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The Abu Dhabi Defection: Inside the UAE's Historic Exit from OPEC

By

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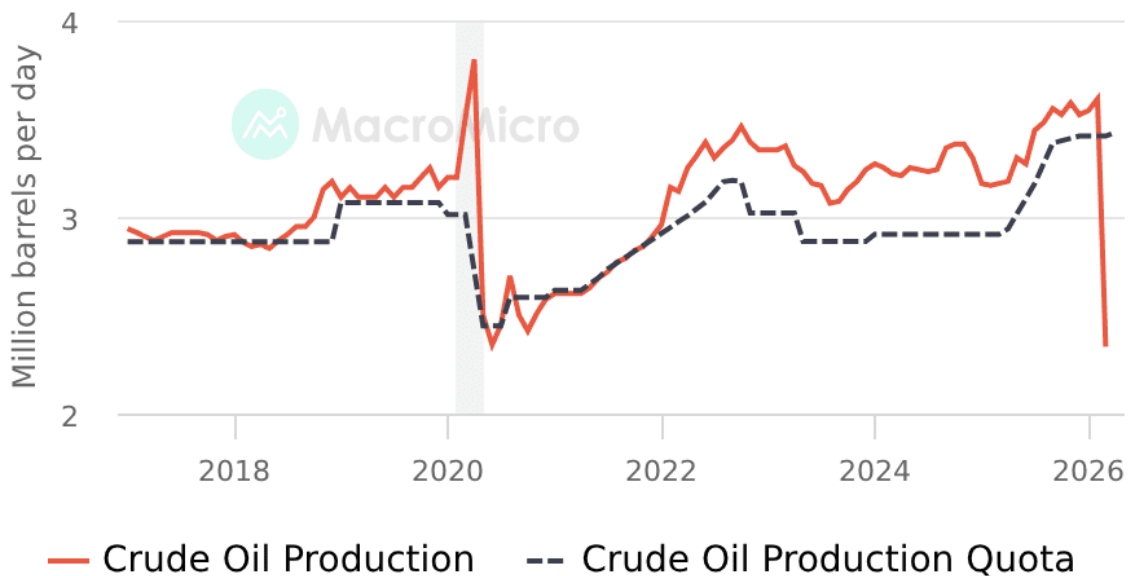
The Abu Dhabi Defection: Inside the UAE’s Historic Exit from OPEC

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Executive Summary

- ✦ The UAE officially withdrew from OPEC and the OPEC+ alliance on May 1, 2026, ending 59 years of membership as the most influential Gulf producer to ever defect from the organisation.
- ✦ Abu Dhabi chose to leave because strict OPEC quota restrictions prevented the nation from fully utilising and monetising its heavy upstream investments aimed at reaching a production capacity of five million barrels per day by 2027.
- ✦ The decision reflects deep geopolitical divergences with Saudi Arabia over regional security, relations with Iran, and oil price management, alongside a strategic desire by the UAE to secure production flexibility before global oil demand declines.
- ✦ The immediate global impacts include increased oil price volatility and a weakened institutional capacity for OPEC, which shifts the burden of supply management onto remaining producers like Saudi Arabia.
- ✦ The UAE’s exit from OPEC grants Abu Dhabi greater production flexibility by allowing it to expand oil output according to market conditions and national economic priorities rather than cartel quotas.
- ✦ By exiting the cartel, the UAE also gains the autonomy to operate as an independent bilateral supplier, expand infrastructure bypassing the unstable Strait of Hormuz, and pursue diplomatic strategies free from collective cartel discipline.

Key Picture: UAE Crude Oil Production vs Production Quotas



Source: [MacroMicro](#)

The Roots of the Split: Production Ambitions and Regional Tensions

The announcement that the United Arab Emirates (UAE) has officially exited the Organisation of the Petroleum Exporting Countries (OPEC) and the wider OPEC+ alliance, effective May 1, 2026, marks a historic shift in global energy politics. Ending 59 years of membership, the UAE is the largest and most influential Gulf Arab producer to ever defect from the cartel. According to official statements, this decision supports the UAE's long-term economic goals and its evolving energy sector, which is fuelled by increased investments in domestic production.¹

Abu Dhabi has invested heavily in increasing output capabilities to five million barrels per day by 2027 and increasingly viewed OPEC restrictions as incompatible with its economic ambitions and national interests.² Over the past decade, Abu Dhabi invested heavily in expanding upstream production capacity through the state-owned Abu Dhabi National Oil Company, aiming to increase production capacity toward approximately five million barrels per day. However, OPEC quota restrictions have limited the UAE from fully utilising that capacity.³

