



After UAE Departure, What's Next for OPEC?

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The Issue

The news of the United Arab Emirates's (UAE) departure from the Organization of the Petroleum Exporting Countries (OPEC) came as a significant surprise to the markets. But to those paying close attention, the move was less unexpected than it appeared. A January 2024 analysis in *Petroleum Economist* examined possible entries to and exits from OPEC membership.¹ At that time, Angola had just left the group after 16 years as a member. Since its founding in 1960, OPEC's membership grew from the original five founders—Saudi Arabia, Iran, Iraq, Kuwait, and Venezuela—and today stands at 11 following the UAE's departure. Angola, Gabon, Ecuador, Qatar, and Indonesia have variously joined, left, and rejoined the organization—the latter three permanently.

In 2016, OPEC signed the Declaration of Cooperation with a group of 11 non-OPEC producers—most notably Russia—to better coordinate output and influence the oil market.² The resulting OPEC+ alliance now comprises 22 members without the UAE; before the current Middle East conflict, it accounted for about 42% of global oil production.³

The departure of the UAE is clearly a blow to OPEC, as the UAE has been a key, high-capacity member. Now that it has occurred, it is worth examining the underlying reasons. Further, given the change in Venezuela's relationship with the United States following the removal of Venezuelan President Nicolás Maduro in January 2026, could one of OPEC's founding members be the next to withdraw?

The Reality

UAE Has Been Unhappy with OPEC for Many Years

The UAE's discontent with OPEC production restrictions dates back several years. In 2019, International Energy Agency (IEA) analysts reported UAE oil production markedly higher than its official quota.⁴ This surprised many, as the UAE had generally been a very compliant member for most of OPEC's quota-setting era since the 1980s. When the IEA published its numbers, the Ministry of Energy and Infrastructure and the Abu Dhabi National Oil Company (ADNOC) protested, arguing that the IEA numbers were incorrect. Virtual meetings between UAE and IEA officials failed to resolve the differences, and the IEA stood by its independent estimates. Notably, many other analysts and media outlets with commercial interests in the UAE did not adopt the IEA's higher figures.



UAE Has Been Investing Heavily for Several Years

The IEA's uncovering of higher UAE output highlighted the early results of ADNOC's major investments along the oil and gas value chain, including the development of a significant trading business. The UAE's current oil-production capacity, dominated by ADNOC, is 4.3 million barrels per day (mb/d); production on the eve of the current Middle East war was 3.6 mb/d.⁵

The UAE had been planning to raise production capacity to 5 mb/d by 2027, though attacks by Iran might push this timeline closer to 2030. Back in 2019, as the UAE's production was rising, some in the press speculated that the UAE might leave OPEC⁶—but few analysts really expected it to happen.

Friction Within OPEC Was Building

The UAE's rising production and clear ambition to expand caused friction with Saudi Arabia in 2021. At the 19th meeting of the OPEC+ group in July 2021, the two countries clashed so sharply that the session was adjourned before a solution could be found. In June 2024, at the 37th meeting of the OPEC+ group, the UAE was awarded a 0.3 mb/d increase in its production quota—recognition of its significant idle capacity and perhaps an effort to keep it within the alliance. As is typical with quota adjustments, countries that were not beneficiaries pushed back. But by 2024, no other OPEC member country—with the exceptions of Saudi Arabia, the UAE, Iraq, and Kuwait—possessed the spare capacity that would allow for a quota increase. While the adjustment acknowledged the UAE as a rising producer, it likely only postponed what had become an increasingly inevitable departure.

The wider political context is also relevant. Relations between Saudi and UAE leaders have cooled in recent years, with the countries backing different sides in conflicts in Sudan and Yemen. Meanwhile, the UAE—particularly Dubai—has solidified its position as a major financial and trading hub. Saudi Arabia has pursued a similar path, attracting foreign investment through major initiatives in tourism and international sporting events.⁷ Since the outbreak of the current Middle East war at the end of February 2026, the UAE has coordinated with Israel in responding to Iranian attacks on its territory—a development that has exacerbated the bilateral tension with Saudi Arabia.

