As of Jul. 17, 2025.
Source: S&P Global Commodity Insights.
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Supply risk? | Africa is heavily dependent on imports from Europe and the Middle East

Africa gasoline imports (Thousand b/d)

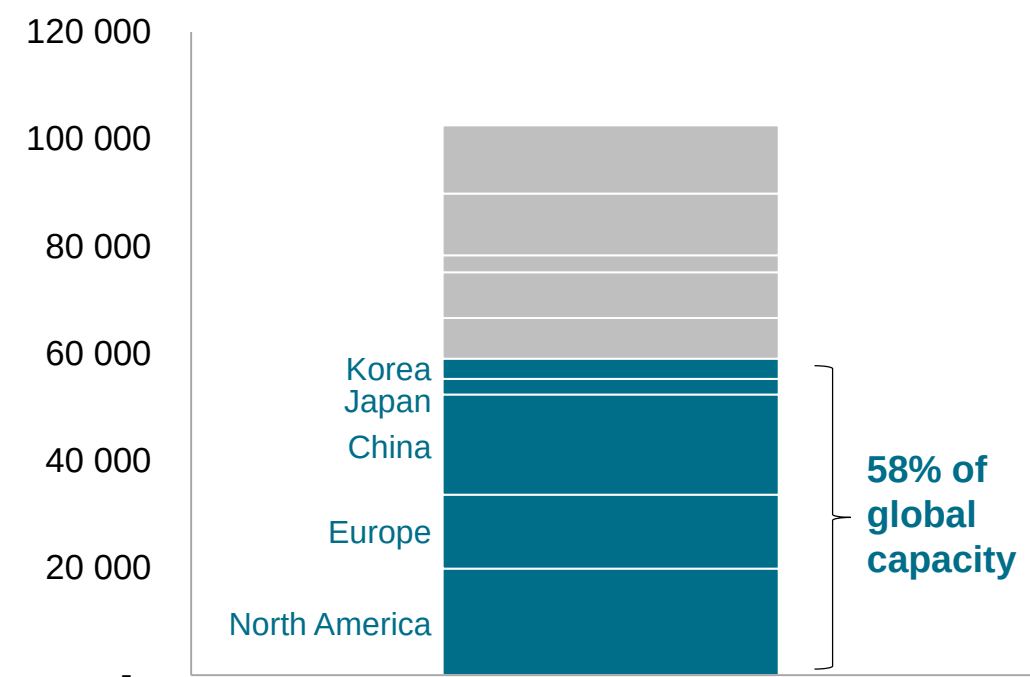


Africa diesel/gasoil imports (Thousand b/d)



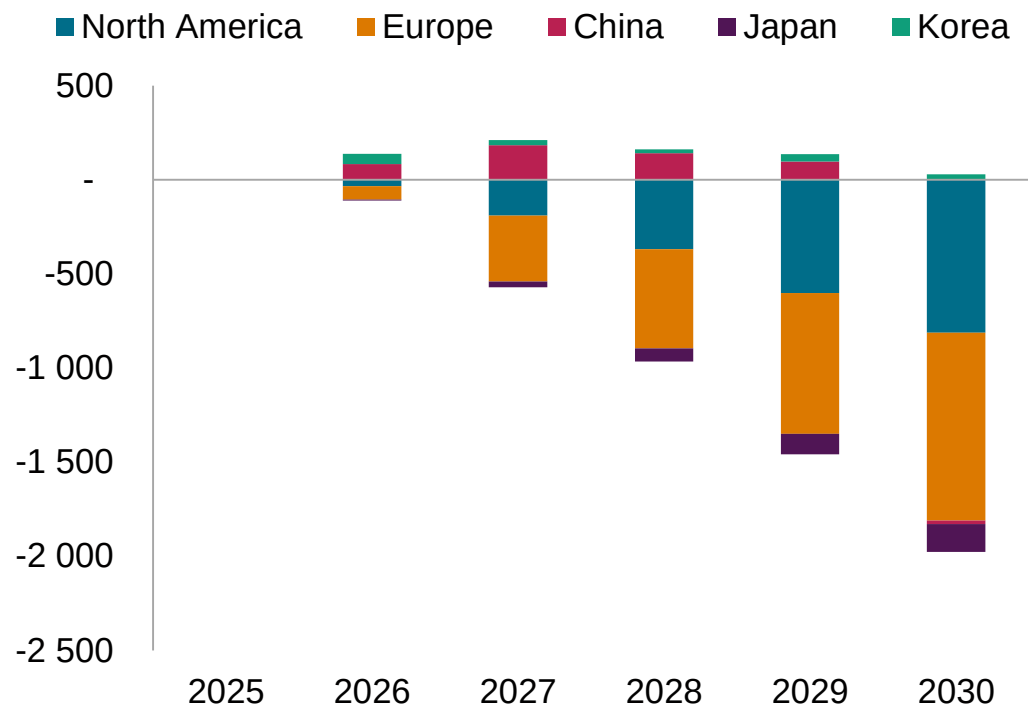
Closures coming | Almost two-thirds of global refining capacity is in regions where demand is set to fall over the next five years

