

Global Energy Weekly

Paper lion or lagged response?

US surprise strikes leave retaliation ball in Iran's court...

The surprise US attacks on Iran's Fordow, Natanz and Isfahan's nuclear enrichment facilities have further elevated tensions in the Middle East and pushed Brent as high as \$81/bbl overnight. Similarly, global gas prices have spiked, and European TTF prices broke €42/MWh in the last 24 hours. Having said that, oil prices in particular have started to roll back as crude and product traffic in the Persian Gulf remains unaffected. Is the energy market too complacent, or have recent developments increased confidence that major energy supply disruptions ahead are unlikely? Much of what happens next to energy prices depends on the Iranian ability and willingness to respond to US strikes. In an external expert call last week (Iran-Israel – what's next?), we discussed four potential forms of retaliation that Iran could use: terrorism, cyberwarfare, attacks on US troops in the Middle East, and attacks to Middle East energy infrastructure. The last two forms could have a more pronounced impact on energy prices than the first two.

...but delivering pledge to shut down Hormuz is not easy

Iran has pledged to retaliate against the strikes (see the report, [Iran-Israel adds new dimension to energy](#)) and even threatened to close the Strait of Hormuz. Yet, the ultimate decision on any retaliatory action rests on its supreme leader Ayatollah Ali Khamenei. So far, attacks on energy infrastructure during this conflict have remained relatively modest, but that could change very quickly. How long the conflict lasts and how much supply is disrupted temporarily or more permanently will determine the path for oil prices. A fifth of the world's oil and liquid gas flows every day in the Strait of Hormuz. Yet a 20-mile-wide strait is not a fort. While Brent could spike well above \$100/bbl if Hormuz shuts down, it would be hard to close the strait even for a few days. Plus, shutting the strait would also hurt Iran and its trade partners, including China. Beyond any retaliation, one crucial worry if tensions build within Iran is that internal power struggles can often have dire and lasting consequences on energy infrastructure, as we have seen in Syria, Iraq and Libya.

Oil path in 2H25 depends on Iran but also OPEC+ response

From a fundamental vantage point, we expect an oil market surplus to emerge over the coming months on weaker demand and rising supplies. But we mark to market our 2Q25 Brent and WTI forecasts to \$67/bbl and \$64.5/bbl, respectively, to reflect the rally in prices since early June. While we maintain for now our forecasts for 2H25 of \$64/bbl and \$60/bbl for Brent and WTI, the next two weeks could bring a potential Iranian response and/or a new OPEC+ signal. Any Iranian attack on energy infrastructure could lead to a tighter oil and/or global gas market balance. Meanwhile, the next Group of 8 (Saudi, Russia, UAE, Kuwait, Iraq, Algeria, Oman, Kazakhstan) meeting is set for July 6. Caution or simply disagreements within OPEC+ could slow down the return of barrels to the oil market back to the agreed rate of 138 thousand b/d per month after increasing quotas by 411 thousand b/d for three straight months. Should OPEC+ opt to do that, we believe that it could entrench 2026 Brent crude oil calendar prices above our \$70/bbl forecast.

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Commodities
Global**Global Commodity Research**
BofA Europe (Madrid)**Francisco Blanch**
Commodity & Deriv Strategist
BofA Europe (Madrid)
+34 91 514 3070**Clifton White**
Commodity Strategist
BofAS
+1 713 247 6136
clifton.white@bofa.com**Rachel Wiser**
Commodity Strategist
BofAS
+1 646 743 4069
rachel.wiser@bofa.com**Danica Averion**
Commodity Strategist
MLI (UK)
+44 20 7996 2325
danica_ana.averion@bofa.com**Andy Pham**
FICC Quant Strategist
BofAS
+1 646 743 3365
apham3@bofa.com**Michael Widmer**
Commodity Strategist
MLI (UK)
+44 20 7996 0694[See Team Page for List of Analysts](#)

For abbreviations, see the end of this report.

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Refer to important disclosures on page 9 to 10.

