Emerging Oil Producers – Specifics and Impact

Introduction

The global oil and gas landscape is being reshaped by emerging producers, primarily the United States, Guyana, Brazil, and Canada, who are projected to drive 80% of global supply growth through 2026. This surge in non-OPEC+ production is eroding OPEC+'s market share and creating downward pressure on oil prices. For Kazakhstan, this presents both opportunities and significant challenges. While the expansion of the Tengiz oilfield promises to boost production by nearly 25%, exceeding OPEC+ quotas risks straining relations with OPEC+ leading producers and further destabilizing prices. To capitalize on increased production while mitigating geopolitical risks, Kazakhstan must prioritize diversification of export routes, particularly expanding the Trans-Caspian International Transport Route [Middle Corridor], and invest strategically in driving domestic demand via new advanced processing capacities and enhanced oil recovery [EOR] technologies to maximize the value of its existing reserves. Failure to adapt will leave Kazakhstan vulnerable to price volatility and limit its ability to assert regional influence.

Crude Oil Demand and Supply

The global traditional energy market currently navigates a challenging and uncertain environment. According to OPEC's Monthly Oil Market Report, global oil demand growth for 2025 is projected at 1.3 million barrels per day [bpd]. This is a downward revision from previous forecasts due to recent data and the impact of the intensifying trade war between the U.S. and China. The report indicated that world oil demand would rise by 1.30 million barrels per day [mbd] in 2025 and by 1.28 mbd in 2026, both forecasts down 150,000 bpd from last month's (March 2025) figures.

Table 10 - 1: DoC supply/demand balance for 2025*, mb/d

	2024	1Q25	2Q25	3Q25	4Q25	2025	Change 2025/24
(a) World oil demand	103.8	104.2	104.3	105.3	106.4	105.0	1.3
Non-DoC liquids production	53.2	53.8	53.9	54.1	54.6	54.1	0.9
DoC NGL and non-conventionals	8.3	8.4	8.4	8.3	8.4	8.4	0.1
(b) Total non-DoC liquids production and DoC NGLs	61.5	62.2	62.3	62.4	63.0	62.5	1.0
Difference (a-b)	42.3	42.0	41.9	42.9	43.4	42.6	0.3
DoC crude oil production	40.9	40.9					
Balance	-1.4	-1.1					

*Note: * 2025 = Forecast. Totals may not add up due to independent rounding.*

Source: OPEC.

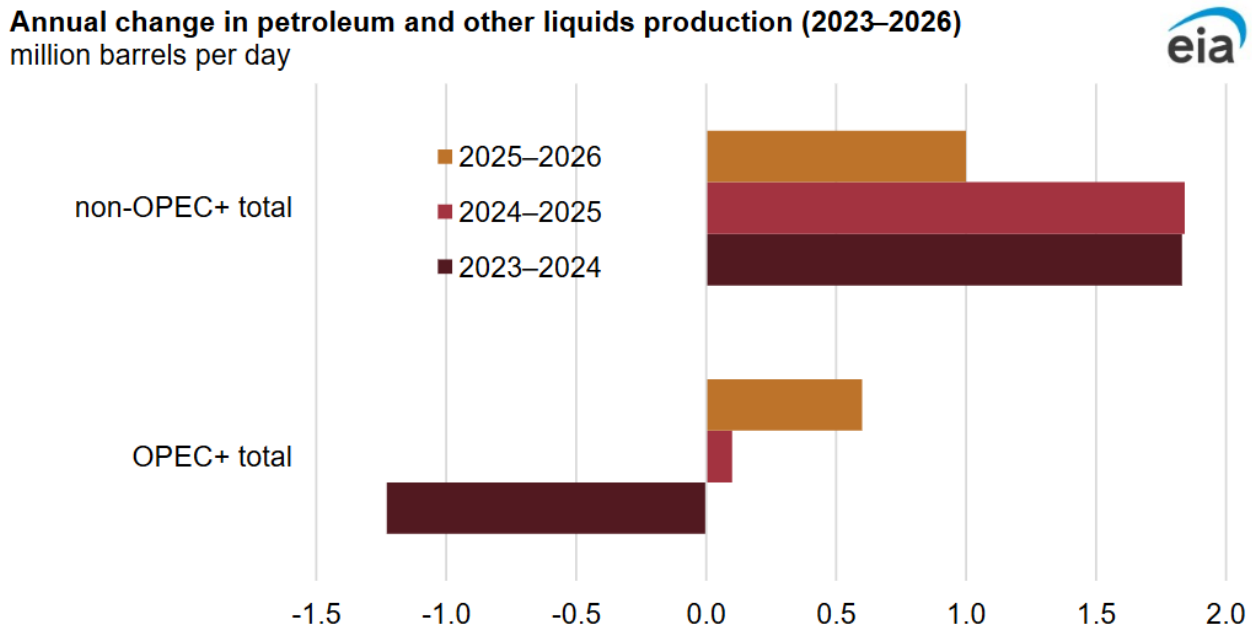
The International Energy Agency [IEA] offers a slightly more conservative outlook. The IEA's Oil Market Report for April 2025 revised down global oil demand growth for 2025 to 730,000 bpd, citing escalating trade tensions negatively impacting the economic outlook. The IEA expects growth to slow further in 2026, to 690,000 bpd, but risks to the forecasts remain rife given the fast-moving macro backdrop.

