

Energy Market Drivers:

More oil is moving, but the physical market is still tight. Diesel and gas oil topping international geopolitics

October 2, 2026

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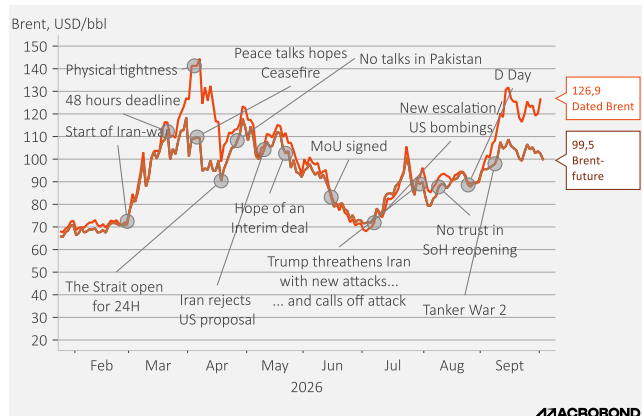
Crude oil and geopolitics: More oil is moving, but physical supply remains expensive

The crude market has become less tight at the margin this week, as more barrels leave the Middle East. That is welcome news, but it is too early to conclude that supply has normalised. Dated Brent remains elevated, while the diplomatic process has yet to deliver reliable passage through the Strait of Hormuz. Our call remains that no lasting US–Iran deal will be reached before the November midterm elections.

The most important improvement is in physical flows. Bloomberg reported JPMorgan estimates of Middle Eastern crude exports at 17.5 million barrels per day, or 98% of pre-war levels. Saudi Arabia has restored around half the flows through its East-West pipeline, and loadings at Yanbu have resumed. The recovery combines pipeline bypasses and shipments through Hormuz; it should not be read as evidence that the Strait is safely open. However, we should not forget that the UKMTO continues to report recurring maritime “incidents” in the Middle East. Over the last week, five attacks on vessels have been reported. And likely not all attacks are registered

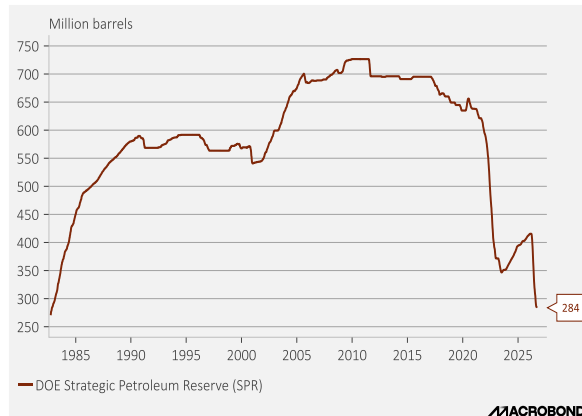
The physical market also tells a more expensive story. Dated Brent was fixed at USD 127/bbl Thursday, roughly USD 25 above Thursday’s December futures close. These are different delivery periods and pricing references, but the gap illustrates the premium for prompt barrels. More departures from the Gulf do not immediately replenish depleted stocks at consuming centres. Voyage times, freight and the reliability of the next cargo all matter.