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Exhibit 1: BofA Global Research Commodity Themes and Outlook

Key takeaways

	View	Recent report links
Macro outlook	■ Our economists see world GDP rising 2.8% in 2025 and 3.0% in 2026.	
WTI and Brent crude oil	■ We project Brent and WTI to average \$67/bbl and \$64/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.	<ul style="list-style-type: none"> • 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.	<ul style="list-style-type: none"> • 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 2.9Bcf/d and 2.5Bcf/d YoY in 2025, keeping stocks ~3.8Tcf at the end of October. ■ We forecast US Henry Hub natural gas prices will average \$3.65/mmbtu in 2025 and rise to \$4.81/mmbtu in 2026.	<ul style="list-style-type: none"> • Salts spoil summer gas • 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.	<ul style="list-style-type: none"> • TTF price drop masks 25/26 winter risk 01 April 2025 • EU gas does away with the seasons 09 December 2024
Thermal coal	■ Global coal prices have collapsed on rising stocks in China, pushing Newcastle into contango and compressing quality diffs. ■ With prices close to marginal costs, supply and demand shifts should keep Australian prices supported above \$100/t in 2H25.	<ul style="list-style-type: none"> • 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 2: 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	71	65	62	57	64	64	66	66	68	66
Brent Crude Oil	(\$/bbl)	80	75	67	66	61	67	68	70	70	72	70
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	3.65	3.44	3.50	4.00	3.65	5.00	4.75	4.75	4.75	4.81
Thermal coal, Newcastle FOB	(\$/t)	136	108	98	105	109	105	106	100	102	105	103
Aluminium	\$/t	2420	2763	2350	2300	2500	2478	2750	3000	2750	3000	2875
Copper	\$/t	9,150	9,216	9,000	8,250	9,000	8,866	9,500	9,750	10,500	11,000	10,188
Lead	\$/t	2,071	1,861	1,800	1,600	1,750	1,753	2,024	2,024	2,024	2,024	2,024
Nickel	\$/t	16,829	15,551	15,000	16,000	16,500	15,763	18,000	18,000	18,000	18,000	18,000
Zinc	\$/t	2,778	2,582	2,500	2,100	2,500	2,420	3,000	3,000	2,750	2,750	2,875
Gold	\$/oz	2387	2850	2900	3200	3300	3063	3400	3400	3300	3300	3350
Silver	\$/oz	28	32	34	36	40	35	43	43	45	45	44
Platinum	\$/oz	956	969	950	920	900	935	920	920	900	900	910
Palladium	\$/oz	984	961	930	880	880	913	850	830	800	800	820

Source: Bloomberg, BofA Global Research estimates

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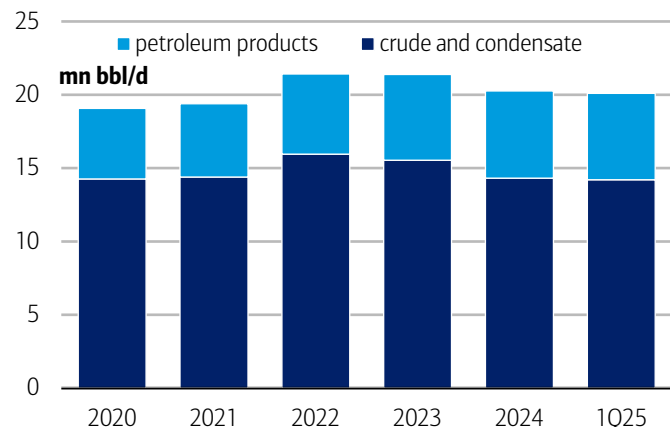
Paper lion or lagged response?

US surprise strikes leave retaliation ball in Iran's court...

The surprise US attacks on Iran's Fordow, Natanz and Isfahan's nuclear enrichment facilities have further elevated tensions in the Middle East and pushed Brent as high as \$81/bbl overnight. Similarly, global gas prices have spiked, and European TTF prices broke €42/MWh in the last 24 hours. Having said that, oil prices in particular have started to roll back as crude and product traffic in the Persian Gulf remains unaffected. Still, much of what happens next to energy prices depends on the Iranian ability and willingness to respond. In an external expert call last week (Iran-Israel – what's next?), we discussed four potential forms of retaliation that Iran could use: terrorism, cyberwarfare, attacks on US troops in the Middle East and attacks to Middle East energy infrastructure. The last two forms of retaliation could have a more pronounced impact on energy prices than the first two. After all, about 20mn barrels of crude oil, condensates and petroleum products flow through the strait of Hormuz every day on average (Exhibit 3). This narrow strip of land can only be avoided via the East-West crude oil pipeline into Yanbu in Saudi Arabia and the Abu Dhabi crude oil pipeline (Exhibit 4). The Saudi pipe can transport 5mn b/d of crude oil and the UEA pipeline has capacity up to 1.8mn b/d, so about half of the exports from these countries could be redirected away from the narrow strait in Iranian waters.