While demand is still growing, albeit at a slower pace in comparison with previous expectations, the question remains: who will supply the oil? Non-OPEC+ production is expected to play a significant role, with the United States, Brazil, Guyana, and Canada driving much of the supply growth. However, geopolitical factors, production quotas, and technological advancements will all influence the balance between supply and demand in the coming years.

Emerging Oil Producers and Impact on Prices

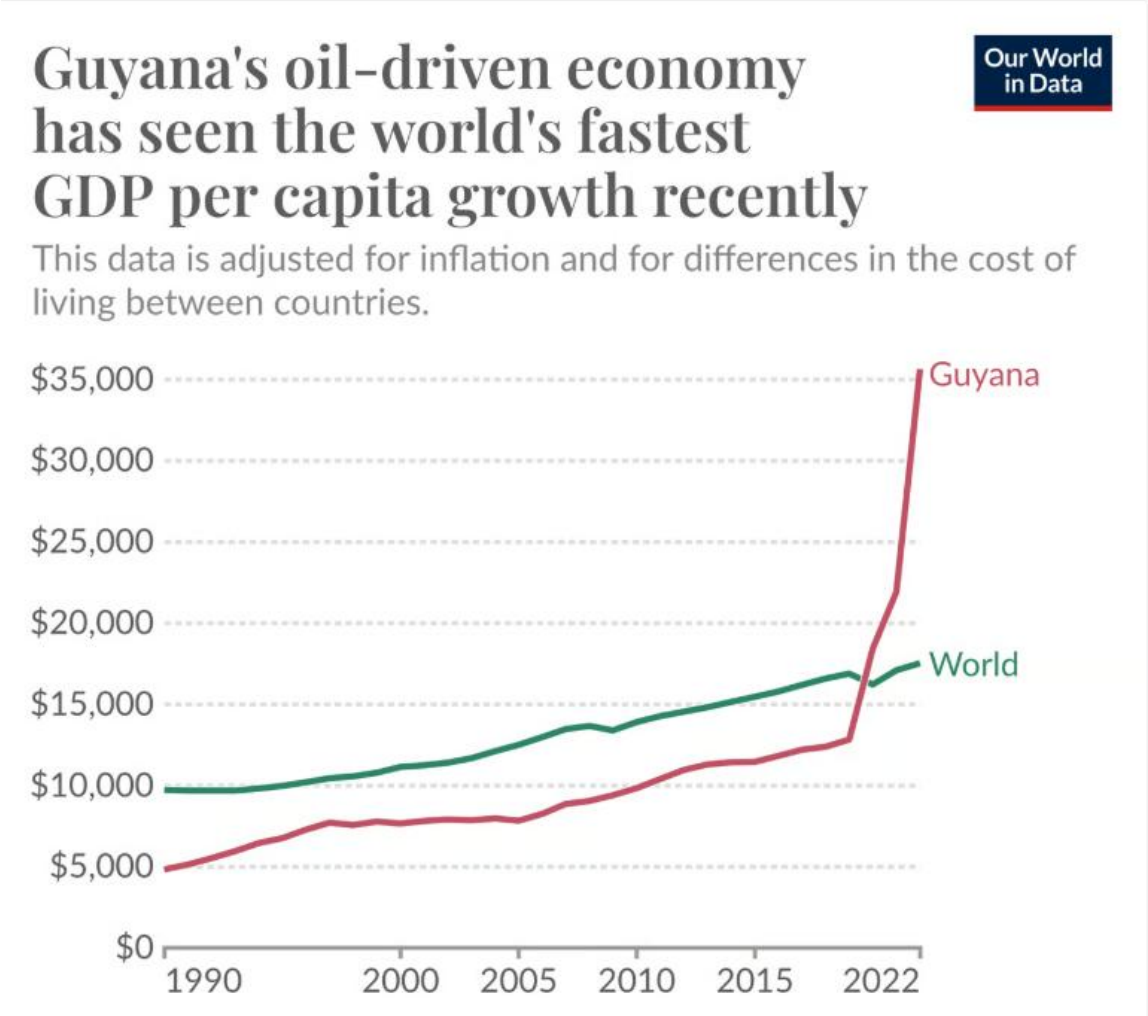
The energy sector's center of gravity is shifting toward non-OPEC+ nations, with the United States, Guyana, Brazil, and Canada driving around 80% of global supply growth through 2026. These players leverage technological advancements and strategic investments.