Dated Brent well above the Brent future again



Source: GRM, Macrobond, Bloomberg

US strategic crude oil reserve at the lowest level since 1982



Source: GRM, Macrobond, Bloomberg

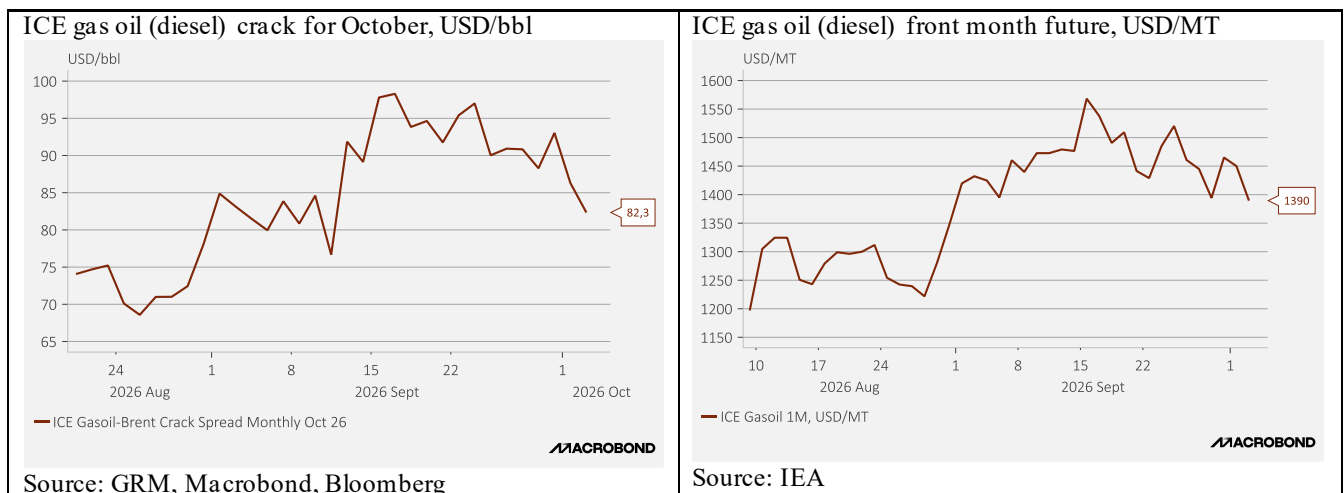
Negotiations are mediated by Qatar. Reuters reported that Iran received Washington’s response to its seven-day confidence-building proposal, with the sequencing of concessions the main sticking point. The prospect of an agreement can still trigger sharp price falls, but neither side wants to surrender its strongest bargaining tool first. Reports of a further US military build-up underline the risk that diplomacy and escalation continue side by side.

High fuel prices put pressure on Trump ahead of the midterms, while Iran retains leverage through the threat to shipping and elevated product prices, notably diesel and gasoil. Better flows may reduce the urgency of a US compromise without removing the underlying conflict. On the other hand, if Iran loses control of the Strait of Hormuz, the risk of escalation from the Iranian side rises.

We retain our central scenario of a more durable reopening in Q2 2027. This is a scenario, not a timetable: sustained, secure flows would make us reassess. For consumers, improved supply and price dips favour adding near-term hedges, while retaining flexibility further out.

Diesel gasoil and MGO: Some price relief as Europe weighs stock releases

Diesel and gasoil prices have eased, offering consumers some relief after September's sharp increases. Today the benchmark front-month ICE gas oil future is down USD 70/MT, trading at USD 1380/MT. The ICE gas oil crack for October is currently trading at USD 82/bbl down almost USD/bbl over the last two weeks.



The policy focus has shifted towards Washington's pressure on Europe to release diesel reserves. The FT described a French compromise proposal for 50 million barrels of European diesel releases, with a further 50 million barrels of crude from IEA members. Trump had sought at least 100 million barrels of diesel and threatened US export restrictions. G7 leaders were due to discuss the issue on Friday. European governments discussed linking any agreement to a US commitment not to impose a unilateral diesel export ban. These were proposals at the time of writing, not an agreed release programme.

A coordinated release would add prompt supply and could reduce the risk of US restrictions. However, drawing down reserves buys time; it does not repair refineries or restore normal trade. The risk of temporary or partial US export restrictions is still there, although a European agreement offers a route to avert them. The market should therefore remain sensitive to both the size of any release and the conditions attached to it.

The underlying product balance remains tighter than the crude balance. Various estimates from vessel tracking companies and investment banks put Middle Eastern product exports at only 50-60% of pre-war levels, compared with roughly 100% for crude.

