



Price • Predict • Perform

Reframing base oil markets through a Middle East lens

Lucas Hall
Senior Editor

30 June, 2026

Key global market trends



1

Crude futures
are not aligned
with physical
market realities

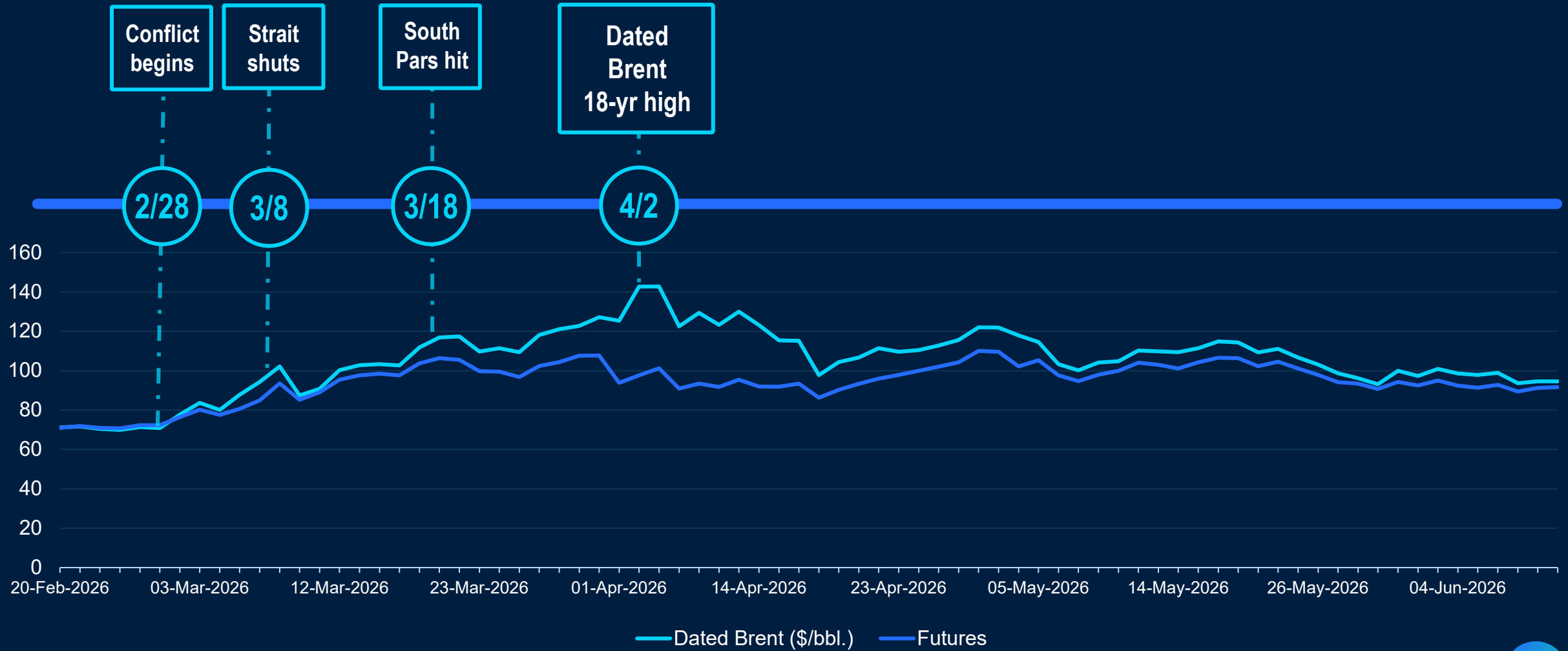
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Duration
of disruption
will dictate
recovery