Petroleum liquids supply growth driven by non-OPEC+ countries in 2025 and 2026



Source: U.S. Energy Information Administration

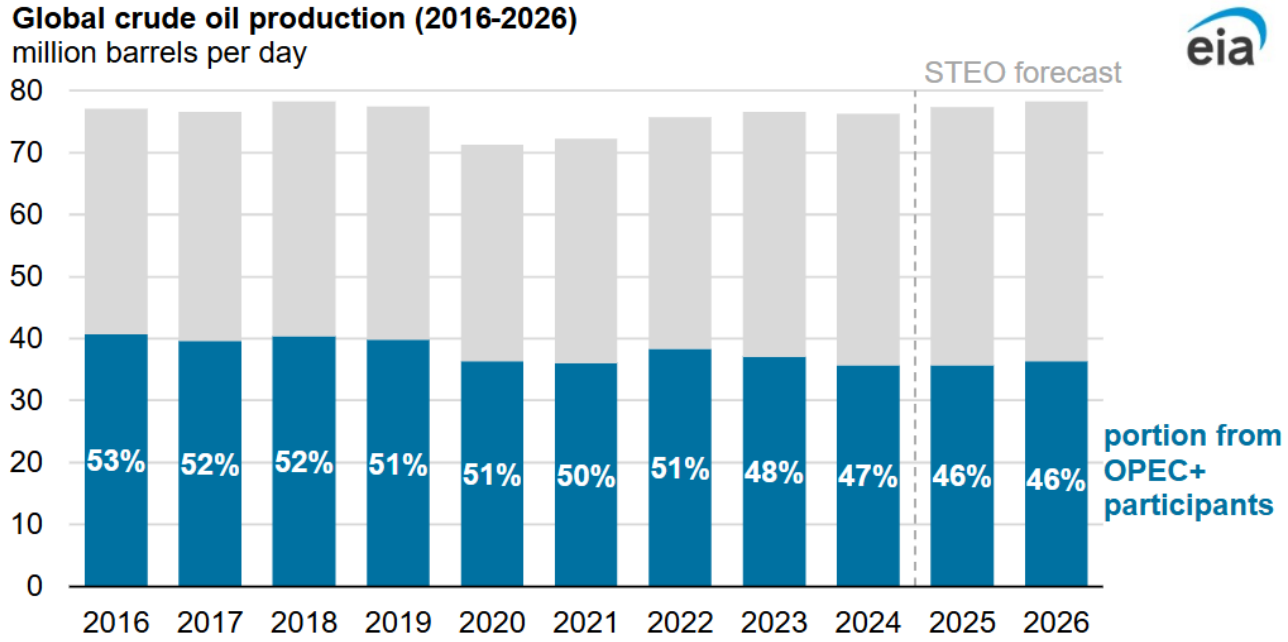
The United States has strengthened its position as the world's largest oil producer, with the Permian Basin serving as the crown jewel of its energy resurgence. By 2026, the Permian is projected to account for 50% of America's total crude output, which is expected to reach 13.7 mbd. This growth has been bolstered by strategic investments in infrastructure, such as pipeline expansions that ensure efficient transportation of crude to export hubs. The U.S.'s ability to respond quickly to market demands and increase production in a short timeframe has made it a key swing producer in global markets, reducing reliance on OPEC+ nations. Furthermore, Guyana has rapidly emerged as one of the most promising new oil producers globally. With vast offshore reserves in the Stabroek Block, operated by an ExxonMobil-led consortium, Guyana is on track to produce 1.2 mbd by 2027, a remarkable achievement for a country that only began commercial production in 2019. This rapid development has positioned Guyana as a major player in the Atlantic Basin and a competitor to traditional South American producers like Brazil, Colombia, Venezuela, Argentina, and Ecuador. Its light sweet crude is highly sought after in international markets, particularly in Asia and Europe, further diversifying global supply sources.



