

Global Oil & Gas Trade: Current Situation and Five-Year Outlook

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\$109.5 BRENT SPOT, 27 OCT 2026	–5.8 mb/d 2026 WORLD SUPPLY Y/Y (IEA)	4.8 mb/d GULF SHUT-INS, SEPT 2026
–509 mb GLOBAL STOCKS VS END-FEB 2026	~475 Mt GLOBAL LNG SUPPLY 2026F (KPLER)	\$84 EIA BRENT FORECAST, 2027 AVG

1. Executive Summary

The global oil and gas market enters the final quarter of 2026 in the grip of the most severe supply shock since the 1970s. The conflict that erupted between Iran and a US–Israeli coalition in late February 2026 effectively closed the Strait of Hormuz to normal commercial traffic for weeks and triggered a sequence of attacks on tankers, Saudi export infrastructure (including the 7 mb/d East–West pipeline, suspended in September after drone strikes) and regional energy assets. Roughly 4.8 million b/d of Middle East crude production remained shut in as of September 2026 — down from a peak of 10.9 mb/d in May but still historically extreme — and observed global oil inventories stood about 509 million barrels below end-February levels, with onshore stocks at their lowest since at least 2016.

Brent has swung violently: from a \$63–72 range in January–February 2026, to an intraday spike near \$120–126 in March–April, a relief sell-off to \$73.74 in late June, and a renewed rally to ~\$109–111 in October as mines struck tankers in the Strait of Hormuz and record tanker rates and war-risk insurance premia fed into delivered crude costs. The IEA estimates 2026 world oil demand will fall 2.6 mb/d to 102.4 mb/d — the steepest annual contraction on record — while world supply falls 5.8 mb/d to 100.7 mb/d.

Natural gas and LNG have been hit through the same chokepoint: Qatar, roughly one-fifth of global LNG supply, saw cargoes curtailed, partially offset by a wave of new non-Qatari liquefaction capacity. Meanwhile, the largest LNG capacity build-out in industry history (~93 MTPA starting up across 2025–26, with additions averaging ~50 MTPA/yr through 2028) is colliding with crisis-weakened demand, setting up a structural shift from a sellers' to a buyers' market in gas even as oil remains tight.

Bottom line: Consensus (EIA, Goldman Sachs) looks for Brent to ease from ~\$105 in Q4 2026 toward \$80–84 in 2027 as Gulf export workarounds — convoys, ship-to-ship transfers, bypass pipelines — restore flows. Our base case sees \$74–84 Brent through 2031, with a wide scenario band of roughly \$62 (full normalisation) to \$110+ (escalation). Gas moves the opposite way near term: acute crisis tightness now, then persistent downward price pressure as the LNG supply wave lands.

2. The 2026 Oil Shock: Anatomy of the Crisis

2.1 Timeline of a supply shock

Period	Event	Market response
Jan–Feb 2026	Structural oversupply; Brent in \$63–72.5 range	Six-month high \$72.5 on 19 Feb, just before hostilities
Late Feb 2026	Iran conflict begins; Hormuz transit collapses from ~85 tankers/day	Brent gaps >\$110 in March; intraday ~\$120 on 8–9 Mar
Apr 2026	Ceasefire announced 8 Apr; Saudi East–West pipeline attacked	–13% single-day drop to \$94.75; renewed spike to \$126 intraday on 30 Apr
May–Jun 2026	Convoys resume; tankers transit Hormuz again	Relief to \$73.74 closing low on 24 Jun
Sep–Oct 2026	East–West pipeline suspended (drones); Houthi attacks rise; mines hit tankers on 20 Oct	Brent back above \$108; five-month intraday high \$111.67; record tanker rates

Supply losses peaked at 10.9 mb/d of shut-in production in May 2026 and stood at 4.8 mb/d in September — the largest outage event in the history of the oil market. The IEA's 11 March Collective

Action (coordinated strategic stock release) and a G7 commitment on 2 October to accelerate deliveries, prioritising diesel, have only partially buffered the drawdown.