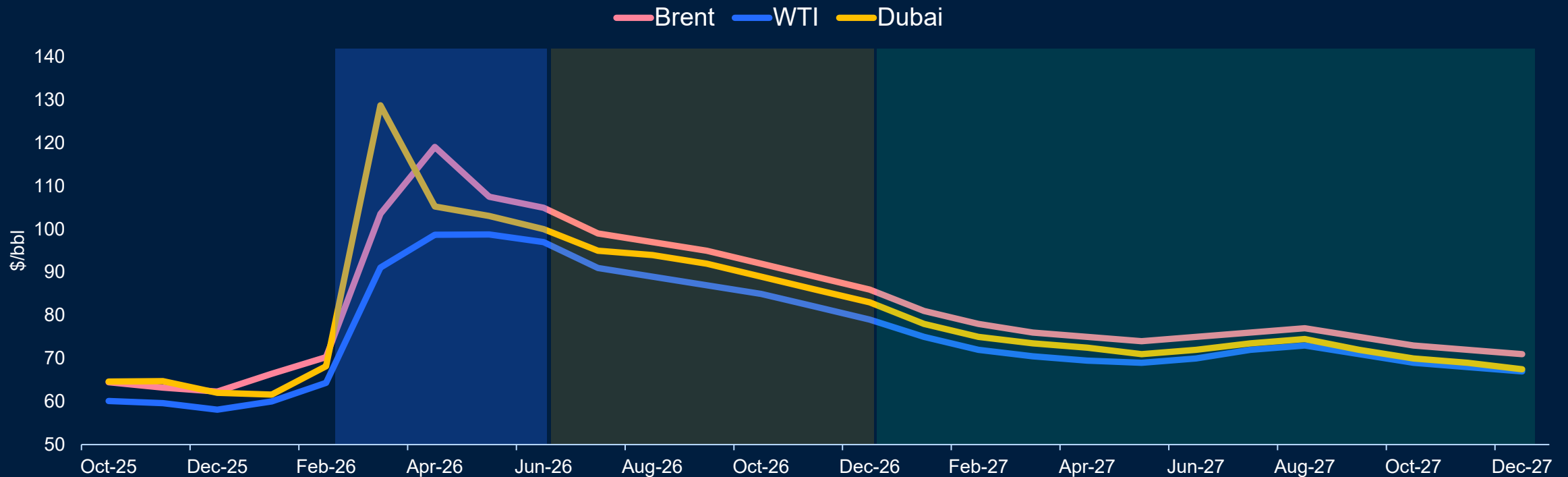
3

Only Group III
will see
significant
tightness

Events, not Tweets, driving crude markets



Crude oil: Sharp initial drop



March-May

- Sustained trade disruptions
- Crude slates adjusted
- Higher crude costs

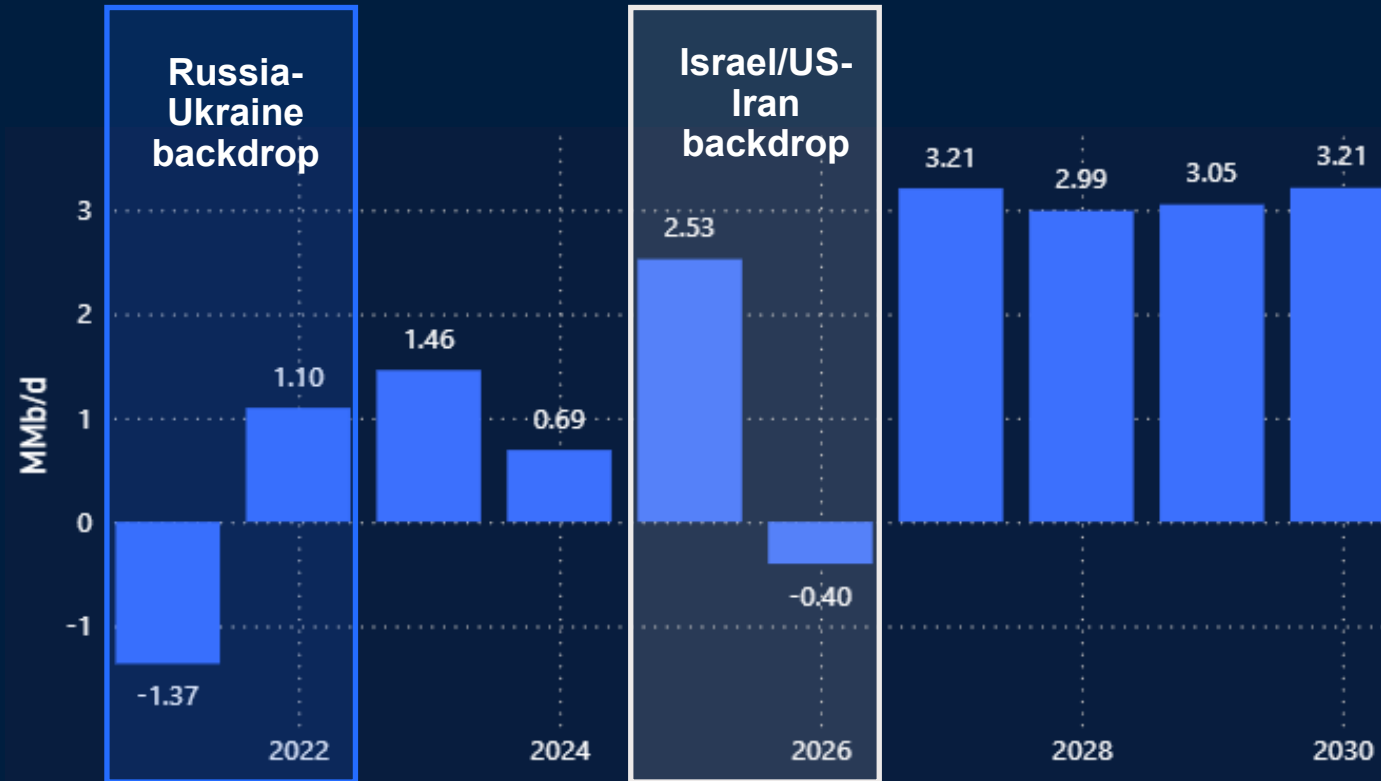
June-December

- Hormuz transit risk premium
- Export bottlenecks persist
- Costs still high, but dropping

2027

Prices trend back toward pre-conflict levels

Disruptions overlap structurally long market



1.4m bbl/day deficit preceded Russia/Ukraine

2.5m bbl/day surplus preceded US/Israel/Iran

Iran conflict unveils five key base oil price drivers



	Group I	Group II	Group III
1 <i>Physical crude</i> price lifts base oil	\$\$\$\$	\$\$\$\$	\$\$\$\$
2 <i>Diesel</i> production favored	\$\$\$\$	\$\$\$\$	\$\$\$\$
3 <i>35% of global GIII supply</i> inaccessible		\$\$\$	\$\$\$\$
4 <i>Energy costs</i> lift production costs (Europe & Asia)		\$\$\$	\$\$\$
5 <i>Shipping</i> becomes more expensive and difficult	\$	\$	\$

Regions are impacted differently



● Asia ● Europe ● North America ● South America ● Africa

North America

- Crude exporter
- Fuel exporter
- Group I, II, V exporter

Europe

- Highest-cost region (energy)
- Priciest GIII due to tight premium
- Reduced GII imports

South America/Africa

- Highly import dependent
- Buy now or wait?
- SAM needs US GII; Africa EU GI, II

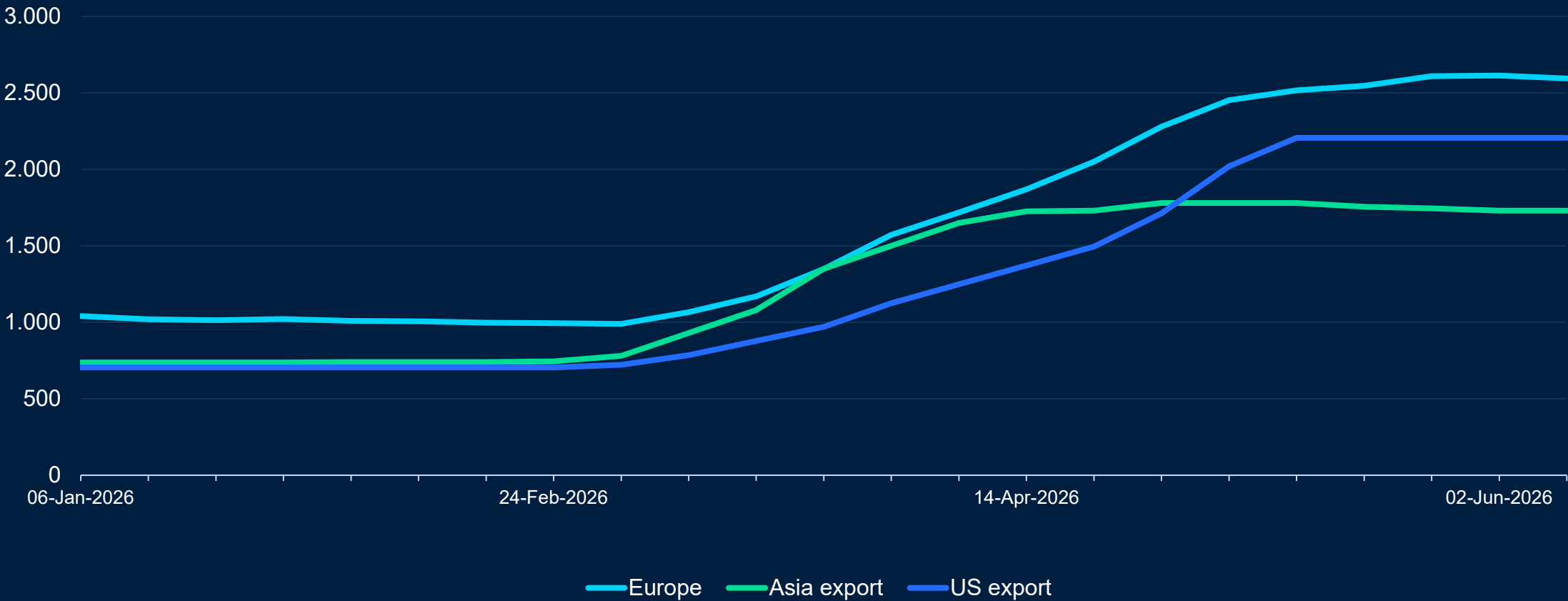
Asia

- Crude shortage
- Reduced rates; distillates focused
- GIII exports to US more expensive

