Global Energy Weekly

When trade war and price war collide

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Commodities
Global

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Trump announced big tariff hikes on US trade partners…

President Trump announced a combination of blanket and reciprocal tariffs on US trade partners, creating significant downside risks to US and global economic growth (see Global Economic Viewpoint: Kitchen sink tariffs). Industrial activity in particular could also be negatively impacted, hitting cyclical energy demand. Prior to the tariff shock, we were expecting oil demand growth of ~900k b/d in 2025, and we now see a risk of consumption rolling off by as much as 450k b/d. While it is difficult to set a point estimate, we now believe global oil demand growth will increase by just 450k b/d to 103.4mn b/d this year.

…as OPEC+ decided to up output to discipline cheaters

With the macro outlook deteriorating on the back of trade uncertainty, OPEC+ has unexpectedly increased production by 411kb/d in May, triple their agreed monthly rate. We view this as a partial mark-to-market of quotas with production for "freeloaders" in the group. Thus, the actual increase should be much less than advertised (~170k b/d), with Saudi being allowed to catch-up with others that have overproduced recently. While we don't interpret this action as a full-scale price war, it is important to consider historical examples, including 2015 and 2020 which led to significant oil price downturns, with Brent hitting lows of $27 and $16 respectively and WTI famously trading at -$37/bbl in 2020.

Energy exempted from tariffs, but downside is growing

Despite the negative economic backdrop and the rising supplies from OPEC+, it is also important to remember that energy has been largely exempted from tariffs, so differentials in prices across North America are narrowing. Still, more supply and less demand set the stage for lower oil prices. So, our $70/bbl average Brent forecast for 2025 is now at risk, with Brent potentially retracing back to $50/bbl for a few weeks under a worst case scenario where oil demand growth drops from 1mn to -100k b/d and OPEC+ expands supply by as much as 1mn b/d in the last three quarters of the year.

Macro, geopolitics and "tariff relief" may limit oil drop

Is there a silver lining? We see three: macro, geopolitics and "tariff relief". A weaker dollar backdrop has historically helped support commodity prices, although not when global growth has slowed. Looking back at history, we also note that stagflationary environments have typically brought along large commodity price increases. Moreover, Venezuelan and Iranian oil flows of ~3.2m b/d could reverse course while additional Russia sanctions are also likely. Lastly, the tariff decision could be partially reversed, in turn providing some economic relief and support to crude oil prices.

Refer to important disclosures on page 12 to 13.
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Timestamp: 03 April 2025 09:15PM EDT

Exhibit: BofA Global Research Commodity Themes and Outlook
Key takeaways

	View	Recent reports
Macro outlook	▪ Our economists see world GDP rising 3.1% in 2025 and 3.2% in 2026	
WTI and Brent crude oil	▪ We project Brent and WTI to average $70/bbl and $66/bbl, respectively, in 2025 ▪ The global oil market should shift into a small surplus in 2025 as demand growth slows and OPEC+ begins to ramp up production, offsetting the impact of sanctions elsewhere ▪ We forecast global demand growth of ~900k b/d YoY in 2025 and 1.2mn b/d in 2026 ▪ Non-OPEC supply should grow roughly 1.2mn b/d YoY in 2025 and 1.1mn b/d in 2026 ▪ We project total US crude and NGL supply to rise 550k b/d in 2025 and 360k b/d in 2026 ▪ OPEC crude oil supplies should remain flat in 2025 and fall by 150k b/d in 2026	• The fallout of peak American exceptionalism 11 March 2025 • Punitive actions limit downside risks to oil 27 January 2025 • Sanctions give oil bears a break 13 January 2025
Atlantic Basin oil products	▪ Refined product markets face risks from OPEC+ cuts, slowing demand growth, and the pace of global refining capacity growth ▪ Global refining capacity growth of 1.13mn b/d in '24 and 730k b/d in '25 to overwhelm oil demand next year, weighing on margins ▪ We forecast RBOB-Brent to average $12/bbl in 2025, and we see ULSD-Brent cracks averaging $19/bbl over the same period	• Refining's platinum age comes to a close 18 October 2024 • Oil demand on the rocks 14 June 2024
US natural gas	▪ US gas supply and demand growth should hit 2.8Bcf/d and 4.1Bcf/d YoY in 2025, keeping stocks below 3.6Tcf at the end of October ▪ We forecast US Henry Hub natural gas prices will average $4.64/mmbtu in 2025 and rise to $4.50/mmbtu in 2026	• Enough isn't enough yet for gas E&Ps 18 March 2025
LNG	▪ Global gas markets have tightened considerably heading into 2024/25 winter and are subject to upward price shocks if cold weather or further geopolitical escalation materialize ▪ LNG supply is set to rise 22mn mt YoY in 2025 and 28mn mt in 2026 and we expect Europe to boost import by 15mn mt next year, leaving little room for demand growth elsewhere ▪ We forecast TTF prices to average 40EUR/MWh in 2025 and 35EUR/MWh in 2026	• EU gas does away with the seasons 09 December 2024 • Full storage is false comfort for EU gas 22 August 2024
Thermal coal	▪ Global coal prices collapsed on rising stocks in China, pushing Newcastle into contango and compressing quality diffs ▪ Coal is once again the cheapest thermal fuel relative to oil or gas, making it attractive in the power generation stack ▪ With prices now below marginal costs, supply and demand shifts could lift Australian prices back above $100/t by next winter	• King coal falls like a rock 25 March 2025 • The down and dirty truth about coal 14 October 2024