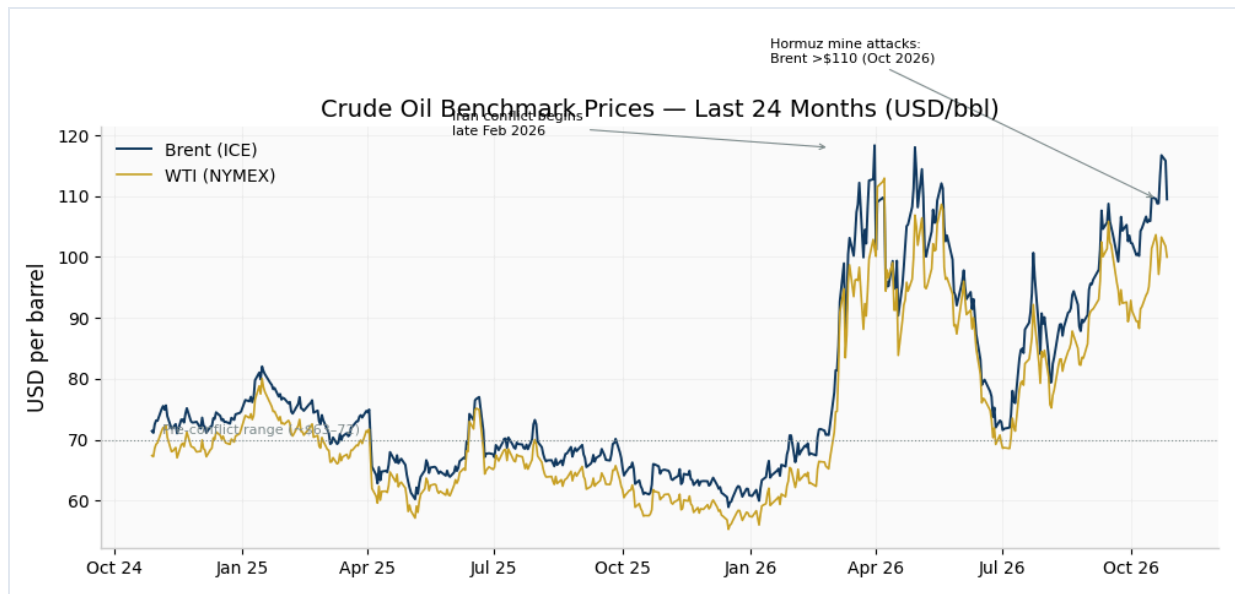


Figure 1 — Brent and WTI front-month futures, 28 Oct 2024 – 27 Oct 2026. Source: exchange data via Yahoo Finance.