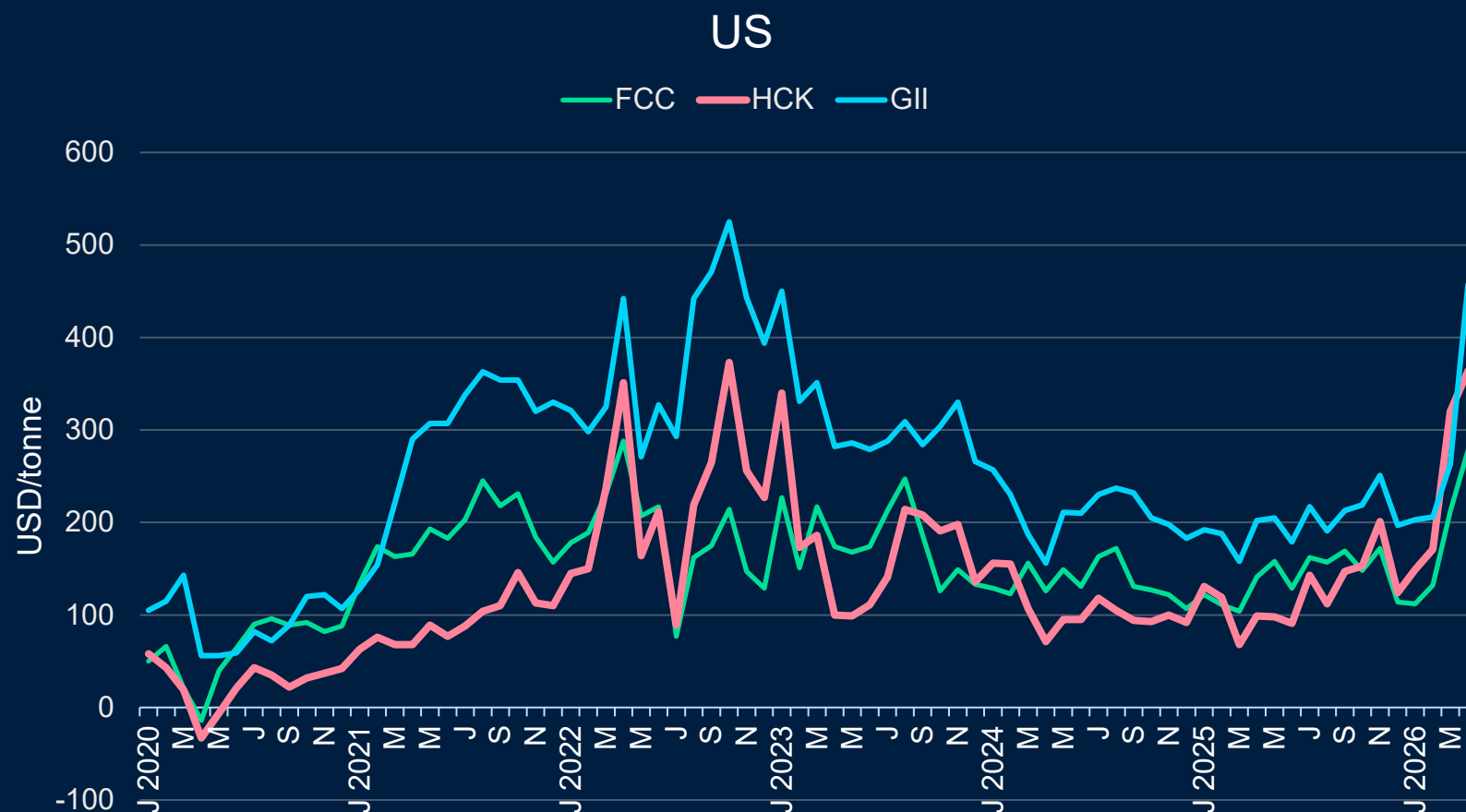
Middle East

- Hormuz closure weighs on stocks
- 1/3 global GIII trapped
- GIII exports to US more expensive

Group II light neutral prices appear to have peaked



Diesel raises the floor but could be undervalued



\$21/bbl
2015-2019

\$62/bbl
2026

Recovery will take longer than the war, even without damage



Duration of war	Crude oil wells	Shipping logistics	Refineries	Chemical plants
1 month	- Minimal shut-ins - Reservoir pressure retained 2-3 weeks return to normal	- Tankers in wrong areas - Insurers reprice risk 1-2 months return to normal	- Significant run rate reductions - Minimal shutdowns 2-3 weeks return to normal	- Significant run rate reductions - Minimal damage & repairs 2 months+ return to normal
3 months	- Shut-ins likely - Potential maintenance 1-2 months return to normal	- Insurance terms to be rewritten, causing delays 1-3 months return to normal	- Significant run rate reductions - Multiple shut-downs 2 months+ return to normal	- Significant run rate reductions - Minimal damage & repairs 2 months+ return to normal
6 months	- Older plants struggle to return - Equipment degradation 1-3 months return to normal	- Severe port backlog - Initial caution from charterers 2-4 months return to normal	- Significant run rate reductions - Multiple full shut-downs (Asia) 3+ month return to normal	- Extended run rate reductions - Damage & repairs 2-3 months+ return to normal