2025 crude distillation capacity by region
(thousand b/d)



As of Jul. 17, 2025.
Data from Annual Strategic Workbook, 2025.
Source: S&P Global Commodity Insights.
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Change in refined product demand versus 2025
(thousand b/d)



As of Jul. 17, 2025.
Data from Annual Strategic Workbook, 2025.
Source: S&P Global Commodity Insights.
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Geopolitical risk remains elevated | Africa is a big buyer of refined products from the Middle East

Strait of Hormuz oil trade flows

Middle East exported 14 million b/d crude and 4 million+ b/d refined product in the first 5 months this year, with most heading to Asia

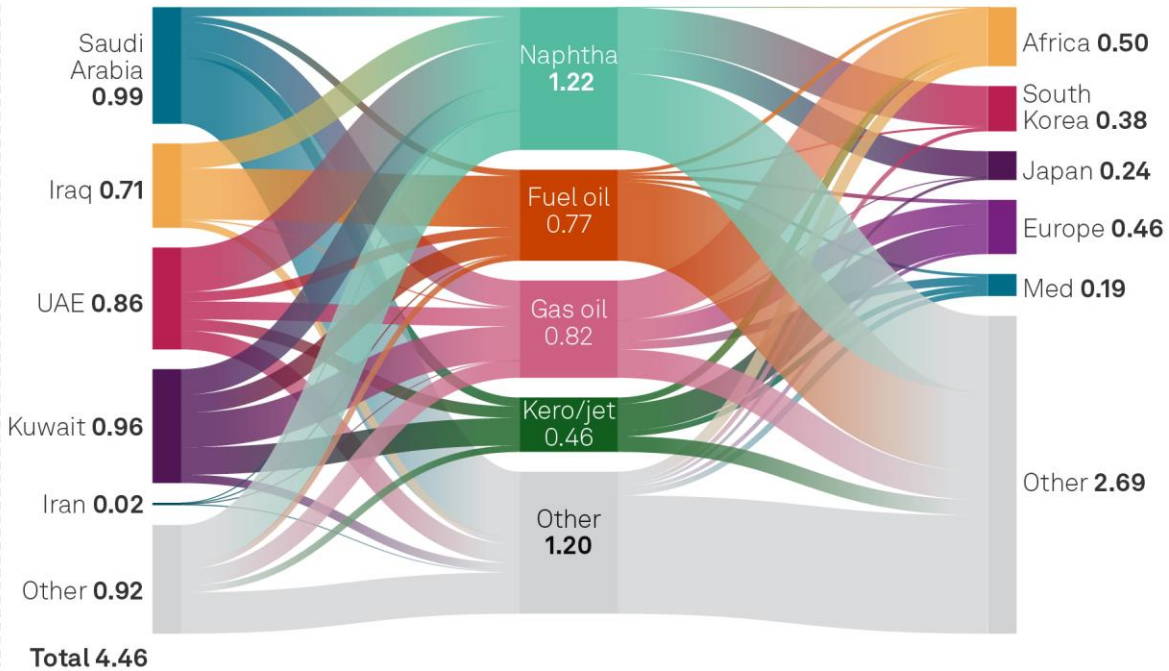
Crude oil exports via Strait of Hormuz

January–May 2025 (million b/d)