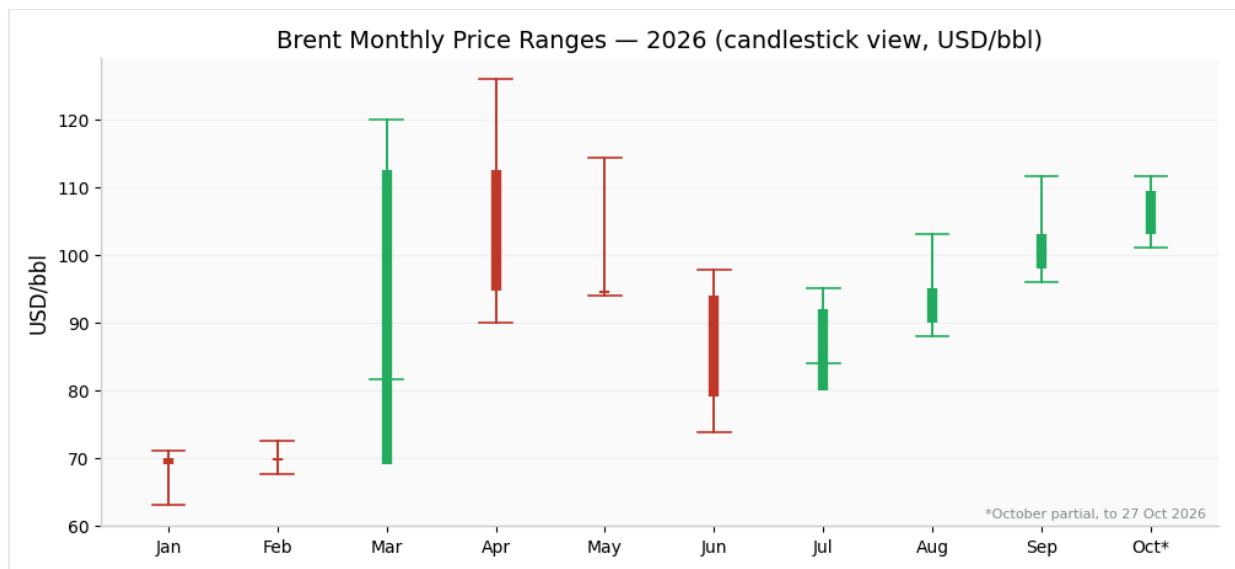


Figure 2 — Brent monthly ranges during 2026. Green months closed higher than they opened; red lower. Source: verified monthly data, Investing.com/Trading Economics.

2.2 Why prices stay high despite demand destruction

- **Physical tightness, not sentiment:** global inventories are 509 mb below pre-conflict levels; OECD industry stocks and onshore crude stocks are at multi-year lows, so every incremental disruption moves the price.

- **Diesel is the pinch point:** the IEA attributes ~25% of the 2026 demand decline to gasoil/diesel; record freight and crude costs crushed European and Asian refining margins while discounted feedstock pushed US margins to record highs. The gasoil market stays tight well into 2027.
- **Freight and insurance:** VLCC rates hit record levels in September; war-risk premia and longer routes (avoiding conflict zones) are adding several dollars per barrel to delivered costs — a structural feature of the crisis.
- **Export logistics remain fragile:** flows through Hormuz recovered to 10.9 mb/d in September (via Gulf of Oman ship-to-ship transfers) and bypass exports reached 5.6 mb/d, but Gulf crude exports are still only ~75% of pre-war levels.

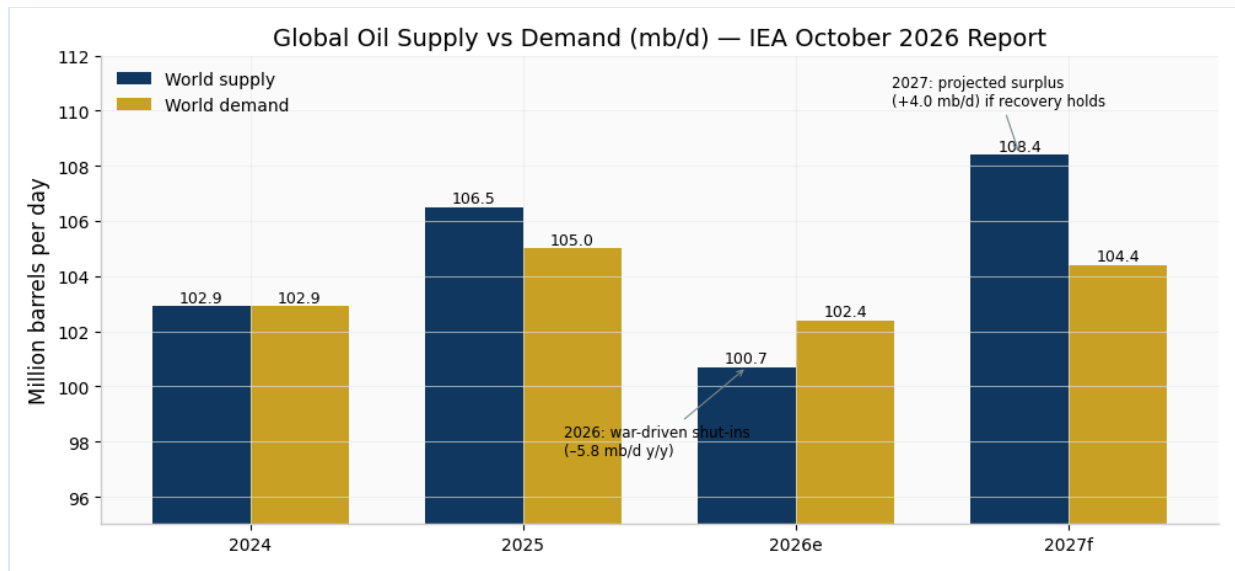


Figure 3 — World oil supply vs demand. 2026e/2027f per IEA Oil Market Report, October 2026; 2024–25 actuals. 2027 figures imply a ~4 mb/d swing to surplus if the Gulf recovery holds.