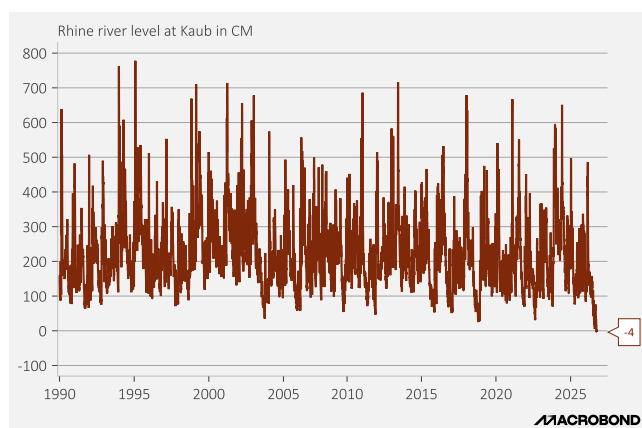
Furthermore, China has suspended October fuel exports, while Russia extended diesel export restrictions through October.

For MGO consumers, the same middle-distillate shortage remains the main concern. Lower gasoil prices should help marine distillate costs, but bunker quotations also reflect local stocks, delivery

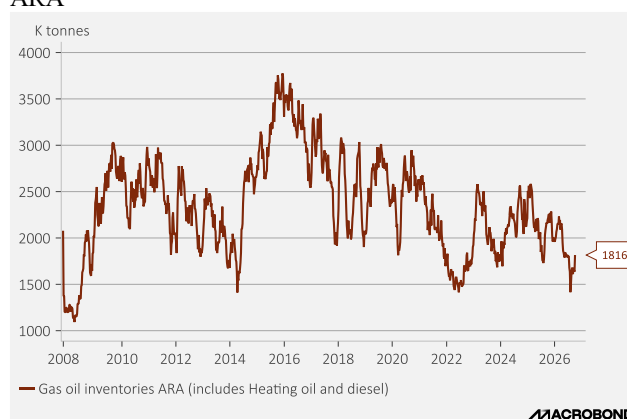
capacity and port premiums. A fall in ICE gasoil therefore need not translate into an identical fall in delivered MGO. Availability and price exposure should still be assessed port by port.

Regional logistics can also produce misleading signals. As discussed in our daily updates, low Rhine water levels can trap products in ARA, easing prices there while keeping inland German supply expensive. More stock at a coastal hub like ARA does not necessarily mean more fuel is reaching the end-user. Last week, we saw a jump in ARA diesel and gas oil inventories, but we mainly attribute it to the low water level on the Rhine, where the gauge moved below zero this week. Importantly, it does not mean that the actual depth is negative. One has to add 112 cm to get the actual river depth.

