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REACTION TO THE US ELECTIONS

Market soundings gathered across discussions, interviews and speeches point to a change in Washington's political balance, with uncertain consequences for Middle East security. Greater congressional scrutiny could constrain the administration and create opportunities for diplomacy. Yet presidential discretion, entrenched Iranian demands and enduring American strategic objectives make an immediate breakthrough far from certain.

The path towards de-escalation could first pass through another dangerous period. Before the new Congress takes office, the administration retains room to act. Subsequently, investigations and spending pressure may complicate its strategy without producing an alternative acceptable to Washington and Tehran.

Damage to trust is likely to outlast this electoral cycle. Gulf governments, European policymakers and Canadian businesses must manage American relationships that remain indispensable but increasingly unpredictable. Diversification offers protection, although it costs money and cannot quickly replace established dependencies.

For energy markets, the consequences extend beyond crude prices. A credible diplomatic opening could remove part of the geopolitical premium. However, shipping constraints, refining



bottlenecks and expensive logistics may continue burdening consumers. The election changes the negotiating environment. Whether it improves security will depend on decisions still to be taken, and on commitments both sides believe will endure beyond the immediate political cycle and subsequent changes in leadership.

1. GREATER POLITICAL CONSTRAINTS DO NOT GUARANTEE AN IMMEDIATE PEACE DIVIDEND

The election increases the prospect of accountability through hearings, investigations, spending scrutiny and legal challenges. These mechanisms can restrict the administration's freedom and raise pressure on senior officials. But congressional majorities do not automatically translate into agreement on legislation, much less a diplomatic settlement. Presidential authority remains substantial, while several strategic objectives extend across party lines. Greater political friction is therefore more likely than an immediate policy reversal. This could encourage compromise, but it could also produce paralysis. Progress should be judged through changes in military posture, negotiating demands and shipping conditions, rather than through the election result in isolation.

2. A DANGEROUS TRANSITION COULD GIVE WAY TO PROLONGED STALEMATE

The period before the new Congress takes office remains particularly sensitive. A president anticipating tighter restrictions might act while retaining room to manoeuvre, especially where confrontation with Iran remains a longstanding priority. Conversely, the prospect of investigations could discourage escalation and strengthen the case for diplomacy. Beyond that immediate window, a prolonged standoff remains plausible. Iran can preserve leverage over shipping while waiting for Washington's position to evolve. Neither side has an obvious incentive to concede first. Patience may sustain an unstable equilibrium, but another incident could force decisions under worse conditions and reopen the possibility of direct military confrontation.

3. DAMAGED TRUST IN AMERICAN COMMITMENTS WILL TAKE LONGER TO REPAIR

Confidence in American commitments is likely to recover more slowly than Washington's political balance changes. Gulf security, Canadian trade, European energy dependence and Iranian negotiations all face the same question: will an agreement survive the next administration? Yet dependence on American markets, investment and military capabilities limits how quickly partners can change course. Diversification will therefore coexist with continued pragmatic engagement with Washington. Regional governments need relationships across the American political system, while businesses reassess exposure without abandoning valuable commercial ties. Greater independence will require sustained investment and adjustment; an election result alone cannot deliver it or eliminate existing dependencies.

4. AFFORDABILITY WILL STRENGTHEN PRESSURE FOR DE-ESCALATION

Affordability remains a powerful force pushing towards de-escalation. Energy bills, food prices, tariffs and disrupted trade turn foreign-policy decisions into household and business costs. Sustained pressure on those budgets creates incentives to negotiate, even when political positions remain entrenched. A credible improvement in regional security would remove part of crude's geopolitical premium and support lower prices as flows recover. That outlook remains conditional. Renewed attacks or infrastructure damage could reverse the effect quickly, while upstream investment constraints could limit the surplus that might otherwise emerge. Economic pressure encourages a settlement, but cannot determine whether either side accepts the necessary compromises.

5. RESILIENCE COSTS AND CHANGING DEMAND WILL OUTLAST THE CRISIS

The crisis is likely to leave lasting changes in investment and consumption. Alternative routes, additional storage and redundant infrastructure can protect supply, but require funding and compete with upstream production for capital. Meanwhile, expensive fuel encourages electrification and efficiency, making some demand losses permanent. More crude would not automatically resolve shortages of diesel, jet fuel or LNG. The likely adjustment is uneven: selective spending on resilience, structural changes in transport demand and continuing regional fuel pressures. Even if crude prices soften, consumers may receive less relief than expected because logistics and processing capacity remain constrained and impose additional delivery costs. ■

