

# MARKET SIGHT LINES



## UAE Leaves OPEC: The Rising Role of the U.S. in Global Energy Markets

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The United Arab Emirates has announced its decision to leave OPEC. At first glance, investors may see this as an initial weakening of OPEC in the world's energy markets. But – in reality – this oil cartel's influence has been fading for more than a decade, a decline triggered by the U.S. shale boom and accelerated by the 2015 repeal of the U.S. crude oil export ban. Today, the U.S. is energy independent, and its role in the global energy markets has increased significantly. And the recent conflict in the Middle East has only further increased the U.S. influence on oil markets. In this Sight|Lines, we review the history of OPEC, the rise of the U.S. as a global energy power, and what this might mean for energy market competition going forward.

### THE TAKEAWAY: THE UAE EXIT FROM OPEC IS ANOTHER SHIFT IN GLOBAL ENERGY MARKET POWER

The decision by the UAE to exit OPEC made headlines, but the cartel's influence on energy markets has been declining over the last decade. In summary:

- Established in 1960, OPEC is facing pressure in an increasingly competitive global energy market.
- OPEC's influence has structurally weakened, particularly since the rise of U.S. shale.
- The UAE has been investing aggressively to increase production but has been limited by OPEC quotas.
- The global balance of power – influenced by supply – is shifting further toward the U.S.
- Recent geopolitical events in 2026, including the Middle East conflict, are reinforcing one of our **long-term themes**, *Securing Strategic Resources*.
- We expect energy prices to remain elevated for now, driven more by geopolitics than OPEC policy.
- The U.S. will continue its shift back to fossil fuels, downplaying the use of alternative energy.
- There will ultimately be significant geopolitical impacts on OPEC as well as countries like Russia and China.

## IN-DEPTH: THE UAE EXIT FROM OPEC IS JUST ONE MORE STEP IN A LONG-TERM SHIFT IN THE POWER BASE OF GLOBAL ENERGY MARKETS

The decision by the UAE to exit OPEC has been described by the media as weakening the cartel, but OPEC's influence on global energy markets has been declining for more than a decade. Going deeper:

- Established in 1960, OPEC has tried to evolve to remain competitive in the global energy market:
  - What began with five members – Iran, Iraq, Kuwait, Saudi Arabia, and Venezuela – has grown to 11.
- After the U.S. lifted a 40-year ban on crude oil exports in 2015, OPEC's influence has been declining:
  - OPEC's share of global production has fallen from over 50% in the 1970s to 40% in 2014 and around 34% today.
  - The UAE's departure may push OPEC's total share of the global oil market below 30%.
- The UAE has been investing aggressively to increase production, but OPEC limits would have been constraining:
  - The UAE has been increasing production capacity since 2022 and is on track to add ~1 million barrels/day by 2027, reaching ~5 million b/d, and with no OPEC limits, this should increase global supply.
- The global balance of power in energy markets, influenced by supply, is shifting further toward the U.S.:
  - The U.S. share of global oil production has risen from ~ 8% in 2009 to 20% in 2026.
  - Last year the U.S. set an annual production record, producing 13.6 million b/d.
- These changes, and geopolitical events of 2026, inform one of our **long-term themes**, Securing Strategic Resources:
  - Companies and countries are prioritizing the protection of critical industries, resources, and services.
  - The UAE's exit from OPEC, the military ousting of Nicolas Maduro, the bid for Greenland, and the passing of the Securing America's Critical Minerals Supply Act in February all point to an accelerating shift toward this theme.
- In the near term we expect energy prices to remain elevated, with OPEC having little influence over oil prices:
  - The Strait of Hormuz remains closed with no indications yet of a U.S.-Iran agreement for its reopening.
- The U.S. will continue its shift back to fossil fuels, downplaying the use of alternative energy.
  - The U.S. has dismantled federal electric vehicle mandates, easing dependence on Chinese supply chains.
  - The rapid reform of Venezuela's oil sector should bring heavy crude back to U.S. Gulf Coast refineries, further reducing dependence on Middle Eastern oil.
- There will ultimately be significant geopolitical impacts on OPEC as well as countries like Russia and China.
  - China and Russia will face increasing pressure, with Russia less able to finance its war budget and China losing preferential access to supply as it competes in a more U.S.-influenced global energy market.

### WHAT WE THINK

We're monitoring **geopolitical risks** as we work with our financial advisors and clients in this challenging environment. When we see news like the UAE's decision to leave OPEC, we try to understand the economic and market implications of such a move. **Our long-term themes** include *Productive Competition* and *Securing Strategic Resources*, and this recent event aligns with both of those themes. The UAE is looking for ways to compete in the energy markets and improve as they do, and the U.S. has been building its energy capabilities, especially over the last decade. That's productive competition. And, as our energy consumption grows from an increasing population and advances like artificial intelligence, the needs for countries to have cost-effective access to energy – *Securing Strategic Resources* – is critical. The competition will continue, and the U.S. is setting up to have increased influence going forward.

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Asset allocation and diversification do not ensure a profit and may not protect against loss. There are special considerations associated with international investing, including the risk of currency fluctuations and political and economic events. Investing in emerging markets may involve greater risk and volatility than investing in more developed countries. Due to their narrow focus, sector-based investments typically exhibit greater volatility. Small company stocks are typically more volatile and carry additional risks, since smaller companies generally are not as well established as larger companies. Property values can fall due to environmental, economic, or other reasons, and changes in interest rates can negatively impact the performance of real estate companies. When investing in bonds, it is important to note that as interest rates rise, bond prices will fall. The Standard & Poor's 500 Index is a capitalization-weighted index that is generally considered representative of the U.S. large capitalization market. The Bloomberg software Index is a price-weighted index of software companies located or doing significant business in the Silicon Valley. The Bloomberg 500 Financials Total Return Index tracks the financial sector within Bloomberg 500 Universe. This index includes 87 constituent companies spanning various financial services sectors. The Dow Jones Industrial Average (DJIA) is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange (NYSE) and the NASDAQ. The DJIA was invented by Charles Dow back in 1896. The MSCI EAFE Index (Europe, Australasia, and the Far East) is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the U.S. and Canada. VIX is a trademarked ticker symbol for the Chicago Board Options Exchange Market Volatility Index, a popular measure of the implied volatility of S&P 500 index options. The risk of loss in trading commodities and futures can be substantial. You should therefore carefully consider whether such trading is suitable for you in light of your financial condition. The high degree of leverage that is often obtainable in commodity trading can work against you as well as for you. The use of leverage can lead to large losses as well as gains. Volatility is measured by calculating the standard deviation of the annualized returns over a given period of time.

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