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OIL

There's an Oil Glut. That Might Not Tank Prices.

By Patti Domm

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Pumpjacks lift oil from wells at the Midway-Sunset Oil Field, the largest in California. (ROBYN BECK/AFP/GETTY IMAGES)

Crude prices have slumped 23% this year and could head lower in 2026, even with heightened geopolitical tensions, simply because there is too much oil in the world.

How that news lands depends on where you sit. Consumers are helped by gasoline now priced \$3 a gallon in more than half the U.S. states, according to the American Automobile Association. Investors, however, could see oil-related stocks pressured as the oil price moves lower, though that could create opportunities for value hunters later next year.

Brent crude, the international benchmark, traded near \$63 Friday morning, nearly \$20 off its 2025 high set in January.

Oil supply would need to fall by about a million barrels a day to match demand, said Dan Pickering, founder and CIO at Pickering Energy Partners.

He sees two possibilities. One is “OPEC cuts, which seem unlikely given they have just been spending all this time bringing oil back,” Pickering said. “Or we need lower U.S. supply, lower production from shale, which seems like it’s only going to happen with a price signal.”

Analysts have a tough job. Estimates of market surplus vary between one to four million barrels of oil a day in 2026. That makes forecasting prices tricky. Some see a scenario where oil prices could collapse into the \$50s per barrel or lower.

Another way to see all that supply is as a buffer against geopolitical disruption. Prices may stay steady despite risks to the energy markets, such as U.S. threats of military action in Venezuela.

President Donald Trump said on social media this weekend that Venezuela’s [airspace should be considered closed](#). That has analysts on alert for a potential military strike, though Trump said not to read into the closure.

The market is also watching the efforts to end the war between Russia and Ukraine, which could mean that now-sanctioned Russian oil barrels would return to the world market and add to the supply overhang. Trump’s envoy, Steve Witkoff, is [expected to meet with Russian President Vladimir Putin](#) Tuesday.

The most likely scenario is that prices will fade below \$60 toward \$50 a barrel, but there is a low probability it will make an extreme move toward \$40, said Ed Morse, senior advisor to Hartree Partners.

Other actors could have a say on oil prices, including China. It has been [making significant purchases](#) of oil for its strategic petroleum reserves.

A sharp falloff in prices could prompt action from the oil cartel OPEC and its allies.

“If we do have this massive run-up in inventories, I think OPEC leadership does reserve the right to come back in. I don’t believe they are going to repeat 2015,” said Helima Croft, head of global commodities strategy at RBC Capital Markets. Prices in 2015 fell below \$40 a barrel.

OPEC+ has raised its output targets by 2.9 million barrels a day since April. It announced a 137,000 barrel a day increase for December. at the same time, it said it would pause returning more oil to the market during the first quarter of 2026.

OPEC is waging a “long and shallow” price war against U.S. and other producers, said Francisco Blanch, head of commodities and derivatives research at Bank of America. He expects Brent to average \$60-\$65 per barrel range for the next few months.

He puts the market surplus at two million barrels a day. It could take 18 months before the market comes into better balance, he says.

There still could be some slight growth from North American producers next year, as Guyana continues to add to global volumes.

But Blanch doesn’t believe the price will crater soon. “There will be buyers and there will be China,” said Blanch.

Blanch expects China could buy another 200 million barrels in 2026.

Geopolitics will keep the most bearish forecasts at bay, Croft said.

For instance, Trump's efforts to end the war in Ukraine has some oil traders expecting a deal. That could allow Russia to sell oil to more buyers, effectively raising competition.

But the European Union is reluctant to sign off on the peace plan, which would keep Ukraine out of the 27-member North Atlantic Treaty Organization.

Even if there is a deal forged by the U.S., "so much of the architecture of the sanctions on the Russian energy system has been done by the Europeans and we can't just force 27 members to do what we want."

Croft said there is also a bearish view that Venezuela's oil will flood back into the market if Venezuelan President Nicolás Maduro is ousted.

But it would take time for Venezuela to ramp up production. Its oil infrastructure in decline for decades, Croft said. Many Venezuelans who had worked in the industry left the country. Venezuela now produces [about one million barrels](#) a day, a third of what it had produced at its peak.

All of this uncertainty could keep a floor under Brent.

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