Oil Tracker: Diesel in Market and Policy Focus; High Freight Rates Widen Crude Differentials

Yulia Zhestkova Grigsby
+1(646)446-3905 |
yulia.grigsby@gs.com
Goldman Sachs & Co. LLC

Filippo Cuscito
+44(20)7051-9073 |
filippo.cuscito@gs.com
Goldman Sachs International

Alexandra Paulus
+1(212)902-7111 |
alexandra.paulus@gs.com
Goldman Sachs & Co. LLC

Daan Struyven
+1(212)357-4172 |
daan.struyven@gs.com
Goldman Sachs & Co. LLC

- Brent crude prices have risen by nearly $10/bbl month-to-date and continue to trade well into triple digits despite a recovery in Persian Gulf oil exports, as the market focuses on increased tanker attacks and the escalation in Yemen.
  - We still estimate total oil exports from the Persian Gulf (including "dark exports") to be near their 2025 average, but 2mb/d lower week-on-week (7DMA) (Exhibit 1).
    - Our estimated dark flows remain at about 4mb/d (4WMA), with Saudi Arabia and the UAE continuing to drive crude ship-to-ship transfers higher.
  - However, refined product exports retreated to 28% of their 2025 average (14DMA) from nearly 50% two weeks ago (Exhibit 2, right panel).
  - Despite the solid exports from the Gulf, we estimate a $24/bbl Brent risk premium according to our expanded fair-value model, given downside risks to supply (Exhibit 4).
- Refined product tightness and an uncertain supply outlook keep our estimate of the global average retail product price at $229/bbl, with diesel remaining a focus for both markets and policymakers.
  - US diesel stocks are down 14% year-over-year (yoy) (Exhibit 5, left panel), while China visible diesel stocks are down 11% yoy.
  - IEA members are meeting on Wednesday to discuss the details of the 100mb strategic oil reserve release announced in early October, scheduled to be distributed over four months.[1]
    - OECD Europe holds about 190mb of diesel in strategic reserves (as of end-June) and a similar volume in commercial storage (Exhibit 5, right panel).
    - Assuming diesel accounts for half of the announced 100mb SPR release, we estimate an $11/bbl decline in the fair value of wholesale US Gulf Coast and European diesel prices due to higher commercial stocks.
  - Low diesel stocks are the result of persistent declines in global diesel

[1] While the exact allocation by country and product allocation has yet to be confirmed, the planned 100mb release will likely complete the outstanding portion of the 400mb releases announced in March rather than unlock new SPR commitments.

Investors should consider this report as only a single factor in making their investment decision. For Reg AC certification and other important disclosures, see the Disclosure Appendix, or go to www.gs.com/research/hedge.html.

production over the past 7 months, reflected in weak global diesel exports, which are down 1.4mb/d or 20% YoY (28DMA) (Exhibit 6, left panel).

- President Trump announced the release of 800k metric tons of diesel from Russia through November.[2]
  - We think such policy announcements aimed specifically at taming diesel prices support our long summer 2027 European gasoline recommendation.
  - However, we estimate only a $1-2/bbl decline in wholesale US Gulf Coast and European diesel prices from a 800k ton (or a 6mb) increase in global diesel exports.
  - Moreover, Russian refinery outages are still up 3mb/d yoy, making incremental diesel production increases challenging (Exhibit 6, right panel).
- Meanwhile, China approved the resumption of fuel exports after a week-long pause, although the newly released October export quota is 16% lower than the September quota.
  - China's seaborne crude imports have edged up 0.3mb/d so far in October, but remain 2.5mb/d below seasonal norms (Exhibit 7, left panel).