3-6 month return to normal

6-9 month return to normal

8-12 month return to normal

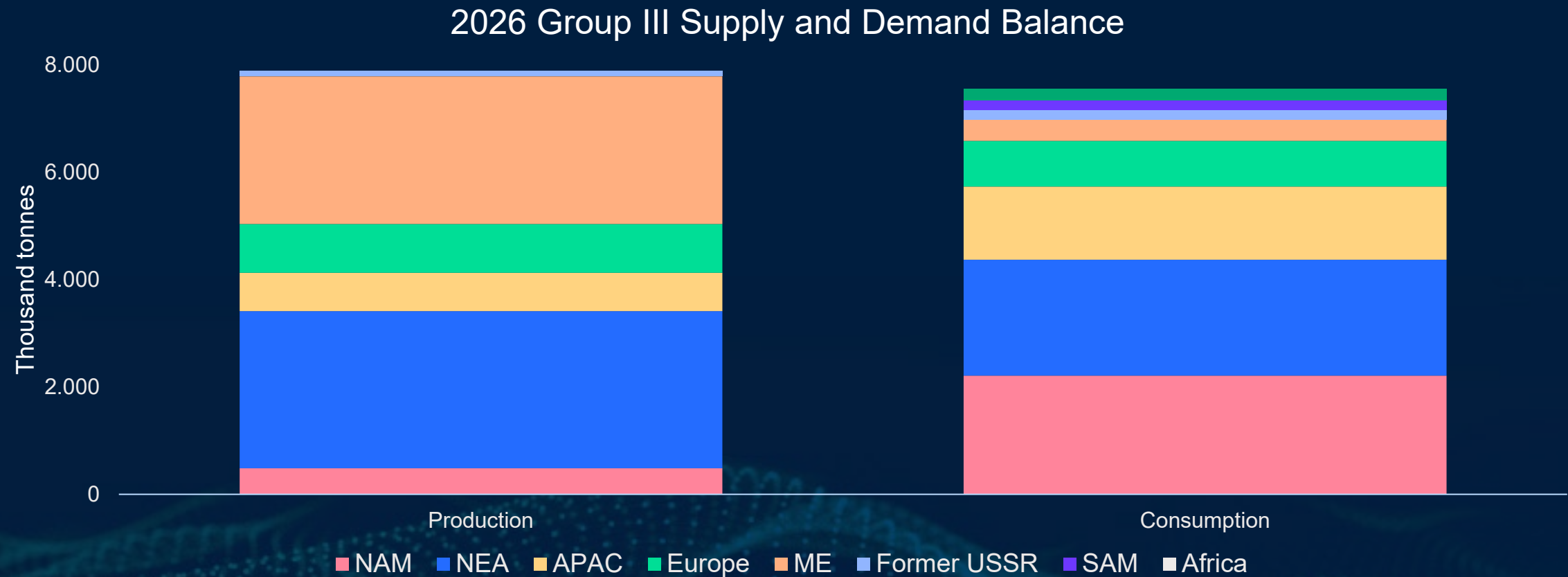


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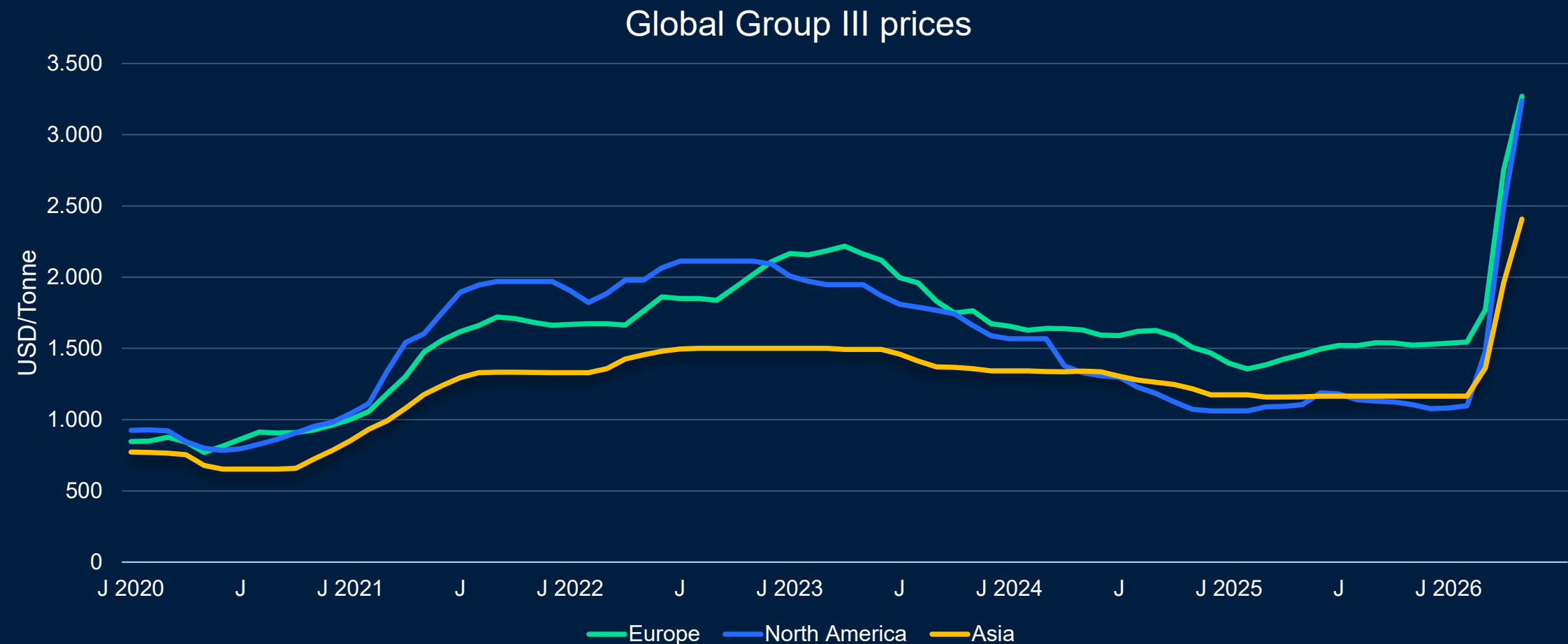
Group III reacts



