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How China shifts the balance of power in the oil market



For decades, the global oil market has operated with a relatively clear division of roles.

Producers, primarily organised within OPEC and later OPEC+, have had a key influence on supply and therefore prices.

Major consumers have responded to these decisions through imports, while financial markets have added an additional layer of volatility. This model does not collapse suddenly but changes gradually.

In this transition, China does not act as a producer or as an open market regulator but as an actor influencing price through demand and inventory management.

OPEC and OPEC+ still formally control about 40 per cent of global oil production and an even larger share of available reserve capacity.

Their decisions to cut or increase production remain a key signal to the market. However, the effectiveness of these decisions increasingly depends on the behaviour of their largest customers. Among them, China holds a unique position.

The power to absorb surplus oil

China has been the world's largest importer of crude oil for several years. Unlike most other major consumers, it has systematically built-up vast storage capacities, including state strategic reserves and commercial warehouses under strong state influence.

This infrastructure allows **Beijing** to separate the timing of purchase from the timing of consumption, which is a crucial advantage in the oil market.

In practice, this means the following. When OPEC+ decides to cut production to raise prices, the effect of that decision depends on whether major buyers increase or decrease imports.

The question is no longer how much is produced, but who will absorb the surplus and how long they can keep it off the market

If China continues to buy and fill warehouses at that point, the decline in supply is partially neutralised. However, reducing or slowing imports leaves excess oil on the market, intensifying pressure on the price.

This shifts decision-making power from production to the absorption of surplus.

This mechanism becomes especially important when global supply grows faster than demand. In recent years, the market has faced a combination of increased production from OPEC+ countries, exports from Russia despite sanctions, and strong supply from North America.

At the same time, global demand growth is slowing, particularly in China, due to weaker industrial activity and structural changes in the economy.

In this context, the question is no longer how much is produced, but who will absorb the surplus and how long they can keep it off the market.

When China buys—and when it doesn't

China behaves differently from other large consumers. China's purchases are nonlinear and not solely driven by the immediate needs of refineries.

Imports often increase during periods of low prices, even when domestic consumption stagnates. The difference ends up in warehouses.

When prices rise or the market becomes unstable, imports decrease, and domestic reserves ensure that consumption does not suffer immediately. Thus, China reduces its

own exposure to price shocks, but at the same time, it affects the global balance.

Traders and producers quickly begin to incorporate the "China floor" and "China ceiling" into their valuations, even though no formal decision has been announced.

This mechanism becomes particularly important when the market faces a structural surplus.

Estimates for 2026 indicate that supply growth will outpace demand growth, putting pressure on **prices** and leading to a rise in global inventories, including increasing volumes of oil stored on tankers because there is no immediate buyer.

China's strategy prioritises supply stability and reduces its reliance on uncontrollable market cycles

In such circumstances, Chinese purchases act as a shock absorber. However, that same shock absorber can disappear the moment China decides it no longer suits its interests.

For OPEC and **OPEC+**, this presents a structural challenge. The traditional strategy assumes that production cuts will lead to price increases relatively quickly.

When the largest buyer can purchase selectively and delay spending, this mechanism weakens. Producers must choose between deeper production cuts, which entail fiscal and political costs, and tolerating lower prices for a longer period.

It is important to emphasise that China does not act as a speculator in the traditional sense. Instead of focusing on short-term profits, its strategy prioritises supply stability and reduces its reliance on uncontrollable market cycles.

This is precisely why inventory management is central to its policy. Warehouses have become an instrument that moderates the decisions of other actors.

When the advantage lies with those who can wait

For other consumers, especially in Europe and Asia, this change has an ambiguous effect. In the short term, this may contribute to more stable prices and reduce extreme fluctuations.



China is not replacing OPEC and OPEC+ as the decision-making centres; it is changing the way their decisions function

In the long term, however, the market becomes more dependent on decisions made without transparent criteria. The price of oil increasingly reflects not just the current ratio of supply and demand, but also the strategic assessments made by major customers.

In this respect, China is not replacing **OPEC** and **OPEC+** as the decision-making centres; it is changing the way their decisions function. Production remains a key lever, but it is no longer sufficient on its own.

A market in which excess can be stored on a large scale ceases to react immediately and predictably.

If the current trend continues, China's role in oil price formation will be measured not only by the volume of imports but also by its ability to manage the pace of the market.

It is a quiet but profound change. OPEC and OPEC+ remain important, but their power is no longer absolute. In a world where surplus does not have to be sold immediately, the advantage lies with those who can wait.

This is precisely where China today has an advantage that no other major consumer has

on the same scale.

It does not change the rules of the market overnight, but it changes them enough that producers, traders and investors must reckon with a new power factor that comes not from wells, but from reservoirs.