- Overall, Mideast supply adaptation continues to support crude exports despite the escalation in the tanker attacks but at the cost of extremely high tanker freight rates.
  - Our average global crude freight rate is now at $30/bbl vs. $4 a year ago, with crude freight rates on Middle Eastern routes at $35/bbl (Exhibit 8, left panel).
    - While increased redirection amid Red Sea attacks and the blockade of the Iranian fleet contribute to the freight market squeeze, we think ship-to-ship transfers are the main driver of the freight rates rally.
    - As a result of the surging transportation and insurance costs for crossing Hormuz, the premium for Murban crude (loaded at Fujairah outside of the Strait) over Basrah crude (loaded inside the Persian Gulf) increased to $43/bbl (vs. $2/bbl in February) (Exhibit 8, right panel).[3]
  - High freight rates push refiners to opt for closer-located crude to save on long-haul freight costs, widening regional differentials, especially in physical crude prices.
    - Dated Brent is now $40/bbl higher than WTI of similar quality and $24/bbl higher than Dubai (Exhibit 9).[4]
  - While higher Persian Gulf exports and very expensive delivery costs helped to

[2] President Trump also stated on Sunday that Russia and Ukraine agreed to an energy ceasefire, which has not been confirmed by Russia who reportedly continued attacks on Ukraine energy infrastructure after the announcement.

[3] The Basrah-Murban spread reflects both location and quality differentials because Basrah is medium sour and Murban is light sweet.

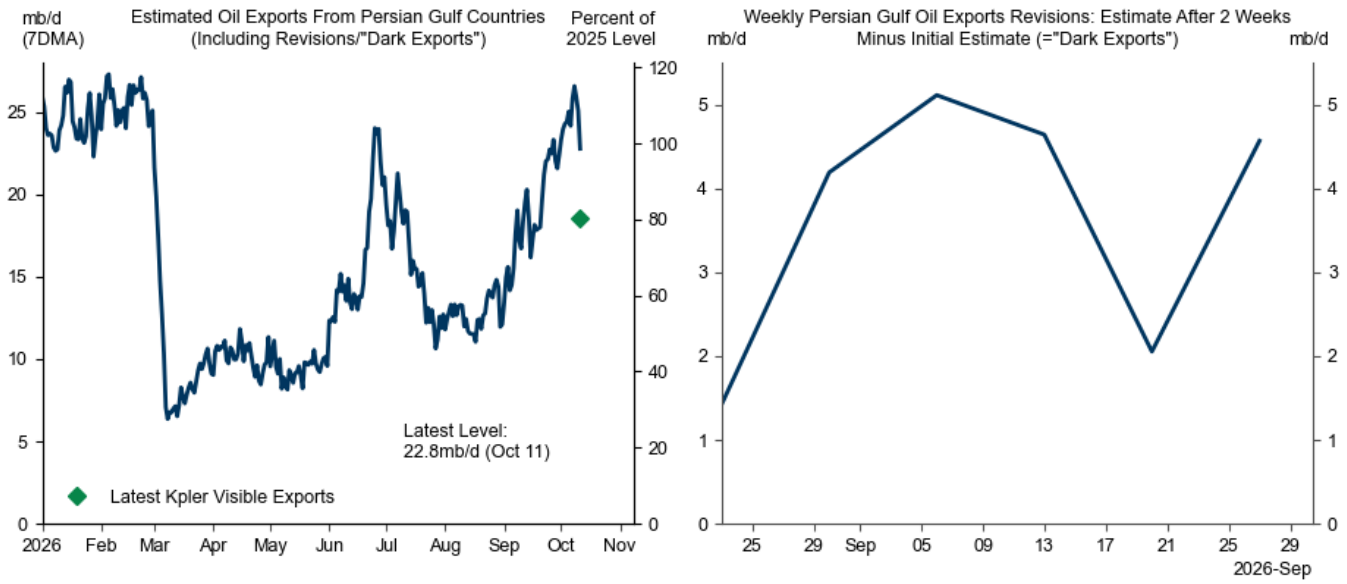
[4] The Brent-Dubai spread reflects both location and quality differentials because Brent is light sweet crude and Dubai is medium sour.

moderate the Dubai crude basis from its early-September highs, the Brent crude basis surged to 27%, reflecting strong demand for a centrally located European/Mediterranean crude (Exhibit 10).