Tight GIII structural balance; US uniquely vulnerable

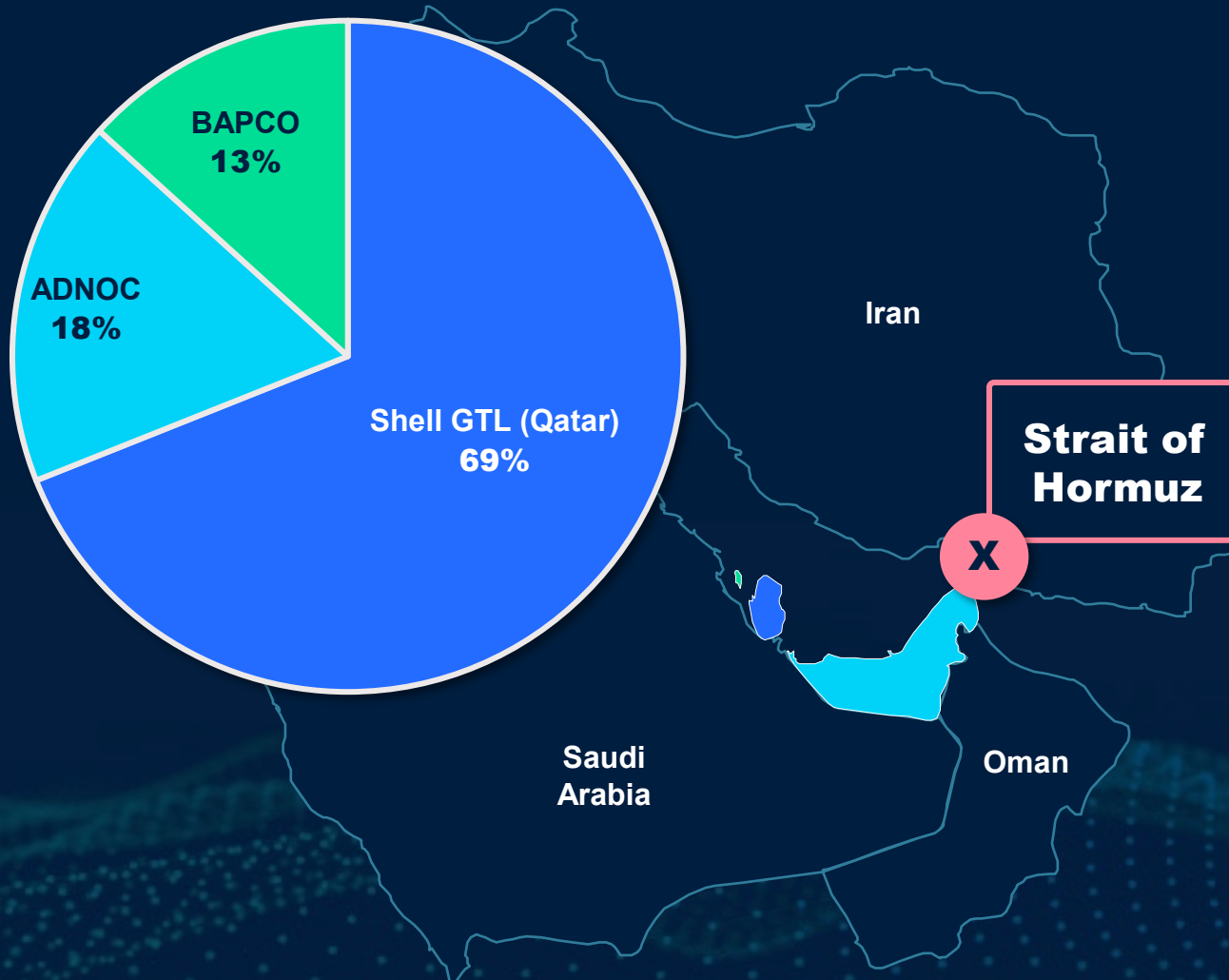


Group III soars to record levels — 3x pre-conflict prices



Source: ICIS Clarity

Persian Gulf dual supply shock



1

Supply choke

35% of global Group III trapped/offline

2

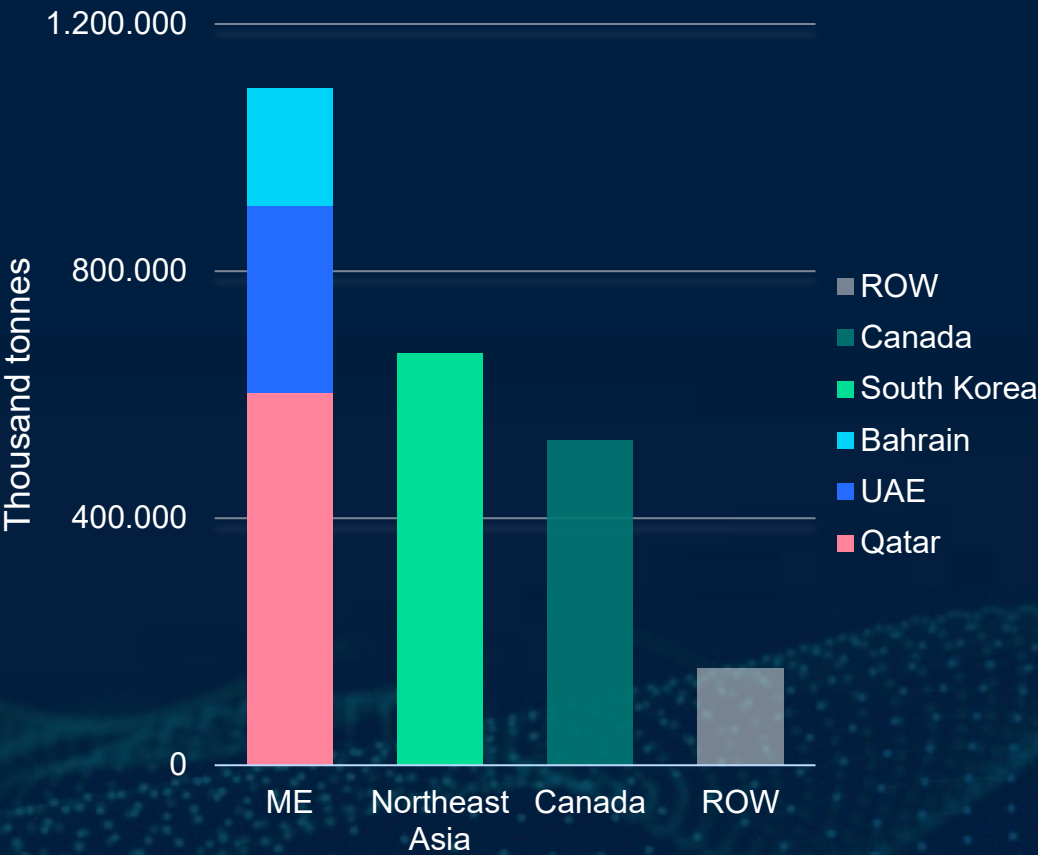
Structural loss

Pearl GTL train two damaged on 18 March

