MULTIPLE BLACK SWAN EVENTS

The vanishing of crude oil's geopolitical premium in 2025

RON BOUSSO

GLOBAL oil markets faced multiple black swan events this year — including the Israel-Iran war and Ukrainian strikes on Russian refiners — yet they were barely fazed.

This calm may be the new normal in an era of energy abundance, even as the world becomes a more dangerous place.

By any measure, 2025 was a chaotic geopolitical year, dominated by President Donald Trump's return to the White House in January and his blitz of policy, trade and diplomatic initiatives.

A most pivotal moment for energy markets came on June 12 when Israel bombed military, government and nuclear sites across Iran.

The United States joined on June 22 with "Operation Midnight Hammer", targeting Iran's fortified nuclear facilities. A US strike on Iran had long been among the top "doomsday scenarios" for oil traders.

If attacked, the Islamic Republic was expected to retaliate by attempting to block the Strait of Hormuz, a narrow sea lane in the Gulf through which nearly a fifth of the world's oil and gas supplies are shipped.

The mere threat of such a cataclysmic event would cause oil prices to blow out into triple-digit territory, or so the theory went.

While the start of the 12-day Israel-Iran war did see the crude oil volatility index spike to its highest point since early 2022, when Russian tanks first rolled into Ukraine, the oil price responded with remarkable composure this time around.

Global benchmark Brent crude futures rose from US$69 a barrel on June 12 to a peak of US$78.85 a week later, before rapidly dropping to their pre-war levels by June 24, when Israel and Iran agreed on a US-brokered ceasefire.

Even then, prices remained below their 2025 high.

Oil futures this year have oscillated within a relatively narrow range between US$60 and US$81, based on their daily closing value, with the high coming in January before the Organisation of the Petroleum Exporting Countries began production increases.

Importantly, that range is narrower than in the previous year.

For comparison, prices spiked from around US$70 in December 2021, when Russia — the world's third-largest oil producer — started amassing military forces on the border with Ukraine, to nearly US$130 by March 8, two weeks after the start of the invasion.

And prices stayed above pre-invasion levels for nearly a year.

The 2022 rally was mostly driven by expectations that Western sanctions on Moscow would significantly constrain its oil exports, but those fears never materialised. The main reason energy markets have been so calm is pretty straightforward: there is a tonne of oil and gas sloshing around the world.

The US led the ramp-up in supplies over the past decade, becoming the world's largest producer and exporter of oil and liquefied natural gas (LNG), with its crude production climbing to a record 13.84 million barrels per day (bpd) in September, thanks to growth in the Permian shale basin and the Gulf of Mexico.

Opec and allied producers, including Russia and Kazakhstan, known collectively as Opec+, also increased output throughout this year after reversing years of production cuts aimed at supporting prices.

Non-Opec countries in the Americas — Argentina, Canada, Brazil and Guyana — have boosted output as well. The International Energy Agency expects this robust production growth to create a massive oversupply of nearly four million bpd next year, which could extend into 2027.

That's because prices remain sufficiently strong for US shale and other producers to maintain or even grow output, given advancements in drilling technology. Furthermore, Opec+ has indicated that it expects to accelerate investment to expand output capacity for years.

But complacency could be its own risk. Howard Marks, the founder of Oaktree Capital Management, the world's largest distressed debt investor, famously said "risk is highest when it's perceived to be lowest".

Indeed, Opec could reverse its production hikes in the face of rising global supplies, while speculation of a new confrontation between Israel and Iran could add further tension.

But for energy markets to be truly spooked, there will need to be a genuine change in physical volumes. In an age of ample supplies, geopolitical fears are no longer enough.

