POTEN & PARTNERS

October 17
2025

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POTEN TANKER OPINION

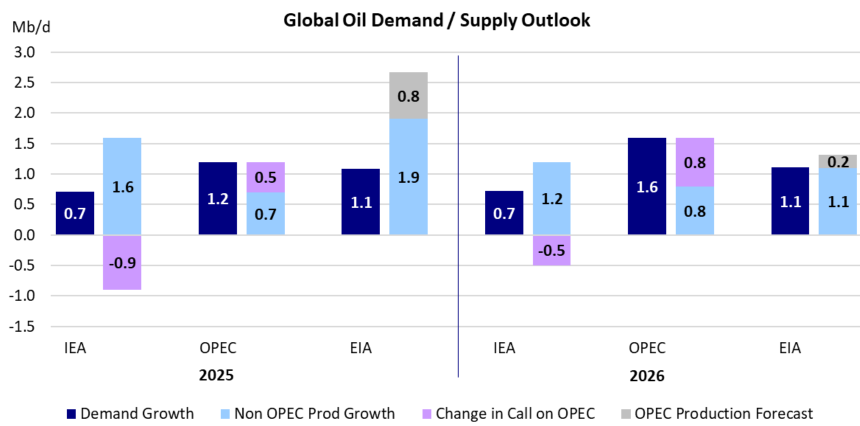
What Will 2026 Have In Store?

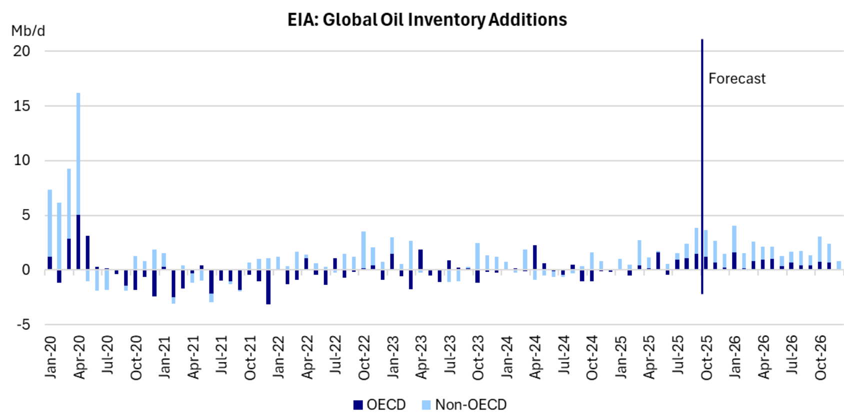
What will crude oil overproduction do to tanker rates?

Global oil demand growth declined markedly in recent years after the strong recovery from the COVID depression. The International Energy Agency (IEA) estimates that global oil demand increased by 2.8 Million barrels per day (Mb/d) in 2022 and by 1.9 Mb/d in 2023 as the world recovered from the COVID slump. In 2024, demand is estimated to have grown by only 1.0 Mb/d but they expect the growth for 2025 to slow even further to 0.7 Mb/d with a similar growth of 0.7 Mb/d for 2026. While oil demand growth is slowing, oil supply keeps expanding at a rapid clip. Oil supply growth is expected to significantly exceed demand growth this year and next, as Non-OPEC supply is forecast to grow by 1.6 Mb/d in 2025 and 1.2 Mb/d in 2026. While Non-OPEC supply growth by itself already exceeds global demand expansion, OPEC+ continues to increase their production quota as well, even though actual production growth has been lower than the quota increases. This week we will look deeper into the global supply and demand dynamics and what this could mean for the tanker market.

The IEA is more conservative in their demand growth outlook than the other two oil analysis agencies, the US based EIA and OPEC. The EIA forecasts growth of 1.1 Mb/d for 2025 and 2026 while OPEC is even more optimistic with growth of 1.2 in 2025 and 1.6 Mb/d for 2026. Looking at the supply side, OPEC forecasts Non-OPEC production to increase by 0.7 Mb/d in 2025 and 0.8 Mb/d in 2026, clearly more conservative than the IEA (leaving more room for OPEC+). The IEA and OPEC don't produce a production forecast for OPEC but rather look at the difference between demand and Non-OPEC supply to calculate a 'Call on OPEC' (which combines OPEC production and inventory changes). The EIA, on the other hand, produces an actual forecast for OPEC production. They anticipate that Non-OPEC liquids production will increase by 1.9 Mb/d in 2025 and by 1.1 Mb/d in 2026 while OPEC production expands by 0.8 Mb/d in 2025 and 0.2 Mb/d in 2026.

This production surplus has been going on for some time in 2025 already. So far, China has been absorbing much of this crude oil by increasing inventories. The EIA estimates that China increased inventories by about 900 Kb/d from January to August 2025. Additionally, recent press statements indicated that China is planning to further expand storage capacity by 169 Mbbl spread over 11 new sites, after having added about 180 – 190 Mbbl capacity between 2020 and 2024. Earlier this year, China passed a law that requires oil companies to share in the burden of maintaining inventories together with the Strategic Petroleum Reserves (SPR) maintained by the government.





Source: IEA, OPEC, EIA; EIA

However, a lot more storage capacity might be needed. As the IEA and OPEC only calculate a 'Call on OPEC' figure, we use the storage estimates from EIA, which has a 'Middle of the Road' demand outlook between the low estimate of the IEA and the high estimate of OPEC. According to their estimate, the world has added 446 Mbbl of oil into storage from January to September 2025. Based on their supply and demand outlook, they estimate that an additional 991 Mbbl needs to be added to inventories by the end of 2026.

The large discrepancy between forecasted oil demand and expected oil supply in 2026 could have significant consequences for the oil and tanker markets. For large increases in oil inventories to materialize, we need an oil market in deep contango in 2026. That means that prompt oil prices will need to come down relative to future prices to make storing oil profitable. If that happens, the oil will continue to flow and this may even lead to an increase in floating storage, once land-based inventories are filled. This would give a boost to the (large) tanker market, along the lines of what happened when Covid hit in 2020. On the other hand, if lower oil prices lead to production cutbacks by Non-OPEC (e.g. U.S. shale) and/or OPEC, the tanker market will suffer from a drop in ton-mile demand. It is hard to predict at this moment which scenario will materialize, so it is important for owners and charterers to plan for both contingencies.

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