Source: BofA Global Research estimates

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Exhibit 1: BofA Global Research Commodity Price Forecasts
BofA Global Research estimates

	units	2024	1Q25F	2Q25F	3Q25F	4Q25F	2025	1Q26F	2Q26F	3Q26F	4Q26F	2026
WTI Crude Oil	($/bbl)	**76**	70	65	64	65	**66**	67	69	71	69	**69**
Brent Crude Oil	($/bbl)	**80**	74	69	68	69	**70**	71	73	75	73	**73**
US NY Harbor ULSD (HO) Cracks to Brent Crude Oil	($/bbl)	**23**	20	18	19	19	**19**	20	20	20	20	**20**
US RBOB Cracks to Brent Crude Oil	($/bbl)	**17**	11	16	13	8	**12**	12	17	15	9	**13**
NWE Low Sulphur Gasoil Cracks to Brent Crude Oil	($/bbl)	**20**	16	14	14	14	**15**	15	16	16	16	**16**
NWE Eurobob Cracks to Brent Crude Oil	($/bbl)	**13**	5	10	10	5	**8**	9	12	11	6	**10**
NWE 1% Residual Cracks to Brent Crude Oil	($/bbl)	**-6**	-5	-5	-5	-5	**-5**	-5	-5	-5	-5	**-5**
NWE 0.5% Residual Cracks to Brent Crude Oil	($/bbl)	**5**	3	2	2	2	**2**	2	2	2	2	**2**
NWE 3.5% Residual Cracks to Brent Crude Oil	($/bbl)	**-10**	-11	-11	-11	-13	**-12**	-13	-11	-11	-13	**-12**
US Natural Gas	($/MMBtu)	**2.41**	3.90	4.15	4.75	5.75	**4.64**	5.00	4.15	4.35	4.50	**4.50**
Thermal coal, Newcastle FOB	($/t)	**150**	125	125	125	125	**125**	112	112	112	112	**112**
Aluminium	$/t	**2433**	2500	2750	3000	3000	**2813**	3250	3250	3250	3250	**3250**
Copper	$/t	**9,231**	8,500	9,000	9,750	10,500	**9,438**	10,500	10,500	11,000	11,000	**10,750**
Lead	$/t	**2,077**	2,000	1,950	2,000	1,950	**1,975**	2,024	2,024	2,024	2,024	**2,024**
Nickel	$/t	**16,979**	15,000	17,000	17,500	17,500	**16,750**	18,000	18,000	18,000	18,000	**18,000**
Zinc	$/t	**2,789**	2,750	3,000	2,750	3,000	**2,875**	3,000	3,000	2,750	2,750	**2,875**
Gold	$/oz	**2397**	2500	2750	2750	3000	**2750**	2500	2750	2750	2500	**2625**
Silver	$/oz	**29**	30	34	36	40	**35**	40	40	45	45	**43**
Platinum	$/oz	**964**	1,000	1,000	1,000	1,000	**1,000**	950	950	950	950	**950**
Palladium	$/oz	**998**	900	900	900	900	**900**	800	800	800	800	**800**

Source: Bloomberg, BofA Global Research estimates

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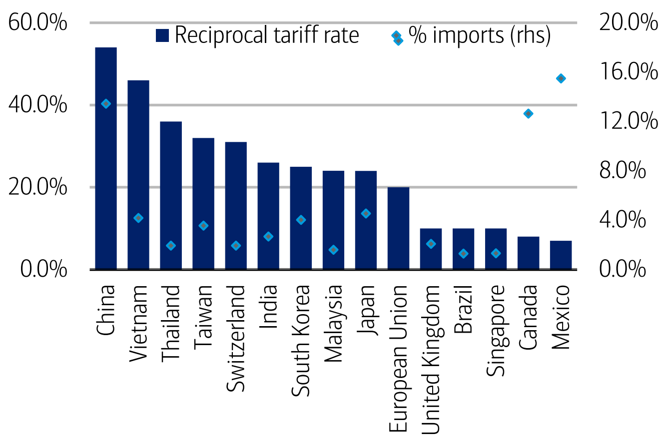
When trade war and price war collide

Trump announced big tariff hikes on every US trade partner...

President Trump announced a combination of blanket and reciprocal tariffs on nearly all US trade partners (Exhibit 2). As a starting point, any trade partner of the United States, even those that have a balanced trading relationship or a trade deficit, will face at a minimum a 10% tariff. The tariffs will apply to all goods listed in Annex II of the executive order. Initially the tariff rates for all countries will be set at 10% on April 5 at 12:01AM EDT, with exceptions for goods already in transit. On April 9th at 12:01AM EDT additional tariffs for specific countries, laid out in Annex I in the executive order, will go into effect and reach as high as 50%. In our view, this new trade policy will result in the doubling of the US effective tariff rate, with China, the EU and Vietnam impacted the most as our economics team estimates an increase to 20% from around 9% (Exhibit 3).

Exhibit 2: Top 15 US import partner reciprocal tariff rates and 2024 share of imports

President Trump just announced a combination of blanket and reciprocal tariffs on all major US trade partners...



Source: White House, Census. China includes 20% tariffs imposed in 2025.

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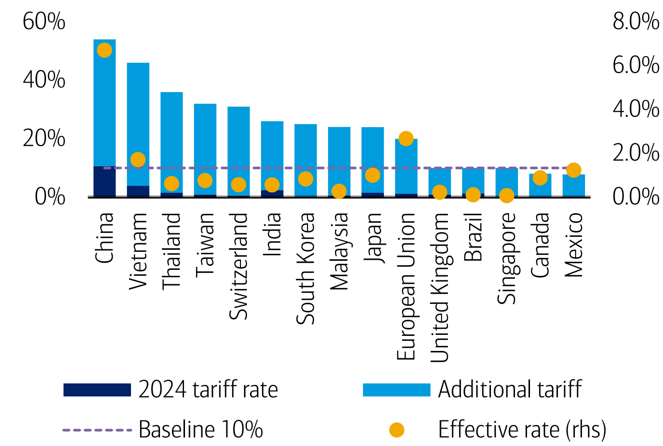
Exhibit 3: US 2024 import tariff rates and announced reciprocal rates

... likely resulting in the doubling of the US effective tariff rate, with China, the EU and Vietnam impacted the most



Source: BofA Global Research, Census. Additional tariffs are only reciprocal tariffs and includes 20% tariffs imposed on China in 2025. Effective rate is computed as tariff rate times import share, accounting for auto, steel and aluminum tariffs, and exempting semiconductors and pharmaceuticals.

