Our View: Oil Price Forecasters Keep Missing the China Element

Philip Verleger

October 7, 2025

The Energy Intelligence Group will convene its "Energy Intelligence Forum" in London in two weeks. The meeting is the rebranded version of EIG's "Oil & Money" conference and follows Argus Media's "Global Markets" and S&P Global's "APPEC 2025" in September. Although they feature different speakers, these conferences share one characteristic: they are entirely inward-looking.

The narrow, introspective bent of energy-related forums could threaten the profitability and possibly the survival of energy firms by reinforcing the attendees' conventional beliefs and influencing their strategic decisions at a time of dramatic, groundbreaking change in the world economy.

The IEA's "experts," along with bank analysts and some reporters who follow oil, want the world to believe oil prices will fall as global oil supplies exceed predicted consumption. The IEA is forecasting an average surplus of 3.1 million barrels per day in 2026, while the US Energy Information Administration expects an oversupply of 1.7 million barrels per day next year. If realized, this surplus would exceed that of 2020, when prices averaged $42 per barrel.

However, in 2025, unlike in 2020, China is purchasing most of the surplus oil. Surprisingly, Western policymakers seem largely unaware of China's actions.

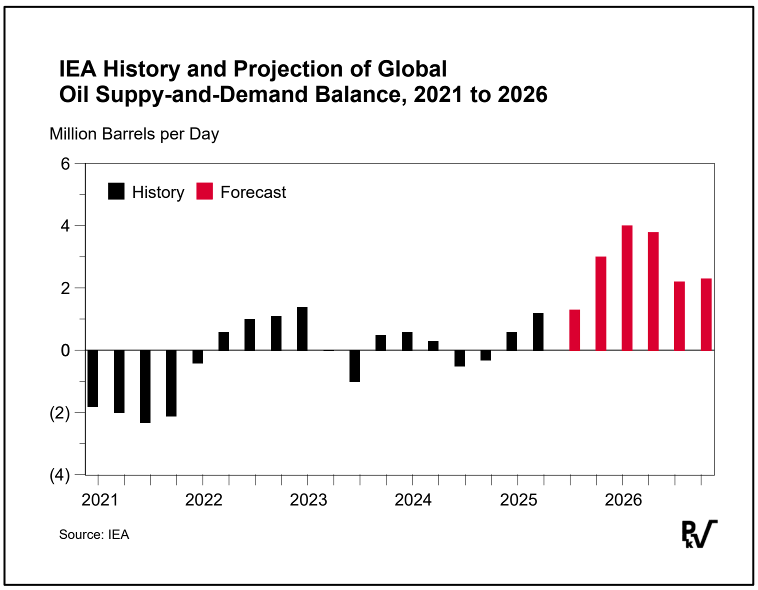
In late September, IEA director Fatih Birol maintained the "consensus view" of decreasing oil prices while speaking to a Council on Foreign Relations audience in Washington:

> Where do I see the prices of oil? If there are no major geopolitical events like our colleague working on geopolitics mentioned—if there are not such things or what will happen with Russia, Iran, we don't know yet. But if there are no big changes there, I expect that we'll continue to see downward pressure on the oil prices, as we have said two years ago, as it is exactly happening what we said, because there's a lot of supply. There's a lot of supply.[1]

Birol's view is reflected in the IEA's current projection, which shows a surplus building over the next year (see figure here). Oil traders, however, do not seem to be influenced by the IEA or the analysts.

On Friday, October 3, Bloomberg's Sherry Su wrote that the "Vitol Group has built up a significant position in North Sea crude, indicating a bullish bet on benchmark prices despite signs of a looming increase in global supplies."[2]

The buying that continues to support crude prices appears to serve China's



[1] "A Conversation With International Energy Agency Executive Director Fatih Birol," Council on Foreign Relations, September 25, 2025 [https://tinyurl.com/3snav9br].

[2] Sherry Su, "Vitol Piles Into North Sea Oil Despite Risk of Bigger Supplies," Bloomberg, October 3, 2025 [https://tinyurl.com/mr8a73v9].

economic purposes, which are, first, to maintain the purchasing power of China's largest trading partners, and second, to encourage consuming countries to transition to renewable energy. In both cases, the modest sums spent on oil by China have been more than offset by the increase in its exports of goods and services to these nations, especially since the oil is an asset that can be consumed in the future.

Stuck in their silos, the oil industry executives and most market followers have not recognized China's efforts to marginalize the US economy. Given this blindness, it comes as no surprise that those attempting to explain recent oil price behavior do not understand the current primary driver.