3. Natural Gas and LNG: Two Markets, Two Stories

3.1 The acute crisis

The effective closure of the Strait of Hormuz profoundly disrupted global gas and LNG markets through the loss of Qatari cargoes and heightened security risk across Gulf shipping. European (TTF) and Asian (JKM) gas prices spiked with crude, and the IEA's Q2 2026 Gas Market Report describes the episode as a stress test of global gas security architecture. As with oil, workarounds — rerouting, accelerated non-Qatari supply, fuel switching in power — contained the worst of the shortage, but the crisis has delayed the market-easing effect of the LNG supply wave by at least two years and pushed contract holders toward long-term, diversified portfolios.

3.2 The structural wave

Underneath the crisis, the medium-term gas story is one of abundance:

- About 45 MTPA of new liquefaction began ramping in 2025 and ~48 MTPA more in 2026 (Golden Pass, Qatar North Field Expansion, Scarborough, Nigeria LNG T7). Kpler expects global LNG supply of ~475 Mt in 2026 (+10.2% y/y); the IEA projects the fastest supply growth since 2019 (+7%).
- Nameplate liquefaction capacity could reach ~666 MTPA by end-2028 — a 40% five-year increase, with additions averaging ~50 MTPA/yr through 2028. Bernstein expects the market to revert to a "net long" position from 2026 onward.
- The United States is the swing supplier: committed US projects add roughly 15–17 Bcfd of liquefaction capacity by end-decade, more than doubling current US export capacity. Combined with Qatar's expansion to 142 MTPA by 2030, this shifts bargaining power to buyers.
- Demand growth is concentrated in emerging Asia (India, SE Asia); European LNG imports stabilise near ~120 mtpa. Some bearish analyses project a very large capacity overhang by 2030 with JKM potentially troughing near \$5/MMBtu — below the breakeven of most new US and Canadian projects.

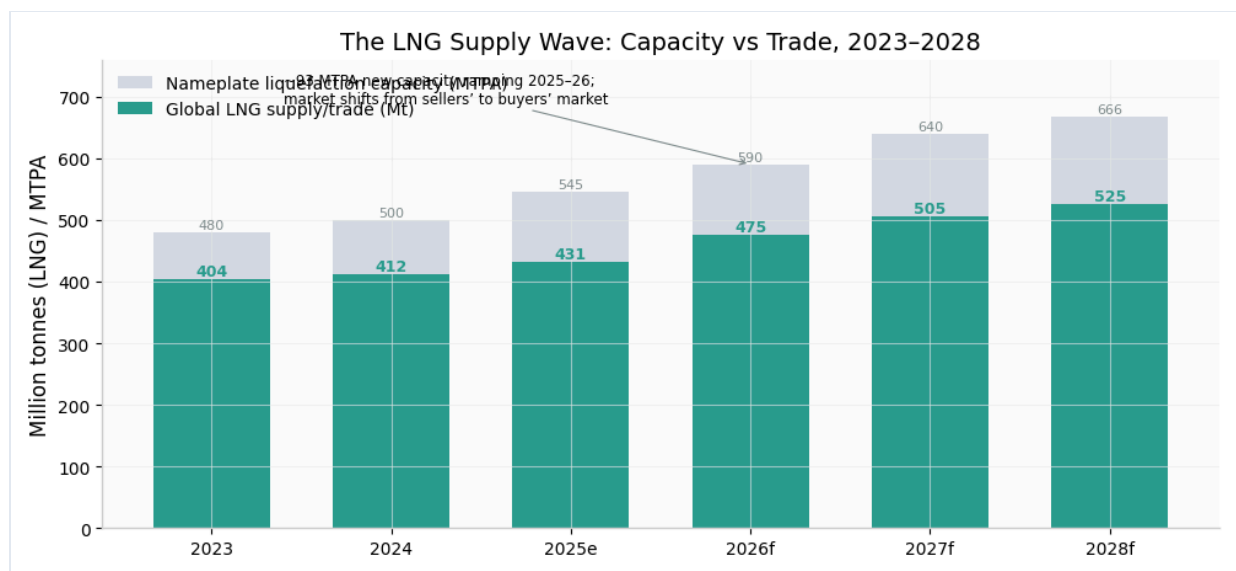


Figure 4 — LNG liquefaction capacity vs actual trade. Trade estimates: Kpler (2025–26), Bernstein/IEA extrapolation thereafter. Capacity: IEEFA Global LNG Outlook; nameplate figures exceed traded volumes due to downtime and utilisation.