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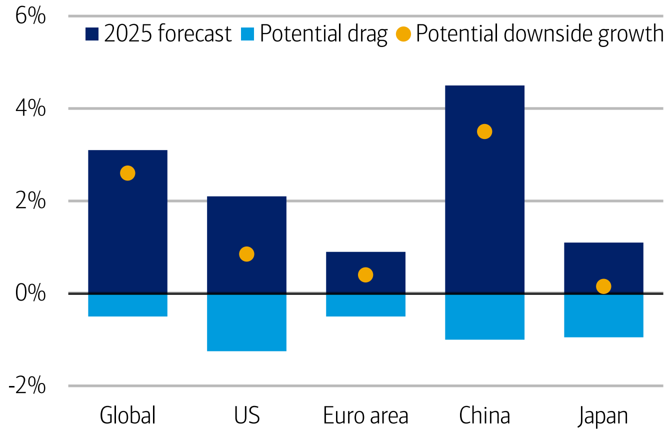
...creating significant down risks to global economic growth...

With these new tariffs, the US will now have the highest rates in place since at least 1910, sending global trade back to the pre-World War II era. The economic cost of abandoning relatively free trade policies will be significant. As such, BofA believes that tariffs may shave off at least 0.5% from global GDP growth and between 1 and 1.5% of US GDP growth, assuming limited retaliation, leading to a significant deterioration in global economic conditions (see Global Economic Viewpoint: Kitchen sink tariffs) (Exhibit 4). By region, our economics team believes that LatAm and MENA are relative beneficiaries, with Asia and Europe suffering most (Exhibit 5). However, growth risks could be even larger the longer tariffs and uncertainty remain as indirect linkages and second order effects begin to weigh.

Exhibit 4: BofA Global Economics 2025 forecasts

Tariffs may shave as much as 0.5% of global GDP, leading to a significant deterioration in global economic conditions



Source: BofA Global Research. Potential drag is taken as average of BofA Global Economics ranges.

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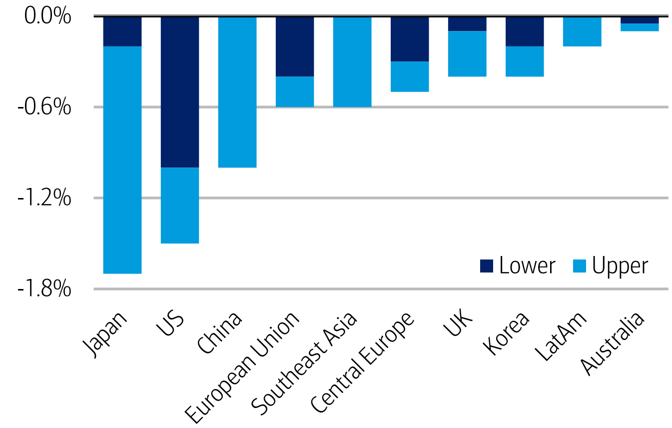
Exhibit 5: BofA Global Economics 2025 growth drag range from tariffs

By region, our economics team believes that LatAm and MENA are relative winners, with Asia and Europe suffering most



Source: BofA Global Research. Lower (upper) indicate preliminary estimates on direct growth drags.

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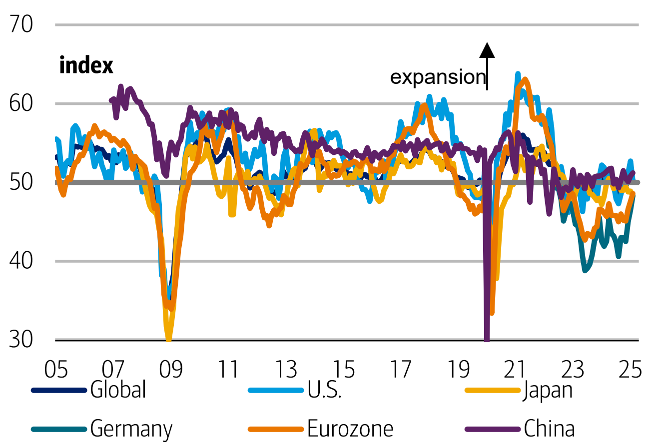
...and threatening industrial activity with a major negative shock

Beyond the impact on GDP, we note that cyclical sectors are likely to suffer the most as in previous down cycles. Ironically, industrial activity globally picked up slightly in anticipation of rising tariffs as market participants rushed to move products into the US before the tariff wall went up. However, the sharp increase in input costs and consumer prices that companies and consumers are about to face means that manufacturing in the US and even globally could contract steeply (Exhibit 6). Of course, energy and economic activity go hand in hand, but so do energy prices and GDP as demand is often a key driver for Brent (Exhibit 7).