A factor that may have contributed to the UAE's decision to leave OPEC is its ongoing discussions with the United States on a currency swap between the two central banks. Under such an arrangement, the U.S. would deposit dollars with the UAE's central bank in exchange for an equivalent value of UAE dirhams. At an agreed time, the transaction would be reversed at the then-prevailing exchange rate, with the currency risk primarily borne by the UAE. The UAE has denied that the swap is intended as emergency financing to offset economic turmoil caused by the war.⁸ Given the country's massive foreign reserves and access to capital markets, the precise motivation for a currency swap is not entirely clear. Many observers view the move as an effort by the UAE to forge even closer ties with the U.S.⁹ Some analysts have suggested that the U.S. government may have quietly welcomed—or even encouraged—the UAE's withdrawal from OPEC as part of this alignment.¹⁰

Perspectives

PDVSA's 1990s Expansion Was a Template for ADNOC

A 2024 analysis by this author drew parallels between the UAE's situation and that of *Petróleos de Venezuela S.A.* (PDVSA) in the mid-1990s.¹¹ At that time, PDVSA was expanding production in clear breach of its OPEC quota, with output heading toward 3.5 mb/d.¹² The company had modernized its operations and set ambitious targets to raise capacity to 5.6 mb/d by the mid-2000s, with a goal of capturing greater market share—particularly in the United States. In 1995, the U.S. shale revolution had not yet begun to materialize. U.S. domestic crude oil produc-

tion stood at only 6.6 mb/d.¹³ The country imported more than 7.5 mb/d of crude, including 1.48 mb/d from Venezuela.¹⁴ Consensus forecasts assumed that the U.S. would continue to import substantial quantities of crude oil far into the future. Analysts also expected total non-OPEC oil production to peak by the mid- to late-2000s.

Reality proved quite different. U.S. crude oil production has risen from 6.6 mb/d to 13.5 mb/d.¹⁵ Since 1995, output from a selection of leading non-OPEC countries¹⁶ has grown from 13.2 mb/d to 31.2 mb/d in 2025.¹⁷ PDVSA leadership in the 1990s believed that OPEC output restrictions ran counter to Venezuela's commercial interests and hampered its ambition to operate as a de facto international oil company. It is widely accepted that, given free rein, PDVSA executives would have withdrawn the country from OPEC. The election of Hugo Chávez in 1998 took that option off the table and, in time, contributed to the near collapse of the Venezuelan oil industry.

The 2024 article noted similarities between PDVSA's growing commercialization in the 1990s and ADNOC's capacity expansions across the full oil and gas value chain. However, the analysis concluded that the UAE was unlikely to leave OPEC—even while speculating that, had ADNOC's leadership been free to make a purely commercial decision, it too would have chosen to exit.¹⁸

The Short-Term Consequences of UAE's Departure

In the short term, the UAE's OPEC exit has had no measurable impact on oil market operations. The ongoing Middle East war has severely disrupted production in the Persian Gulf States, with the UAE among the hardest hit.¹⁹ Iranian attacks in March and April forced the shutdown of ADNOC's major Ruwais refinery complex in Abu Dhabi, which has a nameplate crude throughput capacity of 0.837 mb/d. A partial offset has come from expanded crude and condensate loadings at Fujairah, which rose from an average of about 1.2 mb/d in 2025 to roughly 2 mb/d.²⁰

At the start of 2026, energy analysts anticipated a global oil-supply surplus.²¹ By April, however, the IEA reported that oil production among the Gulf States was down more than 14 mb/d due to the conflict. Although higher non-OPEC output, slackened demand, and large inventory draws have provided some relief, the market has shifted into a substantial deficit—estimated in March at 4.5 mb/d and rising. The UAE's withdrawal from OPEC has no impact on the current market balance.

The full extent of the damage to industrial infrastructure in the region remains unclear, as does the time that will be required to restore pre-war production capacity. With so many energy facilities across the Gulf States sustaining some degree of damage, the end of the war will likely trigger an intense regional scramble for materials, equipment, and skilled labor. Global manufacturing capacity for critical items—such as steel, specialized valves, pipes, and other oil and gas infrastructure components—is limited. Reconstruction will take time and delay the region's return to full output.

The Longer-Term Consequences Are Important

In the longer term, the UAE's departure from OPEC could have significant implications for both the global oil market and the future cohesion of the organization. Assuming that the war ends and regional production capacity is eventually restored, the UAE—free from cartel constraints—can be expected to pursue aggressive output growth and leverage its considerable untapped capacity to gain market share. This will place it in direct competition with its former OPEC partners. Without the UAE, the only OPEC countries with significant market power are Saudi Arabia, Iraq, Iran, and Kuwait. A major clash between Saudi Arabia and the UAE over market share is a plausible scenario. Iraq could also expand its production capacity and join the contest, while Iran's role will depend heavily on the war's outcome. Severe damage to its export infrastructure is certainly possible, but Iran—if largely intact—would be well positioned to strengthen ties with China and compete for market share.



