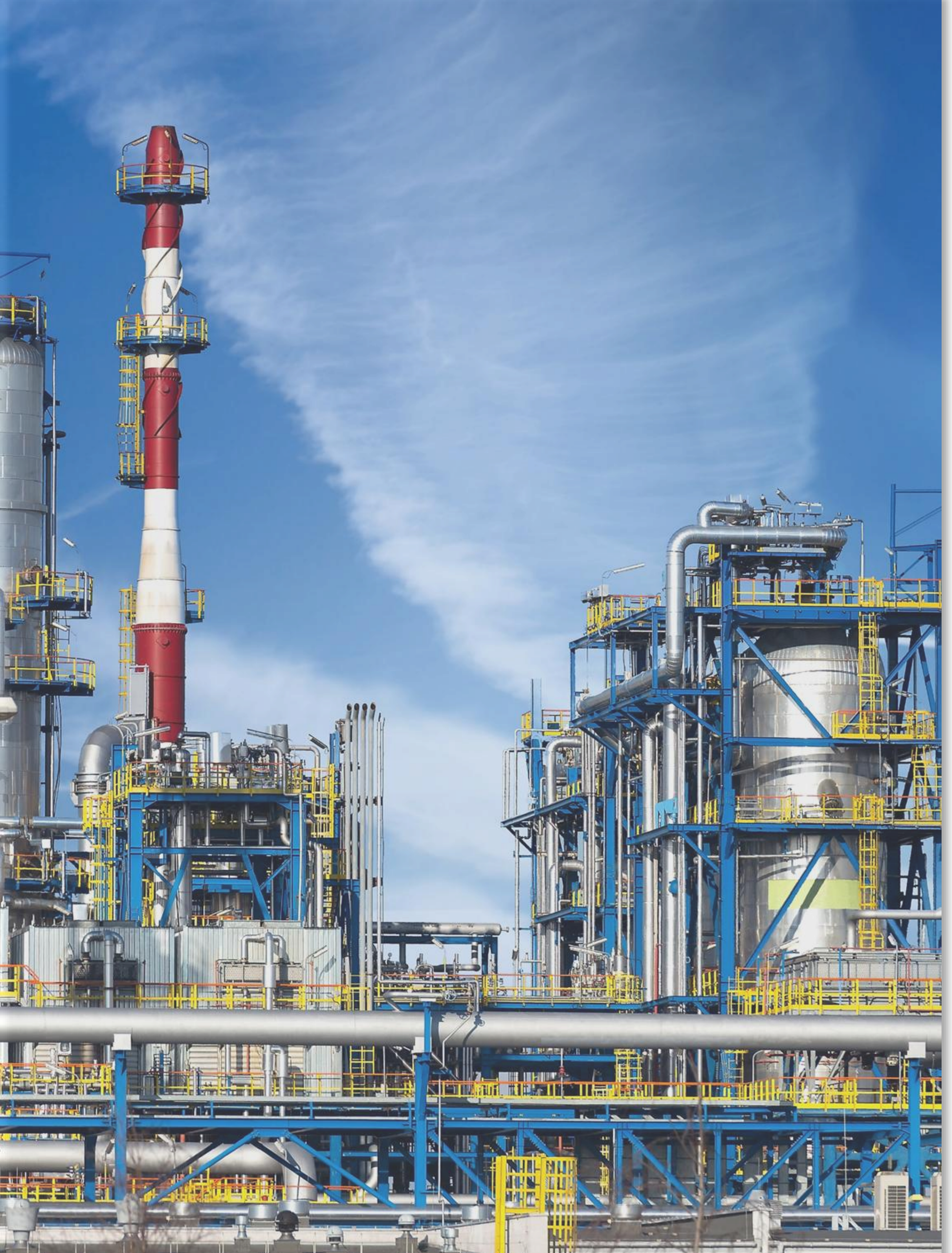


ADI Analytics

OIL & GAS ● ENERGY ● CHEMICALS

Refining and Fuels Outlook

Refining and fuels outlook: Another challenging year for global refiners ...

1. Global crude oil demand will grow at a slower pace of ~1% in 2025, increasing from 103.6 to 104.4 mb/d, due to modest economic growth especially in Asia along with rising electric vehicle sales and adoption of LNG as an alternative fuel for heavy vehicles. Oil demand growth will be driven by increased global jet fuel demand and petrochemical feedstock consumption, primarily in China.

