Crude oil and nat gas comment

25 August 2026

Oil close to technical levels while EU nat gas is gripped by winter-panic

Brent crude converging to technical levels. Brent crude has traded in a range of $90-95/b over the past five days. It pulled back 2.4% yesterday to a close of $92.17/b. This morning it is trading close to unchanged at $92.1/b. That is just above the 100dma of $91.9/b and the 50% Fibo level of $92.6/b. The next technical level would be $100/b. Vortexa stated in a report ydy that "Record crude shortfall building – and market may miss it in summer lull". If so, then $100/b is maybe where we are heading in the near term. Argus reported however on Friday that CPC Blend exports (Kazakhstan) has increased to 1.8 mb/d from only 0.85 mb/d in the second half of July. This has eased the crude tightness in Europe as it coincides with lower crude processing by European refineries due to maintenance and seasonal turnarounds.

China is standing in the way for US sanctions towards Iran. The US is threatening Iran with economic destruction via sanctions. But China is normally buying 90% of Iran's crude and is strongly opposed to sanctions arguing that they don't work. China cannot allow the US to dictate from whom it can buy crude oil or not. Xi Jinping is set to meet Trump in the US in a couple of weeks from now. There is no chance that the US will hit secondary sanctions on Chinese entities dealing in Iranian oil. How to make economic sanctions against Iran work when China is not a part of if is Trump's big headache.

Natural gas - Winter panic sets in as there is no opening of Hormuz in sight. European natural gas is rallying amid low seasonal nat gas stocks and no reopening of the SoH in sight. European nat gas for December delivery is trading at EUR 67.5/MWh or about $136/boe. That is more than a 50% premium to Brent crude delivered in December. That measure traded in a range of 30% to 40% premium from mid-July to mid-August but has now jumped straight to 50%.

European natural gas inventories are currently at 63% versus a seasonal norm of 80.6%. That is 17.6% lower than 2010-2025 average.

The European nat gas market has stayed relatively calm for a long time in the hope that the Strait of Hormuz would open "very soon" as Trump insisted all the time. Assuming that stocks ahead of winter could be rebuilt rapidly once the SoH was reopened. Now, however, there is no clarity on a reopening. No one expects it to happen anytime soon. As a result, the European nat gas market has run into a bit of a winter-panic over the past week.

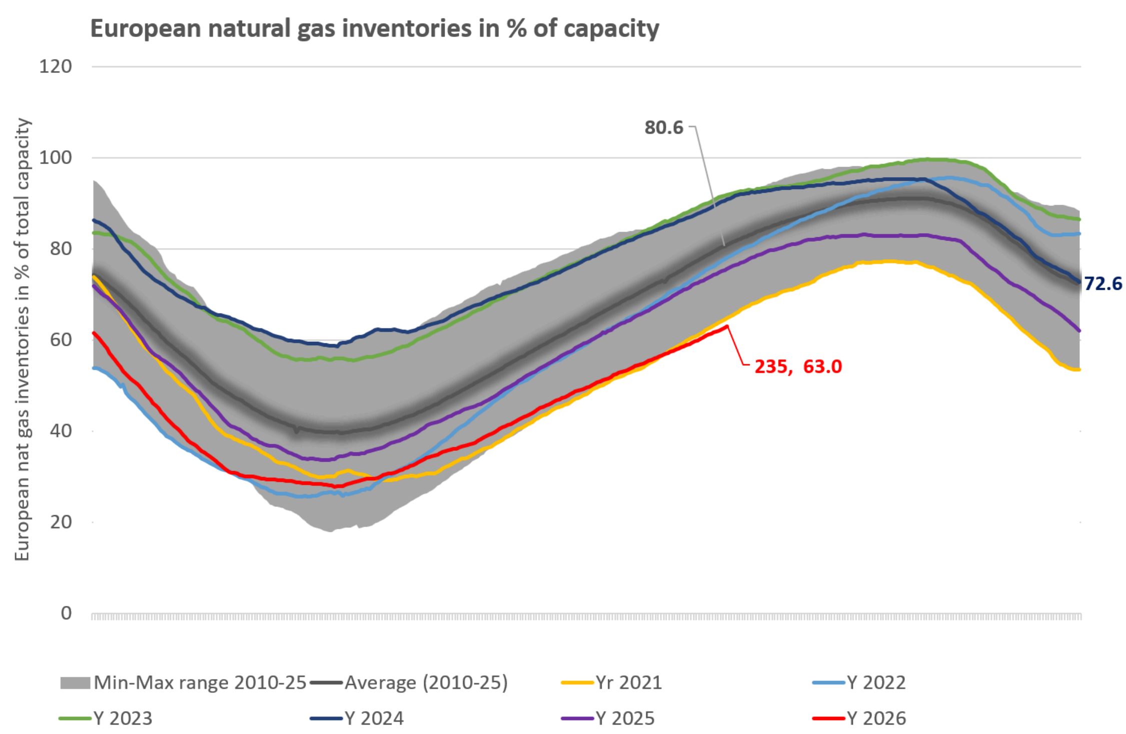
Asian LNG buyers are part of the winter bidding-war. The European nat gas prices are however not set by European nat gas buyers alone. It is set in a cross-bidding for LNG cargoes between Asia and Europe. The fact that nat gas for December delivery has rallied to a 50% premium to Brent crude is probably indicating that Asian buyers are bidding strongly into this rally as well.