Diesel in Market and Policy Focus; High Freight Rates Widen Crude Differentials

1. Persian Gulf Exports

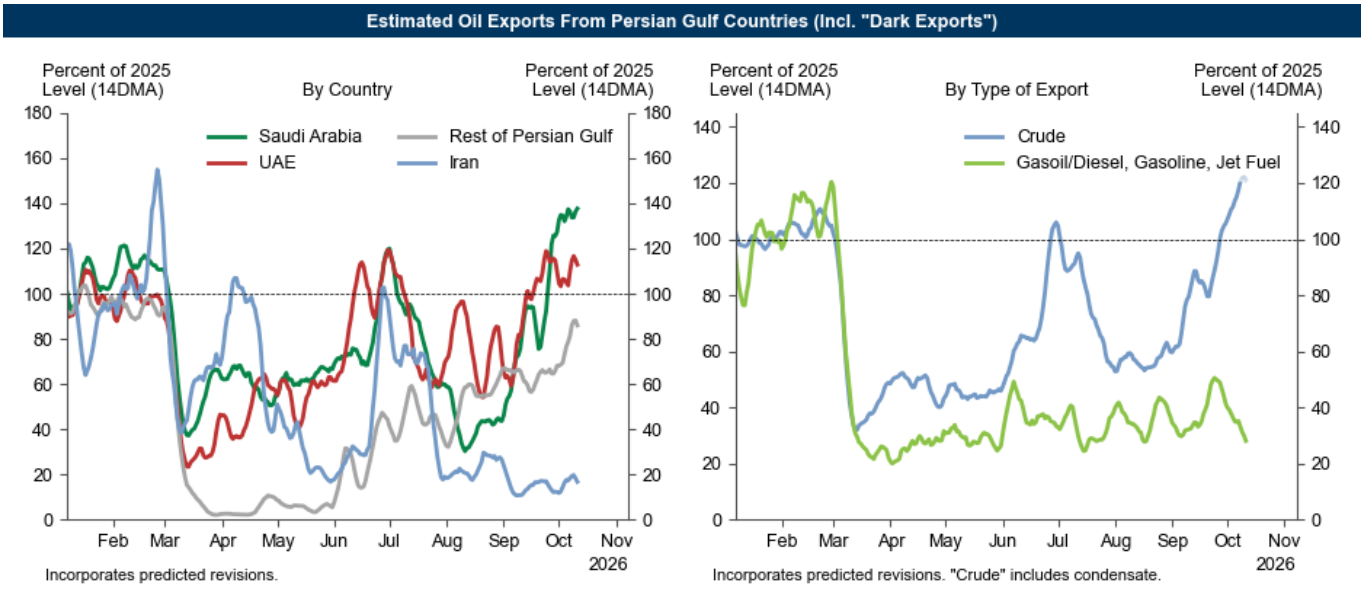
Exhibit 1: We Estimate Recent Total Oil Exports From the Persian Gulf at 23mb/d, Including "Dark Exports", Which We Estimate as Average Revisions to Visible Gulf Exports After 2 Weeks



We consider crude, condensate, refined products, and LPG exports from Saudi Arabia, UAE, Iran, Iraq, Qatar, and Kuwait.