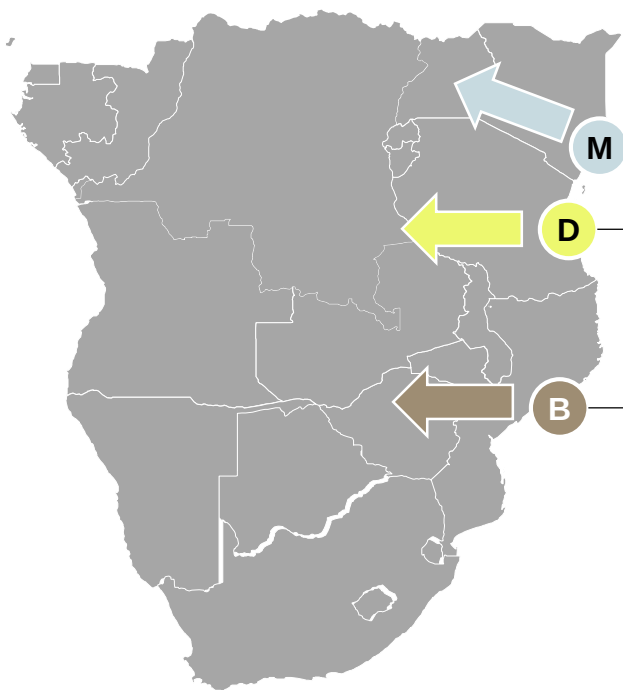
Refined product exports via Strait of Hormuz*

January–May 2025 (million b/d)



As of June 25, 2025.
* LPG volumes are excluded
Sources: S&P Global Commodity Insights; S&P Global Commodities at Sea.
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Urgent need for infrastructure | Demand growth in next 10 years will stretch already-stressed infrastructure



Mombasa supply zone

Change from 2025-35

- Demand: +28%
- Tankers in the port: +6 per month
- Trucks on the road: +110,000 per year

Dar es Salaam supply zone

Change from 2025-35

- Demand: +42%
- Tankers in the port: +4 per month
- Trucks on the road: +75,000 per year

Beira supply zone

Change from 2025-35

- Demand: +38%
- Tankers in the port: +3 per month
- Trucks on the road: +50,000 per year

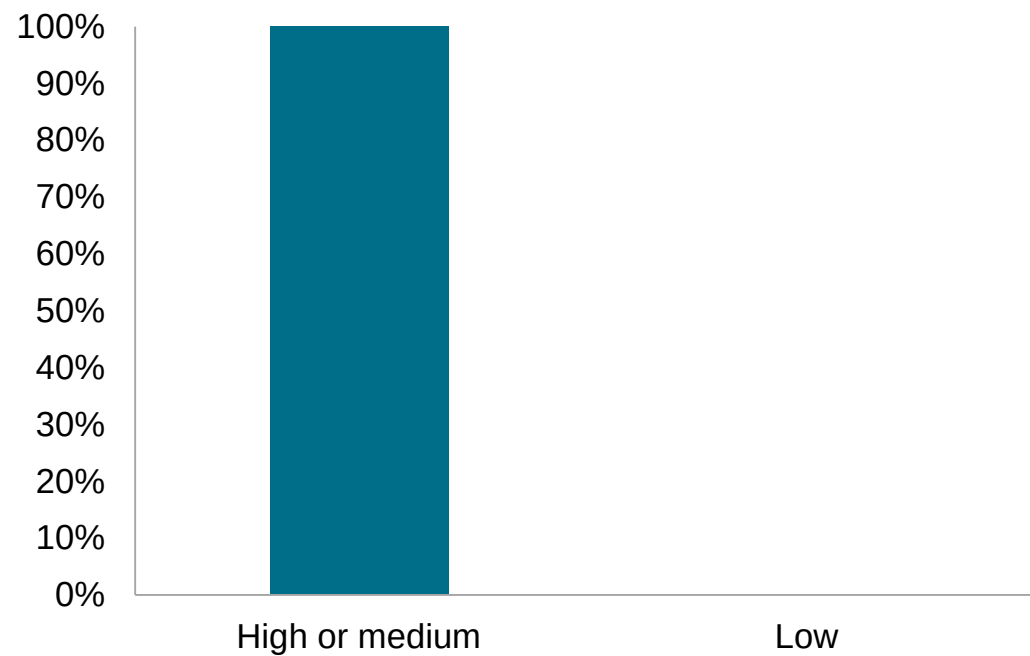
Demand includes naphtha, gasoline, gasoil, jet/kero and fuel oil. Mombasa supply zone includes Kenya, South Sudan, Sudan and Uganda. Dar es Salaam supply zone includes Burundi, 10% of DRC, Rwanda, Tanzania and 50% of Zambia. Beira supply zone includes: 10% of DRC, Malawi, 80% of Mozambique, 50% of Zambia and Zimbabwe. Assumes MR for tankers and 40,00 liter tanker truck.
Source: S&P Global Commodity Insights

