

## The UAE's oil recalibration: Key considerations for markets

- ▶ UAE's exit from OPEC+ should allow it to reverse the under-monetisation of its oil assets that persisted for years under the group's production-cap regime.
- ▶ Export growth is capped by the Strait of Hormuz closure, with ADCOP pipeline near full utilisation; once reopened, output could rise toward c4.5mb/d over 12-18 months.
- ▶ Incremental 1.0-1.5mb/d at USD70/bbl yields USD25–38bn in annual revenue (c5–9% of GDP), and has positive spill overs across UAE equity and fixed-income markets.
- ▶ UAE's exit weakens OPEC+ cohesion, heightens oil price-cycle volatility, keeping near-term oil prices firm but increasing medium-term downside risks.

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## Production capacity and strategic ambition

The UAE's production capacity trajectory is central to understanding the implications of its OPEC+ exit. ADNOC's current sustainable crude capacity stands at 4.85 million barrels per day (mb/d), with a formal target of 5.0 mb/d by 2027 and an optional upside scenario of 6.0 mb/d if market conditions justify further expansion. These figures contrast sharply with the UAE's OPEC+ quota of 3.4 mb/d for February-May 2026, a gap that has widened steadily as the UAE invested aggressively in upstream development. This mismatch has been persistent since the UAE blocked an OPEC+ agreement in 2021 until its baseline was raised. Pre-war production ranged between 3.4–3.6 mb/d, (with some secondary sources placing it as high as 4.1 mb/d), underscoring the extent to which quotas constrained monetisation of installed capacity.

In the near term, however, the UAE's ability to increase exports is limited by the closure of the Strait of Hormuz. The ADCOP pipeline to Fujairah, with a capacity of 1.8 mb/d, is likely already running at or near full utilisation. As a result, incremental supply reaching global markets will remain constrained until the strait reopens. This explains why oil prices have reacted only modestly to the UAE's announcement; the physical market remains dominated by the conflict-driven supply crunch, and inventories – both strategic and commercial – are drawing down rapidly.

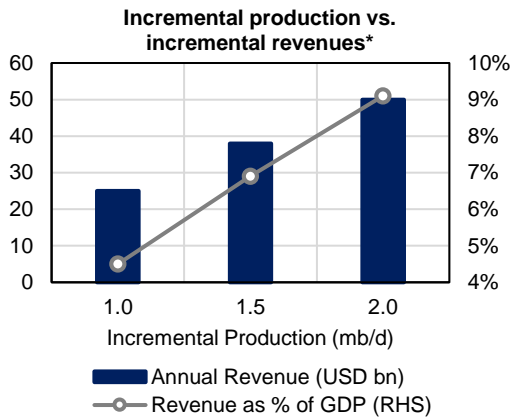
Once the strait reopens and logistical bottlenecks ease, the UAE could raise production to 4.5 mb/d or more, implying a medium-term uplift of 1.0-1.5 mb/d relative to pre-war levels. This ramp-up to occur gradually over 12-18 months, consistent with ADNOC's stated intention to align increases with demand and market conditions.

## Economic Implications

The economic upside for the UAE is substantial. Incremental production of 1.0-1.5 mb/d at USD70/bbl translates into USD25–38bn in additional annual gross revenue, while a full 2.0mb/d uplift would exceed USD50bn. With UAE GDP estimated at roughly USD550bn, this represents 5–9% of GDP in gross terms – a meaningful boost to fiscal and external balances. Moreover, the UAE's push for gas self-sufficiency increases the incentive to raise oil output, as associated gas volumes rise with crude production. ADNOC's USD150bn investment programme through 2030 reinforces the long-term strategic intent to monetise reserves ahead of potential demand erosion linked to the energy transition.

Worth remembering that the UAE today is already a highly diversified economy, with the non-oil sector accounting for over 70% of GDP and driving the bulk of employment, investment, and productivity gains. Sectors such as logistics, aviation, tourism, real estate, manufacturing, financial services, and technology have expanded rapidly, supported by structural reforms, population growth, and sustained foreign investment. This diversification has strengthened the UAE's resilience to oil-price cycles and positioned it as one of the most dynamic economies in the region. Yet incremental oil revenues still carry meaningful macro value: they bolster fiscal buffers, support sovereign wealth accumulation, and provide additional funding capacity for long-term strategic investments – including the very non-oil sectors that underpin the UAE's future growth model. In this sense, higher oil output is not a return to dependence but a way to monetise existing advantages to accelerate the next phase of diversification.

