

Crude Compass - Weekly Oil Market Dossier

Sept 18, 2025

We maintain our estimate for Brent at US\$69.0/b for the Calendar Year 2026 (as published on June 13, 2025) compared to YTD average of US\$69.8/b.

In our view, following aspects will lead to volatility in oil price over the short-term:

- **Geopolitical risk:** According to market reports, Ukraine's drone attacks on Russian oil infrastructure has so far reduced refining capacity by ~300kbd in August and September.
- **Sanctions Watch:** EU considering sanctions on Indian and Chinese companies facilitating Russian oil trade.
- **OPEC+ Policy Signals:** Initial discussions on production capacities ahead of in-person meetings in Vienna (Sept 18–19).

Moreover, surging very large crude carrier (VLCC) rates - US\$87,000/day, highest in 2.5 years - indicate strong crude flows.

As highlighted in earlier publications including the report on Sept 11, 2025, the rate cuts by the US could drive the demand and lead to certain upside for oil price. We have baked in this increase in our CY25 estimate of US\$69/b.

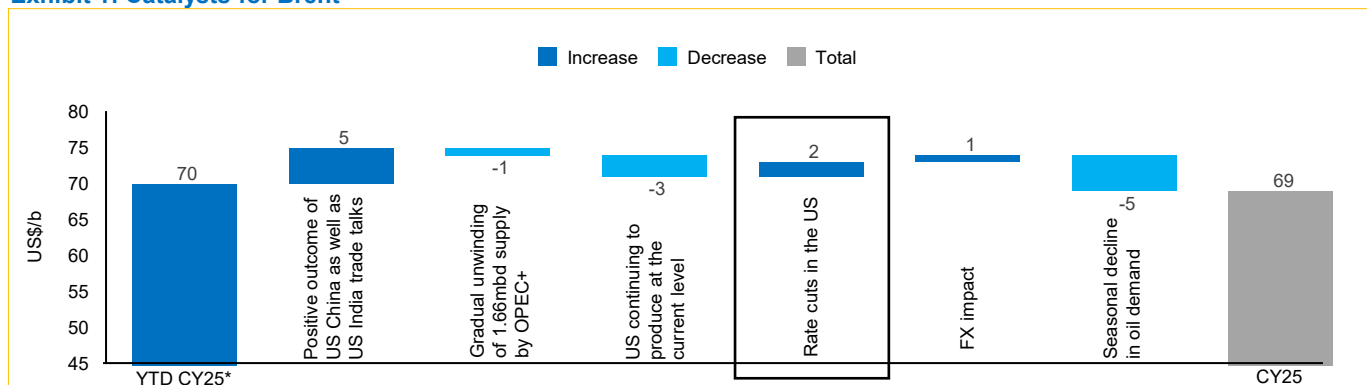
Meanwhile, actual increase in output by OPEC+ will drive the prices lower compared to mere announcement of increase in supply.

Given the ongoing developments -- particularly the possibility of US tariff impositions and subsequent renegotiations - we anticipate some market volatility. Nonetheless, Brent crude is likely to remain range-bound between US \$60 and \$75/b in absence any geopolitical escalation. **Below US\$60/b, marginal US supply becomes uneconomical, while above US\$75/b, demand elasticity is expected to increasingly moderate prices in the current macroeconomic climate.**

In this issue of Crude Compass we highlight how our estimate for Brent has fared against estimate by US EIA as well as YTD prices.

Moreover, we provide our opinion on (a) ethanol blending in gasoline (b) the impact of adoption of alternate fuels in India.