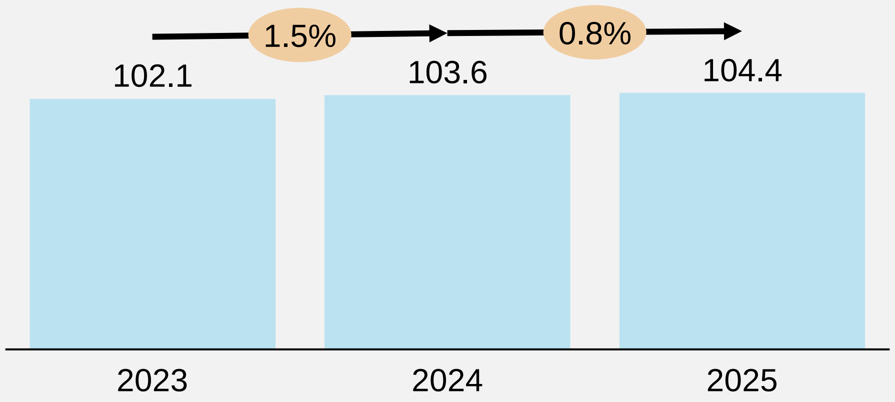
2. Brent crude prices are projected to drop high $60s to low $70s per barrel in the upcoming year due to the crude oil supply glut, potentially triggering a price war in early 2025 between Asian refiners and Middle Eastern oil producers over unsettled crude oil supply deals.

3. The global refining supply-demand gap is expected to continue narrowing in 2025 as net capacity additions slow, with global refining capacity rising from 104.2 to 104.8 mb/d. However, existing refining capacity, along with new capacity in Africa and the Middle East—including the expansion of Bahrain's Bapco refinery capacity to 0.38 mb/d and the reopening of Iraq's Karbala refinery at 0.14 mb/d capacity—will still exceed demand. This will continue to pressure refining margins, putting more old refineries at risk of closure.

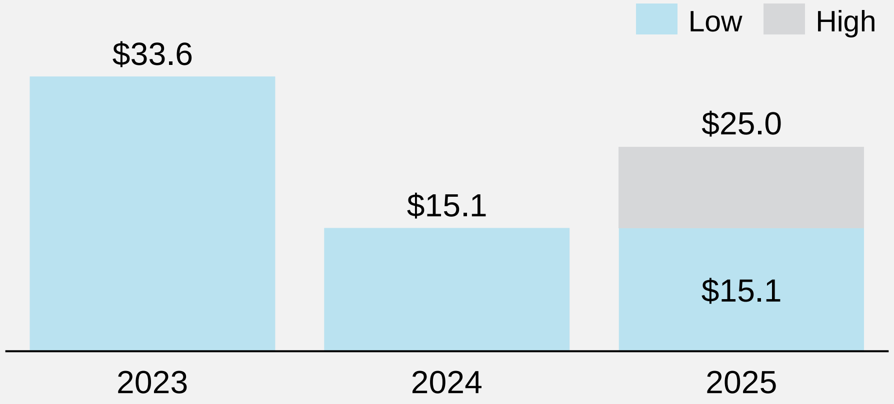
4. President Trump’s 25% tariff on Canadian and Mexican imports is likely to cause U.S. refiners to reduce heavy crude oil imports from these countries. Total U.S. crude oil imports are projected to decline by 20%, from 2.5 mb/d to 1.9 mb/d in 2025. This could force U.S. refiners to lower utilization rates to ~90% or slightly below, due to supply shortages and sluggish demand.

5. Due to potentially reduced refinery runs and major refinery closures on the U.S. West and Gulf Coasts (e.g., Phillips 66 closing its Los Angeles refinery in Q4 2025), the U.S. gross refining margin (GRM) is expected to improve slightly in 2025, ranging from ~$15 to $25 per barrel.

Global crude oil demand
Million barrels per day (mb/d)



U.S. gross refining margin
$ per barrel



… With sluggish demand, tight margins, and potential supply disruptions

6 China's stimulus to boost consumer goods trade and deregulate the real estate markets will likely increase naphtha demand for petrochemicals and prices across Asia. We anticipate continued refinery-petrochemical integration in China and India as operators there boost their naphtha processing capabilities and seek flexibility in shifting production between fuels and naphtha.

