



CORNERSTONE ANALYTICS

THE MORNING ENERGY UPDATE

JULY 11, 2025

MICHAEL ROTHMAN +1 908-573-5870 MIKE@CORNERSTONEANALYTICS.COM

CHEESE AND RICE!!

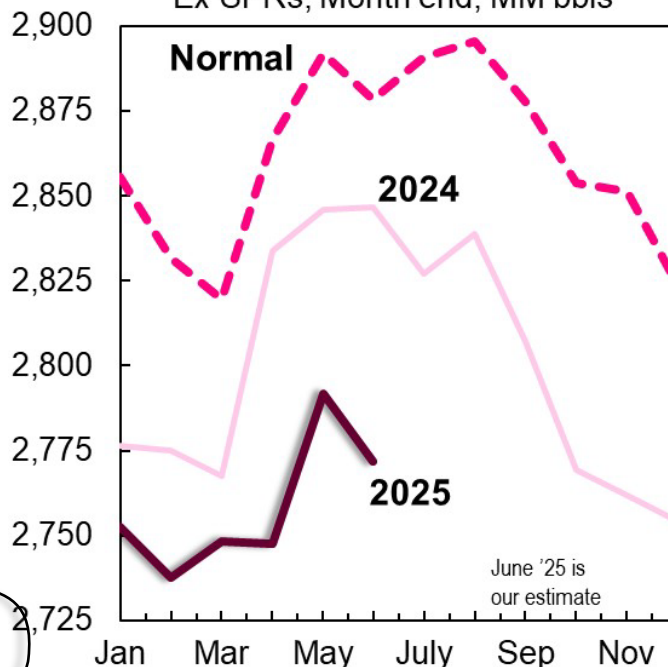
It takes us a couple of days to sift through the various datasets in the IEA updates but reading the summary it released and sent to news services reads very, very differently than the data it is supposed to represent.

In terms of key figures, OECD inventories (the proxy for global stocks) were revised down from a month ago as detailed below. The outsized build we had estimated in May for the Pacific countries appears to have been smaller than our figure. That inventories globally are lower than previously estimated basically ends up lifting the demand readings – which we will discuss in further detail on the following page.

As to production, what we will focus on here is the analysis in the lower right, specifically a 400,000 b/d drop in Iran's production last month. The IEA data show the decrease as having been for its crude oil flows but we strongly suspect it was NGLs given our published assessments about damage to South Pars natural gas processing facilities.