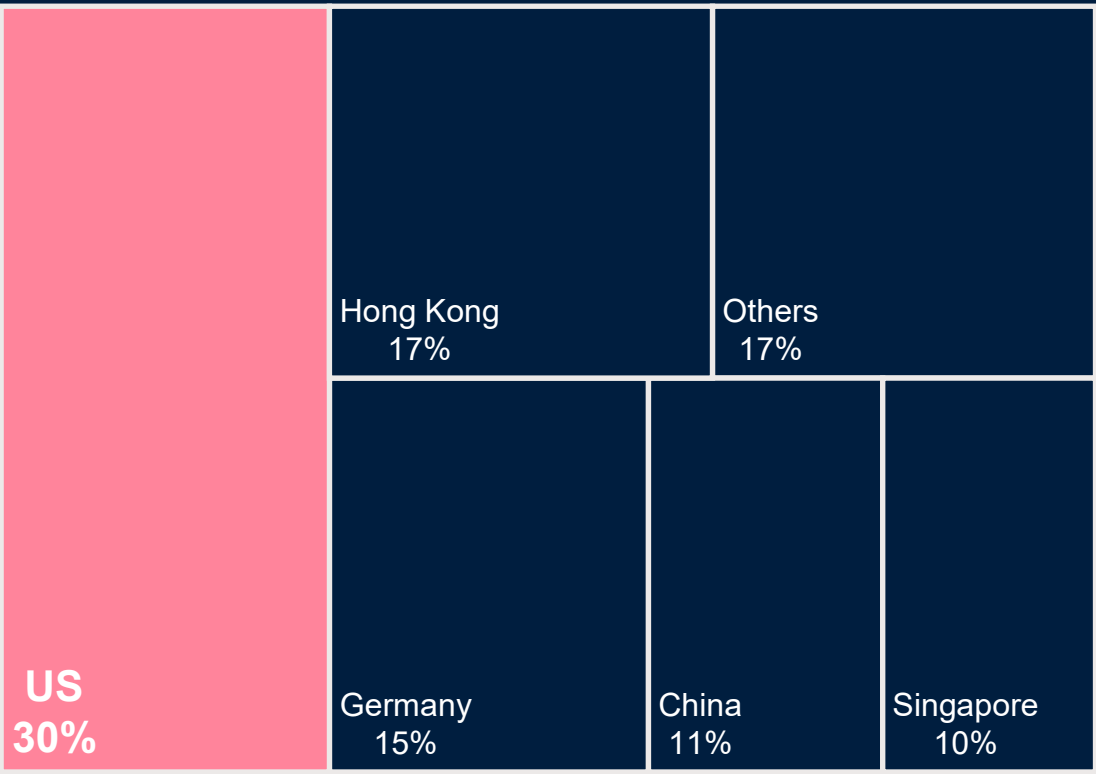
GTL outages hits hardest in US



2025 US Base Oil Imports

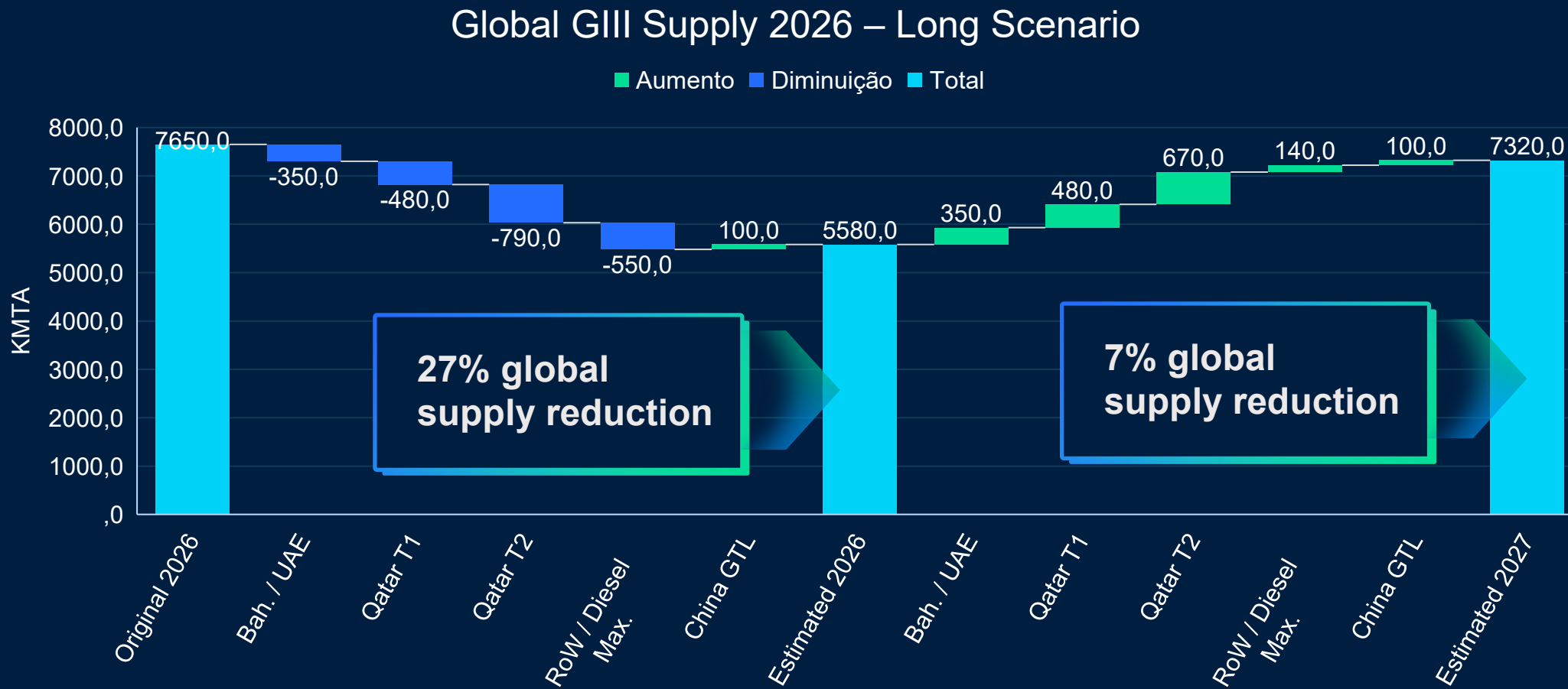


2025 Qatar Base Oil Exports



Source: ICIS Supply and Demand Database

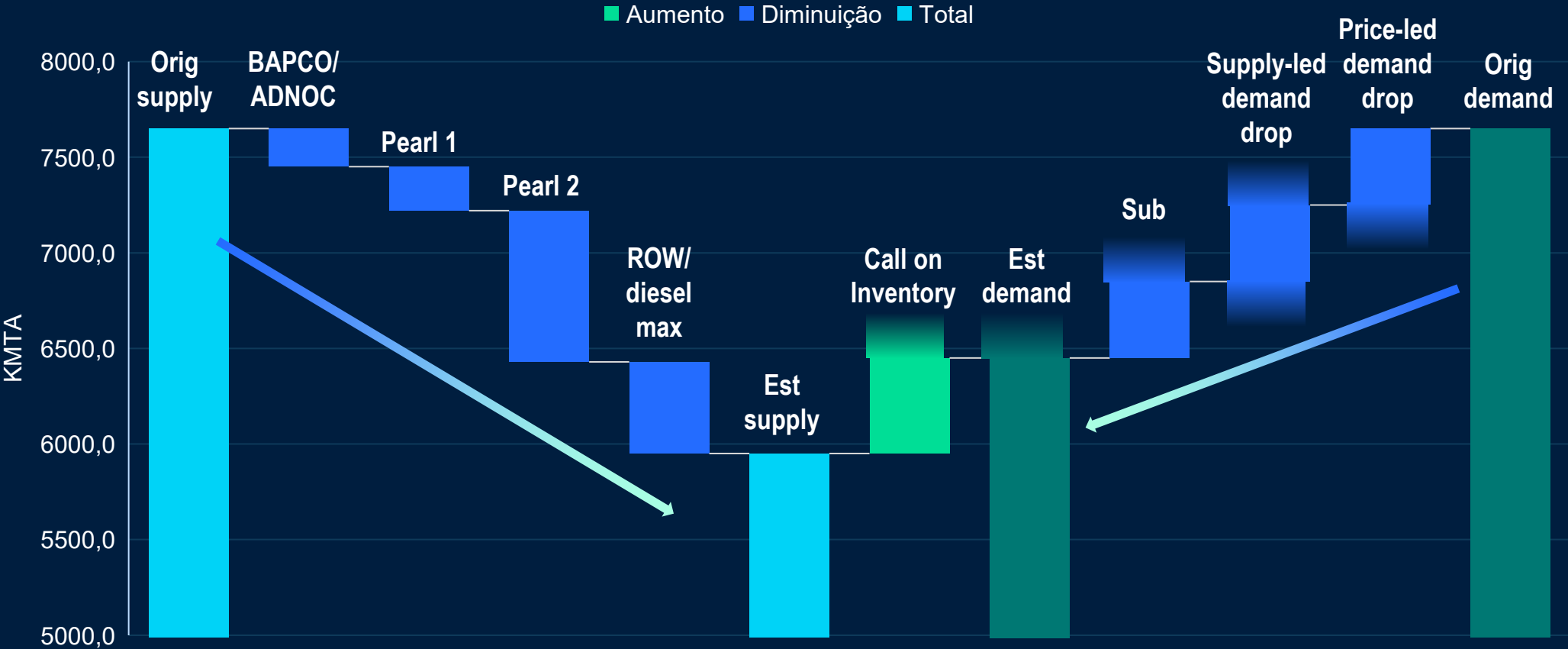
GII supply outlook – September strait reopening



Where will Group III demand reduction come from?