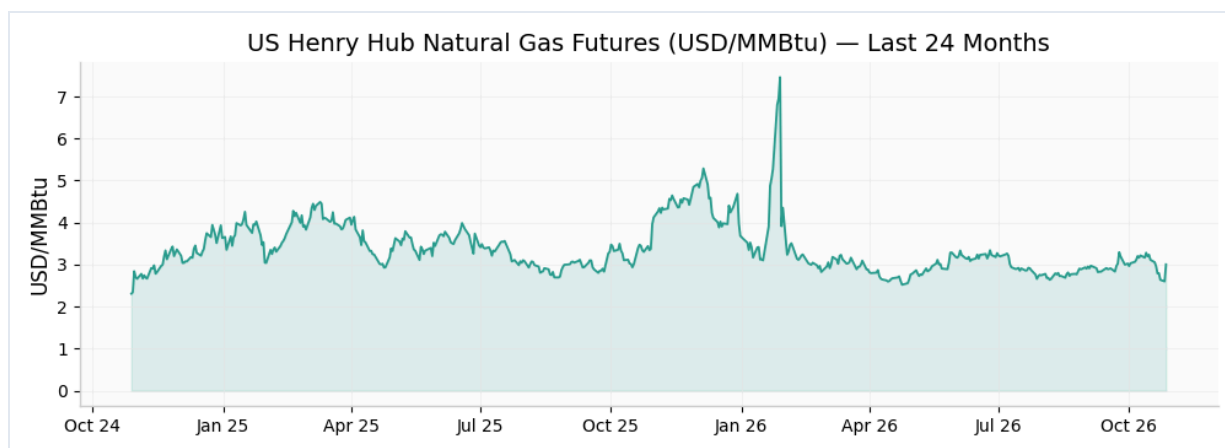


Figure 5 — Henry Hub front-month futures. US gas remains the global marginal-cost anchor: abundant shale supply keeps HH near \$3/MMBtu even amid LNG feedgas demand growth.

4. Trade Flows, Shipping and Sanctions

- **Rerouting as the new normal:** convoy transits of Hormuz, ship-to-ship transfers in the Gulf of Oman, revived East–West pipeline flows (before the September suspension) and overland bypasses have partially re-plumbed Middle East exports. New UAE bypass pipeline capacity due online in 2027 adds resilience.
- **Tanker market:** record VLCC earnings and multi-week voyage extensions have raised the cost of seaborne trade structurally. For a shipping economist, this is the most durable legacy of the crisis: higher freight = higher landed crude costs = wider regional price differentials.
- **Russian flows:** Ukrainian strikes on Russian refineries and ports, plus constrained Russian refining capacity, have limited product exports despite the announced easing of diesel export restrictions; Russian crude continues to flow largely to Asia at discounted prices.
- **SPR and policy:** the 40-million-barrel US SPR exchange (announced 29 Sep) and the G7 acceleration of IEA collective action mark the largest coordinated stock response since 2022 — a cushion, not a cure.

5. Five-Year Outlook (2026–2031)

5.1 Crude oil: from crisis premium to glide path

Every major institution expects prices below current spot levels as supply workarounds normalise Gulf flows. EIA sees Brent averaging \$105 in Q4 2026, easing to \$84 in 2027 and toward the mid-\$70s by end-2027 as inventories rebuild. Goldman Sachs is more bearish (\$90 December 2026; \$80 average 2027) with a fat tail in both directions (upside ~\$125 if Gulf output stays 5 mb/d below

pre-war; downside low-\$60s on full recovery). Morgan Stanley sits at the bullish end (\$105 Q4 26, \$100 Q1 27).