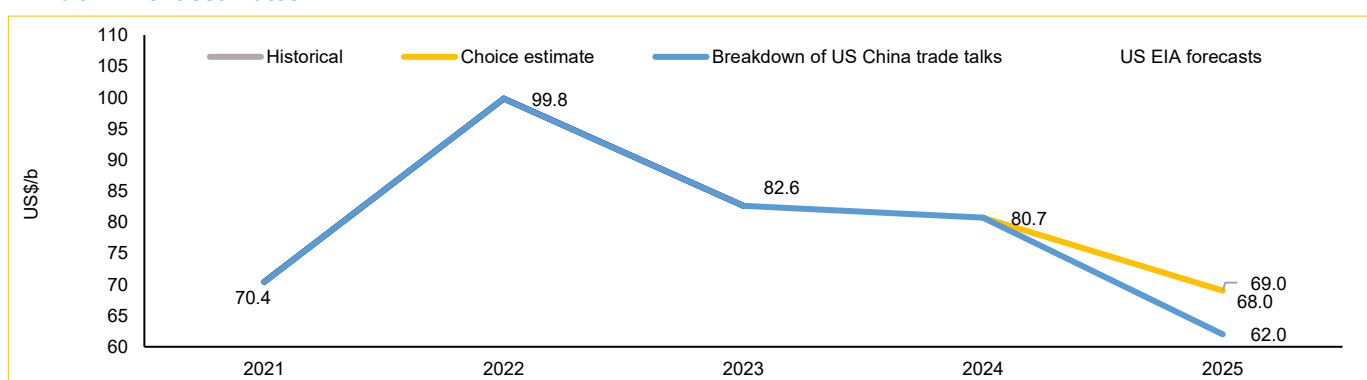
Exhibit 1: Catalysts for Brent



Source: FactSet for Historical data, Choice Institutional Equities

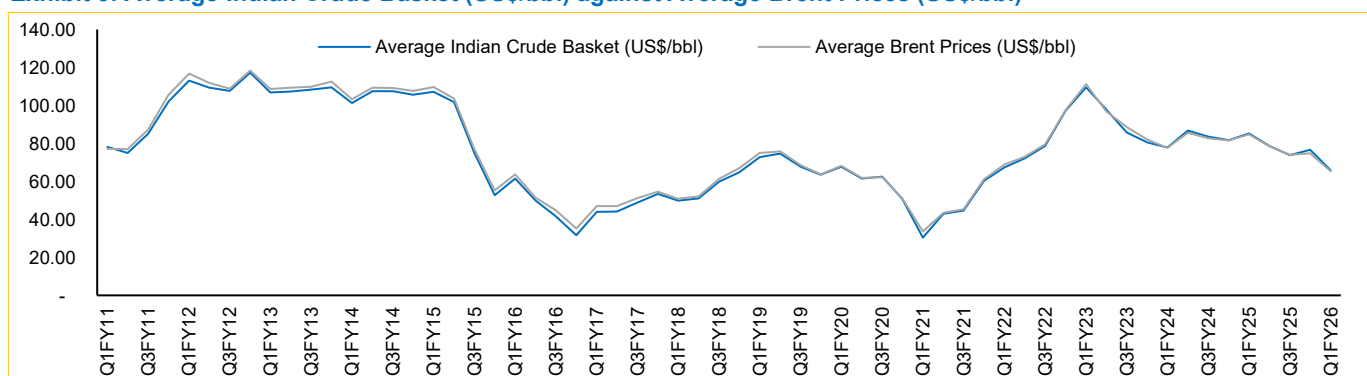
*Note: YTD CY25 price as of Sept 17, 2025

Exhibit 2: Brent estimates



Source: FactSet for Historical data, Choice Institutional Equities

Exhibit 3: Average Indian Crude Basket (US\$/bbl) against Average Brent Prices (US\$/bbl)



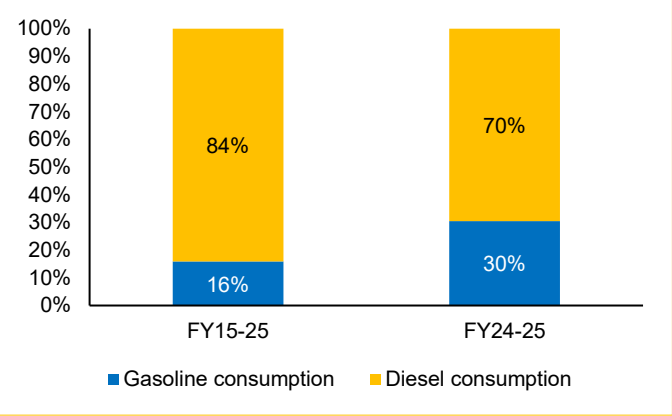
Source: FactSet for Historical data, Choice Institutional Equities

