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POTEN TANKER OPINION

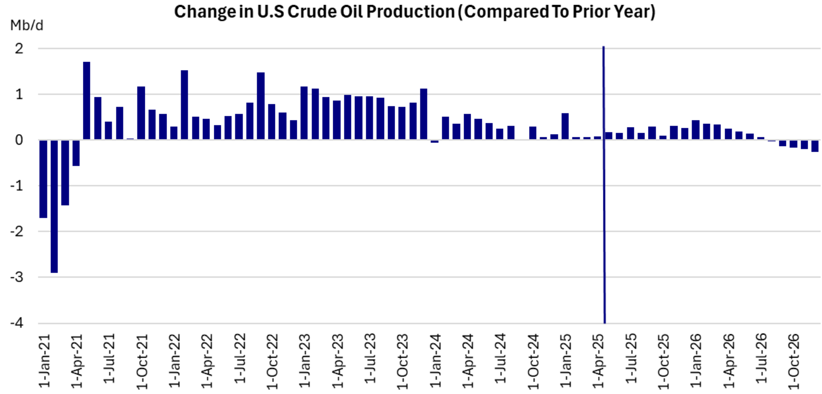
The End Of An Era?

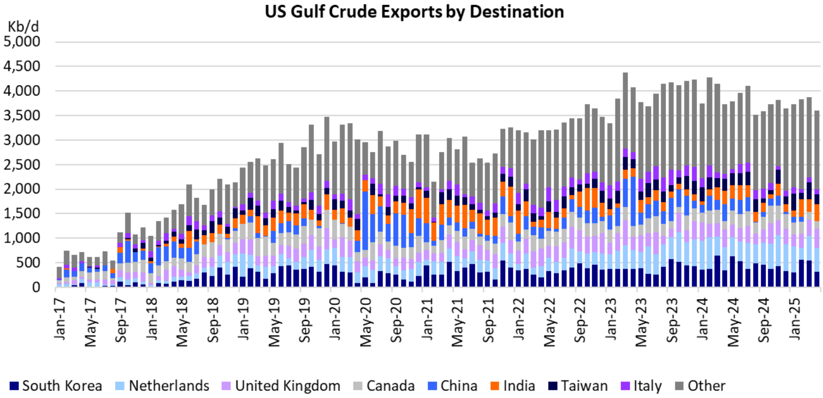
U.S. crude oil exports have reached a plateau

Ever since President Obama lifted the 41-year-old U.S. crude oil export ban in December 2015, U.S. crude oil has played an increasingly important role in the tanker market. Despite logistical challenges due to the relatively shallow draft of U.S. Gulf ports, American producers have become one of the largest seaborne crude oil exporters. A mix of medium and long-haul clients in Europe, Asia and Africa (Dangote) offers employment opportunities for the whole range of crude tankers, from VLCCs down to Aframaxes, the latter also being used for reverse lightering operations in the area. However, after exports increased from a few hundred thousand barrels per day in 2016/2017 to an average of 4.0 Mb/d in 2023, growth has leveled off. In 2024, exports were 160,000 b/d lower than in 2023 and so far in 2025, we have seen a further 90,000 b/d decline. In the past, U.S. oil production, especially from the shale patch has proven to be very resilient, but it appears that the period of rapid production and export growth is in the rearview mirror. What can be expected from the U.S. in the coming years and how will that impact the tanker market?

U.S. crude oil exports are driven by a number of factors. The first, most obvious, is domestic production, in particular shale oil production. The United States still produces significant volumes of "conventional" crude oil from places like Alaksa (412 Kb/d in 2024), California (285 Kb/d) and the Gulf of Mexico offshore (1.8 Mb/d). However, the vast majority of U.S. output comes from shale deposits in North Dakota, Oklahoma, New Mexico and Texas. In April 2025, U.S. tight oil production totaled 9.15 Mb/d, representing almost 70% of total U.S. output.

U.S. tight oil production is currently under pressure. Oil prices have come down as heightened global economic uncertainty resulted in lower demand growth. Recent OPEC+ production increases have added to the downward pressure on crude oil prices. U.S. shale plays are classic examples of short-cycle oil. They can be brought online rapidly, but require constant reinvestment to maintain production levels, which makes them very sensitive to price movements. WTI prices are currently in the $61-$62/barrel range, which is enough to maintain production. While breakeven prices vary considerably by company and geography, current consensus seems to be that if prices fall to the low-mid $50/barrel range, shale producers will be challenged, while prices at $70/barrel or more will encourage more production. If prices stay at current levels, U.S. tight oil production has probably peaked. The EIA, in their latest short-term energy outlook, expects only a small pickup in output later this year 2025, before U.S. crude oil production starts to decline in 2026 (Chart 1). A lot of this will depend on the development of oil prices though.





Sources: EIA; Vortexa

In the past, infrastructure constraints have also had an impact on U.S. crude oil exports. Limited pipeline capacity to move shale oil to the coast as well as terminal constraints in the U.S. Gulf restricted exports. The need for reverse lightering in the U.S. Gulf increased costs and reduced efficiency. However, over the years, companies have continued to work on debottlenecking the U.S. export infrastructure. Improvements have been made with respect to pipeline capacity and terminal access. Plans to build a massive VLCC capable offshore loading terminal are still progressing. And could become a reality by 2028.

Despite all the progress that has been made in terms of drilling technology, reservoir modeling and well design, it appears that the laws of diminishing returns are starting to impact shale production. Shareholders and investors are also more focused on dividends which will limit companies' appetite for reinvestment when prices are low. As a result, the number of active drilling rigs and fracking crews has dropped to the lowest level since the pandemic. However, it is not all bad. The shale industry is much more consolidated; large integrated companies have rolled up many of the small independents and with their longer time-horizon and ample financial reserves, they are in a much better position to ride out periods of low prices.

For the tanker market, U.S. crude oil exports will remain an important source of employment for many years to come, even if the period of rapid production and export growth is behind us. In the short-term, there is potential for more long-haul exports to Asia as a result of the tariff negotiations between Asian nations and the U.S. administration, adding significant ton-mile demand.

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