Exit from OPEC credit neutral for UAE

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The United Arab Emirates (UAE) has formally exited OPEC (Organization of the Petroleum Exporting Countries) effective May 1, 2026, shifting from coordinated supply expected management to an independent production strategy.

From a credit perspective, the impact on the UAE **(CareEdge AA-/Stable)** is broadly neutral in the near-to-medium term, with potential revenue gains and growth partly offset by heightened ongoing regional conflict. Over the medium-to-long term, this development could be beneficial if supported by sustained investment in infrastructure and export capacity, though it makes the economy more sensitive to oil price cycles despite the efforts towards diversification.

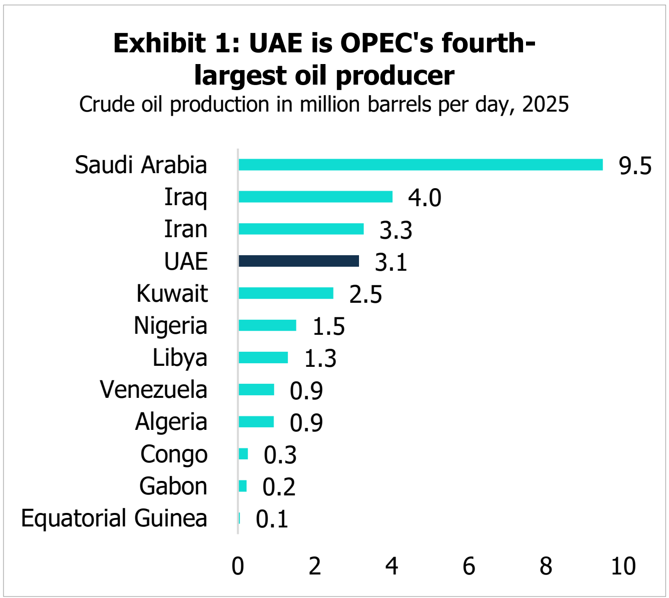
Key takeaways:

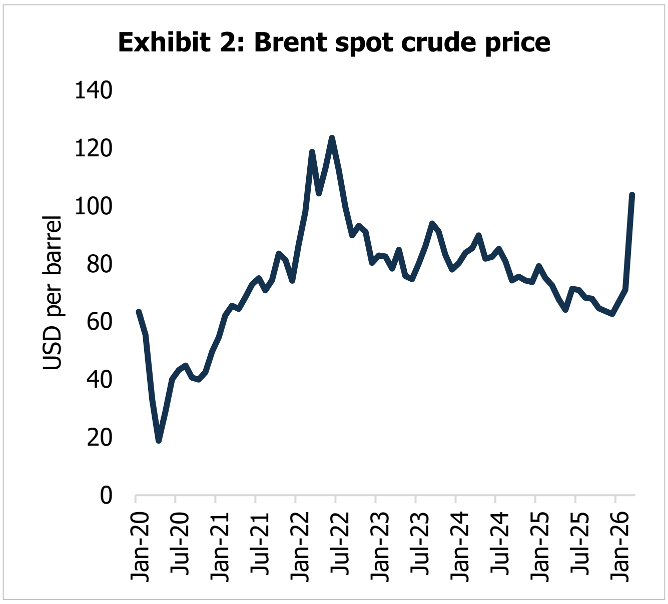
- The decision increases the likelihood of **market-driven crude oil prices** and could weaken OPEC's cohesion and reduce the effectiveness of coordinated supply management over the medium-to-long term.
- It reflects an **emerging geopolitical realignment** within the Gulf region, with the UAE prioritising strategic and economic autonomy. The full implications of this step will be visible over the medium term.
- **Greater production autonomy** will enable the UAE to better align output with its expanding capacity, supporting improved fiscal revenues, higher export volumes, and earnings over the medium term.
- From a credit perspective, the **impact is broadly neutral**. In the near term, the ongoing conflict in the region are likely to weaken economic performance in terms of growth and long-term investment prospects. The increased flexibility will, however, help the UAE better manage its external position and support its peg to the US dollar in the long term.