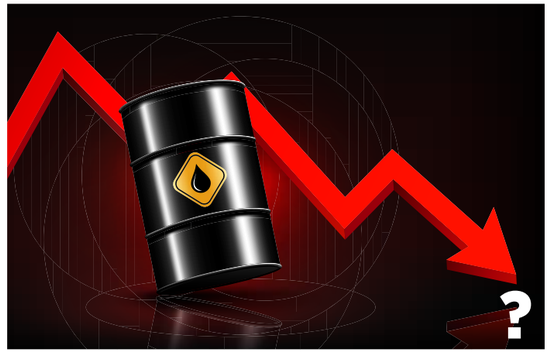
OIL MARKETS 2027 PREDICTIONS

Market soundings for 2027 combine the prospect of a better-supplied crude market with continuing pressure on refined products and delivery costs. If conflicts ease and disrupted barrels return, production availability should improve, creating room for lower prices and recovering consumption. This remains a conditional scenario because the timing and durability of normalisation are uncertain.

Demand recovery is expected to be uneven. Consumption suppressed by unaffordable prices or restricted access can return when conditions improve. Electrification and behavioural changes, particularly in China and Europe, mean other losses may endure. Rebuilding depleted commercial inventories and strategic reserves could absorb additional supply, although purchases will depend on prices and financing.

The downstream outlook is firmer. Reduced European refining capacity, postponed maintenance and stretched utilisation leave product markets vulnerable as seasonal demand strengthens. Freight, crude differentials and distribution costs further weaken the connection between benchmark oil prices and consumers' fuel bills.

Crude availability could therefore improve before the wider energy system fully recovers. A gradual



return towards $70–80 a barrel is possible if flows normalise. However, cheaper crude will not necessarily deliver cheap fuel: refining constraints, inventory rebuilding and logistical costs could maintain pressure on consumers throughout an adjustment extending across different regions and product markets.

1. BETTER SUPPLY COULD RETURN CRUDE PRICES TOWARDS $70–80

A better-supplied, potentially surplus crude market could emerge in 2027 if conflicts resolve and restricted barrels become accessible. Elevated prices encourage producers to maximise output, while restored trade flows would improve availability. Against that background, $70–80 a barrel represents a possible destination for price normalisation. This is neither a guaranteed annual average nor an immediate adjustment. Low inventories and continuing doubts about supply reliability could slow the decline. The outlook depends on improved flows: if disruption continues, consumers and traders may still experience tightness despite production capacity appearing available elsewhere. Physical accessibility will remain as important as aggregate supply availability.

2. DEMAND WILL RECOVER UNEVENLY AS LOWER PRICES COMPETE WITH ELECTRIFICATION

Lower prices and improved availability should restore part of the roughly three million barrels per day of demand lost during the crisis. Developing Asian economies and price-sensitive Western markets stand to benefit as fuel becomes more affordable. However, not every lost barrel will return. Electrification in China and changing transport choices elsewhere are producing structural effects alongside temporary consumption cuts. Continued global liquids-demand growth can therefore coexist with persistent weakness in particular countries and products. Forecasts will need to reflect customer behaviour, affordability and access, rather than applying a uniform recovery assumption across markets with different economic and technological conditions.

3. RESTOCKING WILL ABSORB PART OF THE ADDITIONAL SUPPLY

Inventory rebuilding is likely to become an important source of purchasing demand as supply conditions improve. Stock withdrawals have helped balance the market, but have also reduced protection against another disruption. Commercial inventories and strategic reserves will eventually need replenishing, and some governments may seek larger buffers after repeated shocks. However, storage carries financing and operating costs, making timing important. Lower prices could unlock purchases that remain unattractive today. Restocking may consequently absorb some additional supply during normalisation. Oil entering tanks must nevertheless be distinguished from fuel consumed: inventory accumulation supports purchases without necessarily signalling stronger underlying global economic activity.

4. REFINERY CONSTRAINTS WILL SUPPORT PRODUCT PRICES AND MARGINS

Refining constraints are likely to keep product markets tighter than the crude balance alone would suggest. European capacity reductions and intensive utilisation have weakened flexibility, while maintenance postponed during the crisis must eventually be completed. In 2027, those shutdowns could coincide with stronger product demand around February and March, sustaining pressure into summer. Refining margins could consequently remain above earlier historical norms, although exceptional crisis peaks need not persist. Diesel and jet fuel warrant particular attention. Additional crude cannot immediately compensate for insufficient processing capacity, extended maintenance or equipment problems caused by unusually demanding operations across an already stretched system.