Exhibit 6: Global manufacturing PMIs

Industrial activity globally picked up slightly in anticipation of tariffs, but we believe it is now poised to contract steeply



Source: Bloomberg

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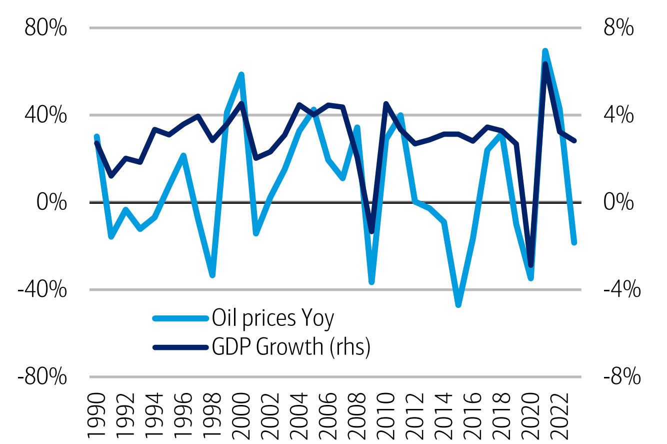
Exhibit 7: Oil prices and GDP growth

Of course, energy and economic activity go hand in hand, but so do energy prices and GDP as demand is often a key driver for Brent



Source: Energy Institute, IMF

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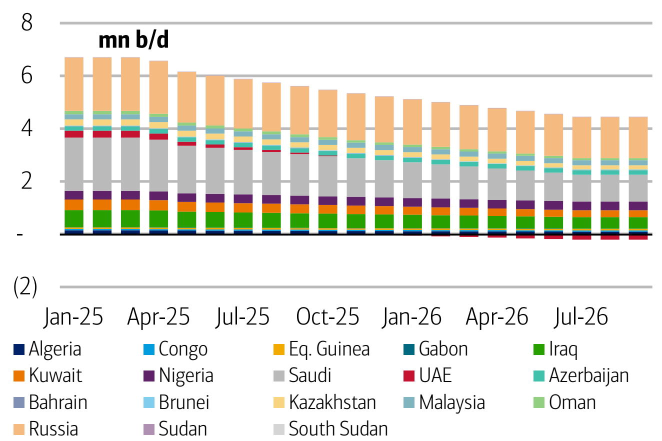
Plus, OPEC+ decided to up production to discipline cheaters...

With the macro outlook deteriorating at an alarming rate on the back of trade uncertainty, OPEC+ has unexpectedly decided to increase production by 411kb/d in May, triple their agreed monthly rate. This means that Saudi and others in the group will be accelerating the return of idle barrels (Exhibit 8) and setting the stage for a positive supply shock as demand growth rates contract. Why did OPEC+ make this decision now? It is hard to say, but different sources in the media have suggested that many members were failing to comply with their production commitments in recent months (Exhibit 9). In our view, the unexpectedly large quota hike may be a way to partially mark-to-market quotas with output levels for countries like Iraq, UAE, Kazakhstan, and Russia. So, we do not expect output from those countries, which is currently running about 1.1mn b/d above quota, to rise. Instead, we think the hike gives Saudi the opportunity to catch up with the rest of the group and expect output there to rise 166k b/d, in line with their quota change.

Exhibit 8: OPEC+ supply cuts (voluntary and mandatory)
OPEC+ has unexpectedly decided to increase quotas by 411kb/d in May, accelerating the return of idle barrels...



Source: OPEC, BofA Global Research estimates

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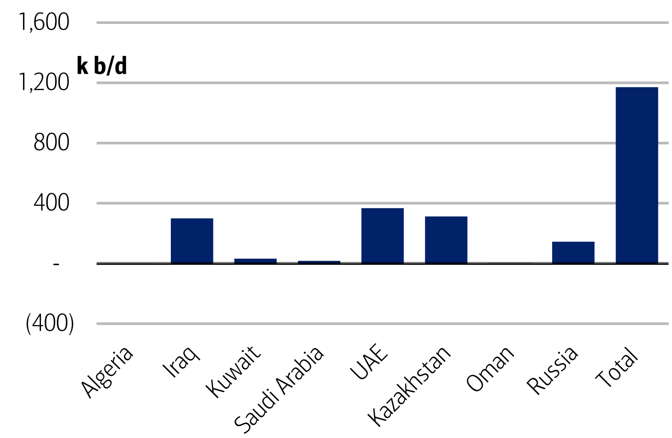
Exhibit 9: February OPEC+ production versus voluntary quotas
...arguing that many members were failing to comply with their production commitments in recent months



Source: OPEC, BofA Global Research estimates

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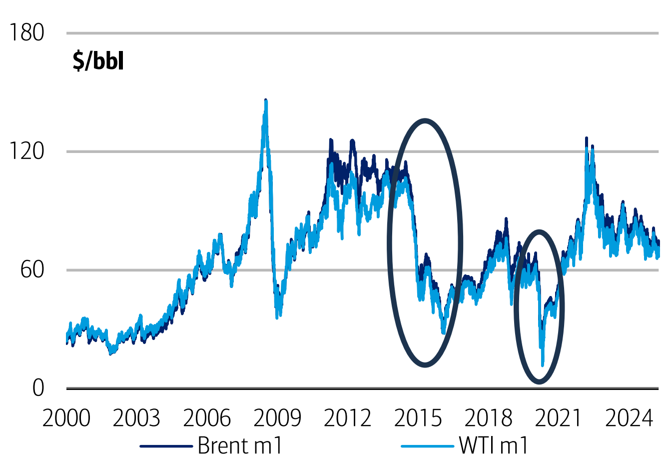
...setting the stage for a major downturn in energy prices

Whether OPEC+ is increasing production to pushing "freeloaders" or simply to acknowledge the reality that the group is already pumping above quota is hard to say. It is also difficult to know if some of the geopolitics at play with Iran and Venezuela may have enticed the group to speed up the return of volumes. The reason behind the hike will matter, as previous OPEC+ price wars in 2015 and 2020 resulted in huge downturns in Brent (and WTI) crude oil prices (Exhibit 10). A weaker industrial demand backdrop coupled with rising energy production could result in a major decline in energy prices (Exhibit 11).