Source: Our World In Data

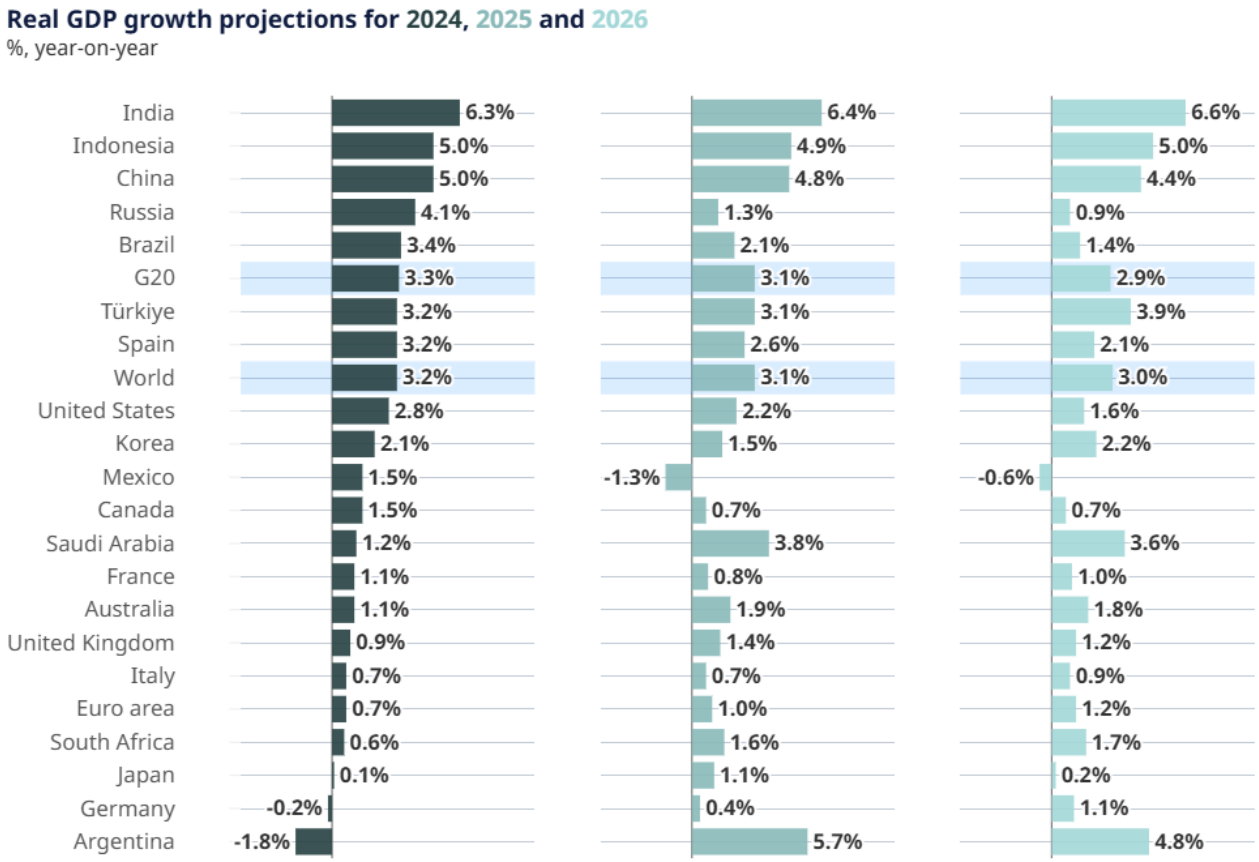
Brazil continues to strengthen its role as a leading oil producer, leveraging its vast pre-salt reserves in the Santos Basin. The country is expected to add 300,000 bpd of new production by 2026, driven by large-scale projects like Mero and Búzios oilfields. Brazil's state-owned Petrobras has focused on maximizing output from these deepwater oilfields, which are among the most prolific in the world. This growth solidifies Brazil's position as a top supplier of high-quality crude to markets across Europe and Asia.

Canada remains a critical supplier of heavy crude, with production expected to grow steadily over the next few years. The completion of major pipeline projects like the Trans Mountain Expansion will allow Canada to increase exports to Asia-Pacific markets, reducing its dependence on U.S. buyers. By 2026, Canada's output is expected to reach 6.5 mbd, further enhancing its role as a reliable supplier in an increasingly diversified global market.