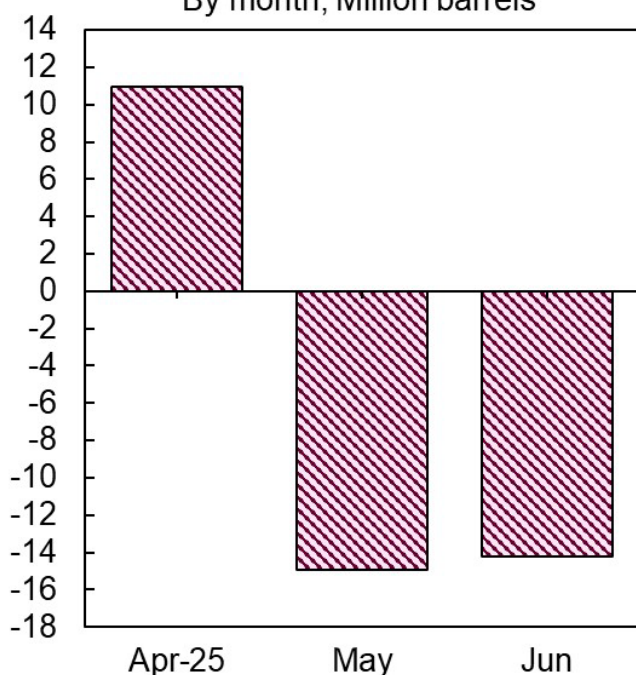
OECD Petroleum Stocks

Ex SPRs, Month end, MM bbls



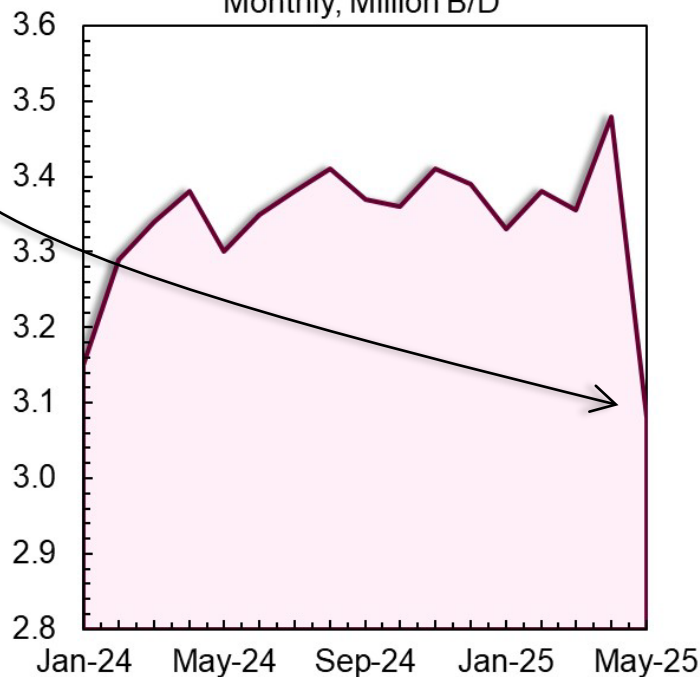
OECD Inventory Revisions

By month, Million barrels



Iran's Crude Oil Production

Monthly, Million B/D

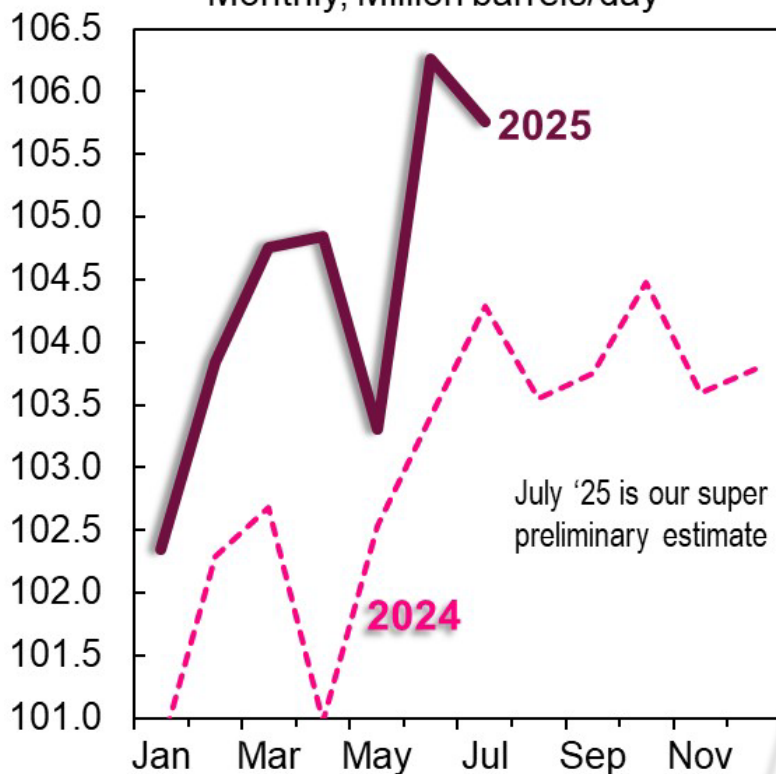


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Global Oil Demand

Monthly, Million barrels/day



It appears to us that a most controversial topic continues to be the state of global oil demand. In point of fact, the summary of the IEA this month (and last month) asserted that total growth this year will be 700,000 b/d. We're calling "cowpie," and you don't need an advanced degree in econometrics to figure out why...