Exhibit 3: Volume of total oil petroleum liquids transported through the Strait of Hormuz

About 20mn barrels of crude oil, condensates and petroleum products flow through the strait of Hormuz every day on average...

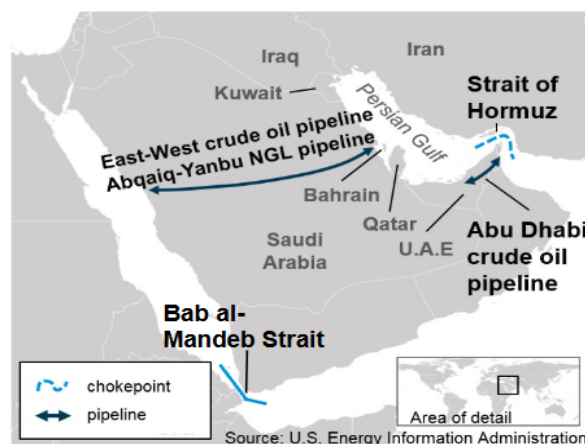


Source: IEA

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Exhibit 4: Map of Middle East choke points and relief pipe lines that could allow movement of crude oil

...yet the 20-mile-wide Strait is not a fort and would be hard to close; plus, there are some alternatives to re-route oil through Saudi and the UAE



Source: EIA

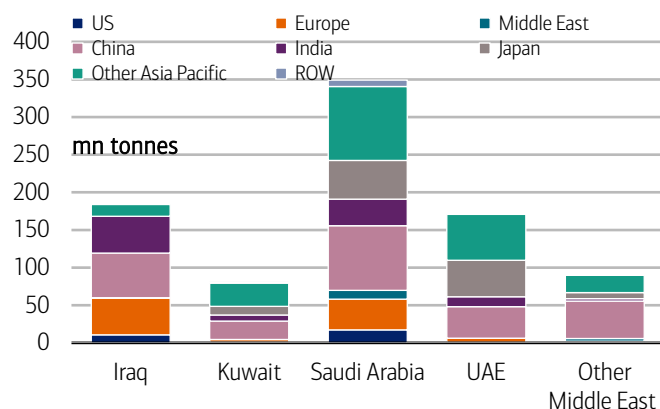
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...but delivering pledge to shut down Hormuz is not easy

Iran has pledged to retaliate against the strikes (see the report, [Global Energy Weekly: Iran-Israel adds new dimension to energy 16 June 2025](#)) and even voted to close the Strait of Hormuz in parliament. Yet, the ultimate decision on any retaliatory action rests with its supreme leader, Ayatollah Ali Khamenei. So far, attacks on energy infrastructure during this conflict have remained relatively modest given the scale of oil and gas production and exports in the region, but that could change very quickly. How long the conflict lasts and how much supply is disrupted temporarily or more permanently should determine the path for oil prices. A fifth of the world's oil and liquid gas flows every day in the Strait of Hormuz. Yet a 20-mile-wide strait is not a fort. It would be very hard to shut it down completely just for even a few days, particularly as the US further expands military capabilities in the region. Plus shutting the strait would also hurt Iran and Iran's trade partners, including China. Ultimately, the majority of oil exports from the Middle East go to China, India and other Asian countries, not to Europe or the US (Exhibit 5). Plus, the number of cargo and tanker ships that cross the strait typically exceeds 100 per day during the summer months (Exhibit 6). Beyond retaliation, one crucial worry is that internal power struggles can often have dire and lasting consequences on energy infrastructure, as we have seen in Syria, Iraq and Libya.