OPEC functions by aligning member output to manage global supply and influence prices, meaning participation requires producers to accept limits even when they have spare capacity. For the UAE, which has invested heavily in expanding production capacity, these restrictions have increasingly been viewed as constraining its ability to monetise its upstream sector fully. As a result, the key economic rationale behind the move is the pursuit of production flexibility: the ability to respond independently to market conditions, expand output when profitable, and maximise returns from prior investment without being bound by collective cartel discipline.⁴ Indeed, the UAE Ministry of Energy stated that the withdrawal aligned with the country's "long-term strategic and economic vision" and the "evolution of its energy sector."⁵

Overview of the Decision: Core Reasons Behind Leaving

However, UAE's exit is not merely an energy-sector adjustment. It reflects deeper transformations in Gulf politics, changing calculations about the future of oil demand, tensions within OPEC itself, and the emergence of a more fragmented and competitive global energy order. The decision comes during a period of heightened regional instability caused by the US-Israel war on Iran, which disrupted global energy markets and led to restrictions in traffic through the Strait of Hormuz, a critical route for global oil and liquefied natural gas shipments. Although the UAE has partially bypassed these disruptions through exports via Fujairah on the Gulf of Oman, its ability to significantly increase exports remains constrained while tensions in the region continue.⁶

The withdrawal is also seen as reflecting broader geopolitical and strategic shifts within the Gulf region. Observers argue that the UAE is preparing for a future in which global oil demand gradually declines as the world transitions away from fossil fuels, making independent production flexibility more valuable than adherence to collective OPEC discipline. The move also highlights growing policy differences between the UAE and Saudi Arabia, particularly regarding approaches to regional security, the long-term management of oil prices, and relations with Iran.⁷

Ian Bremmer, the president and founder of Eurasia Group, argues that part of the reason for leaving is a discrepancy between UAE and Saudi Arabia in how to deal with the Iran war. According to Bremmer, the UAE position is much more aligned with Israel, holding the opinion that the regime of the Islamic Republic is too dangerous to be allowed to persist in its present form, supporting strikes to limit its capacity. Meanwhile, Saudi Arabia is focused much more on how to ensure stability and security of the post-war environment, irrespective of what happens to Iran.⁸

However, the most visible friction has centred on OPEC quota allocations, with the UAE pushing for higher production baselines that better reflect its expanded capacity, while Saudi Arabia has generally prioritised tighter collective output controls to support higher global prices and market stability. This divergence became

especially evident during the 2021 OPEC+ standoff, when disagreements over baseline production levels led to the collapse of negotiations.⁹

Immediate Impact

The UAE's departure from the OPEC oil pact increases uncertainty in global oil markets, with the immediate effect being higher price volatility. Markets must reassess supply expectations without coordinated quota discipline, making prices more sensitive to geopolitical developments, shifts in demand, and changes in UAE production behaviour. In the short term, existing regional instability can keep prices elevated, while any medium-term increase in UAE output adds additional supply to global markets, placing downward pressure on prices, particularly if global demand weakens. The result is a more unstable pricing environment characterised by sharper fluctuations rather than steady directional trends.¹⁰

At the institutional level, the move weakens OPEC's capacity to manage global supply collectively and reduces the effectiveness of coordinated production decisions that underpin its influence on oil prices. This shifts pressure onto remaining major producers, especially Saudi Arabia, which faces a more difficult balance between defending prices through output cuts or protecting market share through higher production. The wider effects extend beyond oil: lower prices ease inflationary pressures in importing economies and can support consumption and monetary policy flexibility, while simultaneously reducing revenues for producers and increasing strain on energy-dependent fiscal systems. Overall, the shift reinforces a more fragmented global oil market with stronger competition among producers and greater spillovers into financial markets through inflation and interest rate expectations.¹¹

Can OPEC Survive the Exit of UAE After Qatar in 2019?

OPEC has experienced member withdrawals before, meaning exits are not unprecedented in the organisation's history. Countries such as Qatar have left, reflecting shifting national priorities and differing views on the benefits of coordinated oil production policy. Qatar's departure in 2019 is often cited as a recent example, although it had a relatively limited impact on global oil supply given its focus on natural gas rather than crude oil.¹² The UAE's exit, by contrast, carries far greater significance because it is a large producer with meaningful spare capacity¹³, meaning its withdrawal more directly affects OPEC's production balance and internal coordination mechanisms.

However, OPEC continues to function despite the UAE's exit because it still retains a core group of major producers, particularly Saudi Arabia, that have the capacity to influence global supply through coordinated production decisions and spare capacity management. However, the U.S. Energy Information Administration (EIA) confirms that non-OPEC producers, particularly the United States, along with Brazil and other non-OPEC suppliers, have driven most of the growth in global oil supply in recent years, increasing their share of global production and reducing OPEC's relative weight in the market.¹⁴ As such, OPEC still retains influence but no longer the same degree of structural control over global oil pricing dynamics.