Has the **energy transition** stalled?

The South African view | Energy transition matters...but not as much as other issues

All FIASA members think energy transition matters

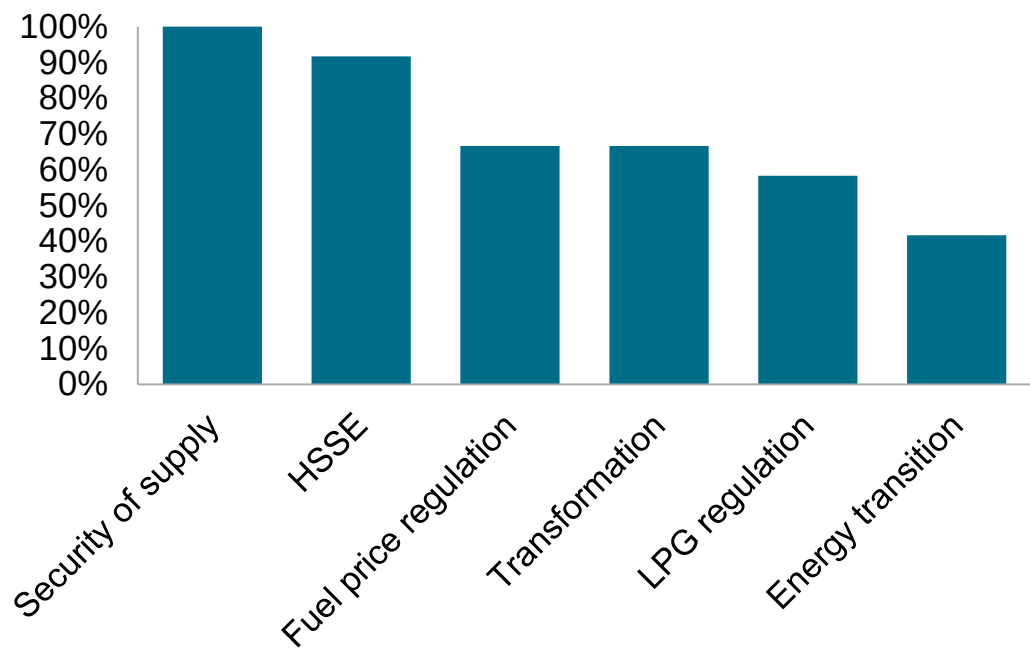
How important is the energy transition to your business?



As of Mar. 03, 2025.
Source: Fuels Industry Association member survey, February 2025, S&P Global Commodity Insights.
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But other issues are more important right now