Exhibit 10: WTI and Brent crude oil prices
Previous OPEC+ price wars in 2015 and 2020 resulted in huge downturns in Brent (and WTI) crude oil prices



Source: Bloomberg

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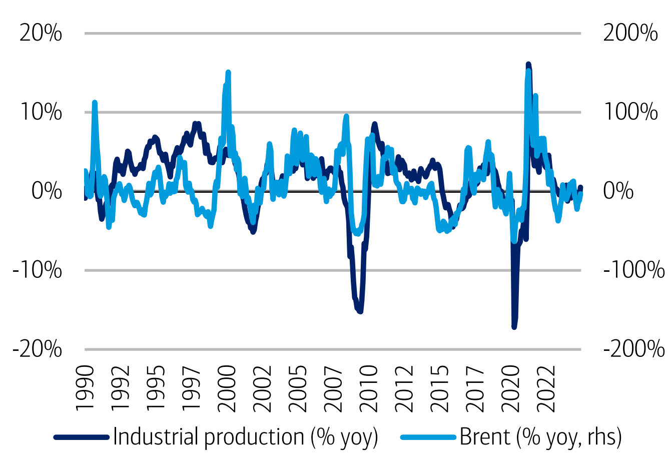
Exhibit 11: US industrial production and Brent crude returns (% yoy)
A weaker industrial demand backdrop coupled with rising energy production could result in a major decline in energy prices



Source: Federal Reserve, Bloomberg

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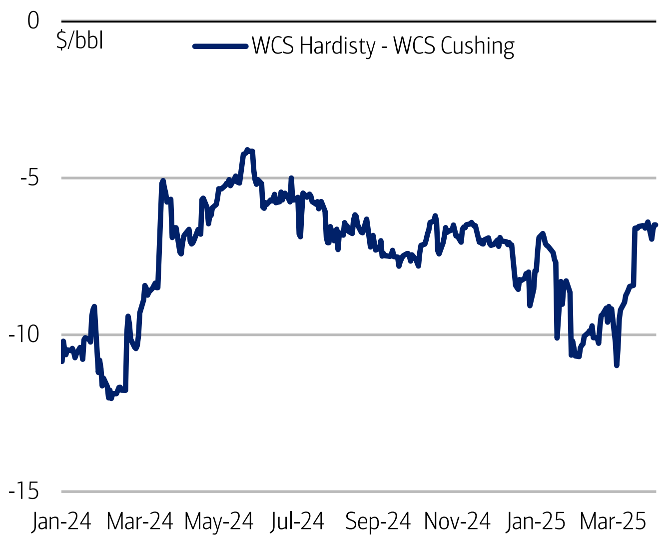
The global energy sector is exempted from tariffs for now…

Despite the negative economic backdrop and the rising supplies from OPEC+, it is also important to remember that energy has been largely exempted from tariffs, so differentials in prices across North America are narrowing (Exhibit 12). Since USMCA compliant goods are already exempt from tariffs and the White House has explicitly excluded energy from new tariffs, dislocations in the market as likely to be centred around macro demand and OPEC+ supply. A similar picture emerges on the retaliatory front. While China has imposed a 15% tariff on US LNG, US trade partners such as the EU do not have a lot of options to source energy supplies given the Russia-Ukraine war (Exhibit 13).

Exhibit 12: WCS Hardisty – WCS Cushing spread

It is important to remember that energy has been largely exempted from tariffs, so differentials in prices across North America are narrowing



Source: Bloomberg

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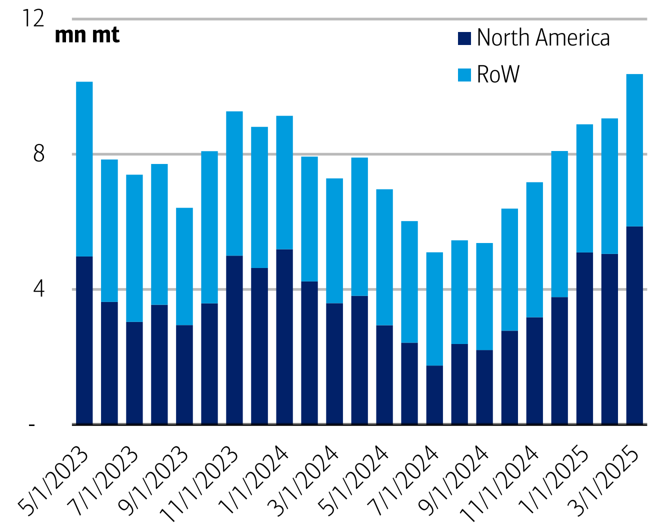
Exhibit 13: Western Europe LNG imports by origin

US trade partners such as the EU do not have a lot of options to source energy supplies given the Russia-Ukraine war



Source: Bloomberg

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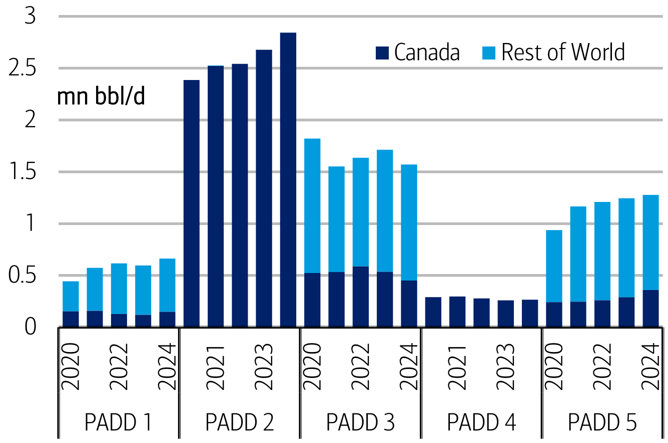
…as the US is a major exporter of all major thermal fuels…

From a US point of view, tariffs on energy are very distortive for a host of reasons, including the fact that America is now a net exporter of thermal fuels. In strong contrast to China, which remains a very large importer of oil, gas, and coal, the US very heavily relies on Canada to supply foreign energy (Exhibit 14). In fact, the US is now the top producer and exporter of petroleum, natural gas liquids, and liquid natural gas in the world (Exhibit 15). So, one important question is whether US trade partners will retaliate against American exporters of these products, or perhaps focus on agriculture, other goods, or simply US services exports.