Global GIII Supply and Demand Balance 2026 – June Straits Reopening Scenario



Source: ICIS Foresight and Analytics Scenarios

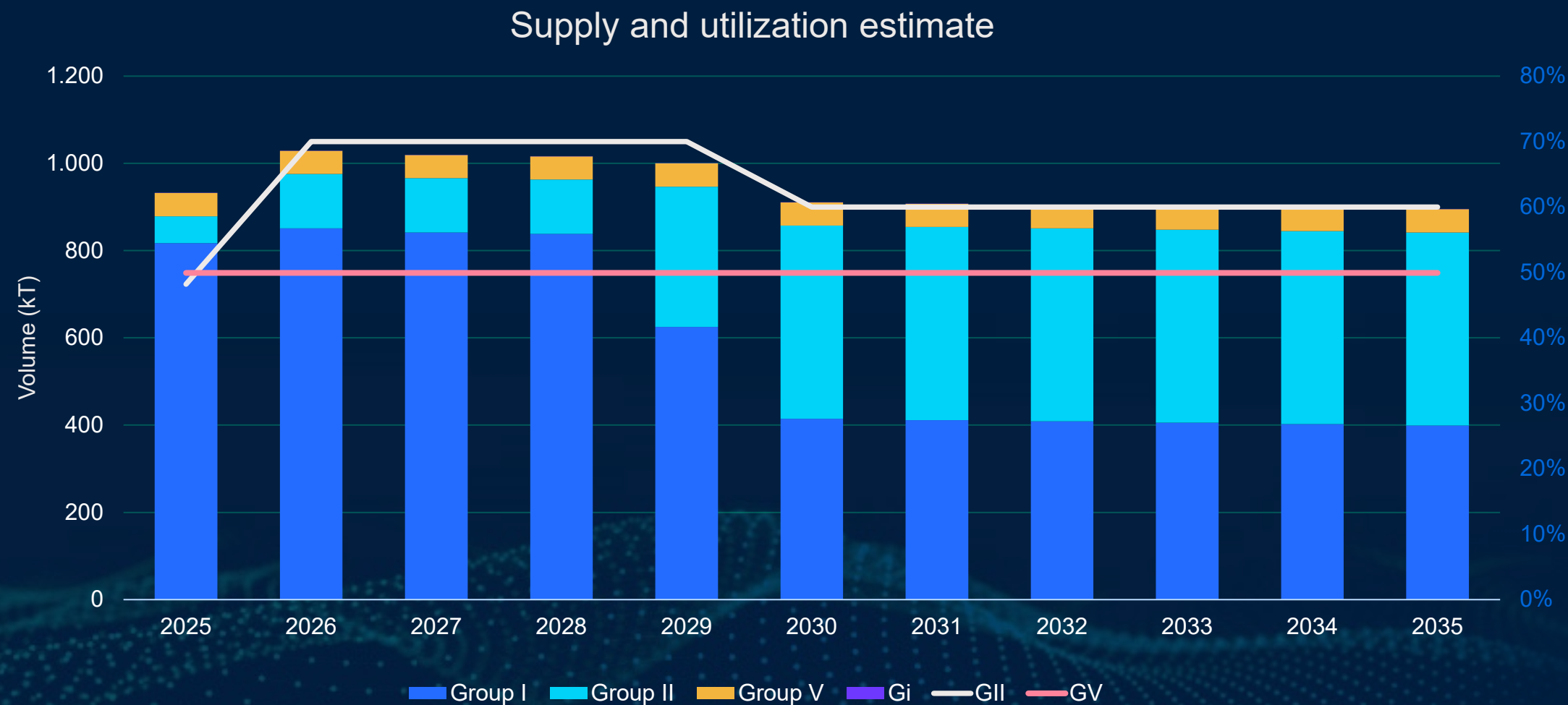


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Latin America Supply and Demand expectations