There are no strategic reserves for natural gas. The problem with natural gas is that there are no large inventories since gas is difficult and expensive to store. That is why the nat gas market is much more stressed over having lost 20% of seaborn supply normally coming from the SoH.

Dry rivers and low hydroelectric levels adds to Europe's winter risk. Europe has also gotten into trouble due to the record hot and dry summer. Hydroelectric reservoirs are unusually low ahead of winter while low river levels are holding back nuclear and other thermal power plants from running.

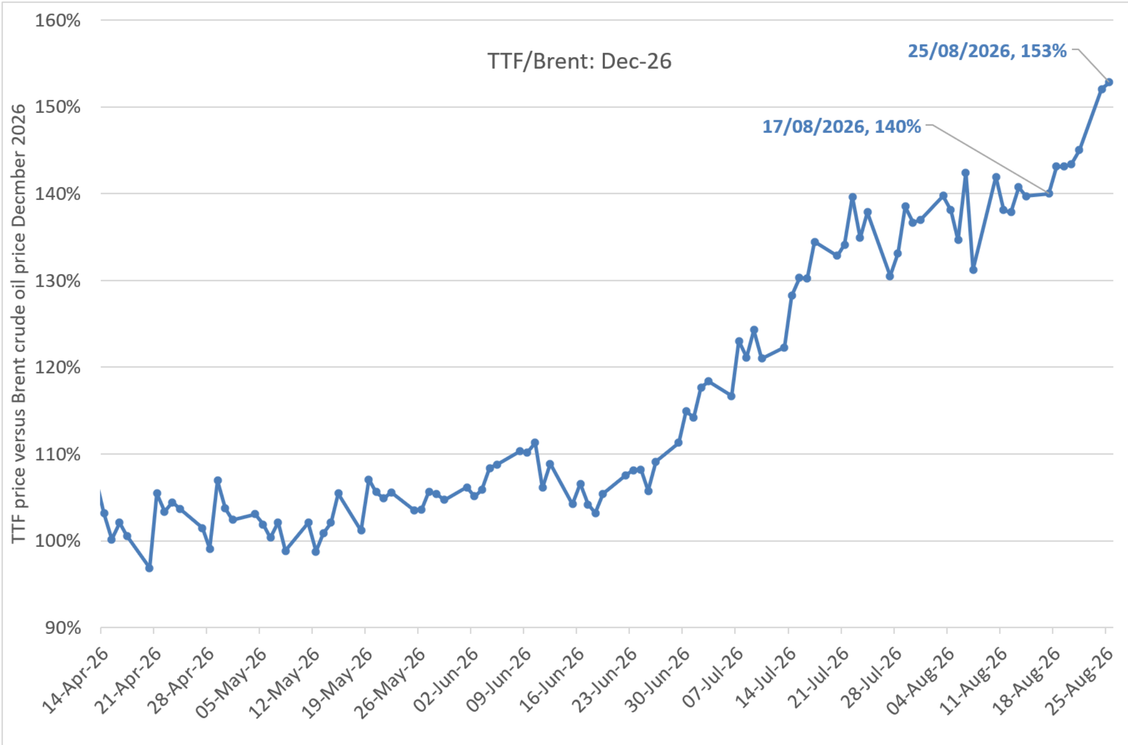
A warm 2026/27 winter would help a lot. But the 2026/27 winter looks set to be warmer than normal according to seasonal forecasts for what they are worth.

