

During 2026 1Q-3Q, WTI Rose by 26% Year-on-Year, While Refined Petroleum Products and Spot LNG Prices Surged Even More

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The average settlement price of the front-month WTI crude oil futures contract during the first three quarters of 2026, from the beginning of January through the end of September, reached \$83.76 per barrel. This represented a substantial increase of \$17.12 per barrel, or 26%, compared with \$66.64 per barrel during the same period of the previous year. The average price of Brent crude futures over the same period stood at \$88.86 per barrel, up \$18.96 per barrel, or 27% year-on-year. During this nine-month period, WTI recorded a high of \$112.95 per barrel on April 7, while Brent reached \$118.35 per barrel on March 31. The lowest prices for both benchmarks were observed on January 7, at \$55.99 per barrel for WTI and \$59.96 per barrel for Brent. The approximately \$60 per barrel spread between the highs and lows underscores the exceptionally volatile nature of the market during this period.

Needless to say, the principal driver behind this sharp rise in crude oil prices was the Strait of Hormuz crisis. The effective closure of the Strait following the onset of the crisis removed approximately 20 million barrels per day (b/d) of oil shipments from the market, equivalent to roughly 20% of global oil supply. This severe supply disruption generated intense concerns regarding the availability of oil supplies and triggered a dramatic surge in international oil prices. Certain mitigating factors helped restrain the magnitude of price increases, including expanded crude exports from Saudi Arabia and the United Arab Emirates through routes bypassing the Strait, increased U.S. oil exports, a sharp decline in Chinese oil imports, and substantial global inventory drawdowns. Nevertheless, the impact of what effectively became the largest oil supply disruption in history was immense. By abruptly reversing the oversupplied market conditions that had prevailed immediately before the crisis, this unprecedented disruption fundamentally altered market balances and drove prices sharply higher.

The severity of the price escalation becomes even more evident when attention is limited to the period following the outbreak of the crisis, from early March through the end of September. During this interval, the average WTI price reached \$89.41 per barrel, representing an increase of \$24.56 per barrel, or 38%, from the corresponding period one year earlier. Brent averaged \$94.76 per barrel, up \$26.76 per barrel, or 39% year-on-year. These figures indicate that crude oil prices have effectively remained elevated at around \$90 per barrel since the onset of the Strait of Hormuz crisis. The resulting rise in energy costs has slowed global economic activity, transferred substantial wealth from consuming nations to producing nations, and exerted significant effects on equity markets and exchange rates. In this sense,

the oil price shock became one of the defining economic developments of 2026.

A distinctive feature of the current crisis, however, is that market tightness has been even more pronounced in refined petroleum products and LNG than in crude oil itself. Because crude oil generally serves as an input into refining processes, its immediate consumers are petroleum refiners rather than end users. Ordinary consumers purchase and utilize refined products such as gasoline, diesel fuel, and jet fuel. Consequently, the severe tightening of refined product markets resulting from the Strait of Hormuz crisis has had a far more direct impact on households, transportation systems, and industrial activity than crude oil price movements alone.

The surge in petroleum product prices has manifested itself differently across products and regions. In Japan, as is widely recognized, concerns over naphtha shortages became a major issue, raising fears of supply-chain disruptions throughout the petrochemical industry. In Europe, early concerns centered on shortages of jet fuel, with flight cancellations attracting considerable public attention. In the United States, soaring gasoline prices, a politically sensitive issue, emerged as a major concern. More recently, however, the sharp rise in diesel prices has become one of the most closely watched developments in global energy markets.

Data from the U.S. Energy Information Administration regarding spot prices for ultra-low sulfur diesel (ULSD) delivered to New York Harbor clearly illustrate the extent of this escalation. The average ULSD spot price between early March and the end of September reached \$170.29 per barrel, more than double the average price of WTI crude during the same period. Compared with the corresponding period of the previous year, diesel prices increased by \$74.78 per barrel, or 78%, far exceeding the rate of increase observed for crude oil. The market reached a peak on September 16, when diesel prices climbed to \$225.33 per barrel.

The principal reason for the tighter balance in petroleum product markets lies in the structure of Strait of Hormuz trade flows. Approximately one-quarter of the 20 million b/d transported through the Strait consists of refined petroleum products. Unlike crude oil exports, which can partially be redirected through alternative infrastructure, refined product exports lack comparable bypass capacity. As a result, volumes transiting the Strait were effectively removed from the international market in their entirety once the blockade occurred. Moreover, reduced global crude oil supplies led directly to lower refinery throughput, thereby diminishing worldwide production of refined products. The tightening of product markets has been amplified further by developments associated with the Russia-Ukraine conflict. Both Russia and Ukraine have intensified missile and drone attacks against critical infrastructure, including energy facilities. In particular, Ukrainian strikes against Russian refineries and petroleum export facilities have become increasingly severe, disrupting Russian supplies of refined products. In response,

Russia has imposed restrictions and temporary suspensions on exports of diesel and other petroleum products while simultaneously struggling to satisfy domestic fuel demand. These developments played a significant role in pushing diesel prices to their recent record highs during September.

Tightness in the LNG market has been equally striking. From early March through the end of September 2026, the average spot LNG price reached \$20.25 per million British thermal units (MMBtu). This represents an increase of \$8.22/MMBtu, or 68%, compared with the same period in the previous year. On a crude-oil-equivalent basis, this corresponds to a price approaching \$120 per barrel, substantially above prevailing crude oil prices. The peak spot LNG price during the period was recorded in September at \$29.88/MMBtu, equivalent to nearly \$180 per barrel of oil, illustrating the extraordinary escalation in gas market prices.

Several factors have combined to produce this acute tightening of LNG markets. First, the Strait of Hormuz crisis effectively removed approximately 80 million tonnes of LNG exports, an amount equivalent to roughly 20% of global LNG supply. Second, as with refined petroleum products, no practical infrastructure exists to reroute LNG exports around the Strait in the event of a blockade. Consequently, these lost shipments disappeared directly from international LNG markets. Third, LNG possesses characteristics that make large-scale stockpiling difficult. Unlike oil, LNG-consuming countries generally hold only sufficient inventories to support a few weeks of normal operations. The limited ability to rely on inventories during emergencies has heightened market perceptions of supply vulnerability and contributed to stronger price reactions.

Another important consideration is the growing linkage between European natural gas prices and global LNG spot prices, together with the relatively low level of gas inventories in Europe. As of the end of August, European gas storage facilities were filled to less than 60% of capacity, marking one of the lowest inventory levels in recent years. This situation has been exacerbated by the prevailing futures market structure, in which near-term prices exceed prices for later delivery months, a condition known as backwardation. Under such circumstances, market participants have little economic incentive to purchase gas for storage, thereby discouraging inventory accumulation.

As LNG markets have become increasingly liquid and globally integrated, the degree of correlation between European gas prices and LNG spot prices has strengthened considerably. Consequently, vulnerabilities emerging within European gas markets have become an additional source of upward pressure on global LNG prices. Should Europe experience a particularly severe winter, both European gas prices and LNG spot prices could rise sharply. Given the continuing uncertainty surrounding Middle Eastern geopolitical developments and the persistence of multiple sources of instability across global energy markets, significant turbulence is likely to continue through the fourth quarter of 2026 and

beyond. Vigilant monitoring of future developments remains essential.

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