Low Rhine water gauge at river Rhine (Kaub), cm

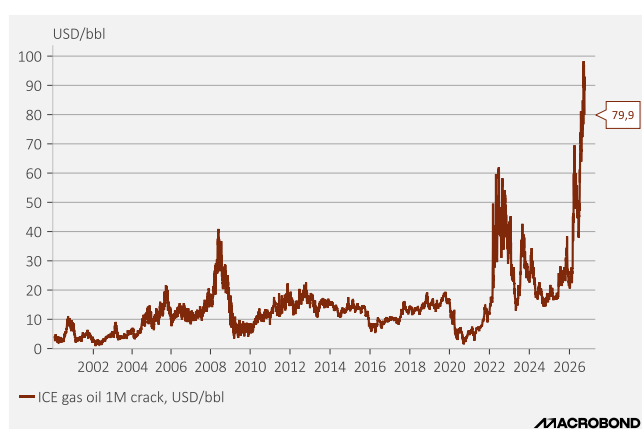


May “artificially” have added to bigger inventories in ARA

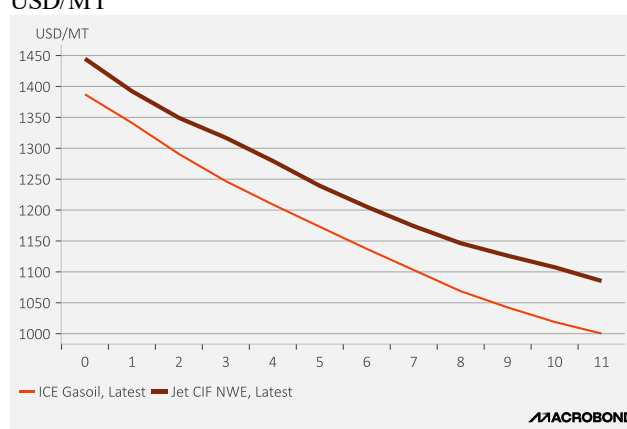


Our conclusion remains that consumers should use the easing to add product-specific hedges ahead of winter. Forward discounts (backwardation) can offer better entry levels, while purchased calls retain participation in further declines if diplomacy and stock releases deliver more lasting relief.

ICE gas oil (diesel) crack 1M, USD/bbl



ICE gas oil (diesel) and Jet CIF NWE 1M forward curves, USD/MT



European gas: Mild weather buys time as Germany steps up storage purchases

European gas has benefited from a mild start to October, but the winter balance remains fragile. The immediate weather outlook limits heating demand and extends the window to inject gas. However, it does not remove exposure to a cold winter or a renewed interruption to LNG supply.

Germany's decision to order SEFE to buy and store an additional 8 TWh by 15 December was the main development this week. German storage remains 58% full, which is unusually low for the season. The instruction marks a move towards direct state-supported purchases after Berlin had relied primarily on market incentives.

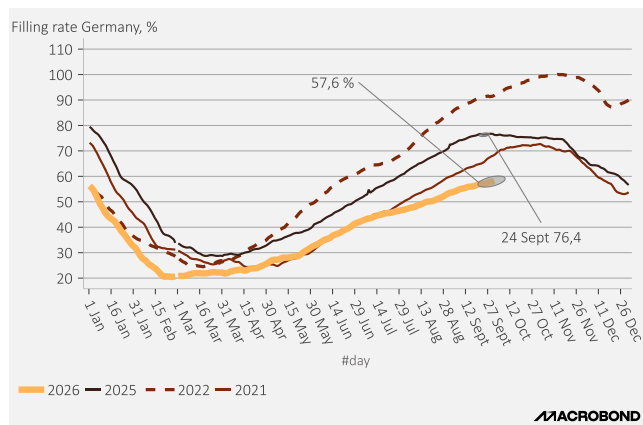
The intervention has two effects. It improves the prospective winter buffer, but also adds a buyer to an already expensive market. As noted in our daily updates, the announcement supported TTF. The broader concern is that other buyers may decide they cannot wait for cheaper gas, increasing competition for prompt supplies. Conversely, prolonged mild weather would reduce that urgency and could create further price dips.

The recovery in Middle Eastern crude exports should not be extrapolated to LNG. Reuters reported on Monday that QatarEnergy had extended force majeure notices, with Edison not expecting cargoes before early December and some Asian buyers facing extensions into November. LNG has not benefited from the same pipeline bypass options as crude.

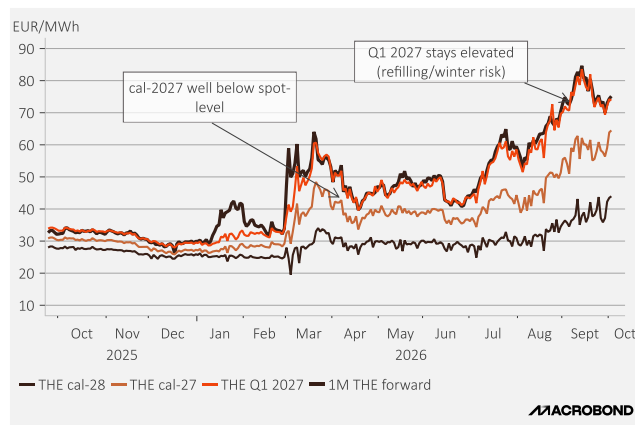
Europe consequently remains dependent on attracting flexible cargoes while competing with Asian demand. The planned phase-out of Russian LNG on January 1st adds to the need for alternative supplies. High prices can restrain industrial consumption, but households and power generation are harder to adjust quickly during a cold spell. Low wind output would add to gas demand just when heating demand is rising.