Latin America supply estimate

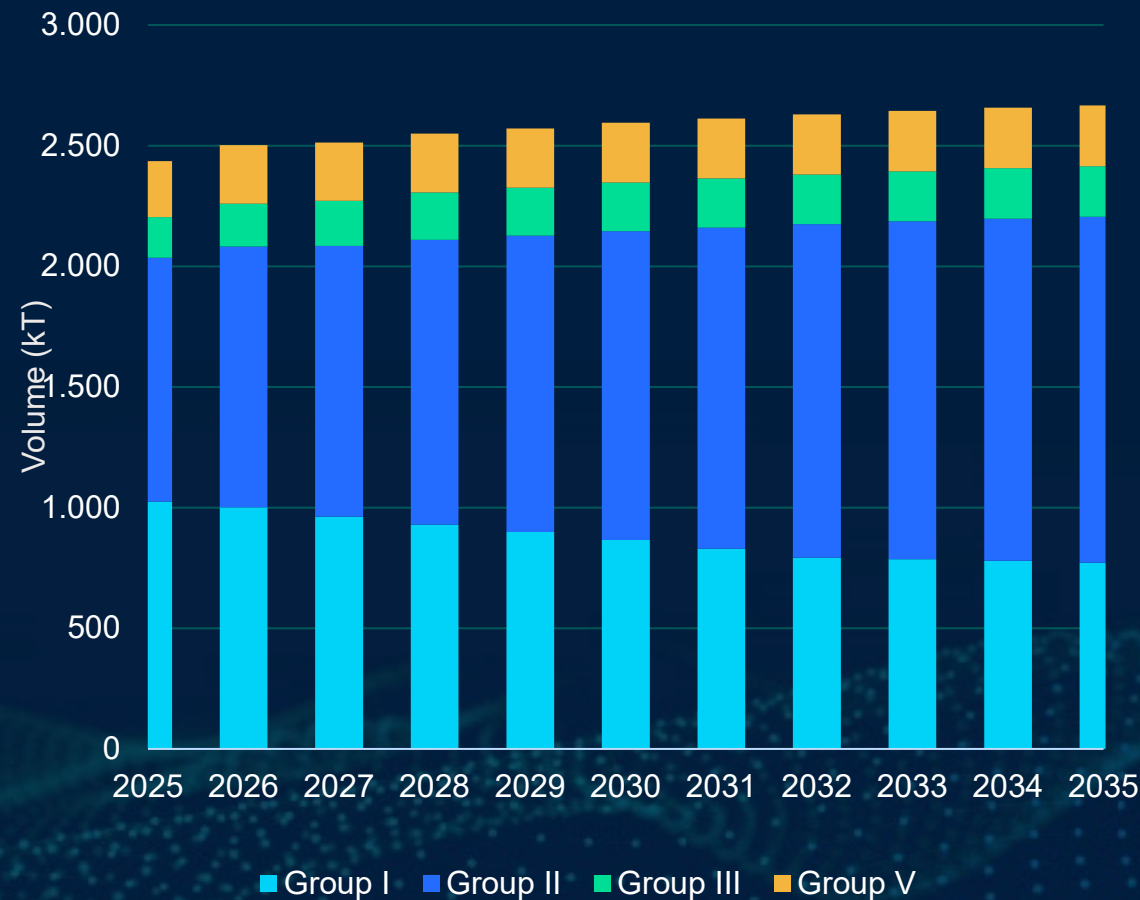


Source: ICIS Supply and Demand Database, ANP

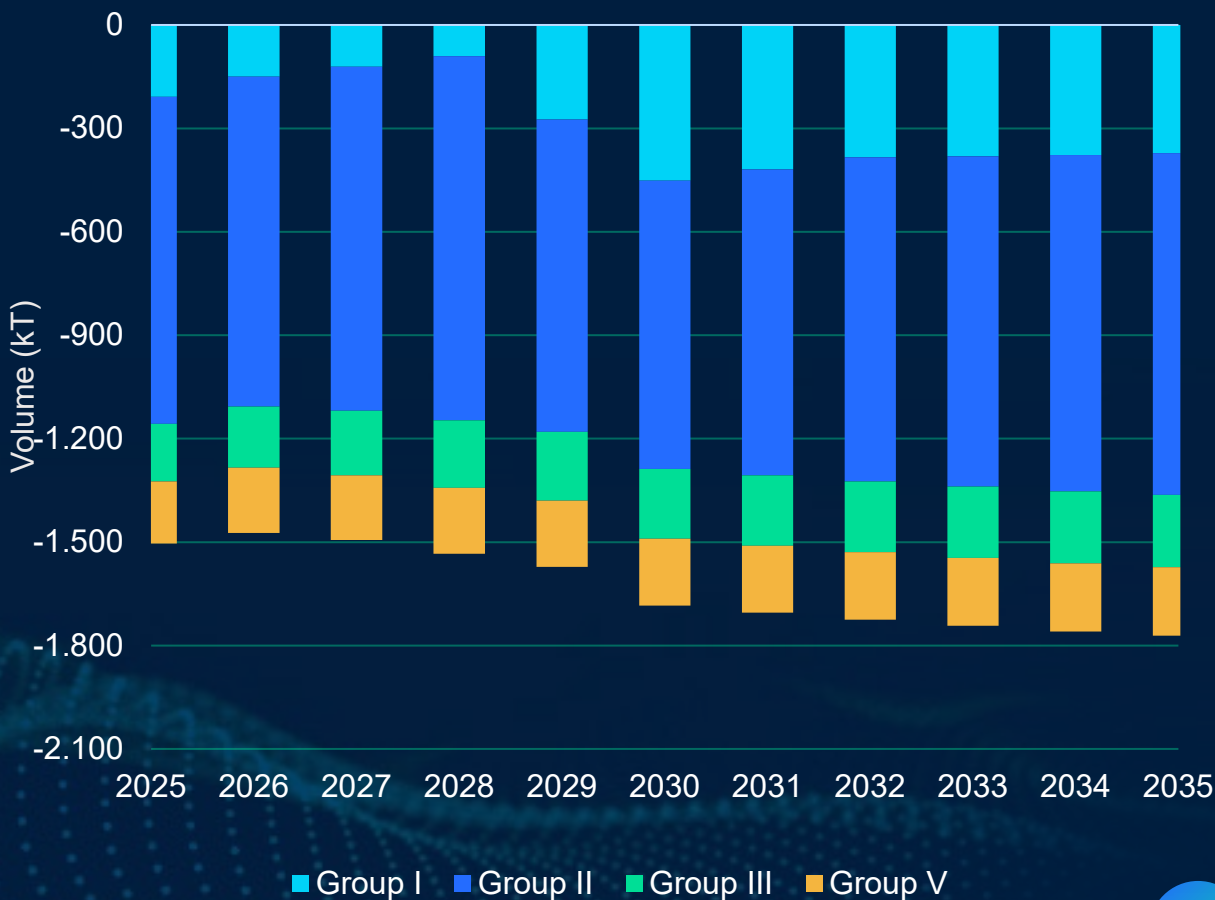
Latin America demand estimate



Demand estimate



Net export estimate



Source: ICIS Supply and Demand Database, ANP



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Key Takeaways



What this means for the global value chain



Prolonged tightness becomes base case

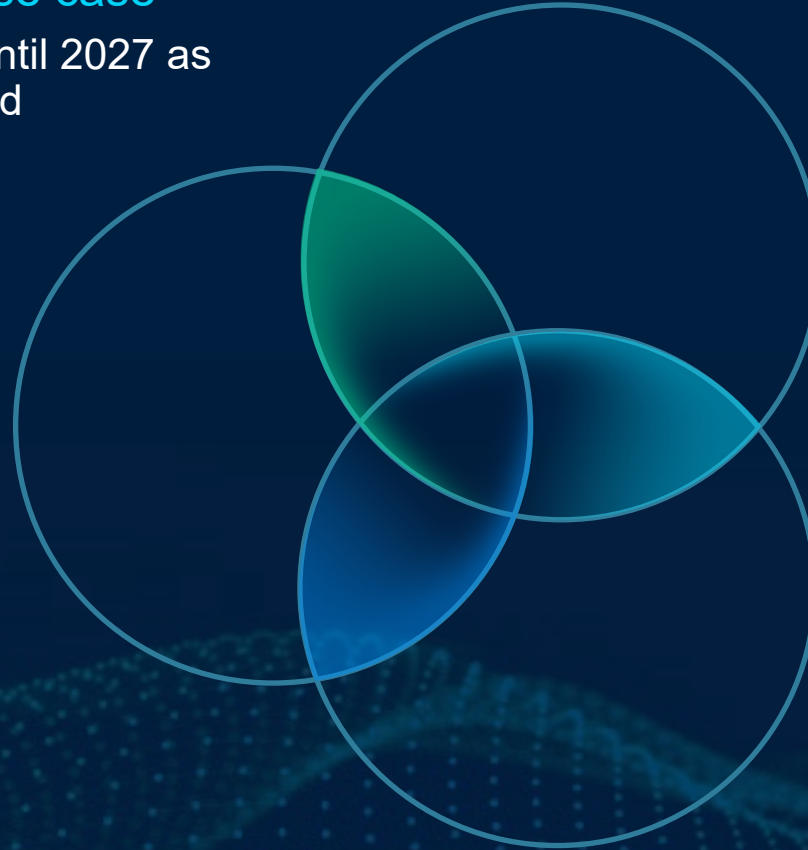
Supply shock becomes price shock until 2027 as refinery economics shift where needed

Asia, Europe less competitive

Higher feed and energy costs severely erode margins and impact utilization rates; China has buffers; Europe heightened risk of rationalization

Group III faces long recovery

Largest single source offline at least one year; pressure to continue after GI, II recover



Capital allocations shift

Companies will invest where geopolitical risk premiums are lower.

US strengthens as a swing supplier

The US can step in to plug gaps, especially in chems, with cost advantage

Security of supply paramount

Focus in 2026 will be on resilience, diversification, and repositioning to weather challenges ahead

Questions?