Source: U.S. Energy Information Administration

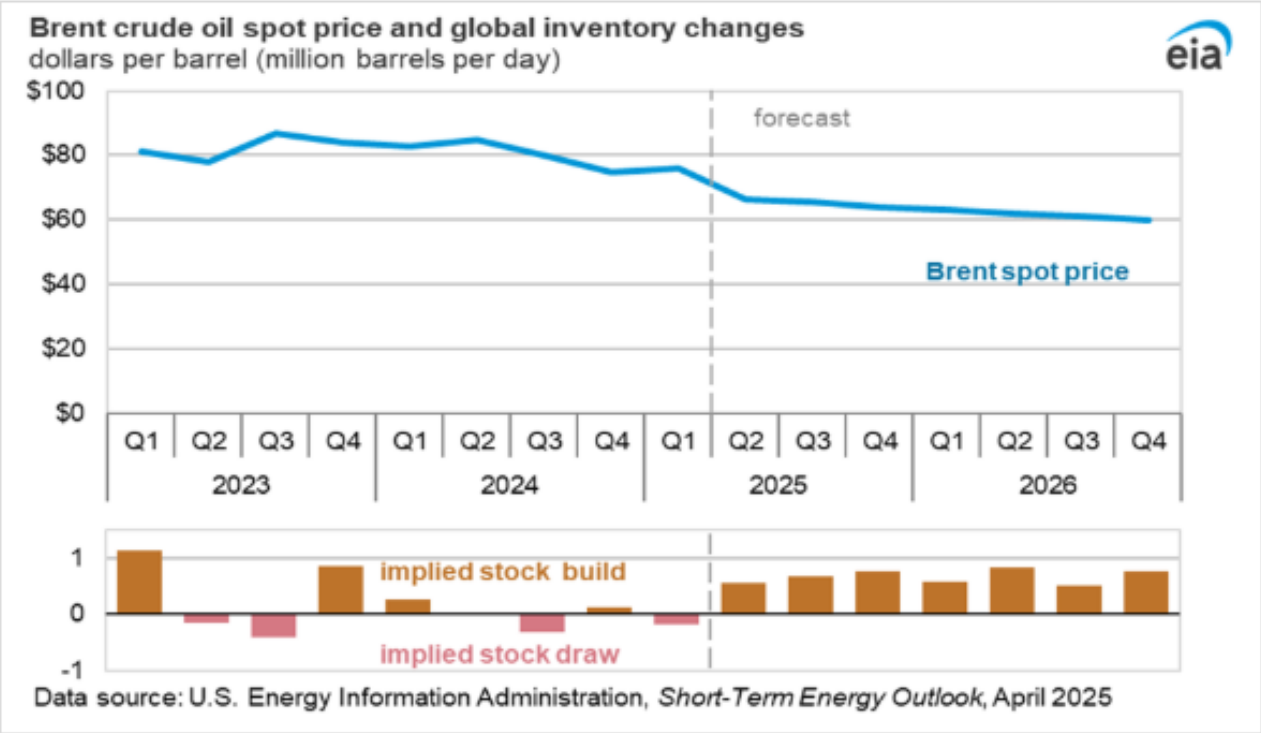
This aggressive production capacity expansion from these four emerging players is reshaping the global oil supply landscape. OPEC+'s share in the global oil supply has deteriorated from approximately 53% in 2016 to an estimated 46% in 2026, and with new emerging players this trend is poised to continue. This increase in supply is projected to lead to a rise in global oil inventories by an average of 600,000 bpd in the second quarter of 2025, and by 700,000 bpd in the second half of the year, placing downward pressure on prices.



Source: OECD

Therefore, let us look at the demand side of the equation as well. According to OECD's Interim Economic Outlook as of March 2025, economic growth of the world's 20 largest economies is expected to decelerate by notable 20-basis points yearly both in 2025 and 2026. It is also crucial that the report from OECD went live mid-March, a couple of weeks before the so-called "Liberation Day" when President Trump's administration introduced their Reciprocal Tariffs. This will likely be a notable headwind for international trade even despite a temporary 90-day pause for new tariffs for most countries except for China.

It is also important to highlight that change in inventories also has a notable effect on oil prices. Elevated oil inventories signal an oversupply in the market, where the quantity of oil available exceeds current demand. This imbalance puts downward pressure on prices, as suppliers compete to sell their excess stock.