We remain concerned about the coming winter. Mild weather is valuable breathing space, and a diplomatic breakthrough would improve the outlook, but neither is a sufficient basis for leaving a large winter exposure open. Our recommendation remains a high hedge ratio for the next six months, particularly in winter, with greater flexibility for H2 2027 and 2028.

Still low German inventories



THE gas prices, EUR/MWh



EUAs: Still a tight market, but compliance buying support behind us

The passing of the 30 September surrender deadline shifts the near-term balance in EUAs. With deadline-related buying behind us, energy prices, positioning and the debate over ETS reform become more prominent. EUA prices have faced modest downward pressure this week, but nothing dramatic.

The energy link remains important. Expensive gas can favour coal-fired generation, which requires more allowances per unit of electricity and therefore supports EUA demand. The German clean dark spread for Q1 2027—the margin from producing electricity after coal and carbon costs—remains comfortably positive and well above the corresponding clean spark spread for gas-fired generation.

However, mild weather, stronger renewable generation and weak industrial activity can offset this support. A higher TTF price does not automatically translate into a proportional rise in carbon prices.

Policy risk also warrants more attention than last week's edition suggested. Carbon Pulse reported on Thursday that lawmakers in Parliament's industry and energy committee had proposed a EUR 40/t trigger for releasing allowances, together with a slower decline in the emissions cap. This is a proposal from a group of lawmakers, not an adopted price ceiling or a change to current auction supply. Nevertheless, it underscores the pressure to contain industrial energy costs.

Separately, the Council's negotiating position on the Market Stability Reserve would suspend allowance invalidation until the end of 2030 and introduce an invalidation threshold of 800 million allowances from 2031. Agreement with Parliament is still required, and preserving allowances in the reserve does not mean immediately releasing them for sale.

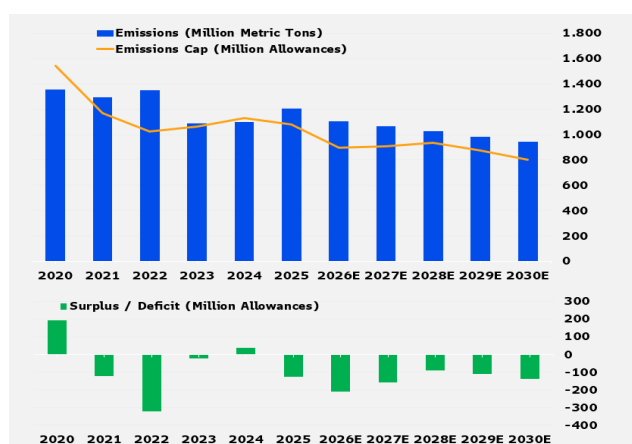
We continue to expect a tighter market balance in 2027 and 2028, supporting our recommendation that consumers add hedges on price dips. However, policy uncertainty means the path is unlikely to be smooth. The Bloomberg Intelligence chart below right illustrates the expected tightness by comparing its demand forecast with the emissions cap.

Positive dark spread (Germany) adds to coal use and EUA demand



Source: GRM, Macrobond, Bloomberg

Bloomberg BI market balance



Source: Bloomberg BI, GRM

Hedging views (all products): Hedge ratio above benchmark. Length/duration below benchmark*. Consider options as a hedging instrument

We published our Budget Commodity Outlook 2027 two weeks ago. See the link [here](#).

Oil and oil products

From a risk-and-reward perspective, consumers should consider increasing hedge ratios for oil and oil products over the next three to six months. The geopolitical situation remains challenging. The recent easing in diesel and gasoil improves entry levels, although prices remain high after September's rise.

We expect better opportunities to enter calendar 2027 and 2028 hedges. Hence, keep the length and duration below benchmark.

EUAs

We see value in adding to consumer hedging positions at current EUA price levels, given the continued tightness of the underlying market balance. Buying related to the 30 September surrender deadline may now fade, while attractive coal-generation margins can add to demand. Political intervention remains a risk as the ETS reform debate develops.