**Exhibit 1: As incremental production comes live, and is monetized...**



Source: ADCB Asset Management | Notes: \* Assuming oil price of USD70/bbl

**Exhibit 2: ... it adds significantly to UAE's gross revenues**

		Incremental Production (mb/d)		
		1.0 mb/d	1.5 mb/d	2.0 mb/d
Oil Price (USD/bbl)	Additional revenues (USDbn)			
	60	22	33	44
	70	25	38	50
	80	29	44	58
90	33	49	66	

Source: ADCB Asset Management

## Risks to OPEC+ and Global oil market stability

While the UAE's exit offers clear economic benefits, it introduces significant risks to global oil-market stability. OPEC+ has historically played a significant role in smoothing supply cycles and stabilising prices during periods of oversupply. The departure of one of its most credible, technologically advanced, and capacity-rich members weakens the group's ability to coordinate effective supply responses. The UAE's exit reduces aggregate spare capacity within the group and lowers the political cost of non-compliance for chronic overproducers such as Iraq and Kazakhstan. This raises the likelihood of more pronounced price cycles, particularly if remaining members prioritise market share over price defence.

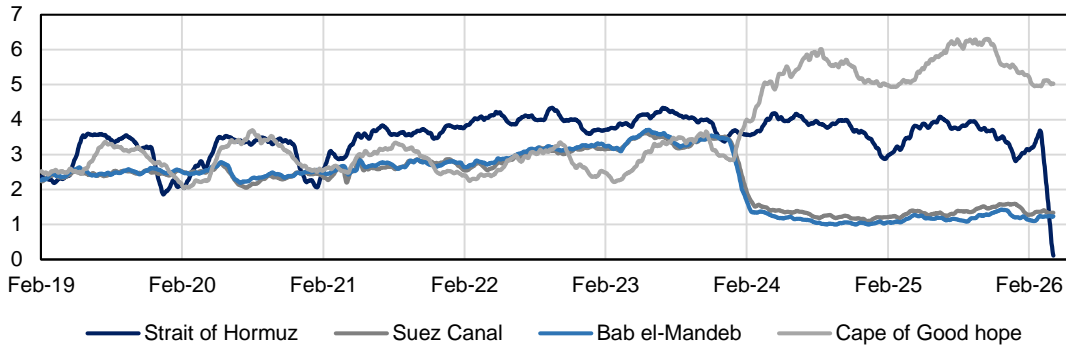
The risk of fragmentation within OPEC+ is non-trivial. Without the UAE's participation, the group's internal dynamics may shift toward looser discipline, especially if the ability to enforce compliance is tested. Rapid UAE production increases could spur another price war if GCC countries compete for market share, particularly once the Hormuz disruption eases. Such competition would erode the GCC's collective spare capacity buffer and could weigh on the long end of the Brent forward curve. At the same time, the energy transition is likely to widen policy divergence within OPEC+, as countries adjust at different speeds to shifting global demand patterns.

## Geopolitical and logistical considerations

The Strait of Hormuz remains a central variable. Iran's leverage over the strait is a gradually depreciating asset, but one that still poses significant operational and geopolitical risks. Even after a US-Iran understanding is reached, the shipping industry may require time to regain confidence, and Gulf producers will need to rebuild their reputation as reliable suppliers. In that context it is worth looking at how the maritime throughput of the red sea routes has not recovered after falling in late 2023 following Houthi's attacks. The UAE's export route strategy – whether to channel additional volumes through Hormuz or accelerate expansion of the Habshan-Fujairah bypass – will be a critical policy choice with implications for both market stability and regional diplomacy.

**Exhibit 3: Red sea disruptions led to rerouting of the throughput elsewhere, however with the Strait of Hormuz, there are few alternatives**

Transit trade volume (30DMA, Million metric tonnes)\*



Source: UN Global Platform, IMF PortWatch, and ADCB Asset Management | Notes: \*Data till end-March 2026

## Long-term structural shifts

In the long term, the UAE's exit accelerates a structural shift toward a more fragmented producer landscape. The move signals a transition from a single dominant coordination hub (OPEC+) toward more flexible, ad hoc cooperation frameworks among major producers. It also reinforces the UAE's broader energy strategy, which spans oil, gas, renewables, and low-carbon technologies, positioning the country as a diversified and forward-looking energy supplier. For global markets, the key variables to monitor will be the pace of the UAE's production ramp-up, other OPEC members strategic response, the evolution of the Hormuz situation, and the behavior of other OPEC+ members navigating a more fluid and competitive environment. For the broader UAE economy and financial markets, we see this as a positive development especially under the scenario where the UAE is able to increase its production capacity further as planned and monetize it efficiently.

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