Share of members allocating high importance to strategic initiatives



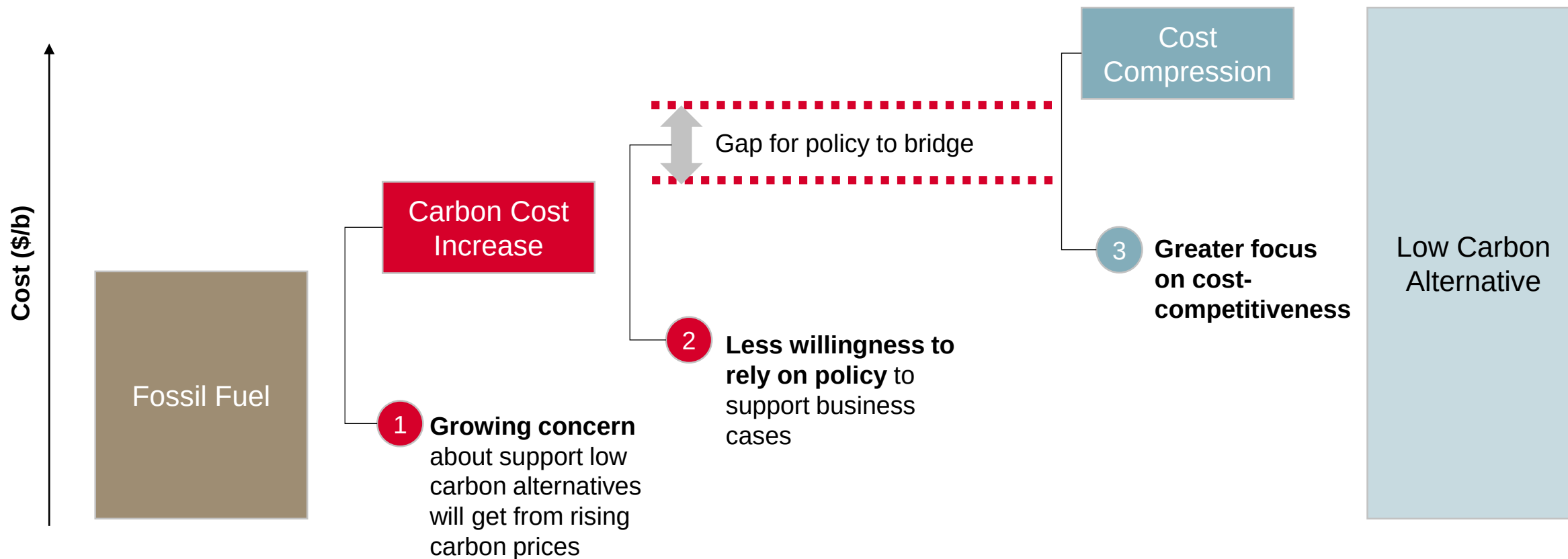
As of Mar. 03, 2025.
Source: Fuels Industry Association member survey, February 2025, S&P Global Commodity Insights.
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The energy transition is being reset | Shift in global geopolitics is driving a reevaluation of how decarbonization competes with other priorities