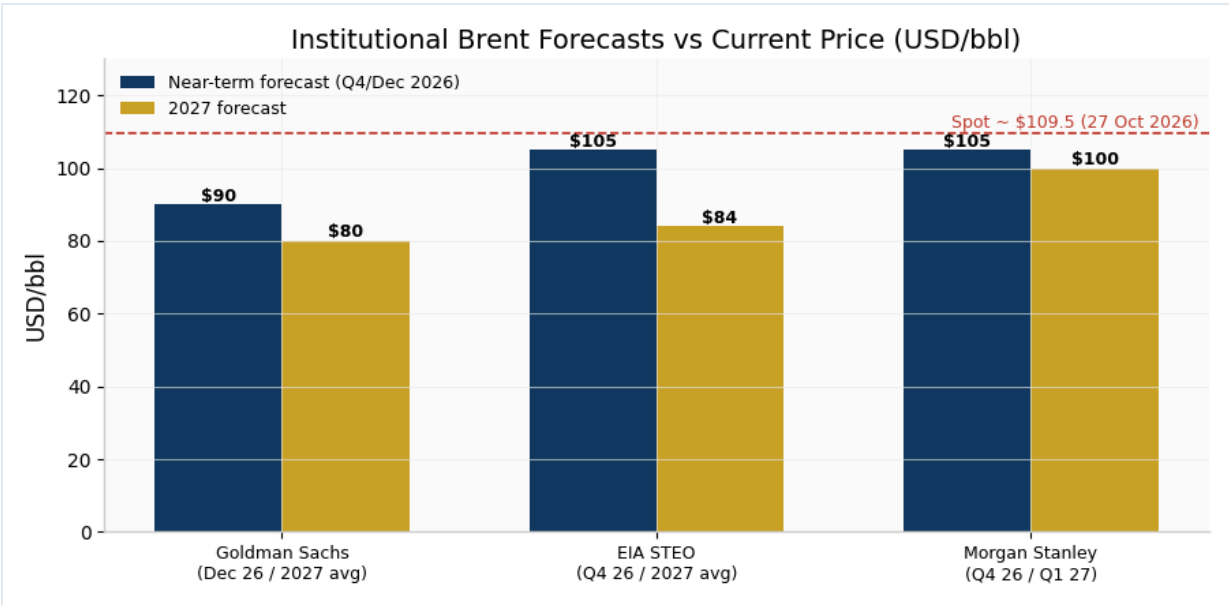


Figure 6 — Institutional Brent forecasts vs spot. Sources: EIA STEO (Oct 2026), Goldman Sachs (11 Oct 2026), Morgan Stanley (12 Oct 2026), market data 27 Oct 2026.