Exhibit 14: Crude imports by PADD and country of origin

In strong contrast to China, which remains a very large importer of oil, gas, and coal, the US very heavily relies on Canada to supply foreign energy



Source: EIA

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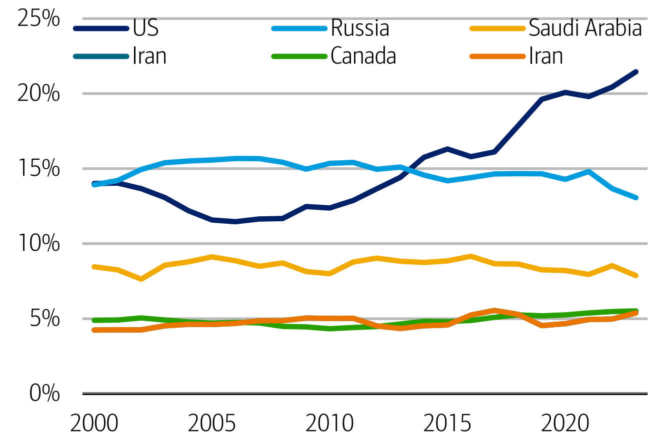
Exhibit 15: Share of world oil and gas production by country

The US is now the top producer and exporter of petroleum, natural gas liquids, and liquid natural gas in the world



Source: Energy Institute

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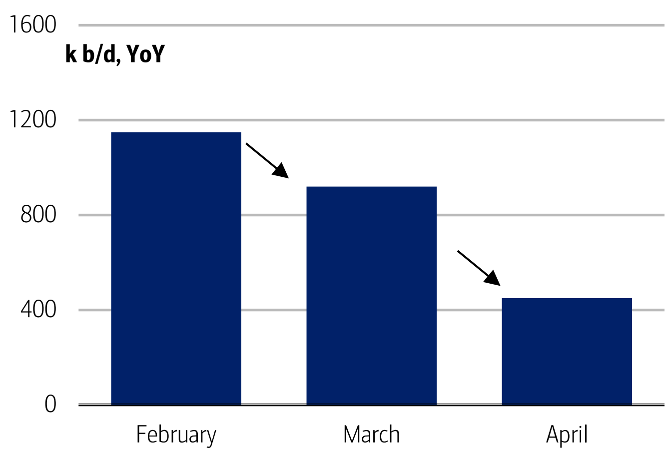
...but the tariff shock may bring a negative demand backdrop

The tariff shock will be felt most profoundly on energy demand globally in our view. We have already curtailed out oil consumption growth numbers over the past three months and may have to curb it again (Exhibit 16). Prior to the tariff shock, we were expecting oil demand growth of 900k b/d in 2025, and we now see a risk of consumption rolling off by as much as 450k b/d. While it is difficult to set a point estimate, we now believe global oil demand growth will increase by just 450k b/d to 103.4mn b/d this year. With transportation, industry, and trade set to fall, we see a range of outcomes ahead for global energy consumption (Exhibit 17).

Exhibit 16: Evolution of BofA's 2025 global oil demand growth estimate

We have already curtailed out oil consumption growth numbers over the past three months and may have to curb it again...



Source: IEA, BofA Global Research estimates

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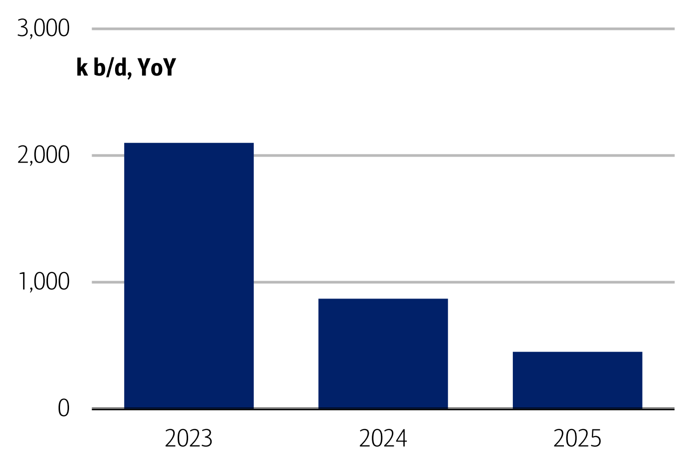
Exhibit 17: Global oil demand growth

...and we now believe global oil demand growth will increase by just 450k b/d this year



Source: IEA, BofA Global Research estimates

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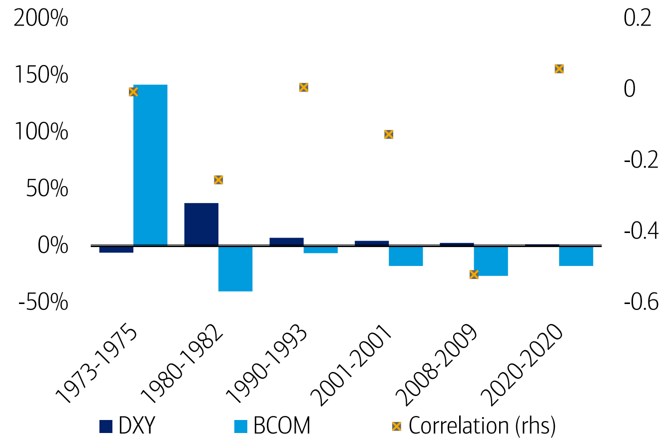
The silver-lining for oil is stagflation & a weaker US dollar...