Source: U.S. Energy Information Administration

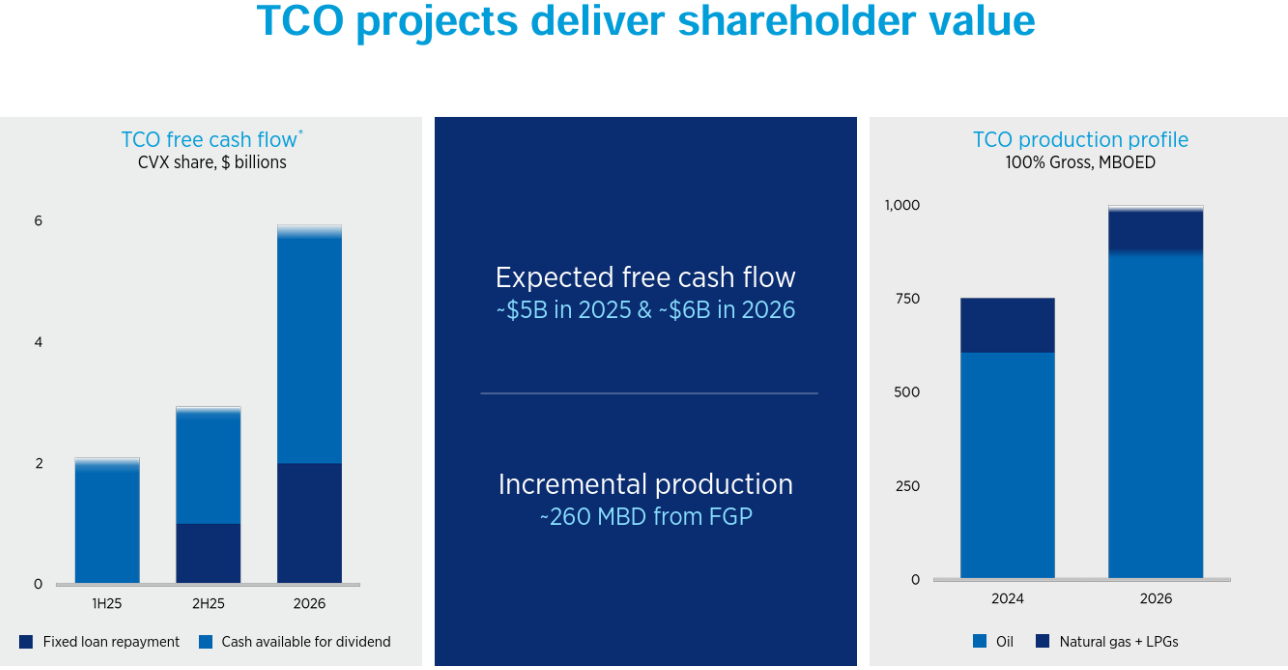
Thus, it is highly likely that there will be new downgrades from prominent analysts regarding the global GDP growth once the effect of new U.S. tariffs will be reliable quantified. However, at the moment we know that global brokerages significantly raised U.S. recession odds, which is apparently an unfavorable development for oil prices. United States are the world's largest economy and oil consumer, meaning that U.S. recession might trigger a sharp dip in oil prices.

Kazakhstan's Role as an Emerging Oil Producer

The negative outlook for global economic growth and oil supply-demand equilibrium is certainly a headwind for our country's economy. However, Kazakhstan can potentially offset unfavorable dynamic in oil prices by a notably increased crude oil output capacity.

The Tengiz oilfield, one of the largest oilfields in Kazakhstan and globally, is at the heart of the country's production growth strategy. The completion of the Future Growth Project [FGP] and Wellhead Pressure Management Project [WPMP] has added substantial production capacity. US$48 billion investment is expected to increase Tengiz's production capacity from 700,000 bpd to around 960,000 bpd by mid-2025, representing a 24.8% year-over-year increase. Tengiz alone is projected to generate US$5 billion in free cash flow for Chevron (owner of 50% share in Tengizchevroil – operator of the Tengiz oilfield) in 2025 at an

average Brent price of US$70 per barrel, highlighting its profitability even in a subdued price environment. For Kazakhstan, this expansion will contribute significantly to government revenues through taxes and royalties while bolstering export volumes.



Source: Chevron's Q4 2024 earnings presentation, released on Jan 31, 2025

As we see, there are both favorable factors for Kazakhstan, as weak oil prices might be offset by increased oil production and cementing Kazakhstan's global market share. However, there are other crucial factors that should be considered thoroughly to calibrate a strategy for sustainable growth and regional influence.