Outside OPEC, production is set to rise in the coming years from Canada, the United States, Brazil, Guyana, Argentina, and the UAE. These countries, along with OPEC, will all compete for a growing global market. Although oil demand is forecast to contract in 2026—the IEA estimates, perhaps optimistically, that demand in 2026 will be 0.42 mb/d below the 2025 level²²—growth is expected to resume thereafter, mirroring the rebound that followed the COVID-19 downturn of 2020–21.

The rising appetite for energy, particularly fossil fuels, in developing countries should help speed this recovery. Significant displacement of fossil fuels in passenger cars, trucking, shipping, aviation, and petrochemicals remains unlikely in the short and medium term. Early signs of rising electric vehicle sales in some markets (especially Europe) appear partly driven by wealthier customers pulling forward purchases that they would have otherwise made in the near future. Once the current crisis subsides, affected countries will prioritize rapid restoration of normal operations—and that will require fossil fuels.

What Is Venezuela's Future in OPEC?

Since the arrest of Nicolás Maduro in January 2026, the United States has exercised de facto control over Venezuela's oil industry. International oil companies are gradually increasing their presence. Given the country's enormous reserves base of at least 300 billion barrels, production has the potential to grow considerably from current levels of about 1 mb/d.

Skeptics argue that infrastructure damage is too severe and that the oil—predominantly extra-heavy crude—is difficult to market. While infrastructure degradation is widespread, many facilities can be repaired relatively quickly under the right investment and operating conditions. On the issue of heavy crude, Venezuela has decades of experience producing and processing these grades. Much of the refining capacity in the U.S. Gulf Coast region is configured to process heavy crudes from Venezuela, as these cheaper barrels yield higher margins than lighter crudes.

It is too early to forecast the pace of Venezuela's recovery, but output reached nearly 3.5 mb/d in the late 1990s. Major new investments are unlikely if OPEC output quotas threaten to hold back production. Venezuela is currently outside the quota system due to prior sanctions, but OPEC would likely seek to reintegrate Venezuela into the system as production grows. Before that happens, Venezuela may choose to leave the organization—a decision that may be influenced by the United States and one that may happen in the near term.

Conclusion

The UAE's departure from OPEC represents one of the most significant blows to the organization in its 65-year history. It materially weakens OPEC's ability to influence the global oil market through coordinated output controls. The decision came at a time when the oil market was experiencing one of its largest disruptions in decades due to the ongoing Middle East conflict. Once the war ends and production capacity is restored, a more fragmented and competitive market is likely to emerge. The UAE will join the growing group of non-OPEC countries, many of which are poised for output growth in the near future. Venezuela could choose that same path. Although global demand for oil will continue to grow, intensified competition for market share among producers means that, for consumers, prices will almost certainly be lower than they would have been otherwise. At the same time, prolonged geopolitical volatility in the Middle East and elsewhere points to continued turbulence and price swings in the oil market.

Notes

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- 6 Atkinson, “Letter on OPEC.”
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- 19 The Persian Gulf is known as the Arabian Gulf in some Arab nations.
- 20 Piper Sandler, “What Flows: Stats on Mideast Oil Loadings, Transits and Floating Stocks,” *The Flowing Oil Data Digest*, April 23, 2026, 2.
- 21 Robert Harvey, “World Oil Market Faces Large Surplus in First Quarter 2026,” *The Journal Record*, January 22, 2026.
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ABOUT THE AUTHOR



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Neil Atkinson has over 40 years of experience in the energy industry. He was head of the Oil Industry and Markets Division at the International Energy Agency from 2016 to 2021. Atkinson's experience began in 1979, when he joined Petróleos de Venezuela, S.A. (U.K.). His last position there was as business advisor, Western Hemisphere energy markets. In 1998, Atkinson moved to the McGraw Hill Companies, where he served as director, Europe, Africa & Middle East for Platts Analysis & Consulting. After a short period at DRI-WEFA, he went to the Oxford Institute for Energy Studies, reporting to Robert Mabro as head of administration. Atkinson held subsequent roles as head of research at the Energy Intelligence Group, head of market studies at KBC Energy Economics, director of Datamonitor Energy, and head of analysis at Lloyd's List Intelligence. From 1992 to 2002, he was Honorary Secretary of the British Institute of Energy Economics. He is widely published and has testified on energy issues before the House of Commons Foreign Affairs Committees and has briefed NATO on energy security issues. He has extensive broadcasting and public speaking experience. Atkinson is a member of the Court of the Worshipful Company of Fuellers in London.

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