More supply and less demand set the stage for lower oil prices, and our $70/bbl average Brent forecast for 2025 is now at risk. In fact, we believe Brent could retrace back to $50/bbl under a worst case scenario where oil demand growth drops from 1mn to -100k b/d and OPEC+ expands supply by as much as 1mn b/ in the last three quarters of the year. Is there a silver lining? We see three. A weaker dollar backdrop has historically helped support commodity prices, although not when global growth slowed down (Exhibit 18). Looking back at history, we also note that stagflationary environments have typically brough along large commodity price increases (Exhibit 19).

Exhibit 18: Cumulative dollar index (DXY) and BCOM returns and correlation across global recessions

A weaker dollar backdrop has historically helped support commodity prices, although not when global growth slowed down



Source: Bloomberg, BofA Global Research. Dates are Jan 1973-Dec 1975, Jan 1980-Dec 1982, Jul 1990-Dec 1993, Mar 2001-Nov 2001, Jan 2008-Dec 2009, and Feb 2020-Apr 2020.

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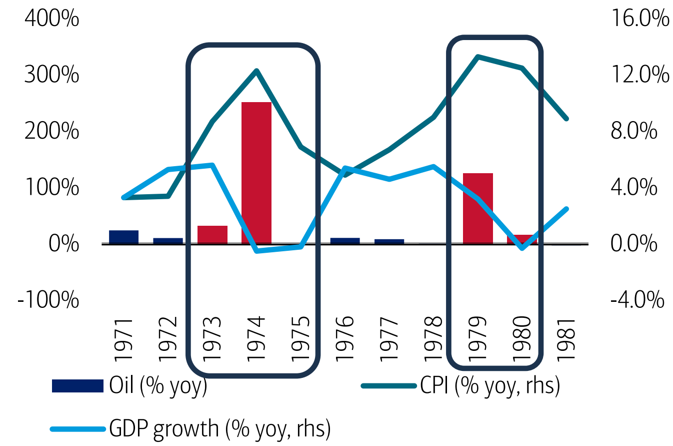
Exhibit 19: US real GDP growth, headline CPI inflation, and crude oil returns

Looking back at history, we note that stagflationary environments have typically brought along large commodity price increases



Source: BEA, BLS, BofA Global Research

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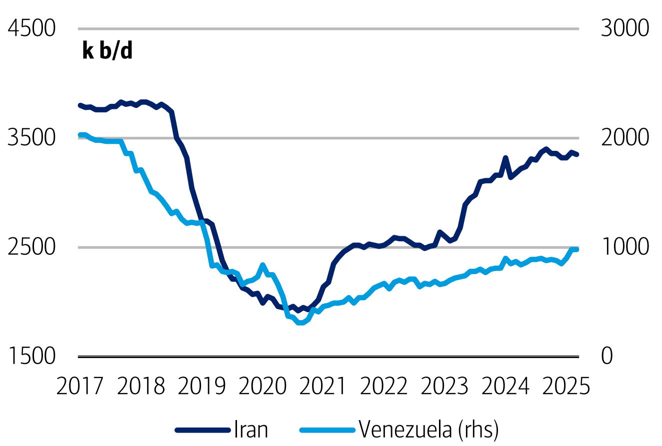
...coupled with geopolitical noise from Iran, Venezuela, Russia...

Beyond macro drivers including inflation and the USD, we also note that geopolitics are at a very complex juncture with supply risks emanating mainly from three sources: Venezuela, Iran, and Russia. For starters, we note that Venezuelan and Iranian oil production is up significantly since the end of the Trump first term (Exhibit 20). These Venezuelan export flows of ~800k b/d could reverse course with the Trump administration already pulling back Chevron's sanctions waiver and threatening buyers with "secondary tariffs". Additional Russia sanctions are likely, although here we would also counterargue that an end to the Ukraine war could bring along lower energy prices as supply returns to Europe (Exhibit 21).

Exhibit 20: Iran and Venezuela production
Venezuelan and Iranian oil production is up significantly since the end of the Trump first term, and that could reverse course



Source: Bloomberg

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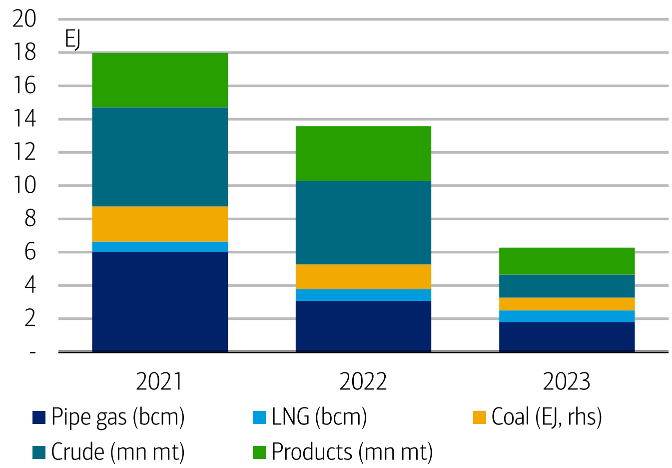
Exhibit 21: Russian energy exports to Europe
Additional Russia sanctions are also likely, although an end to the Ukraine war could bring along lower energy prices as supply returns to Europe



Source: BP Statistical Review, Energy Agency, BofA Global Research estimates.

