Crude oil comment

05 October 2026

The price of crude oil in Europe today is $140/b

Last week's oil price action distorted by rolling of the November contract last week. The December Brent crude oil contract rose $4.8/b, or 5% last week. Much of that gain was due to the roll-yield as the November contract rolled off as the M1 contract to be replaced by the Dec-26 contract. The backwardation between the Nov and the Dec contract averaged $6.5/b over the last three days before 1 October and the rolling of contract. The "gain" over the week was thus not much of a gain at all. If we just look at the M1 contract it instead fell 2% Friday to Friday though that disguises the change in the underlying contract over the week. The Brent M1 contract closed the week at $102.25/b. The announcement of 100 mb of oil from G7 SPR helped to ease prices at the end of last week. Though that effect seems to have faded today.

More barrels from Strategic Petroleum Reserves or really barrels which were supposed to be released previously? Nonetheless, Trump seems to be content and is backing down from diesel export ban. Trump threatened the world, but especially Europe with a US diesel export ban unless Europe agreed to release diesel from strategic reserves. G7 last week decided to release 100 million barrels of oil from strategic reserves. But here the obscurity starts. How much of that will be diesel? "Substantial release of diesel within 20 days" was the statement. If it happens late in this 20 day period, it would bring us very close to the US midterm elections which of course is what Trump is worried about here. IEA members promised to release 425 mb of oil from strategic reserves of which 125 mb was to be oil products. But a significant portion of that was never really released. The question is thus whether these "new" 100 mb release will really be new or if the lion's share of the "new" 100 mb is really just part of the old 425 not yet fully released. Well, it looks like the promise, irrespectively what it really is, has averted a US diesel export ban for now. And it did also help to ease prices a bit at the end of last week. An effect which looks like it has mostly faded this Monday.

$140/b is the price of crude oil in Europe today. Back to the complete distortion of oil and product prices in time and geography. The Dated Brent "spot" price averaged $123.3/b last week. But that is really the average Day_10 to Day_20 of the "daily Dated Brent" forward curve. But since this curve is in very steep backwardation, the real prices for physical oil cargoes at the very front-end of this daily curve sits well above the average of this daily curve. The physical premiums for Oseberg and for Fortis crude takes this steep backwardation into account. The full price average for Oseberg and Fortis last week were thus $142.5/b and $140.2/b. That is way, way higher than both the Dated Brent "spot" price last week and the average of the Brent futures price, the M1 contract, which averaged $103.2/b last week and is trading at $102.4/b

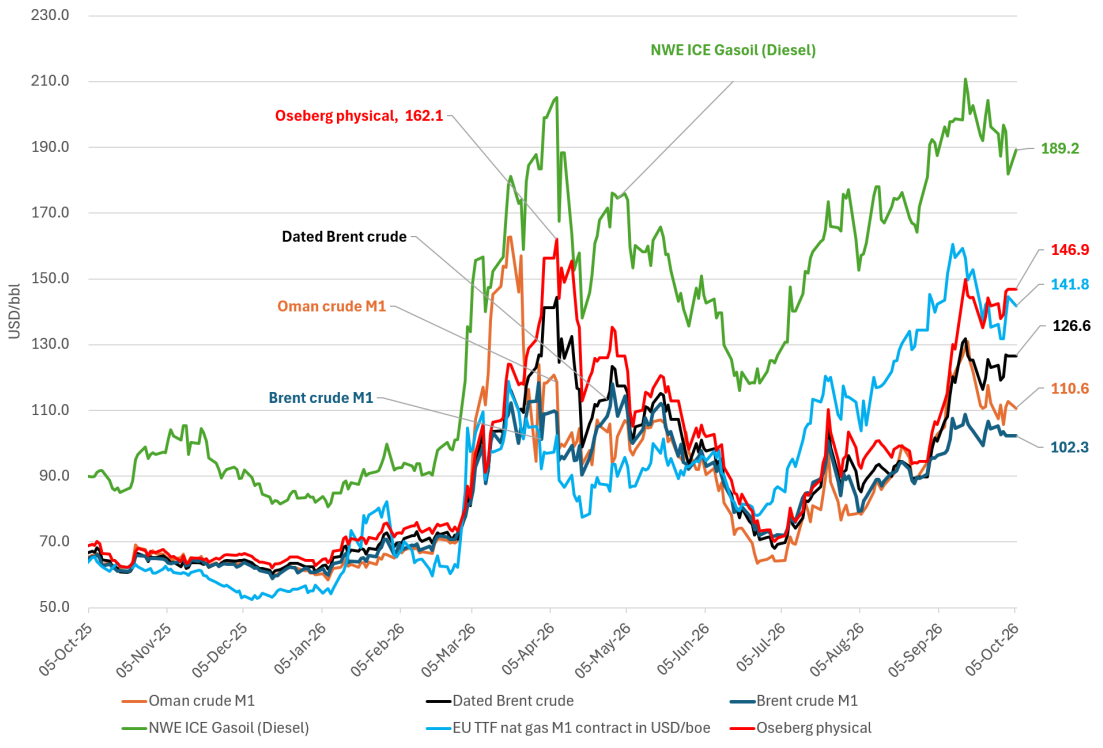
Extreme prompt tightness may fade or get much worse. The extreme prompt tightness and backwardation we see in the market today is a display of today's prompt situation and not necessarily a guide for the future. The much more relaxed Brent M1 contract (today December) at $102.4/b is maybe a reflection of an oil market either betting or expecting that today's problems will be resolved somehow over the coming three months. Or, that the current flow of oil out of the SoH at 17.5 mb/d (close to normal) will be sustained or even increase over time. But we don't know exactly why the flow of crude, products and LNG out of the SoH has been able to sustain at around 17.5 mb/d since mid-September (it seems). Is it because shippers are better at managing the risk or more willing to take the risk of transiting? Is it

