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INDIAN UPSTREAM OIL & GAS INDUSTRY

Oil prices remain range-bound as inventories surge

SEPTEMBER 2025

Agenda

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Highlights

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Crude prices have remained range-bound at $65–70/bbl. This marks a decline from the highs seen earlier in the year, largely due to easing geopolitical tensions and increased supply. Geopolitical tensions in West Asia, particularly the brief conflict between Israel and Iran in June, had temporarily pushed up Brent crude prices to $79/bbl, but a subsequent ceasefire and stable supply outlook led to a price correction. Rising crude prices, even if moderate, would be positive for the upstream sector.

- Brent remained mostly range-bound at $65-70 over the past two months and **averaged $68/barrel** in August. The complete rollback of 2.2 million barrels per day (b/d) voluntary cuts of OPEC+ by September is set to further elevate global supply, maintaining a well-stocked market and reinforcing downward price pressure.
- The accelerated increase in **OPEC+ output** is expected to boost global oil supply significantly, leading to large inventory builds over the coming years.
- **Domestic crude oil production has been steadily declining** owing to maturing oilfields with the trend continuing in FY2025 and Q1 FY2026. This has resulted in growing import dependence, to the extent of 89% during FY2025 and Q1 FY2026. Oil production is expected to remain in the range of 28-30 million tonnes in the medium term, while gas production is likely to grow.
- **Domestic gas prices** from nominated fields are estimated to remain closer to the ceiling in the near term amid firm crude oil prices, as it is pegged at a 10% slope to the monthly average of the India crude basket, with a floor and ceiling of $4.0/mmbtu and $6.75/mmbtu, respectively.
- **Crude oil prices are likely to remain remunerative** for upstream companies, which would incentivise capex. Moreover, domestic gas prices also remain remunerative since production costs for the nomination fields are low.
- **Industry debt levels are likely to remain stable in FY2026** and, accordingly, the leverage and debt coverage metrics are also expected to be stable and healthy.

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Thank You!