Source: Kpler, Goldman Sachs Global Investment Research

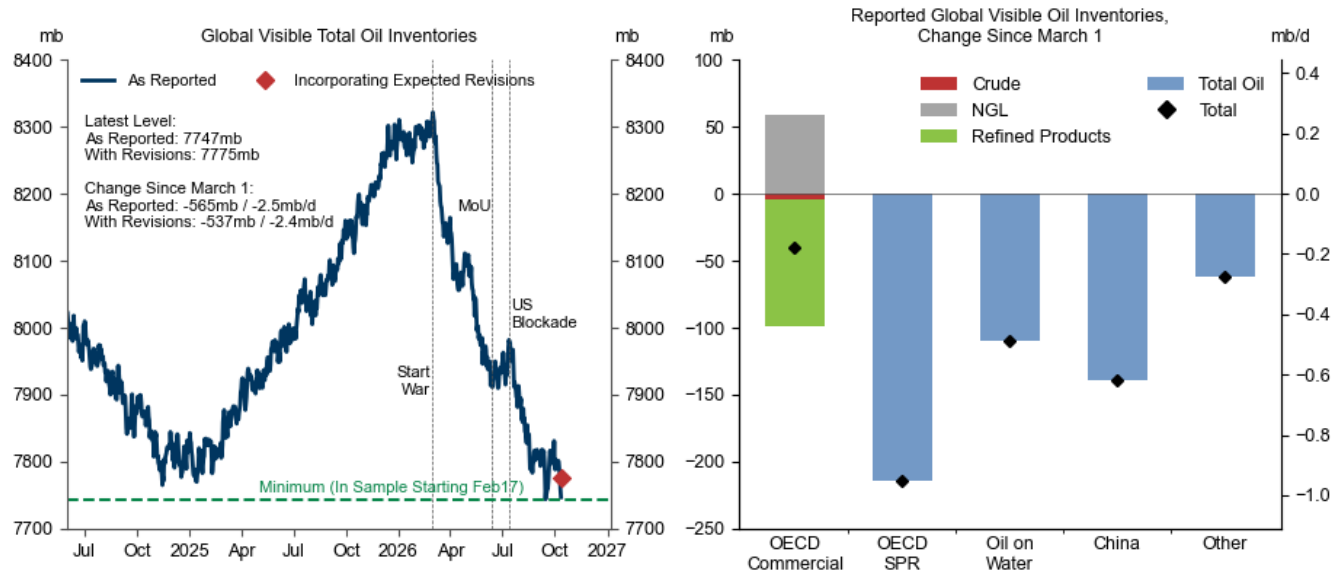
Exhibit 2: Crude Exports From the Persian Gulf Remain Well Above Their 2025 Average While Exports of Refined Products Declined to 28% of Their 2025 Average



Source: Kpler, Goldman Sachs Global Investment Research

2. Global Visible Stocks

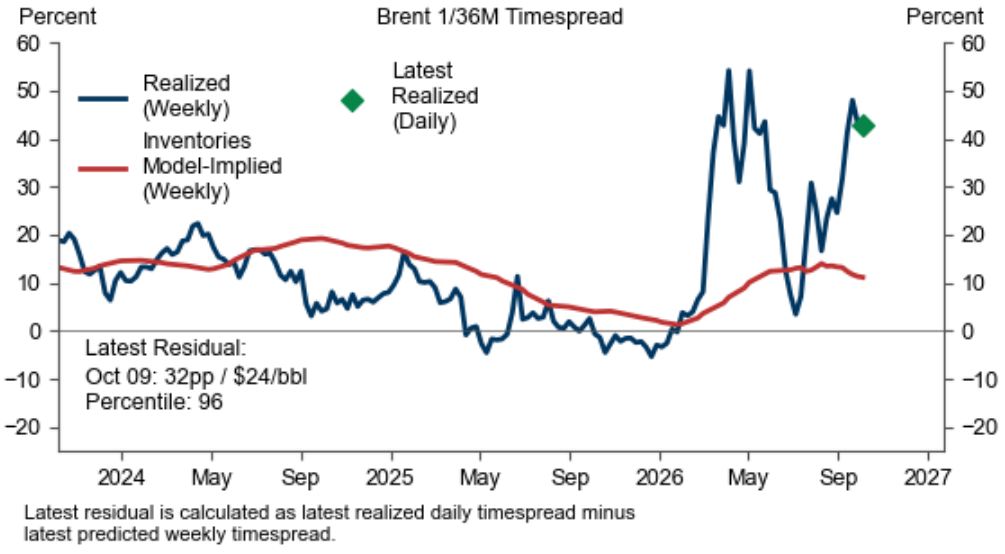
Exhibit 3: Our Global Visible Stocks Counter Drew by 0.9mb/d Over the Last 30 Days, Adjusting for Expected Revisions