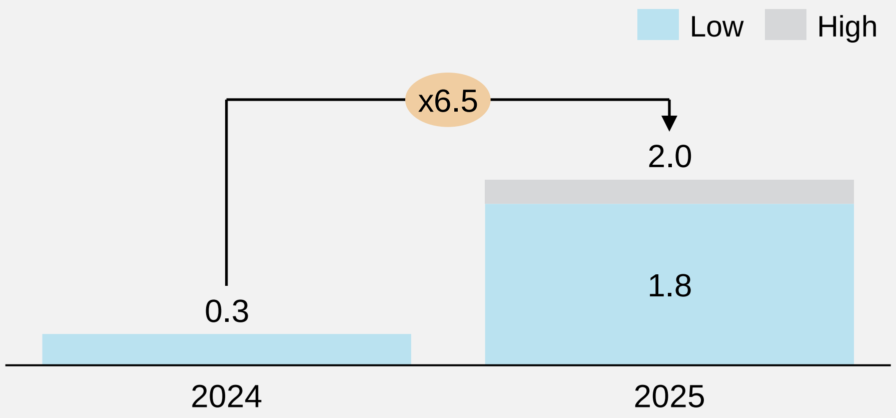
7 However, shifts in U.S. sanctions policies and conflicts in the Middle East (Syria, Libya) and Europe (Russia-Ukraine) could disrupt oil flows to China, potentially leading to higher feedstock costs and further straining its margins. ADI forecasts China's GRM to drop from ~$9.90 per barrel in 2024 to ~$5.20 per barrel in 2025.

8 We expect refinery conversions for sustainable aviation fuel (SAF) production to continue in North America, Europe, and to a certain extent, Asia, driven by strong policy support. ADI expects global SAF demand to grow by ~6.5 times in 2025 as blending mandates in the European Union (EU) and UK come into force.

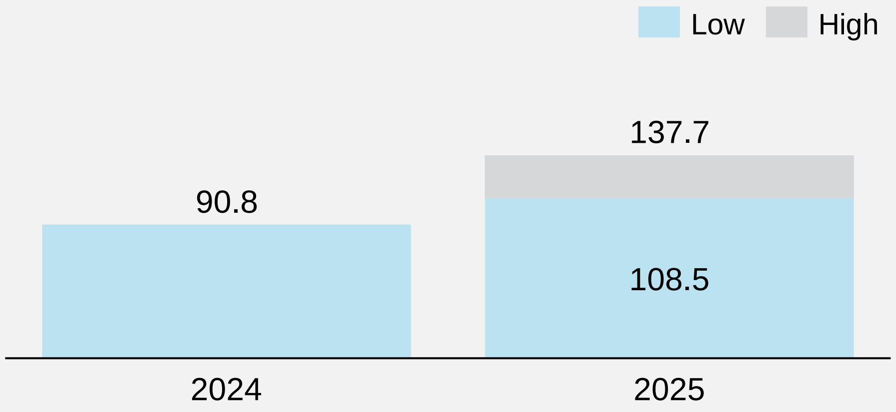
9 With FuelEU Maritime taking effect in 2025, we expect growing interest among European refiners in exploring blue and green hydrogen, as well as methanol and ammonia projects in the near to medium term to produce low-carbon ship fuels. For example, BP is already leading these efforts by investing in a green hydrogen plant with an annual capacity of 11,000 metric tons in Germany.

10 China's removal of export tax rebates for renewable diesel (RD) will cause a supply crunch of RD in Europe in 2025. However, EU biofuel mandates such as the Renewable Energy Directive (RED) III, and changes to biofuel ticket rollover schemes in Germany and the Netherlands are expected to continue driving European RD demand moving forward. ADI projects European RD demand to increase by 17.7 to 46.9 thousand barrels per day in 2025.

Global SAF demand
Billion gallons per year



European RD demand
Thousand barrels per day



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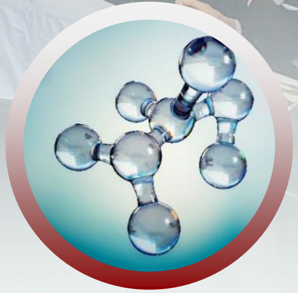
Oil & Gas

Upstream, midstream, natural gas, LNG, refining, and fuels

Energy Transition

Renewable power, CCUS, biofuels, hydrogen, batteries, and sustainability



Chemicals

C1 derivatives, plastics, specialty chemicals, engineered materials, and recycling

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