Taken together, these developments suggest that OPEC's role is shifting away from a dominant price-setting cartel toward a looser coordinating forum, where influence remains significant but less decisive in shaping global oil market outcomes. The UAE's exit could be understood less as an isolated institutional shock and more as part of a gradual fragmentation of coordinated oil governance.

Strategic Gains for the UAE

From Abu Dhabi's perspective, leaving OPEC offers several potential advantages. First, it grants production flexibility. The UAE can now expand output according to market conditions and national priorities rather than cartel negotiations. In addition, the UAE can position itself as a more reliable bilateral supplier to major importers. The country has already strengthened energy ties with India through long-term crude and LNG agreements, strategic petroleum reserve cooperation, and expanded storage arrangements.¹⁵ Consequently,

Abu Dhabi gains greater geopolitical autonomy. OPEC membership inevitably required balancing Saudi preferences and broader cartel politics. Outside the organisation, the UAE has more room to pursue independent commercial and diplomatic strategies.

Finally, the timing of the exit also coincided with the UAE's efforts to expand export infrastructure bypassing the Strait of Hormuz. Plans to expand pipeline capacity toward the Gulf of Oman would further reduce vulnerability to regional chokepoint disruptions.¹⁶ As such, overall, the exit signals a shift toward greater strategic independence, where energy policy is increasingly integrated with the UAE's wider objective of reducing geopolitical exposure while expanding its influence in global energy markets.

NOTES

¹ “The UAE announces exit from OPEC effective 1 May 2026 after 59 years”, Enerdata, accessed 19 May 2026, <https://www.enerdata.net/publications/daily-energy-news/uae-announces-exit-opec-effective-1-may-2026-after-59-years.html>.

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³ Ben Geman, “UAE leaves OPEC to pursue “accelerated” production”, <https://www.axios.com/2026/04/28/uae-leaves-opec>.

⁴ Mohammad Shahid, “5 Major Economic Implications of UAE Leaving the OPEC Oil Pact”, Yahoo Finance, <https://finance.yahoo.com/sectors/energy/articles/5-major-economic-implications-uae-173032850.html>.

⁵ Andreas Exarheas, “UAE Withdraws from OPEC, OPEC+”, accessed 19 May 2026, https://www.rigzone.com/news/uae_withdraws_from_opec_opec-29-apr-2026-183562-article/.

⁶ Virginia Pietromarchi, “UAE quits OPEC: What that means for the Gulf, energy markets and beyond”, Al Jazeera.

⁷ Ibid.

⁸ Ian Bremmer, “uae is withdrawing from opec”, accessed 19 May 2026, https://www.linkedin.com/posts/ianbremmer_uae-is-withdrawing-from-opec-what-looks-ugcPost-7454926870409666560-HvcQ/?utm_source=social_share_send&utm_medium=ios_app&rcm=ACoAABsq3EBrEWsvk6gVSVypGOwglRo0L4cvl0.

⁹ “OPEC+ calls off meeting as UAE, Saudi spat continues”, Al Jazeera, accessed 19 May 2026, <https://www.aljazeera.com/economy/2021/7/5/opec-calls-off-meeting-as-uae-saudi-spat-continues>.

¹⁰ Mohammad Shahid, “5 Major Economic Implications of UAE Leaving the OPEC Oil Pact”, Yahoo Finance.

¹¹ Ibid.

¹² “Qatar to withdraw from OPEC in January 2019”, Al Jazeera, accessed 19 May 2026, <https://www.aljazeera.com/economy/2018/12/3/qatar-to-withdraw-from-opec-in-january-2019>.

¹³ Erwanto Khusuma, “How the UAE Leaving OPEC Reshapes Oil Prices and US Energy Stocks”, accessed 19 May 2026, <https://www.heygotrade.com/en/blog/uae-leaves-opec-oil-prices-energy-stocks/>.

¹⁴ “WHAT DRIVES CRUDE OIL PRICES?”, U.S. Energy Information Administration, accessed 19 May 2026, <https://www.eia.gov/finance/markets/crudeoil/supply-nonopec.php>.

¹⁵ “ADNOC deepens India energy ties through storage and LNG agreements”, World Oil, accessed 19 May 2026, <https://www.worldoil.com/news/2026/5/15/adnoc-deepens-india-energy-ties-through-storage-and-lng-agreements/>.

¹⁶ “UAE Fast-tracks Second Pipeline to Bypass Strait of Hormuz to Double Export Capacity”, Pipeline Technology Journal, accessed 19 May 2026, <https://www.pipeline-journal.net/news/uae-fast-tracks-second-pipeline-bypass-strait-hormuz-double-export-capacity>.