Ethanol blending in gasoline and preparedness for EV penetration by OMCs

What has happened?
The blending of ethanol in gasoline has increased from 1.5% in 2014 to 20% in the present day. This drastic increase by the current administration is to: (a) reduce import dependency for crude oil (b) lower emissions. According to market reports, the calorific value of ethanol is significantly lower than that of gasoline which ultimately impacts fuel efficiency for vehicles sold prior to April 2023.

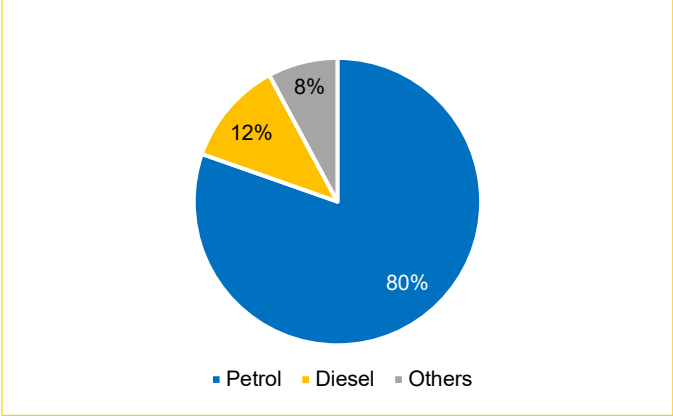
Our view:
As gasoline to diesel consumption has increased significantly over the past decade, it still remains considerably lower as shown in Exhibit 4. **However, the devil lies in the details wherein the sale of petrol vehicles over the past decade accounting for 80% of total. As a result, the number of individual consumers impacted on the back of above is higher.** Moreover, we also highlight the impact of adoption of alternate fuels on OMCs. In our view, considering the number of Electric vehicles sold, the pace of infrastructure is lagging and disincentivize overall consumers. **In our view, the impact of EV penetration on OMCs at the current rate remains minimal. However, PSUs are adopting to changing consumer trends as highlighted in Exhibit 6 to 9.**

Exhibit4: Gasoline consumption increased in past decade



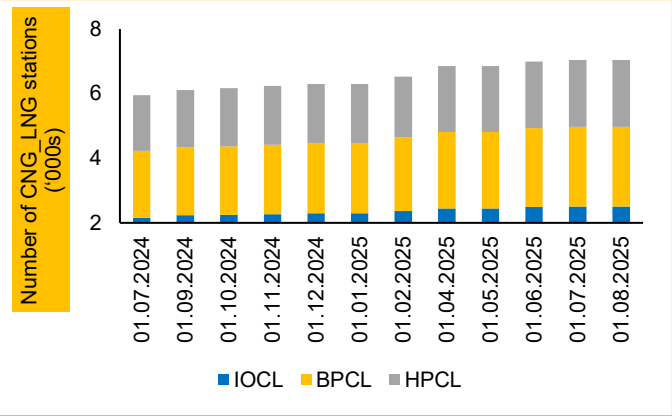
Source: PPAC, Choice Institutional Equities

Exhibit 5: Break up vehicle sales as per fuel-type: FY15-25



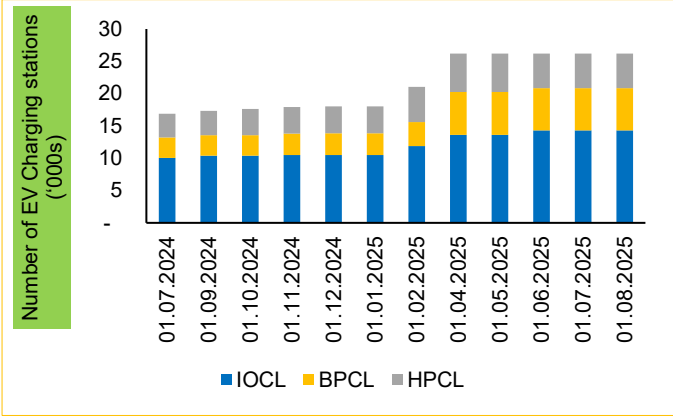
Source: PPAC, Choice Institutional Equities