Gas and LNG

We remain concerned about gas consumers ahead of winter. European inventories are low, Hormuz may stay restricted for longer, Europe faces competition for LNG and Russian LNG imports are being phased out. Further precautionary buying could add to price pressure.

The risk-reward balance favours high hedge ratios for gas and LNG exposure over the next six months, particularly winter. Better entry levels for H2 2027 and 2028 may materialise later.

Instruments

We generally recommend linear instruments, such as swaps and futures, for consumer hedging. Where curves remain in backwardation, they offer opportunities to lock in prices below spot, particularly in diesel, gasoil, jet fuel, VLSFO, natural gas and power.

Purchased call options offer an alternative: consumers can cap their purchase price while retaining the benefit of falling prices. The premium adds to the effective price cap, and the maximum mark-to-market loss on the purchased option is limited to the premium.

Contact

For structures tailored to your exposure, needs and risk profile, contact your sales contact at Global Risk Management. Our Budget Commodity Outlook 2027 provides further guidance for the budget process.

By benchmark, we mean each company's own benchmark for its hedge ratio and the duration of its hedges.

**) By benchmark, we refer to the single company and its benchmark for hedge ratio and length/duration of the hedge*

Oil, Gas, EUA, and FX price forecasts from GRM

Oil and Bunker fuel

	Spot	Q3 2026	Q4 2026	Q1 2027	Q2 2027	Q3 2027	Q4 2027	avg. 2026	avg. 2027
Brent GRM Forecast avg., USD/bbl	99	92	101	90	78	75	75	92	80
ICE Gasoil 1M., USD/MT (GRM Forecast)	1348	1353	1445	1192	954	931	857	1195	983
LSMGO (1M 0.1% Gasoil FOB ARA Barge) , USD/MT (GRM Forecast)	1255	1303	1405	1157	924	902	829	1158	953
VLSFO (1M 0.5% Rotterdam Barge), USD/MT (GRM Forecast)	538	531	591	514	438	432	432	539	454
HSFO (1M 3.5% Rotterdam Barge), USD/MT (GRM Forecast)	538	531	591	514	438	432	432	539	454
SING 10ppm gasoil FOB Cargo, USD/bbl (GRM forecast)	160	176	191	158	130	130	125	157	144
Sing Marine Fuel 0.5% FOB Swap, USD/MT (GRM Forecast)	759	724	791	704	598	555	556	713	603
FO 380 CST 3.5% FOB Spore Cargo 1M (GRM Forecast)	619	584	641	564	478	472	472	591	497

EUA

	Spot	Q3 2026	Q4 2026	Q1 2027	Q2 2027	Q3 2027	Q4 2028	2026	2027	2028
Forward	84,3	83,6	85,6	86,5	87,3	88,0	89,1	79,8	87,8	91,4
Consensus		80,0	85,0	84,0	85,9	86,0	89,1	80,0	88,0	88,0
GRM		84	92	93	94	95	96	82	95	103

TTF

	Spot	Q3 2026	Q4 2026	Q1 2027	Q2 2027	Q3 2027	Q4 2027	avg. 2026	avg. 2027
TTF natural gas, EUR/Mwh (GRM Forecast)	75	80	90	70	45	45	40	64	50
TTF natural gas, EUR/M3 (GRM Forecast)	0,91	0,97	1,09	0,85	0,55	0,55	0,49	0,78	0,61
TTF natural gas, DKK/3M (GRM Forecast)	6,77	7,27	8,18	6,36	4,09	4,09	3,64	5,79	4,54

