No More Chinese Tailwinds

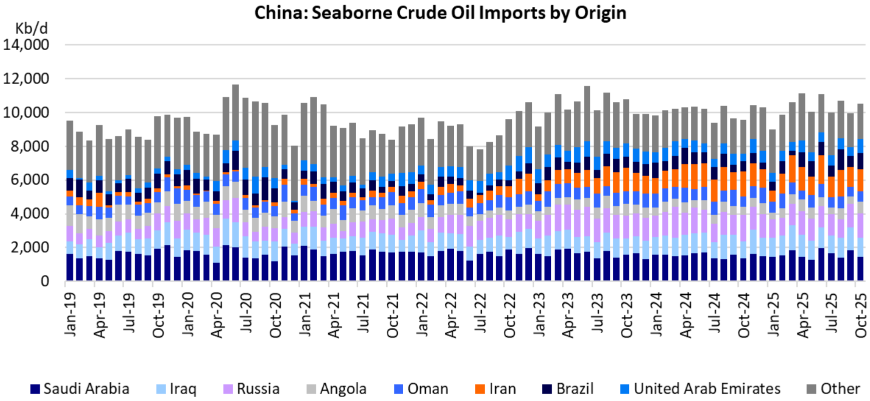
Tanker market may have to live without Chinese growth

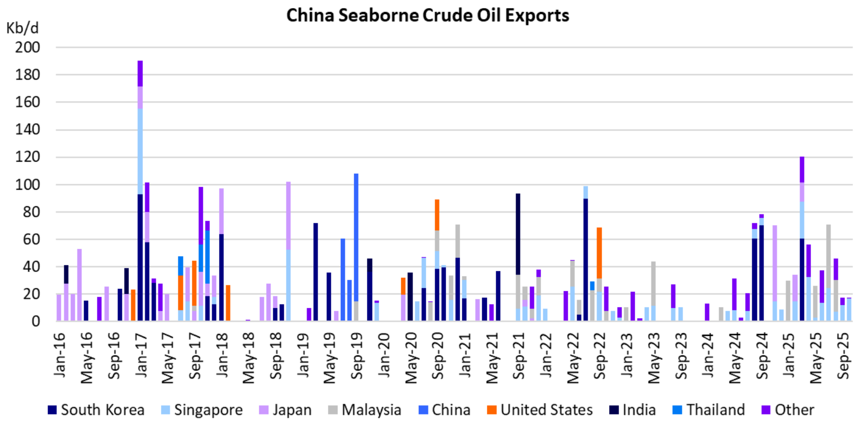
For several decades China's rapid economic expansion and corresponding oil demand growth was the key driver of global ton-mile demand. China's rapid industrialization and urbanization, which started in the late 1990s and accelerated after China's entry into the World Trade Organization (WTO) in 2001, generated huge demand for global commodities, including oil. This so-called "Commodity Supercycle", which lasted until about 2014, peaked in 2008-2011. In the aftermath of the global financial crisis, China's growth started to slow down. The impact on the oil markets is now starting to be felt.

In recent years, especially since coming out of the Covid-19 pandemic, China's economy has transitioned towards more sustainable energy and cleaner fuels. China has become a leader in electric vehicles and as a result Chinese gasoline demand, which peaked in 2023, has entered a phase of sustained decline. Diesel demand also started to fall due to the rapid adoption of electric as well as LNG-powered heavy-duty trucks. These developments are all driven by deliberate government policies that support transport electrification.

As a result of these governments policies and an economic slowdown, partly driven by a property downturn, oil demand growth in China slowed in recent years. The latest projections from the IEA are that total product demand growth in China will be 0.7% in 2025 and 0.9% in 2026. This growth is driven by Naphtha and – to a lesser extent – Jet Fuel. Demand for transportation fuels is flat (diesel) or down (gasoline).

Despite these bearish demand signals, Chinese crude oil imports have held up remarkably well. Post-Covid, from January 2022 through 2025 YTD, Chinese imports have averaged about 10 Mb/d. Part of this Chinese import resilience has come from inventory building. China stopped providing official statistics about its SPR many years ago, but according to data from Ursa Space, reported by S&P Global, China's crude oil inventories, including commercial and strategic petroleum reserves, hit a record 1.23 billion barrels in August 2025. Geopolitical uncertainty and a face-off with the United States on trade has reinforced the Chinese desire for economic independence. For geopolitical and economic reasons, China imports a significant portion of its crude oil from countries that are sanctioned by the West. Prior to the Russian invasion of Ukraine, China sourced less than 10% of its seaborne crude imports from Russia, Iran and Venezuela. In 2025 YTD, the market share of these countries had increased to 30%. In addition to showing to the world that China charts its own course in global politics, it also allows domestic refiners to take advantage of reduced prices since all these sanctioned barrels sell at significant discounts.





Source: Vortexa

It remains to be seen what Chinese refiners will do if/when some of these sanctions are lifted and prices for Russian, Iranian and Venezuelan crudes move closer to global benchmarks like Brent, WTI or Dubai.

One factor that received limited attention in the past is that China itself is a significant oil producer and has increased its output in recent years. Through the 2010s, Chinese oil production responded to international oil prices and after reaching a peak in 2015, China's output dipped with lower oil prices. However, since 2019, the Chinese government has increased its focus on sustained domestic production to ensure energy security. According to the IEA, China's production reached 4.34 Mb/d in 2024, growing to 4.42 Mb/d in 2025. The share of production from the legacy Daqing oil field (which is 65 years old) has declined over the years, from 43% in 1995 to 16% in 2024. Production from offshore oilfields (Bohai and South China Sea) is rising and some of the barrels are even exported (see Chart 2), mainly to regional refiners in South Korea, Singapore and Japan. China also has significant (largely untapped) shale oil reserves. China targets production from shale to reach at least 100,000 b/d with the potential for much higher output.

China's oil demand is likely to peak within the next decade. As strategic reserves reach their target levels and domestic production is on the upswing, we could see Chinese seaborne crude imports decline in the not-too-distant future, something tanker owners would have considered unthinkable a decade ago.