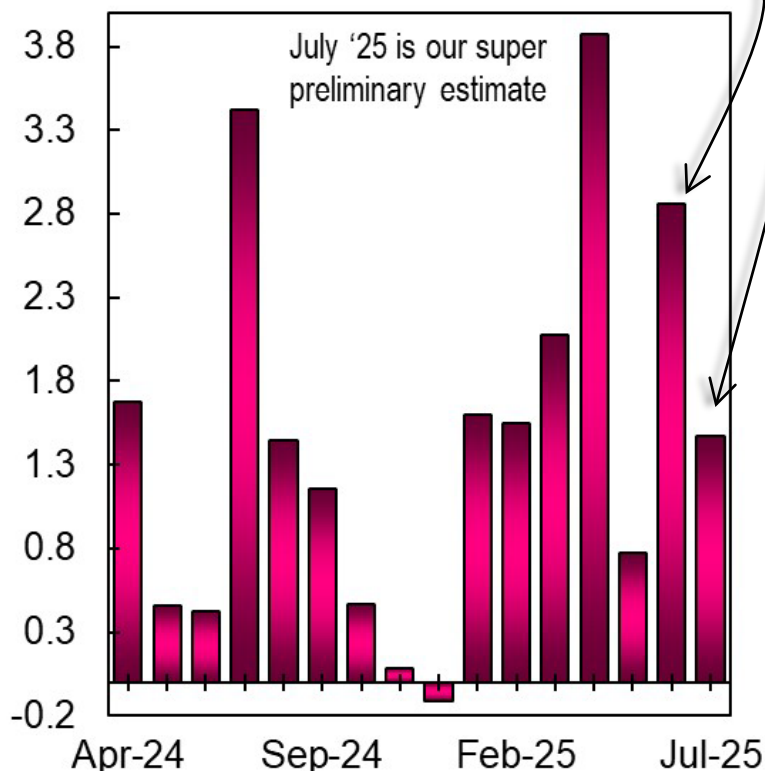
Demand growth during the January-May period averaged 1.973 million b/d as per the math. This means demand during the June-December period has to average a wee less than "zero" to make the IEA's 700,000 b/d figure work. The preliminary figure we developed for June puts the year/year growth at +2.86 million b/d which is light years from zero. The super preliminary July number (updated this morning with available supply figures) puts the year/year growth rate at +1.47 million b/d.

We suspect many reading this will be saying "no way" to the above given the prevailing view that global economic activity has been negatively impacted this year because of fears about tariffs and a broad trade war and, we believe, a focus on China's GDP being less robust than projected (and with it, its oil demand which, we note, has been pretty blah). But at the risk of repeating this, the trend in global oil demand and the trend in China's oil demand show a very poor correlation.

As to oil balance prospects, we've been noting that global oil demand so far this year has been running notably stronger than our forecast – and our figures are higher than the consensus'. An under-discussed consideration is the impacts of demand in the back-half of the year being stronger than what we already allowed for based on seasonal norms. The market hasn't discounted this prospect at all.

Global Oil Demand

Year/year change by month, MM b/d



THE BIG SWINGIN' DERRICK IN THE ROOM...

UAE ready for another oil capacity boost if markets require

Reuters - The United Arab Emirates could further boost its oil capacity after 2027 if that is what markets require, its energy minister said on Thursday, implying the country had the potential to become one of the world's five biggest producers. OPEC+ has granted the UAE a bigger production quota this year after the country said the producer group was restricting its output too much when it had invested heavily to expand capacity to 4.85 million barrels per day from 3 million bpd. The UAE targets capacity of 5 million bpd by 2027 and Energy Minister Suhail Mohamed al-Mazrouei told reporters it could rise further after 2027. "We can go to 6 million if the market requires," he said. He said that was not an official target and following his remarks, the UAE energy ministry said in a statement the country's target was unchanged...

Members of OPEC have made exaggerated claims about oil production capacity stretching back to the '80s after output quotas were introduced in 1983. The prospect that global oil demand will continue to expand faster than non-OPEC supply translates into increased needs for cartel supply and pressure on global inventories for the medium-term. While this potentiality is literally off the radar screen for market watchers, there has been a discussion in OPEC about trying to forestall a secular squeeze on supply. This squeeze, in our estimation, looks more likely than not which is in keeping with our own medium-term forecast – a view that has stood dramatically at odds with the consensus projection. We would remind you about the analysis that compares our demand outlook through 2030 with that of the IEA and OPEC (which we published earlier this week). In point of fact, the strong probability for what will be below-trend non-OPEC supply expansion was shrugged off by the IEA who chose to address this issue by adopting a *"it doesn't matter"* hinged on a projection that "green energy" programs will kill oil demand growth. As to the UAE and the clipping to the left, we'd be more than hesitant to wager our lunch money on the Emirates achieving such a target.

UAE Monthly Production

Crude oil, Million barrels/day