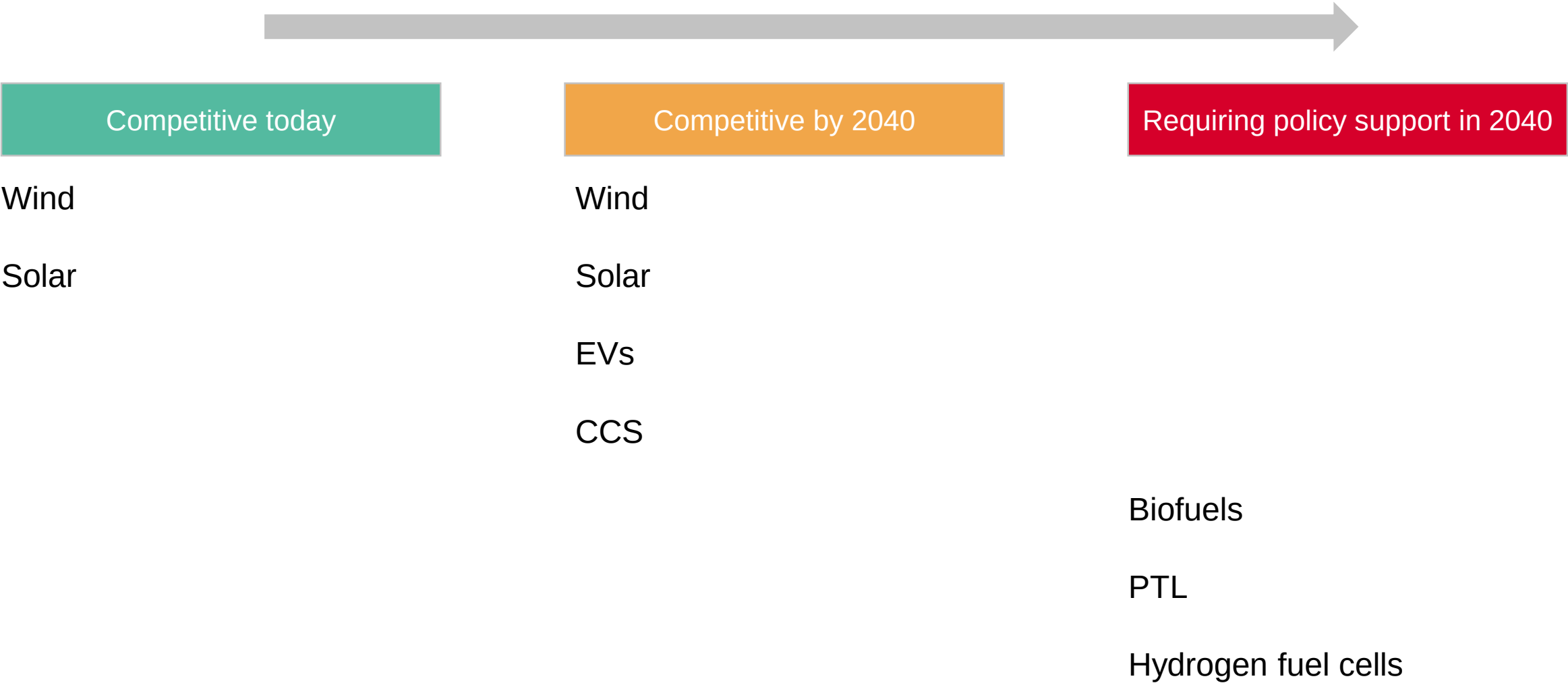
The cost and complexity of an unrepresented energy transition are becoming apparent



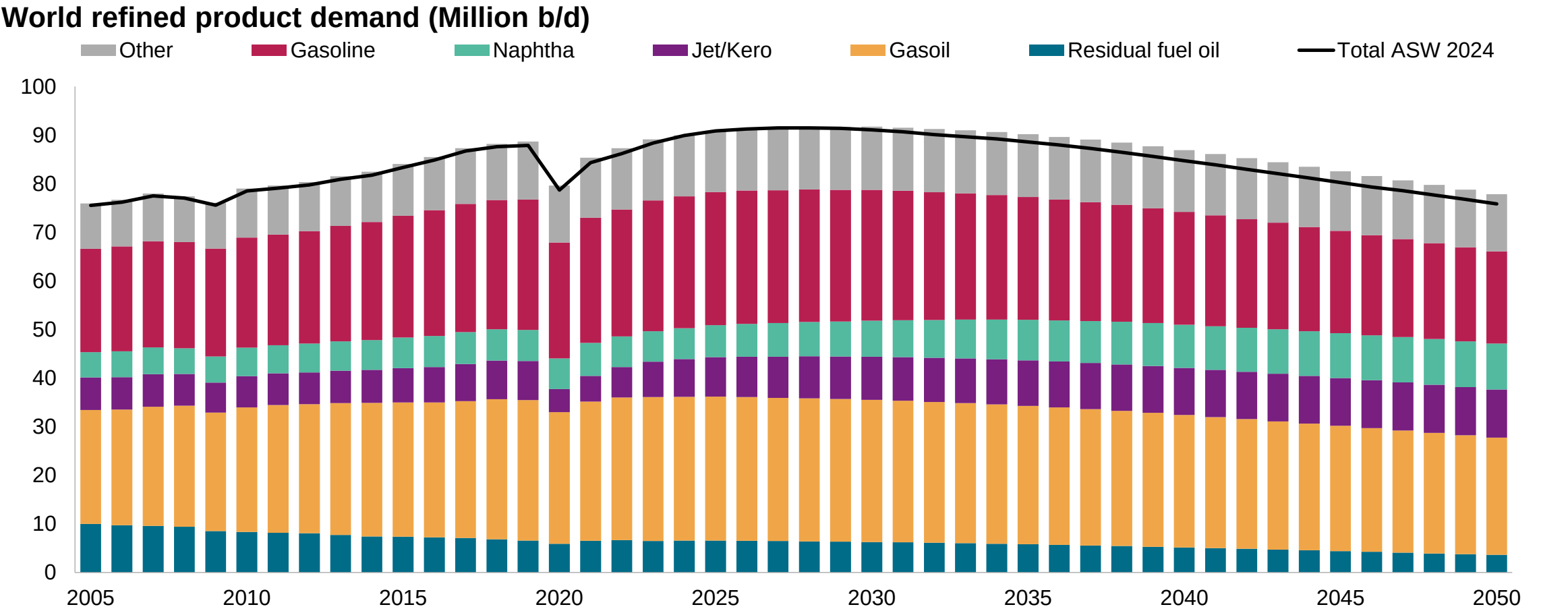
Policy versus technology | Focus on cost-competitiveness is increasing as concern about policy stability rises