Source: IEA, Kpler, Euroilstocks, ARA PJK, PAJ, Goldman Sachs Global Investment Research

3. Brent Risk Premium

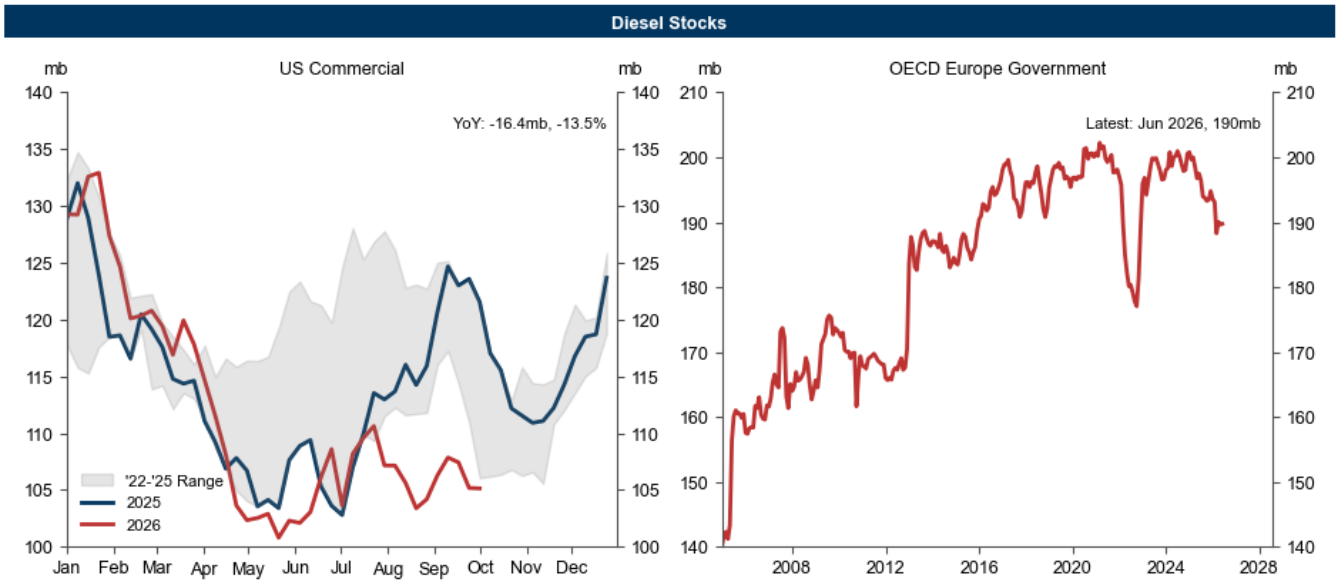
Exhibit 4: Our Updated Brent 1M/36M Timespread Fair Value Model Implies a $24/bbl Risk Premium