Exhibit 6: Penetration of CNG and LNG stations



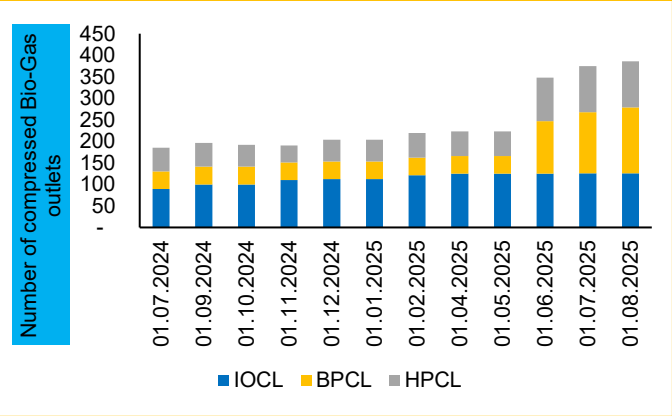
Source: PPAC, Choice Institutional Equities

Exhibit 7: Penetration of EV charging stations



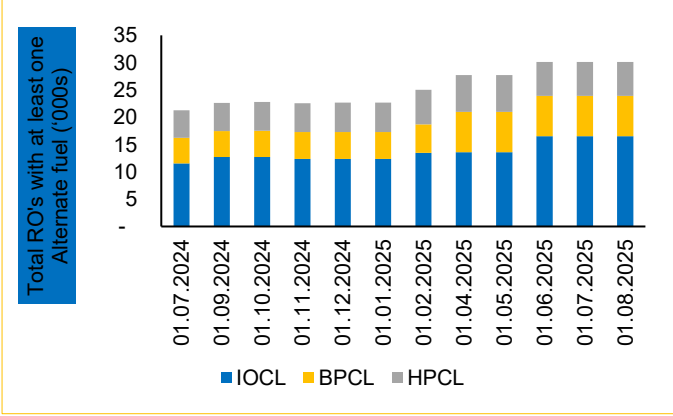
Source: PPAC, Choice Institutional Equities

Exhibit 8: Penetration of compressed Bio-Gas outlets



Source: PPAC, Choice Institutional Equities

Exhibit 9: Penetration of Alternation fuel dominated by EV chargers



Source: PPAC, Choice Institutional Equities

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Large Cap*

BUY	The security is expected to generate upside of 15% or more over the next 12 months
ADD	The security is expected to show upside returns from 5% to less than 15% over the next 12 months
REDUCE	The security is expected to show upside or downside returns by 5% to -5% over the next 12 months
SELL	The security is expected to show downside of 5% or more over the next 12 months

Mid & Small Cap*

BUY	The security is expected to generate upside of 20% or more over the next 12 months
ADD	The security is expected to show upside returns from 5% to less than 20% over the next 12 months
REDUCE	The security is expected to show upside or downside returns by 5% to -10% over the next 12 months
SELL	The security is expected to show downside of 10% or more over the next 12 months

Other Ratings

NOT RATED (NR)	The stock has no recommendation from the Analyst
UNDER REVIEW (UR)	The stock is under review by the Analyst and rating may change

Sector View

POSITIVE (P)	Fundamentals of the sector look attractive over the next 12 months
NEUTRAL (N)	Fundamentals of the sector are expected to be in statis over the next 12 months
CAUTIOUS (C)	Fundamentals of the sector are expected to be challenging over the next 12 months

*Large Cap: More Than INR 20,000 Cr Market Cap

*Mid & Small Cap: Less Than INR 20,000 Cr Market Cap

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