Global oil markets could get more volatile in medium term

The ongoing West Asia conflict currently exerts a more dominating influence on oil prices, than the UAE's departure from OPEC, because of supply disruptions and heightened risk premia. A gradual erosion of coordination may weaken OPEC's ability to manage global supply effectively, leading to a more market-driven pricing. Further, the UAE's ability to bring additional supply to the market could exert downward pressure on prices and increased volatility over the medium term.

Implications for OPEC





Source: OPEC, Haver Analytics, CGIL

OPEC remains central to the functioning of the global oil markets, accounting for roughly 40% of global crude oil production and around 60% of internationally traded petroleum. Historically, the group's collective control over supply and its coordinated production framework allowed it to influence prices, and act as a stabilising force during periods of market imbalance.

UAE recalibrates: Emerging geopolitical realignment within the Gulf region

The UAE's decision to exit OPEC will materially weaken the group's institutional cohesion. As one of the few members with significant spare capacity, estimated at around 1.5 million barrels per day (mbpd) as of 2025, the UAE has supported the group's ability to adjust supply in alignment with evolving market conditions. While Angola and Qatar exited OPEC due to quota disagreements and strategic realignments, the UAE's exit is more material given its position as the fourth-largest oil producer within OPEC, accounting for around 11.4% of total OPEC production in 2025. Its departure not only reduces the effectiveness of quota enforcement but also signals increasing divergence among members with expanding production capacity.

Greater production autonomy for UAE

A founding member since 1967, the UAE has consistently expressed a desire for higher production baselines and quota allocations for itself.

As of April 2026, the UAE's assigned production ceiling of around 3.4 mbpd is around 11% lower than its estimated output of 3.8 mbpd, and significantly below its installed capacity of approximately 4.8 mbpd, implying a gap of nearly 40%. Hence, despite being capacity-rich, production constraints limited the utilisation of significant investments in upstream expansion. While the UAE has partly offset these constraints through strong growth in the non-oil sector, with non-oil GDP rising from around 63% of GDP in 2012 to approximately 80% in Q3 2025, the oil sector has remained more sensitive to quota restrictions. Oil GDP growth reached around 9% in 2022, supported by higher quotas and improved capacity utilisation, but contracted by around 1.0% during 2023-24 amid renewed production cuts. This structural misalignment has set the stage for the UAE's exit.

What does it mean from a credit perspective?

The UAE's exit from OPEC is assessed **as neutral in the near-to-medium term,** as modest revenue gains from higher production are likely to be offset by the impact of the ongoing West Asia conflict on consumption, tourism, investment inflows, and export logistics. The recent reports on discussions with the United States on a potential dollar liquidity backstop appear to be a precautionary measure.

Oil prices have risen sharply in response to supply uncertainties, with benchmark oil prices exceeding USD 103.8 per barrel as of March 2026, implying that current revenue gains are driven more by exogenous price effects than by additional volumes. Although the UAE is no longer bound by production quotas, its ability to materially increase exports is limited by logistical bottlenecks linked to the regional conflict, particularly disruptions to shipping routes through the Strait of Hormuz. Consequently, while the UAE may achieve marginal increase in output where feasible, the short-term impact of the exit on production and fiscal revenue is likely to be modest.

Over the medium-to-long term, the country is positioned to progressively utilise its full production capacity, with plans to reach around 5 mbpd by 2027. This production autonomy is expected to boost output and strengthen fiscal revenue, with the current account likely to be in surplus even amid relatively softer prices, underpinned by sustained export volumes.

With an expanding network of Comprehensive Economic Partnership Agreements and strengthening trade linkages across Asia, Latin America, and Europe, the UAE is reinforcing its position as a global trade and logistics hub. This evolving trade structure supports more stable demand for its exports and enhances resilience in a more competitive global environment.

CareEdge Global will continue to monitor the impact of exit from OPEC on fiscal and external metrics of the UAE amid prevailing geopolitical risks.

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