Exhibit 5: Exports of crude from Middle East countries by destination (2023)

The majority of oil exports from the Middle East go to China, India and other Asian countries, not to Europe or the US

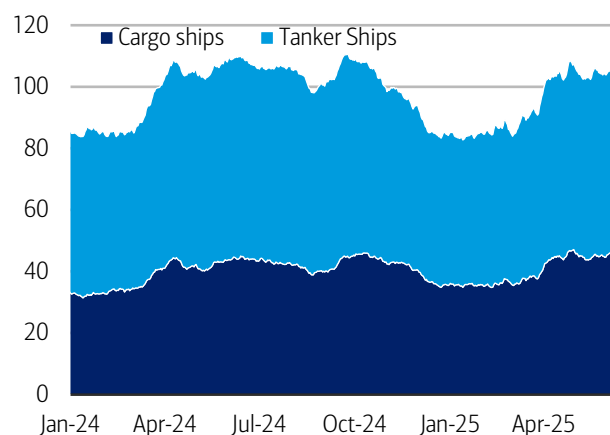


Source: Energy Institute

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Exhibit 6: Rolling 30 average ships through the Strait of Hormuz

The number of cargo and tanker ships that cross the strait typically exceeds 100 per day during the summer months



Source: IMF Portwatch

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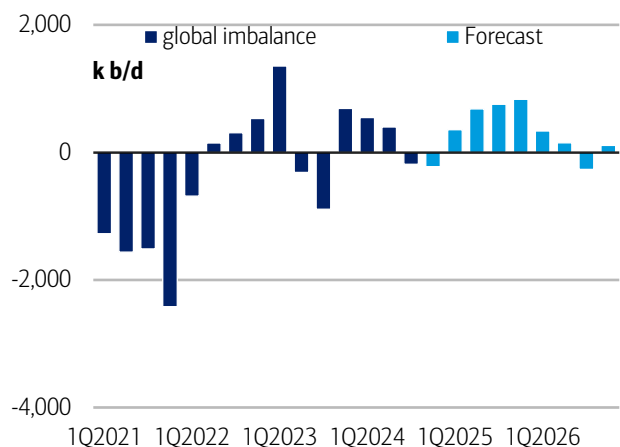
Oil path in 2H25 depends on Iran but also OPEC+ response

From a fundamental vantage point, we expect an oil market surplus to emerge over the coming months on weaker demand and rising supplies (Exhibit 7). But we mark to market our 2Q25 Brent and WTI forecasts to \$67/bbl and \$64.5bbl, respectively, to reflect the rally in prices since early June. While we maintain for now our forecasts for 2H25 of \$64/bbl and \$60/bbl for Brent and WTI, the next two weeks could bring a potential Iranian response and/or a new OPEC+ signal. Any Iranian attack on energy infrastructure could lead to a tighter oil and/or global gas market balance, pushing Brent crude oil prices into much steeper backwardation (Exhibit 8). Meanwhile, the next Group of 8 (Saudi, Russia, UAE, Kuwait, Iraq, Algeria, Oman, Kazakhstan) meeting is set for July 6. Caution or simply disagreements within OPEC+ could slow down the return of barrels to the oil market back to the agreed rate of 138 thousand b/d per month after increasing quotas by 411 thousand b/d for three straight months. Should OPEC+ opt to do that, we believe that it could entrench 2026 Brent crude oil calendar prices above our \$70/bbl forecast.



Exhibit 7: Global oil market balances

From a fundamental standpoint, we expect an oil market surplus to emerge over the coming months on weaker demand and lower supplies

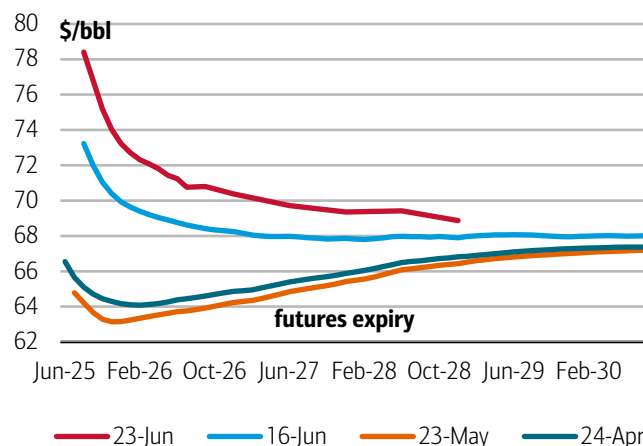


Source: IEA, BofA Global Research estimates

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Exhibit 8: Brent crude oil term structure

