



Oil prices have risen to a five-month high on concerns that the moves will tighten supply, with Brent trading above USD 80/bbl. (UBS)

# CIO sees upside risks to oil prices in the short term

13 January 2025, 4:58 pm CET, written by UBS Editorial Team US Editorial Team

**Crude oil prices are trading at the highest level since last August. Prior to the recent events, a combination of factors had lifted prices since early December.**

Heating oil demand has increased because of cold weather in the US and Europe. Oil demand data was strong for the US for October (at 21.01mbpd, a record level for the month) and for India for December. Russian crude exports in December were lower, while concerns are growing about whether the Trump administration will target the availability of Iranian barrels. And finally, global oil inventories are falling and OPEC+ producers have demonstrated solid compliance levels to their quotas.

The US Treasury's recent [announcement](#) about new sanctions on Russia's oil industry is the latest catalyst, which has lifted Brent above the USD 80/bbl mark. The new sanctions target the third- and fourth-largest Russian oil producers (Gazpromneft and Surgutneftegas), which combined produce around 2mbpd and export about 0.9mbpd, according to Petro-Logistics. They also target 183 tankers (which in total transported around 1.5mbpd of crude oil and 0.2mbpd of refined products in 2024) and the Russian insurance companies (Ingosstrakh Insurance Company, Alfastrakhovanie Group) that provide insurance coverage for tankers transporting Russian energy. Moreover, the measures cover oil-trading houses as well oilfield service producers and energy officials. The timing of the new sanction is also interesting—it comes just ahead of the inauguration of Donald Trump as the next US president. We think it is unlikely that Donald Trump will repeal these sanctions as his first policy decision, opting instead to use them as leverage in potential peace negotiations between Russia and Ukraine.

Media reports indicate that Indian refiners have stopped dealing with tankers on the sanctions list. Tankers booked before 10 January are likely still to head to Indian ports, in line with a wind-down period as part of the new sanctions. We

expect similar behavior from China's small private (so-called "teapot") refineries. Already, media reports claim that ports in Shandong province, where most teapot refineries are located, have been instructed to ban US-sanctioned tankers from entering. These Indian and Chinese refineries will likely source more oil from the Middle East, Africa, and the Americas in the near term, tightening the oil market.

As a result of these changes, front futures oil contract have outperformed longer-dated ones, resulting in a steeper downward-sloped futures curve (backwardation), a sign of market tightness. Considering comments by officials of the upcoming Trump administration regarding their desire to reintroduce a "maximum pressure campaign" on Iran, we see upside risks to oil prices in the short term. That said, while Russian crude exports could stay under pressure in the short term, the experience over the last three years suggests Russian oil exports could resemble a game of oil whack-a-mole, with new shadow fleet tankers emerging and transporting Russian barrels until those end up on a new sanctions list.

Main contributor: Giovanni Staunovo

Original report: [New US sanctions on Russia lift oil prices, 13 January 2025.](#)

### Disclaimer

This document is prepared and published by the Global Wealth Management business of UBS Switzerland AG (regulated by FINMA in Switzerland), its subsidiaries or its affiliates ("UBS"), part of UBS Group AG ("UBS Group"). UBS Group includes former Credit Suisse AG, its subsidiaries, branches and affiliates. In the USA, UBS Financial Services Inc. is a subsidiary of UBS AG and a member of FINRA/SIPC. Additional Disclaimer relevant to Credit Suisse Wealth Management follows at the end of this section.

**This document and the information contained herein are provided solely for your information and UBS marketing purposes.** Nothing in this document constitutes investment research, investment advice, a sales prospectus, or an offer or solicitation to engage in any investment activities. This document is not a recommendation to buy or sell any security, investment instrument, or product, and does not recommend any specific investment program or service.

Information contained in this document has not been tailored to the specific investment objectives, personal and financial circumstances, or particular needs of any individual client. Certain investments referred to in this document may not be suitable or appropriate for all investors. In addition, certain services and products referred to in the document may be subject to legal restrictions and/or license or permission requirements and cannot therefore be offered worldwide on an unrestricted basis. No offer of any product will be made in any jurisdiction in which the offer, solicitation, or sale is not permitted, or to any person to whom it is unlawful to make such offer, solicitation, or sale.

Although all information and opinions expressed in this document were obtained in good faith from sources believed to be reliable, no representation or warranty, express or implied, is made as to the document's accuracy, sufficiency, completeness or reliability. All information and opinions expressed in this document are subject to change without notice and may differ from opinions expressed by other business areas or divisions of UBS Group. UBS is under no obligation to update or keep current the information contained herein. **The views and opinions expressed in this material by third parties are not those of UBS.**

Accordingly, UBS does not accept any liability over the content shared by third parties or any claims, losses or damages arising from the use or reliance of all or any part thereof.

All pictures or images ("images") herein are for illustrative, informative or documentary purposes only and may depict objects or elements which are protected by third party copyright, trademarks and other intellectual property rights. Unless expressly stated, no relationship, association, sponsorship or endorsement is suggested or implied between UBS and these third parties.

Any charts and scenarios contained in the document are for illustrative purposes only. Some charts and/or performance figures may not be based on complete 12-month periods which may reduce their comparability and significance. Historical performance is no guarantee for, and is not an indication of future performance.

Nothing in this document constitutes legal or tax advice. UBS and its employees do not provide legal or tax advice. This document may not be redistributed or reproduced in whole or in part without the prior written permission of UBS. To the extent permitted by the law, neither UBS, nor any of its directors, officers, employees or agents accepts or assumes any liability, responsibility or duty of care for any consequences, including any loss or damage, of you or anyone else acting, or refraining to act, in reliance on the information contained in this document or for any decision based on it.

**Additional Disclaimer relevant to Credit Suisse Wealth Management:** Except as otherwise specified herein and/or depending on the local entity from which you are receiving this document, this document is distributed by UBS Switzerland AG, authorised and regulated by the Swiss Financial Market Supervisory Authority (FINMA). Your personal data will be processed in accordance with the Credit Suisse privacy statement accessible at your domicile through the official Credit Suisse website <https://www.credit-suisse.com>. In order to provide you with marketing materials concerning our products and services, UBS Group AG and its subsidiaries may process your basic personal data (i.e. contact details such as name, e-mail address) until you

notify us that you no longer wish to receive them. You can optout from receiving these materials at any time by informing your Relationship Manager.

Please visit <https://www.ubs.com/global/en/wealth-management/insights/chief-investment-office/marketing-material-disclaimer.html> to read the full legal disclaimer applicable to this document.

© UBS 2025. The key symbol and UBS are among the registered and unregistered trademarks of UBS. All rights reserved.