Source: ICE, Goldman Sachs Global Invesment Research

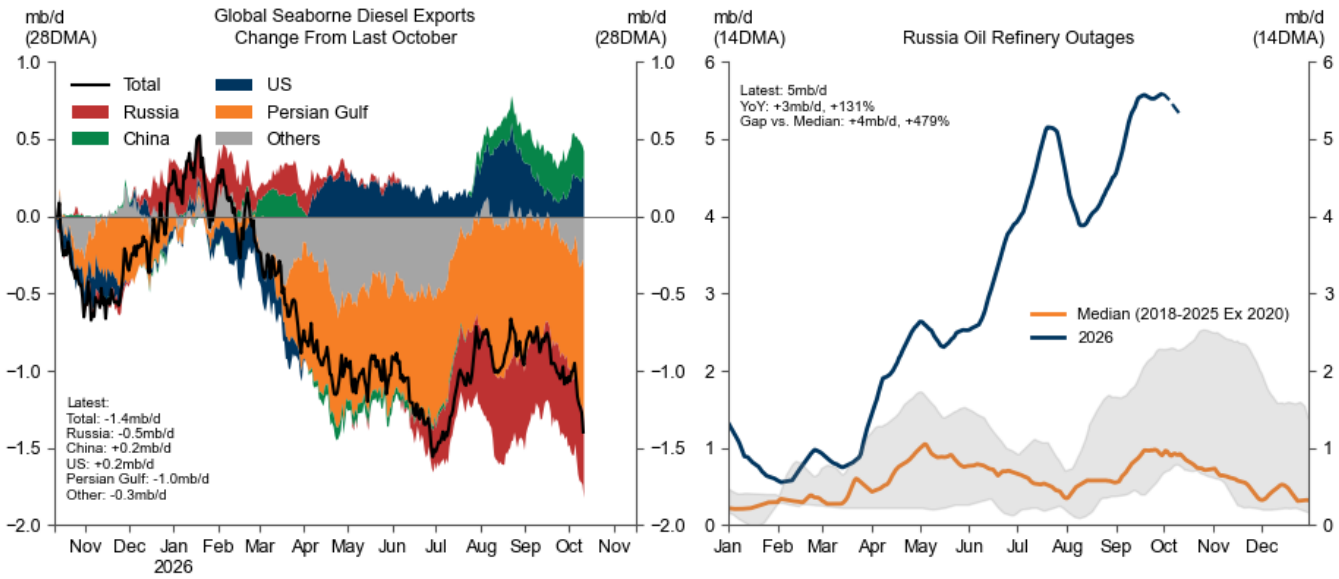
4. Diesel in Market and Policy Focus

Exhibit 5: While US Commercial Diesel Stocks Continue to Fall Well Behind Seasonal Norms, OECD Europe Government Diesel Stocks Can Offer a Buffer



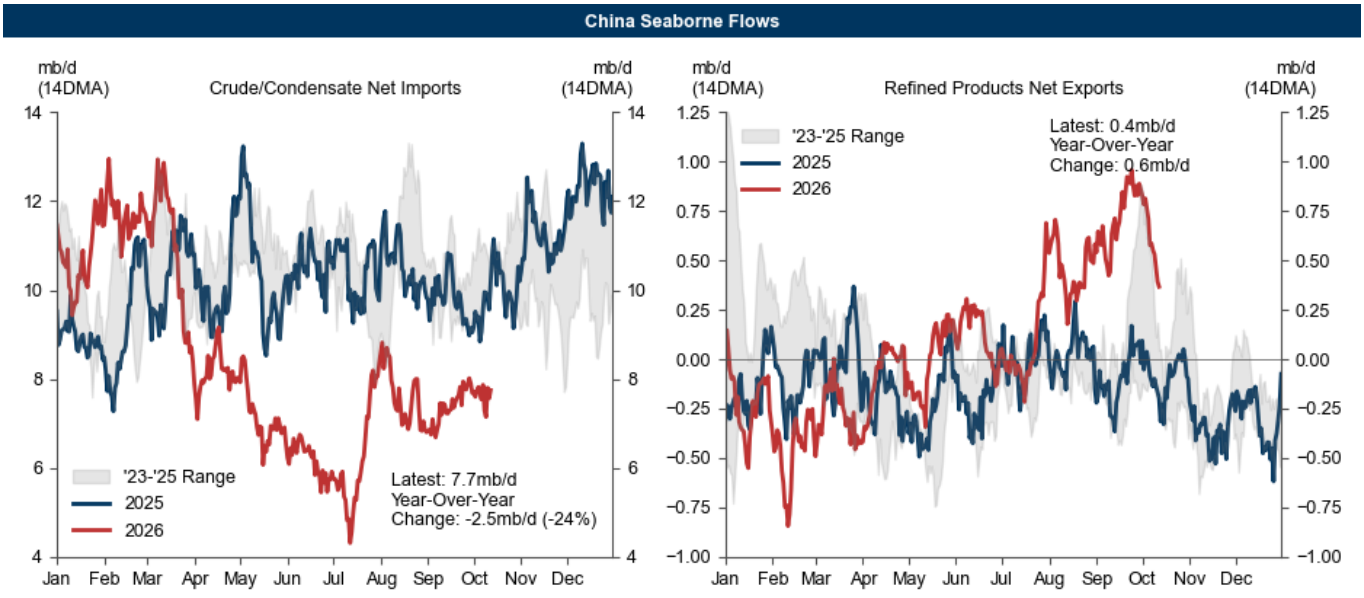
Source: EIA, IEA, Goldman Sachs Global Investment Research