The Brent crude oil market has shifted quickly to price a fully backwardated term structure, but structure could get steeper if infrastructure is hit



Source: Bloomberg

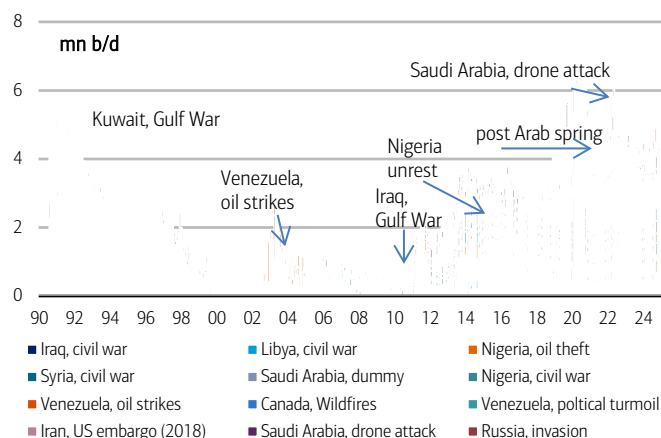
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Previous oil supply disruptions provide cautionary tale

The history of the oil market has plenty of reference points that can help us understand how prices could respond to a further escalation of tensions in the Middle East (Exhibit 9). The first Gulf War in 1990 saw oil supply disruptions climb as high as 5mn b/d at one point and prices rally in excess of 50% in response. The Venezuelan oil disruptions linked to the PDVSA worker strikes also disrupted over 2mn b/d and encouraged a multi-year rally. But most disruptions, such as the 2-week shutdown of Abqaiq in Saudi Arabia, which knocked off 5mn b/d over this short period of time, had a limited effect on prices. Should Iran's oil production drop from the current levels of 1.5mn b/d to zero, as it did during Trump's first term (Exhibit 10), we would expect very firm support to oil prices in 2H25 and 2026 as any oil market surplus would disappear overnight, tightening global balances.

Exhibit 9: Global oil supply disruptions

Most major unexpected energy supply losses in the 2010s were the result of internal processes in various countries or US sanctions

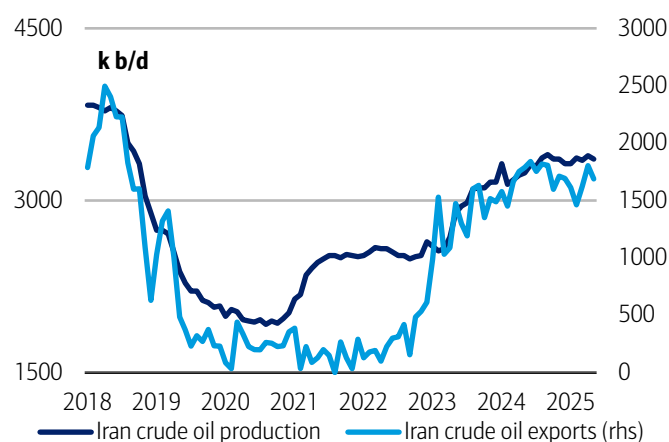


Source: IEA, BofA Global Research estimates

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Exhibit 10: Iran crude oil production and exports

However, a direct Iran-Israel conflict that lasts several months could quickly lead to major Iranian oil supply disruptions



Source: Bloomberg

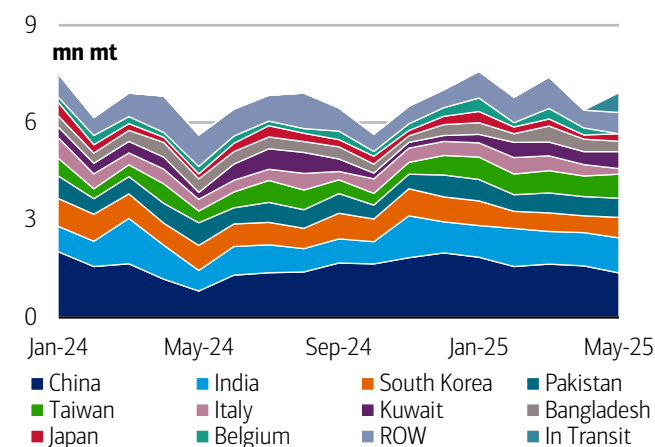
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European natural gas looks more fragile than Brent oil