European natural gas inventories are significantly below the 2010-2025 average



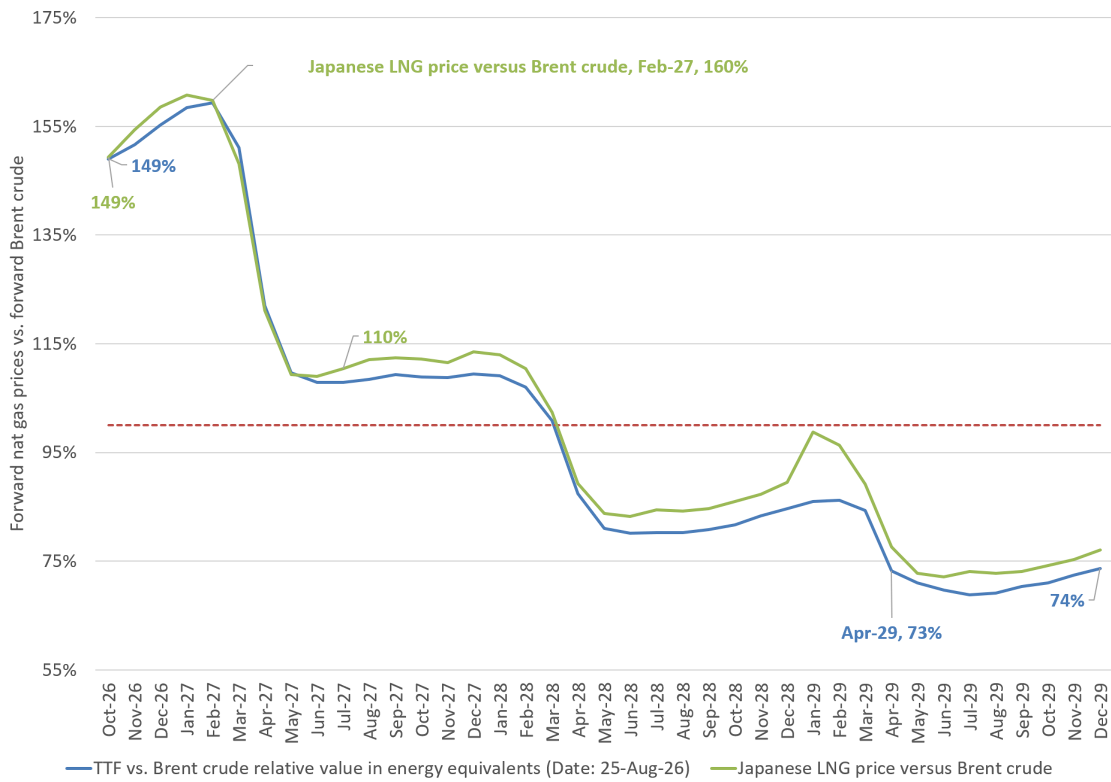
Source: SEB, Bloomberg

TTF nat gas for December delivery has jumped to a 53% premium to Brent crude.



Source: SEB, Bloomberg

Nat gas forward prices versus Brent crude forward prices. Nat gas is about winter risk as there are no strategic reserves (inventories) of natural gas other than commercial stocks.



Source: SEB graph, Bloomberg data

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