5. DELIVERY COSTS WILL DELAY THE BENEFITS OF CHEAPER CRUDE

Delivered fuel costs will remain more important to consumers than the headline Brent price. Longer voyages, sanctioned vessels, ship-to-ship transfers and repeated handling absorb shipping capacity and increase expenses. Crude differentials, refining margins, distribution and taxes add further costs before fuel reaches its destination. If routes normalise, more efficient vessel deployment should ease freight pressure. Until then, cheaper crude may provide only partial relief at the pump or for industrial buyers. Continued regional variation is likely in 2027, with access, transport costs and final product prices determining consumption more directly than movements in the benchmark alone would otherwise suggest. ■

LNG, GAS AND TRADE FLOWS INTO 2027 AND BEYOND

Market soundings point to an LNG market where new production does not automatically deliver cheaper or more secure gas. The anticipated supply glut could arrive later than expected as geopolitical disruption, depleted European storage and shipping constraints absorb additional volumes. Winter temperatures and the restoration of Middle Eastern exports remain decisive variables for prices into 2027.

The commercial response is increasingly centred on flexibility. Buyers want dependable long-term supply alongside the ability to adjust destinations, volumes and pricing exposure. Suppliers with access to multiple production regions, shipping capacity and regasification infrastructure are better positioned to meet those requirements. Traditional fixed routes between individual producers and consumers are giving way to interconnected portfolios.

Europe and Asia will remain linked through competition for marginal cargoes, particularly from the United States. Cargo destinations will reflect contractual commitments, security considerations and the value of retaining delivery options, alongside immediate price differences.

Beyond 2027, announced liquefaction capacity must be assessed against financing, execution and transport availability. Not every proposed project



will proceed. Long-term contracts signed today will help determine supply availability in the 2030s. The central outlook is therefore continued uncertainty: more LNG is coming, but its timing, accessibility and delivered cost will determine the market balance.

1. THE EXPECTED LNG GLUT COULD BE DELAYED BEYOND 2027

The prospect of abundant LNG supply remains credible over time, but a rapid transition to oversupply in 2027 is far from assured. One scenario outlined around 20 million tonnes of additional supply next year, followed by approximately 40 million tonnes in 2028. Those additions may provide limited relief if Middle Eastern exports remain constrained and a cold winter leaves European inventories depleted. Warmer weather and restored flows would produce a more comfortable balance. The price outlook therefore depends on accessible supply rather than announced capacity alone. A persistent geopolitical premium could postpone the anticipated downturn and sustain expensive marginal cargoes.

2. GLOBAL PORTFOLIOS WILL REDIRECT FLOWS BETWEEN EUROPE AND ASIA

LNG flows are becoming more responsive to portfolio needs than traditional fixed trading routes. Access to production in the United States, Australia, Africa and other emerging supply regions allows suppliers to respond when individual sources become disrupted. Europe and Asia remain connected through competition for flexible cargoes, particularly American supply. However, the highest immediate price does not always determine destination. Contractual obligations, safe passage and the option to divert a cargo later can outweigh straightforward arbitrage economics. Into 2027 and beyond, commercial advantage will increasingly depend on combining supply diversity with shipping access, trading capability and dependable delivery to customers.

3. LONG-TERM CONTRACTS WILL EVOLVE AROUND FLEXIBILITY AND MIXED PRICING

Exposure to volatile spot markets is reinforcing the value of long-term LNG contracts. Buyers still need a dependable supply cushion, but increasingly want destination flexibility and pricing linked to several benchmarks rather than a single index. Brent, Henry Hub, European TTF and Asian JKM offer different exposures, creating opportunities to structure agreements around differing commercial needs. European interest in alternative pricing arrangements also reflects concerns about competing with Asian buyers for cargoes. Beyond immediate security, contracts underpin project financing. Commitments made today will influence investment decisions and determine which new supplies become available through the early 2030s and subsequent years.

4. SHIPPING AVAILABILITY COULD LIMIT THE BENEFITS OF NEW PRODUCTION

More liquefaction capacity will require sufficient shipping, but headline fleet growth can overstate the capacity available to the market. Around 300 LNG carriers were identified for delivery through 2030, with approximately 80–90% already committed under long-term contracts. Meanwhile, an estimated 100–150 older vessels could face retirement or removal as operating economics deteriorate. Voyage distances matter as much as cargo volumes: diversions and longer routes tie up vessels and increase demand for transport. Consequently, new production need not translate into plentiful spot shipping. Securing efficient vessels and logistics partnerships will remain important to delivering competitively priced LNG reliably across global markets.

5. SECURITY RISKS WILL SUSTAIN THE VALUE OF DIVERSIFICATION

Infrastructure investment can redistribute exposure, but cannot eliminate geopolitical risk. LNG exports through Hormuz have few practical alternatives, while bypassing other chokepoints adds distance, cost and different maritime hazards. Buyers therefore have incentives to diversify supply origins and delivery arrangements rather than rely entirely on new infrastructure. For Europe, continued affordability pressures could also revive debate over Russian gas, although any expanded return remains contingent on geopolitics and policy. Beyond 2027, resilience will depend on integrated access to production, shipping and regasification. The lasting commercial premium will attach to dependable delivery under disruption, alongside the availability of additional gas volumes. ■


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