FX

	Spot	Q3 2026	Q4 2026	Q1 2027	Q2 2027	Q3 2027	Q4 2027	2026 (avg)	2027 (avg)
EUR/USD	Consensus	1,16	1,16	1,16	1,17	1,18	1,19	1,17	1,18
	GRM	1,13	1,15	1,14	1,12	1,10	1,11	1,15	1,11
GBP/USD	Consensus	1,34	1,34	1,34	1,35	1,36	1,37	1,35	1,36
	GRM	1,32	1,34	1,31	1,29	1,26	1,28	1,34	1,28
EUR/GBP	Consensus	0,86	0,87	0,87	0,87	1,36	0,87	0,87	0,99
	GRM	0,85	0,86	0,87	0,87	0,87	0,87	0,86	0,87
USD/DKK	Consensus	6,42	6,42	6,42	6,37	6,31	6,26	6,37	6,34
	GRM	6,63	6,48	6,54	6,65	6,77	6,71	6,46	6,70

Source: GRM, Bloomberg (Consensus)

Recent price developments

	Last	1D Δ	1D %	1M Δ	1M %	YTD Δ	YTD %
Brent Crude 1st pos., USD/bbl	99,05	(3,26)	(3,2%)	3,4	3,6%	38,2	62,8%
WTI Crude 1st pos., USD/bbl	89,87	(3,00)	(3,2%)	(1,1)	(1,3%)	32,5	56,5%
ICE Gasoil 1st pos., USD/MT	1348,00	(102,00)	(7,0%)	(84,3)	(5,9%)	725,3	116,5%
Diesel ULSD 10ppm CIF NWE Cargo 1M, USD/MT	1305,97	(88,09)	(6,3%)	(43,9)	(3,2%)	698,9	115,1%
Jet Fuel NWE CIF 1M, USD/MT	1440,63	(61,14)	(4,1%)	45,8	3,3%	795,9	123,4%
0.1% Gas oil Fob Barge Rotterdam 1M, USD/MT	1255,16	(53,84)	(4,1%)	(3,2)	(0,3%)	675,1	116,4%
0.5% Fob Barge EU Marine Fuel M1, USD/MT	596,98	(35,55)	(5,6%)	(19,9)	(3,2%)	213,7	55,7%
3.5% Fob Barge Rotterdam 1M, USD/MT	537,97	(18,78)	(3,4%)	28,3	5,6%	215,0	66,6%
TTF gas 1M, EUR/MWh	74,53	0,59	0,8%	0,9	1,2%	46,4	164,7%
TTF Cal 2027, EUR/MWh	59,05	0,75	1,3%	5,1	9,4%	33,5	131,4%
TTF Cal 2028, EUR/MWh	38,45	0,38	1,0%	3,1	8,7%	14,4	59,6%
THE gas 1M, EUR/MWh	75,59	1,78	2,4%	0,8	1,1%	46,2	157,3%
THE gas cal 2027, EUR/MWh	57,10	(3,22)	(5,3%)	1,1	1,9%	29,8	109,4%
Henry Hub gas 1st pos., USD/MMBtuu	2,98	0,01	0,4%	0,0	0,8%	(0,7)	(19,2%)
JKM LNG Cargo Swap M1, USD/MMBtuu	25,45	0,70	2,8%	1,3	5,4%	15,8	164,9%
EUA spot, EUR/MT	84,28	(0,85)	(1,0%)	0,9	1,1%	(1,0)	(1,1%)
EUA Dec-26, EUR/MT	84,75	(0,89)	(1,0%)	0,7	0,8%	(2,6)	(3,0%)
German day-ahead, EUR/MWh	155,08	-	-	42,2	37,4%	140,6	969,5%
German month-ahead, EUR/MWh	171,62	3,17	1,9%	16,6	10,7%	73,7	75,2%
German Cal 2027, EUR/MWh	130,20	1,15	0,9%	7,1	5,8%	47,1	56,7%
German Cal 2028, EUR/MWh	99,33	(0,33)	(0,3%)	3,2	3,4%	20,0	25,3%
API 2 coal Cif ARA 1M forward, USD/MT	142,50	(0,48)	(0,3%)	5,9	4,3%	46,1	47,8%
API 2 coal Cif ARA Cal-27, USD/MT	136,50	1,80	1,3%	2,1	1,6%	39,0	40,0%
EUR/USD	1,127	0,00	0,3%	(0,0)	(2,7%)	(0,0)	(4,0%)

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