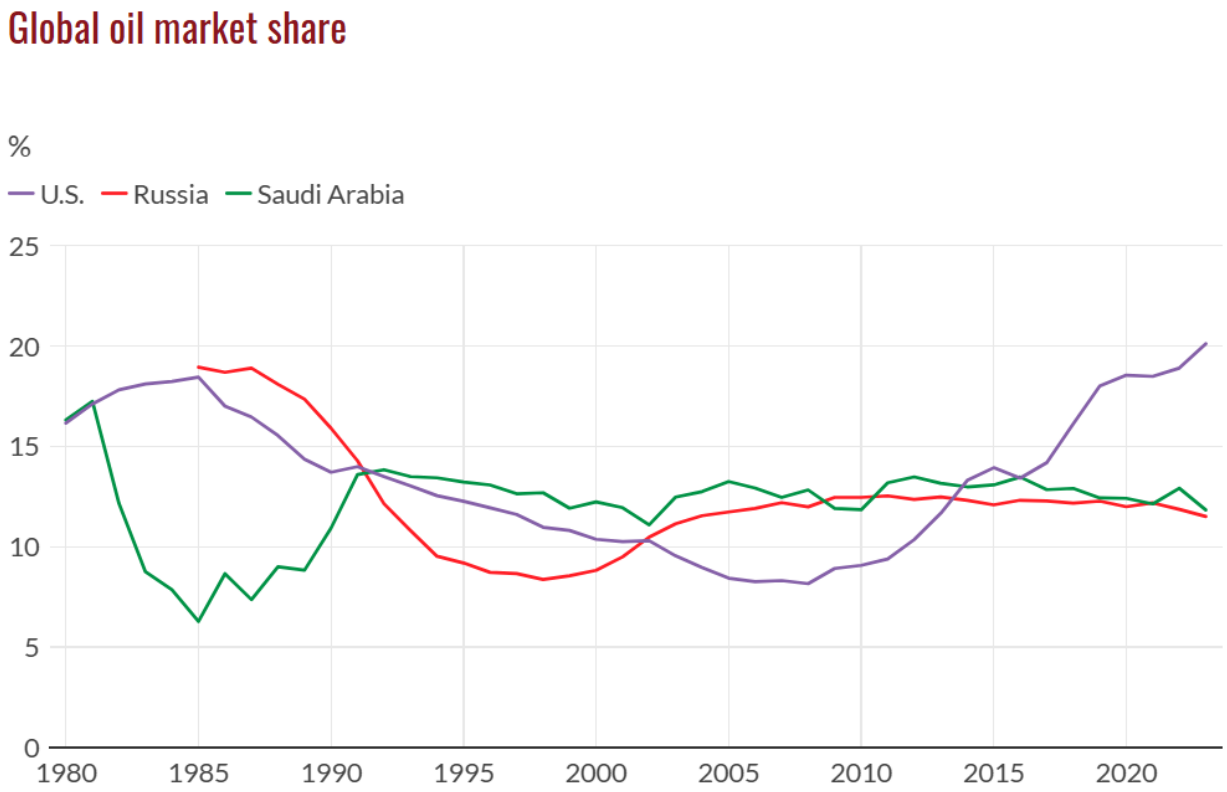
For instance, it is crucial to keep in mind that Kazakhstan is part of OPEC+, and the country is committed to the organization's production quotas. In early 2025, the country exceeded its OPEC+ quota of 1.468 million b/d by producing a record 2.12 million b/d. This fact reportedly did not make Saudi Arabia, the undisputed leader of OPEC+, very happy as the organization ended up with an unexpected decision to boost oil output. This is another headwind for global oil prices. We have covered this issue in more detail in one of our previous articles.

Kazakhstan's geographic location presents a double-edged sword. The apparent advantage is close proximity to China, the world's second largest economy and oil producer. Moreover, a group of analysts from Goldman Sachs expects China to dethrone U.S. as the world's largest economy by 2035. However, there is Russia with its vast oil resources and production. After the commencement of a full-scale war with Ukraine and European sanctions, Russia redirected its hydrocarbons exports toward China and became its largest oil supplier. Given the massive gap in scale of oil production between Russia and Kazakhstan, it will be extremely difficult to compete in terms of pricing. Moreover, Russia already has extensive

midstream infrastructure enabling our Northern neighbor to transport oil in a quite cost-efficient manner.

On the other hand, sanctions against Russian energy from most European countries create opportunities for Kazakhstan. For example, Kazakhstan has sharply increased its oil supply to Germany by 50% to 1.5 million tons via Druzhba pipeline diversification. In addition, it was stated by former Energy Minister Almasadam Satkaliyev that the supply can be increased further to 2 million tons.