because the US military assistance is better? Or is it because Iran is paid by exporters and is allowing exports out through the SoH? It seems plausible that Iran expects the US to attack again after the US midterm elections. If so, then Iran may engage with fresh attacks before that date. Physical crude in Europe today is $140/b, or 2x the "normal" price of $70/b. But if tightness escalates further, then price of crude in Europe could go to 3x, 4x or even 5x the normal level. Let's hope that the US is able to keep the SoH "open" at a rate of 17.5 mb/d and that another 100 mb of oil from G7 helps to shield against that upside risk.

The global oil-stock cushion is getting "scarily thin". Looking at the Brent M1 Dec-26 contract, one gets the impression that risks may be fairly contained. Looking at physical spot prices in Europe however of around $140/b, the sense of stress rises substantially. The latter better reflects Amin Nasser, CEO of Saudi Aramco, when he recently said that the cushion capacity of global oil stocks are getting "scarily thin".

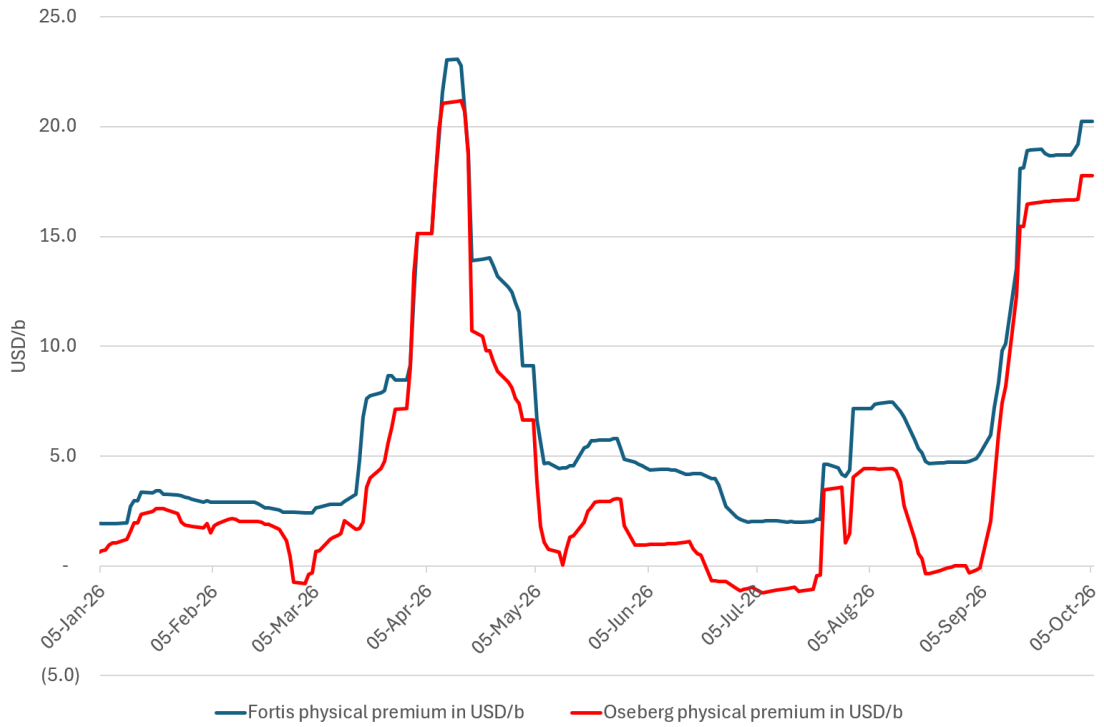
Some key questions helping to keep the Brent M1 price above $100/b: Will Iran initiate fresh attacks before the US midterm elections? Will the US attack Iran after the elections? Will the US be able to keep the SoH close to open at 17.5 mb/d? Will the Houthis re-attack the Saudi east-west pipeline and ships trying to traverse the Bab-el Mandeb Strait as the Saudi-backed Yemen government tries to retake areas along the Red Sea recently taken by the Houthis? How far will this have to go before China finally decides to step in as a peacemaker in ME negotiations?

ARA Crude oil, diesel and nat gas prices in USD/boe



Source: SEB calculations and graph, Bloomberg data

Physical crude oil premiums for Fortis and Oseberg in the NSea in USD/b premium over the Dated Brent index



Source: SEB graph, Bloomberg data feed, Platts data

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