Technology outlook | While there is a path to competitiveness for several key technologies, others will continue to rely on policy support

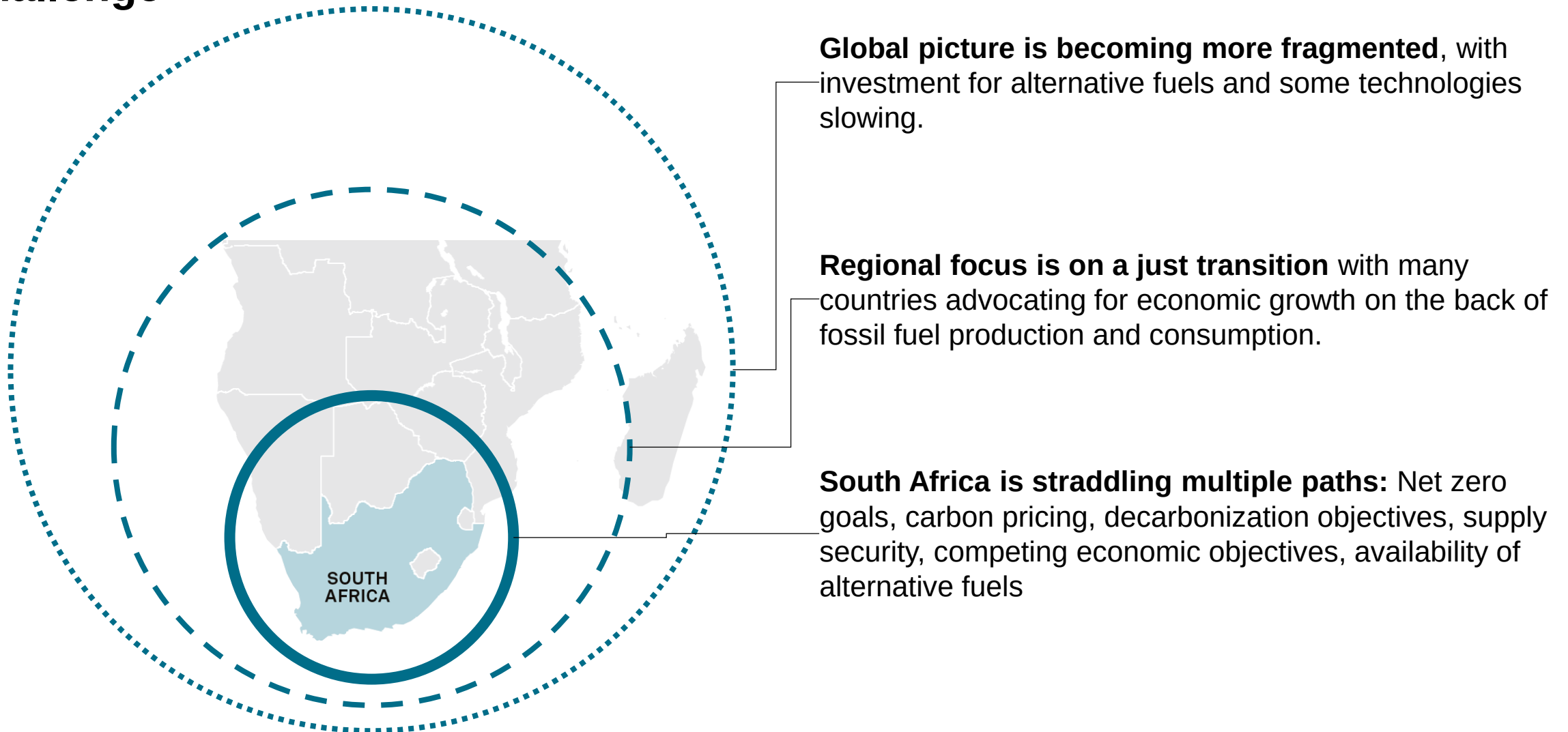


A slower goodbye | We expect global oil demand to plateau from 2025-2035



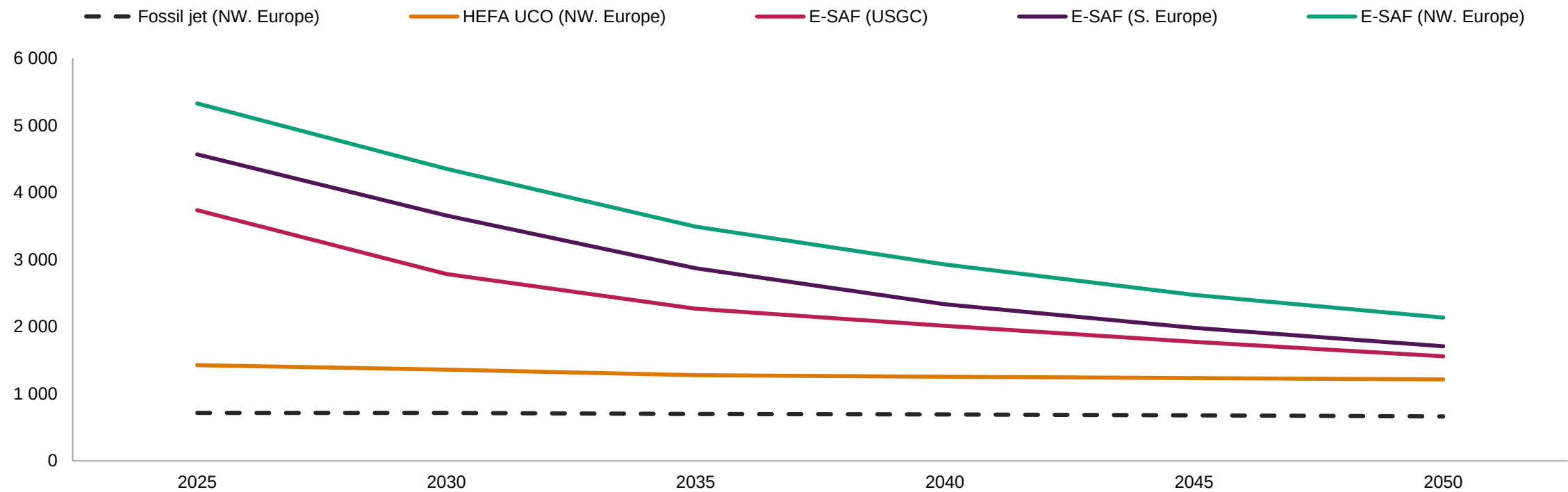
Source: S&P Global Commodity Insights.
Annual Strategic Workbook: Preliminary Outlook 2025
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Reconciling global, regional and local dynamics creates a strategic challenge



The need for regulatory support | Can alternative fuels be cost-competitive?

Indicative e-SAF production costs*
(\$2022 per metric ton)



Data compiled Oct. 2, 2024.
*Indicative costs
Source: S&P Global Commodity Insights.
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Final thoughts

Final thoughts

1

Sub-Saharan Africa will be the fastest-growing, most resilient market for transportation fuels in the decades to come

2

Meeting that demand will require substantial investment in building more resilient, cross-border fuel supply chains

3

Moving forward with the energy transition requires a stable regulatory environment and a strategic reconciliation with the need to keep investing in conventional fuels

