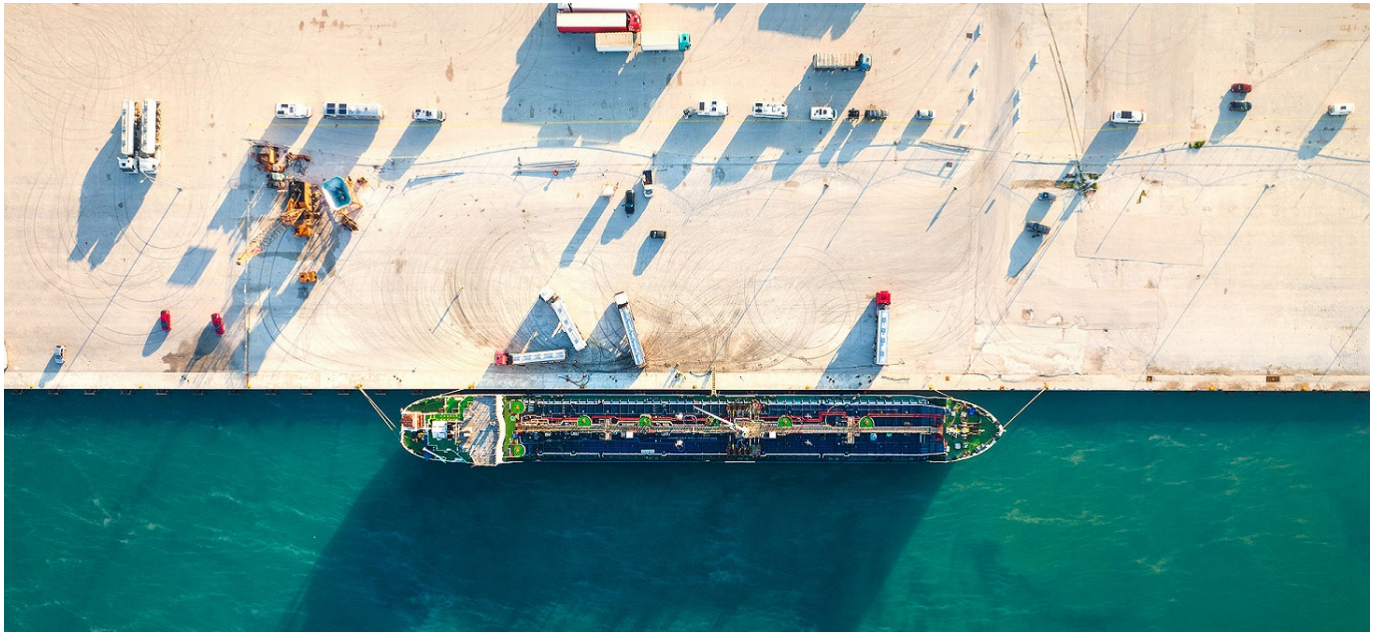




(UBS)

Oil prices are likely to stay volatile in the short term

25 April 2025, 3:00 pm CEST, written by UBS Editorial Team US Editorial Team

Kazakhstan has been a constant overproducer within the OPEC+ group, and its compliance level has deteriorated with the start of the Tengiz oil field. The oil field generates substantial tax revenues for the country, and the largest Kazakh oil fields are run by international oil companies, making it harder to implement production reductions. But other OPEC+ member states are in a similar situation and still have shown better compliance levels.

In early April, at the OPEC+ meeting of the eight countries with voluntary cuts, it was decided to accelerate the unwind of the production cuts by bringing back 411,000 barrels per day starting in May. The group might opt for a similar decision for June at their 5 May meeting. The April decision to increase production quicker was a warning for ongoing overproducers like Iraq and Kazakhstan that free-riding is not helping the group's cohesion. Why should some OPEC+ member states be compliant while other non-compliant countries benefit from higher volumes and prices?

The comments from Kazakhstan earlier this week increase the likelihood of another 411,000-barrel-per-day supply increase in June, in our view. The Kazakh energy minister, Erlan Akkenzhenov, said the country will "prioritize national interests over those of the OPEC+ group when deciding on oil production levels." Later in the same day, the minister backtracked by stating Kazakhstan is fulfilling its OPEC+ obligations and is working with the group to find mutually acceptable solutions to manage its oil production.

Cohesion works if everyone sticks to the OPEC+ deal. Free-riding hurts the group's cohesion, particularly if some OPEC+ members implement deeper additional voluntary cuts with a constant high compliance level. Unsurprisingly, if one OPEC+ member believes national interests are more important than the cohesion of OPEC+, there is a high likelihood that those member states with deeper cuts will consider unwinding their extra cuts faster.

Nevertheless, considering that some of the eight countries with voluntary production cuts are already producing above their production cap level, the effective production increase level would likely be lower than 411,000 barrels per day if the group opts for another fast unwind of cuts. Also, the physical market continues to indicate some tightness, likely as a result of seasonally rising oil demand. While the market might be able to absorb those additional barrels, oil prices are likely to take such news negatively—at least temporarily.

Original report: [OPEC+ faster unwinding of production cuts could continue, 25 April 2025.](#)

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