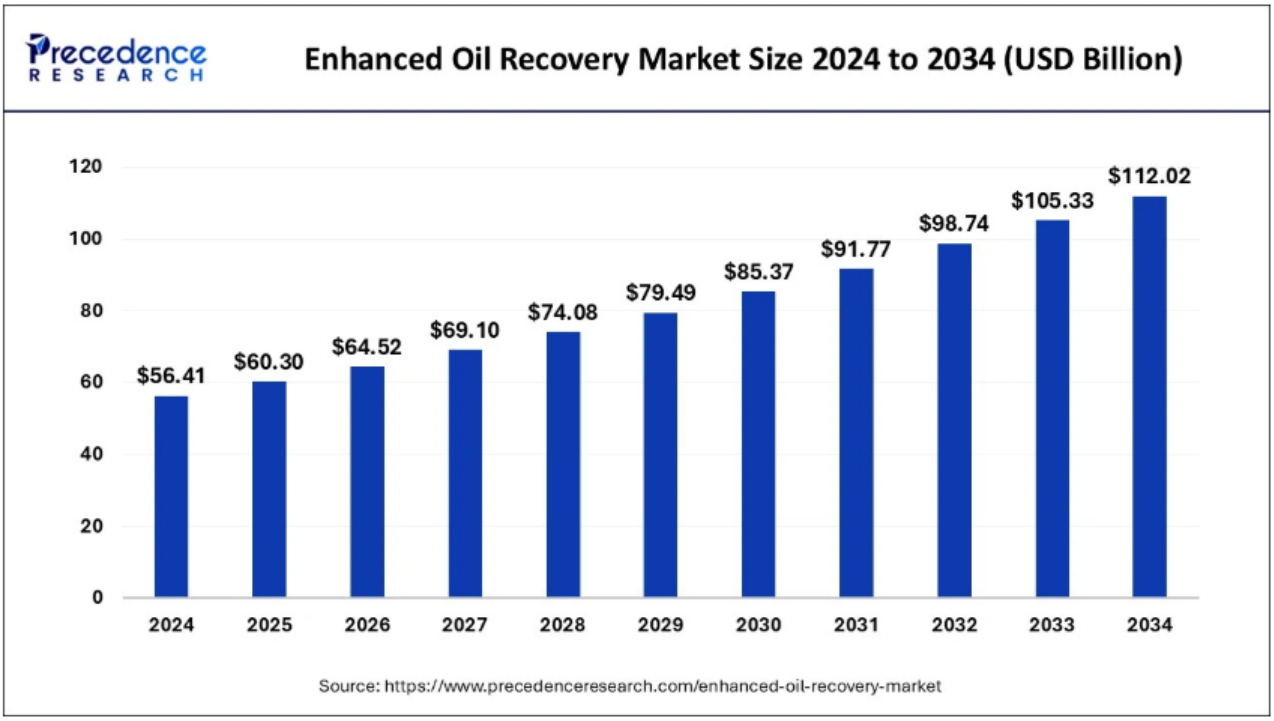
As we mentioned in our last year's article "Route to Sell – Markets and Netbacks", Kazakhstan's export capacity heavily depends on Caspian Pipeline Consortium and Atyrau-Samara routes. Both these routes are dependent on Russia, which is quite risky in the current uncertain geopolitical environment. Therefore, plans to significantly expand the capacity of Baku-Tbilisi-Ceyhan route as well as boosting Kuryk Seaport Capacity are certainly sound strategic moves for diversification through the Middle Corridor.



Source: Energy Institute

Apart from geopolitical developments and diversifying export routes capacity, it is also crucial to invest heavily in R&D and new technologies. The innovation factor should not be underestimated as it can be a real game changer. By the example of the United States, we saw how the technological revolution has turned this country from the largest oil importer to net exporter within less than a decade. As a result, America's share in global oil production has skyrocketed from around 12% in 2015 to staggering 20% by the end of 2024.

Specifically, Kazakhstan should prioritize investments in technologies like EOR and leveraging artificial intelligence [AI] capabilities to maximize the value of its existing reserves and extend the lifespan of its oilfields. Significant importance of leveraging cutting-edge technologies in increasing economic value of mature oilfields was covered in deep detail in our "Mature Oilfields – Nurture and Revitalize" analysis.



Source: Precedence Research

EOR techniques, such as CO2 injection and chemical flooding, can significantly increase oil recovery rates from existing oilfields, often unlocking reserves that would otherwise be economically unviable. Furthermore, the integration of AI can optimize drilling operations, predict equipment failures, and improve reservoir management, leading to substantial cost savings and increased production efficiency. AI-powered analytics can also enhance the accuracy of geological surveys, enabling more precise targeting of new drilling locations and reducing exploration risks.

The Bottom Line

The rapidly evolving global energy landscape presents a critical juncture for Kazakhstan. The expected near-term increase in crude oil production creates opportunities to reinforce Kazakhstan's place in the global energy map but also poses significant risks. To capitalize on these opportunities and mitigate risks, Kazakhstan must prioritize export route diversification

by accelerating the expansion of the Middle Corridor to reduce reliance on Russian-controlled routes. Simultaneously, strategic investments in EOR and AI are crucial to maximizing the value of existing reserves. Kazakhstan must also engage in proactive dialogue with Saudi Arabia and other OPEC+ members to ensure that production increases are managed in a way that does not destabilize global oil prices, while strengthening bilateral ties with China to expand energy exports potential, carefully managing the geopolitical factor. Failure to take these steps will leave Kazakhstan vulnerable to price volatility, geopolitical pressures, and ultimately limit its ability to assert its position as a key player in the global energy market. Kazakhstan must act decisively to secure its future in this rapidly changing landscape.

ENERGY Insights & Analytics

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The key tool and product of ENERGY Insight & Analytics is internally developed software - the Analytical Platform EXia, aimed to identify, localize, format, and present data most efficiently for the specified use cases.

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