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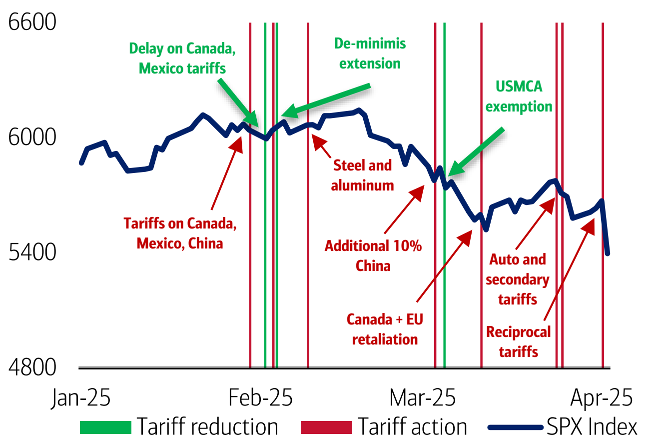
…as well as "tariff relief", should trade negotiations advance

Other than macro and geopolitics, investors should not forget that this tariff decision is a self-inflicted wound that could be partially healed should the surgeon in charge decide to do so. So even if risks are clearly skewed to the downside after the Rose Garden announcement, unexpected relief from tariffs could reverse some of the downward move in risk assets and oil prices (Exhibit 22) and even limit further declines going forward. In any case, we would also curb investors' enthusiasm here as tariffs are poised to become a significant source of US government funding (Exhibit 23), and the IRS will need every dollar at hand to reduce the deficit.

Exhibit 22: S&P 500 and major tariff action
While risks are clearly skewed to the downside, unexpected relief from tariffs could reverse some of the downward move in prices



Source: Bloomberg, Petersen Institute for International Economics

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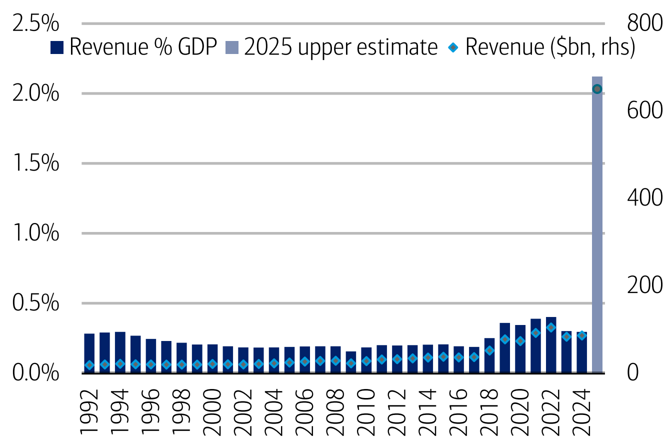
Exhibit 23: Annual Treasury receipts from customs duties in dollars and as percentage of nominal GDP
Still, it is important to curb one's enthusiasm, as tariffs are poised to become a significant source of US government funding



Source: US Treasury, BofA Global Research. 2025 is estimated at $650bn per BofA US economics as an upper bound.

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Exhibit 24: Acronym list

Acronym	Definition
$/bbl	dollars per barrel
2H	Second half of the year
ACR	American Carbon Registry
API	American Petroleum Institute gravity
avg	average
b/d	barrels per day
bbl	barrel
Bcf	Billion cubic feet
Bcf/d	Billion cubic feet per day
BLM	Bureau of Land Management
bn	billion
boe	barrel of oil equivalent
Btu	British thermal unit
CAISO	California ISO
CAR	Climate Action Reserve
CARB	California Air Resources Board
CB	central bank
CCA	California Carbon Allowances
CCR	Cost Containment Reserve
CC3	Corpus Christi stage 3
CI	carbon intensity
CNG	compressed natural gas
CPI	consumer price index
CV	Calorific Value
D&C	Drilling and completion
DM	developed market
E&P	Exploration and production
EC	European Commission
ECB	European Central Bank
EM	European market
EM	emerging market
EPA	Environmental Protection Agency
ERCOT	Electric Reliability Council of Texas
ETS	Emissions Trading System
EUA	European Union Allowance
EUR	Euro
EV	electric vehicle
F	Fahrenheit
FID	Final Investment Decision
FOB	Free on Board
FPSO	Floating production storage and offloading
FTA	Free Trade Agreement
GHG	Greenhouse gas
GoM	Gulf of Mexico
GW	Gigawatt
GWa	Average gigawatts
GWh	gigawatt hours
HH	Henry Hub
Hz	Horizonntal
IEA	International Energy Agency
IMO	International Maritime Organization
IP	industrial production
IRA	Inflation Reduction Act
ISO	independent system operator
JKM	Japan Korea Marker
JPY	Japanese Yen
kWh	kilowatt hours
LCFS	Low Carbon Fuel Standard
LCOE	levelized cost of energy
LDV	Light duty vehicle
LMP	locational marginal price

Exhibit 24: Acronym list

Acronym	Definition
LNG	liquified natural gas
MA	moving average
mcm	million cubic meters
ME	Middle East
Mfg	manufacturing
MHDV	Medium and heavy duty vehicles
MMBtu	million British thermal units
mn	million
mt	metric ton
MVP	Mountain Valley Pipeline
MWh	Megawatt hours
NAAQS	National Ambient Air Quality Standards
NBS	National Bureau of Statistics of China
NDRC	National Development and Reform Commission
NEV	New Electric Vehicle
ngl	natural gas liquids
NWE	North west Europe
OECD	Organisation for Economic Co-operation and Development
OPEC	Organization of the Petroleum Exporting Countries
OPEC+	OPEC countries plus ten additional countries
PJM	PJM ISO
plf	passenger loading factor
PMI	purchasing managers index
PUC	Public Utility Commission
RD	renewable diesel
Res/Com	Residential and commercial
RGGI	Regional Greenhouse Gas Initiative
rhs	righthand side
RIN	Renewable Identification Number
SAF	sustainable aviation fuel
SPR	Strategic Petroleum Reserve
st	short tons
TMX	Trans Mountain Expansion
TTF	Dutch TTF
TWh	terawatt hours
UCO	used cooking oil
UKA	UK allowance
VCO	voluntary carbon offset
VCS	Verra
VLSFO	very low sulfur fuel oil
VMT	Vehicle miles traveled
WCS	Western Canadian Select
WTI	West Texas Intermediate
YoY	year over year
yr	year
Ytd	year to date

Source: BofA Global Research

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