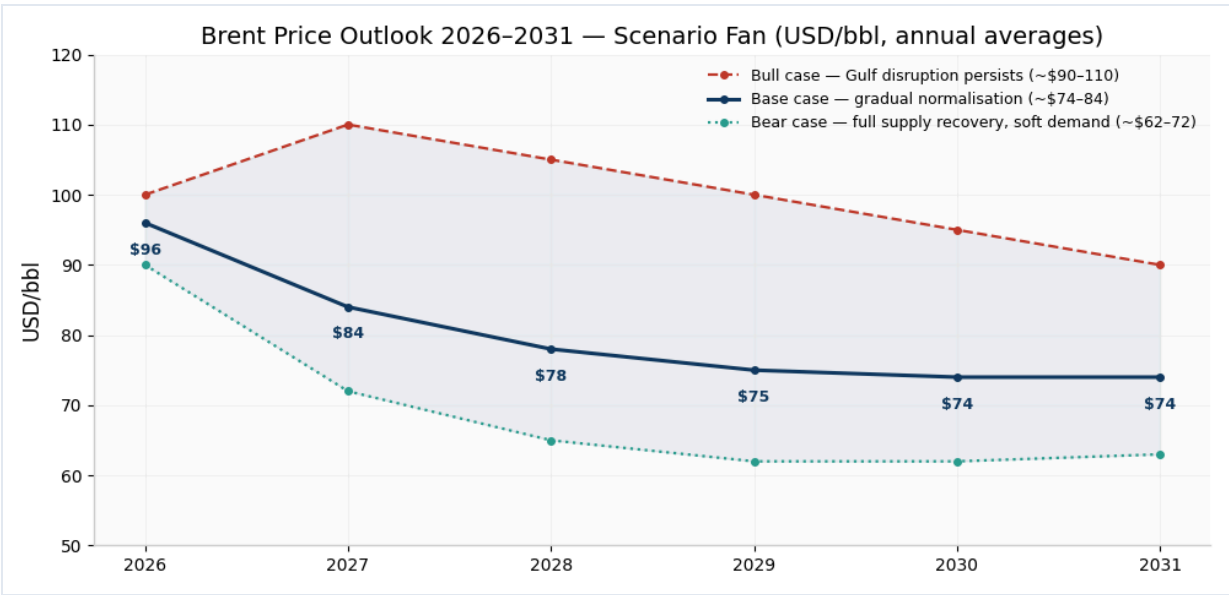


Figure 7 — Five-year scenario fan for Brent, annual averages. Base case interpolates EIA/Goldman normalisation; bull case assumes persistent disruption; bear case assumes full recovery plus demand softness.

Scenario	2026	2027	2028	2029–31	Key assumptions
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Bull (escalation)	\$100	\$110	\$105	\$90–100	Hormuz insecurity persists; renewed infrastructure attacks; OPEC+ spare capacity constrained
Base (normalisation)	\$96	\$84	\$78	\$74–75	Gulf flows largely restored by mid-2027; inventories rebuild; non-OPEC supply (US, Brazil, Guyana) grows
Bear (oversupply)	\$90	\$72	\$65	\$62–63	Full Gulf recovery + 2027 surplus of ~4 mb/d + weak demand + energy-transition drag

5.2 Natural gas and LNG outlook

Metric	2026	2027	2028	2029–31
Global LNG supply (Mt)	~475	~505	~525	~540–560
New liquefaction capacity (MTPA/yr)	~48	~50	~50	tapering; project economics tested
US LNG export capacity (Bcfd)	~15	~17–19	~20+	marginal growth; FID discipline
JKM (Asia LNG, \$/MMBtu)	crisis premium \$12–18	easing to \$9–12	\$7–10	\$5–9 (bear risk to ~\$5 trough)
Henry Hub (\$/MMBtu)	~\$3.0–3.5	~\$3.0–4.0	~\$3.0–4.5	~\$3–5, data-centre demand upside

The central tension for gas: near-term crisis tightness (if Gulf LNG risk persists) versus a large structural capacity overhang by 2028–2030. Buyers should favour short-term indexation and portfolio flexibility; sellers with low-cost resources (Qatar, US Gulf Coast brownfields) remain viable, while high-breakeven projects (Canada, some Australian) face FID delays or stranded risk.

6. Key Risks to the Outlook

Upside (price) risks: renewed Hormuz mining/attacks; strikes on Saudi or UAE export infrastructure; failure of 2027 bypass capacity; OPEC+ cohesion breakdown; second-order demand response weaker than expected given depleted stocks.

Downside (price) risks: diplomatic resolution and rapid Gulf normalisation; demand scarring from the 2026 recessionary shock; faster non-OPEC supply; continued Chinese product export disruption or, conversely, a Chinese demand slowdown; a disorderly unwind of speculative length.

Structural risks span both directions: energy-transition acceleration (EV adoption, renewables) caps long-run oil demand growth, while underinvestment in conventional supply raises the floor under prices in any future shock — a wider long-run price band, exactly what the 2026 crisis has demonstrated.

7. Implications for Market Participants

- **Traders/charterers:** expect wide Brent time-spreads and elevated, volatile freight through 2027; war-risk premia are now a line item in voyage economics. Physical differentials (WTI–Brent, Dubai–Brent) will remain dislocated while US crude is trapped relative to disrupted Gulf barrels.
- **Refiners:** diesel/gasoil margins stay supported into 2027; refiners with flexible crude slates and access to discounted barrels (US, sanctioned-origin crude) capture outsized margins.
- **LNG buyers:** the 2026–28 window is the best buyers' market in a decade for short/mid-term procurement; lock flexibility, not volume.
- **Hedgers:** with consensus \$25–30 below spot, collar structures and layered hedging outperform flat swaps for consumers; producers should monetise the backwardation while it lasts.

Sources: IEA Oil Market Report (October 2026); IEA Gas Market Report Q2 2026; US EIA Short-Term Energy Outlook (October 2026); Goldman Sachs research note (11 Oct 2026); Morgan Stanley research note (12 Oct 2026); Kpler; Bernstein; IEEFA Global LNG Outlook; exchange data via Yahoo Finance. Market data as of 27 October 2026.

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