As we discussed last week, the effects of reduced natural gas flows from the Middle East could also be very dire for both Asian JKM and European TTF natural gas prices. Energy infrastructure remains roughly in place for the time being, and most Middle East export flows remain unaffected, although the situation is fluid. Most of the gas leaving the Middle East for other regions is Qatari, and most Qatari gas goes to Asia, including China, India, Korea, Pakistan and Taiwan (Exhibit 11). Yet some of it also goes to Italy and Belgium, and inventories are quite low in Europe (Exhibit 12). As such, European TTF prices have neared €42/MWh in the last 24 hours and have held up better than oil. How much further prices run from here again will depend on whether any gas exporting infrastructure is affected by any potential retaliatory action going forward. But the starting point means that prompt TTF natural gas prices have a much higher chance of increasing by 50% or more than oil, should some disruptions in the Strait of Hormuz occur.

Exhibit 11: LNG exports from Qatar by destination country

Most of the gas leaving the Middle East for other regions is Qatari and most Qatari gas goes to Asia, including China, India, Korea, and Pakistan

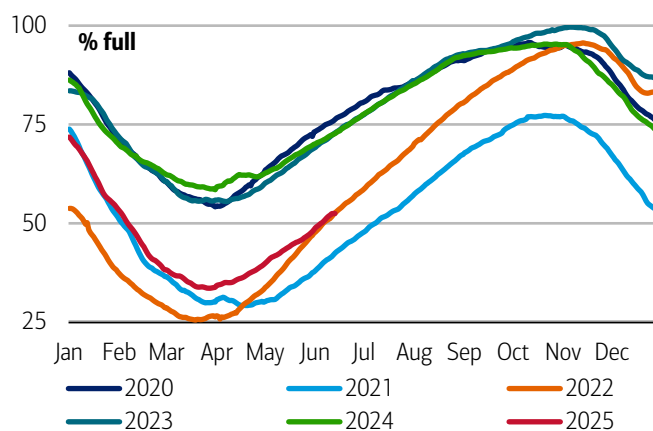


Source: Bloomberg

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Exhibit 12: European gas inventories

Yet some of the Middle East natural gas also goes to Italy and Belgium, and inventories are quite low in Europe



Source: Bloomberg, BofA Global Research

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Abbreviations

Exhibit 13: Abbreviations

Commonly used abbreviations and definitions

Abbreviation	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
CC3	Corpus Christi stage 3
CCA	California Carbon Allowances
CCR	Cost Containment Reserve
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
FSRU	Floating Storage and Regasification Unit
FTA	Free Trade Agreement
GHG	Greenhouse gas
GoM	Gulf of Mexico
GW	Gigawatt
GWa	Average gigawatts
GWh	gigawatt hours
HH	Henry Hub
Hz	Horizontal
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

Exhibit 13: Abbreviations

Commonly used abbreviations and definitions

Abbreviation	Definition
LDV	Light duty vehicle
LMP	locational marginal price
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
TEU	twenty foot equivalent
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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Research Analysts

Global Commodity Research BofA Europe (Madrid)

Francisco Blanch
Commodity & Deriv Strategist
BofA Europe (Madrid)
+34 91 514 3070
francisco.blanch@bofa.com

Michael Widmer
Commodity Strategist
MLI (UK)
+44 20 7996 0694
michael.widmer@bofa.com

Clifton White
Commodity Strategist
BofAS
+1 713 247 6136
clifton.white@bofa.com

Daryna Kovalska
Commodity Strategist
MLI (UK)
+44 20 7996 1023
daryna.kovalska@bofa.com

Danica Averion
Commodity Strategist
MLI (UK)
+44 20 7996 2325
danica_ana.averion@bofa.com

Rachel Wiser
Commodity Strategist
BofAS
+1 646 743 4069
rachel.wiser@bofa.com

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