The writer is from Reuters

URBAN REDEVELOPMENT

Clash of essential rebuilding and sense of loss

DR ROZIHA CHE HARON AND DR ALIAS ABDULLAH

Good development is not solely about constructing taller and newer buildings, but about ensuring that long-standing residents continue to have a place physically, emotionally and socially. NSTP FILE PIC

URBAN redevelopment generally refers to efforts to reconstruct urban areas that are dilapidated, unsafe, no longer functioning optimally, or no longer suitable for habitation.

In Kuala Lumpur, the term is frequently associated with low-cost flats, ageing apartments and residential areas that are more than 30 to 40 years old, particularly in high-density locations.

From a technical perspective, such buildings are often considered no longer economically viable to maintain. From an urban planning standpoint, redevelopment is viewed as an opportunity to optimise land use and land value, while improving the quality of the urban environment.

However, this understanding indirectly narrows the meaning of redevelopment to physical and economic considerations alone.

Within the existing legal and policy framework — particularly the Town and Country Planning Act 1976 (Act 172) and the Federal Territory (Planning) Act 1982 (Act 267) — primary emphasis is placed on land use control, density regulation and planning approvals.

In contrast, the social lives of long-established residents in these areas often receive insufficient and uneven attention.

Ultimately, redevelopment determines whether a community is allowed to remain, or is required to relocate to make way for new development.

Not all ageing buildings require comprehensive redevelopment. Some only need facility upgrades, improvements to building systems such as safety infrastructure, or basic structural repairs.

Other areas merit conservation due to their historical, social, and identity value to the city. Redevelopment should, therefore, be regarded as a measure of last resort, undertaken only when other alternatives — such as maintenance, rehabilitation, and upgrading — are no longer reasonably feasible.

In the context of an increasingly dense Kuala Lumpur, redevelopment is also seen as a means to provide better-quality housing and to make more efficient use of limited urban land.

Yet, beneath these justifications lies a reality seldom acknowledged: the sense of loss experienced by original residents.

Homes occupied since youth, neighbourhood lanes where children were raised, and neighbours who have become family are all at risk of disappearing through a single development decision.

For some residents, relocation is not merely a change of address, but a deeply emotional and painful separation.

Redevelopment issues are most pronounced in strategic areas of Kuala Lumpur, particularly near the city centre, public transport corridors and high-value locations.

It is in these areas that property market pressures are strongest. Neighbourhoods originally built for lower income communities are increasingly targeted for large-scale redevelopment.

In this process, questions often arise as to whether such development genuinely seeks to improve the well-being of existing residents, or primarily serves market-driven interests.

Urban redevelopment involves multiple stakeholders, including local authorities, developers and government agencies. However, those most affected are the original residents, particularly elderly individuals.

Uncertainty about the future, concerns over compensation, and fears of losing long-established social networks create significant emotional stress.

From an academic perspective, the loss of social networks is often described as an "invisible loss" — one that has no market value, yet profoundly affects quality of life and well-being.

Although Malaysia has a clear legal framework through Acts 172 and 267, legislation alone is insufficient. These laws provide mechanisms for planning control, owner consent and legal protection of rights.

Ethical redevelopment, however, requires early engagement, transparency of information and a more considerate approach. Residents should not merely be informed after decisions are made, but should be meaningfully involved from the early stages of planning.

Many residents struggle with technical terminology and tight timelines, while the decisions imposed upon them have long-term consequences for their lives. Without such engagement, redevelopment risks becoming a process of displacement rather than inclusive urban renewal.

Good development is not solely about constructing taller and newer buildings, but about ensuring that long-standing residents continue to have a place — not only physically, but also socially and emotionally.

Kuala Lumpur cannot remain static; urban redevelopment is indeed a necessity. Nevertheless, in the pursuit of progress, human values must not be sidelined.

Dr Roziha Che Haron is a lecturer at the Department of Quantity Surveying, Kulliyyah of Architecture and Environmental Design, International Islamic University Malaysia (IIUM), while Dr Alias Abdullah is a Professor at the Department of Urban and Regional Planning, Kulliyyah of Architecture and Environmental Design, IIUM.