Exhibit 6: Global Seaborne Diesel Exports Are Down 1.4mb/d Year-Over-Year, as High Refinery Outages Challenge Russia Diesel Production Recovery



Source: IIR, Kpler, Goldman Sachs Global Investment Research

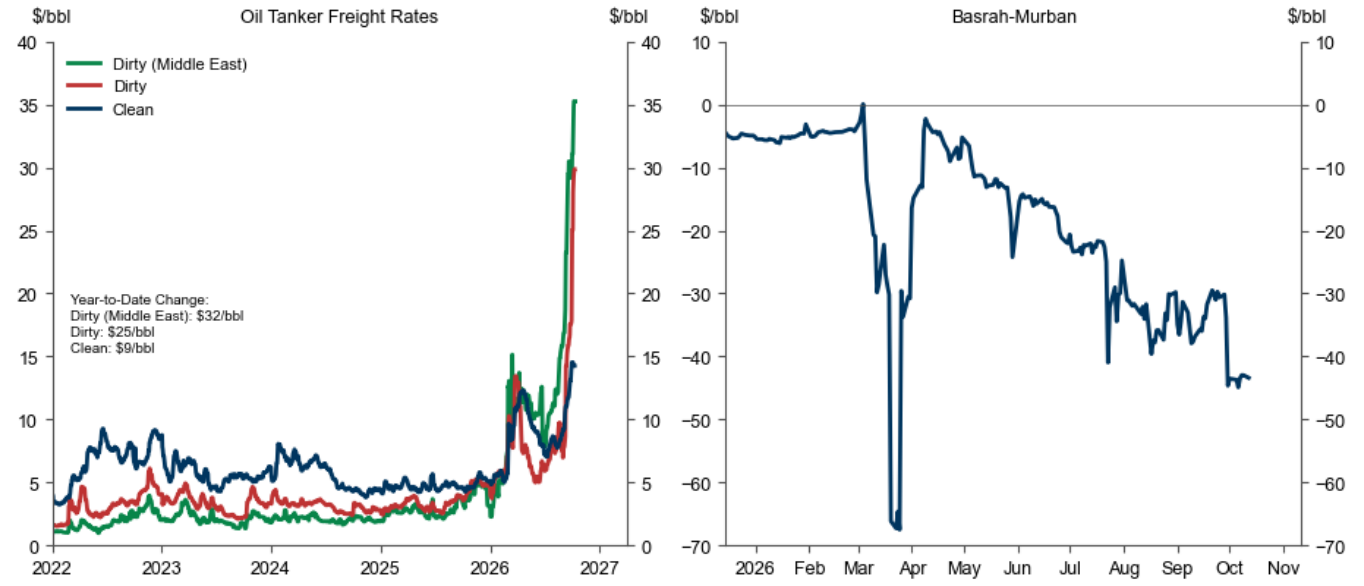
Exhibit 7: China Net Imports of Crude and Condensate Remain 2.5mb/d Down Year-Over-Year, While Net Exports of Refined Products Edged Down by 0.1mb/d in October So Far From September



Source: Kpler, Goldman Sachs Global Investment Research

5. Freight Rate and Crude Differentials

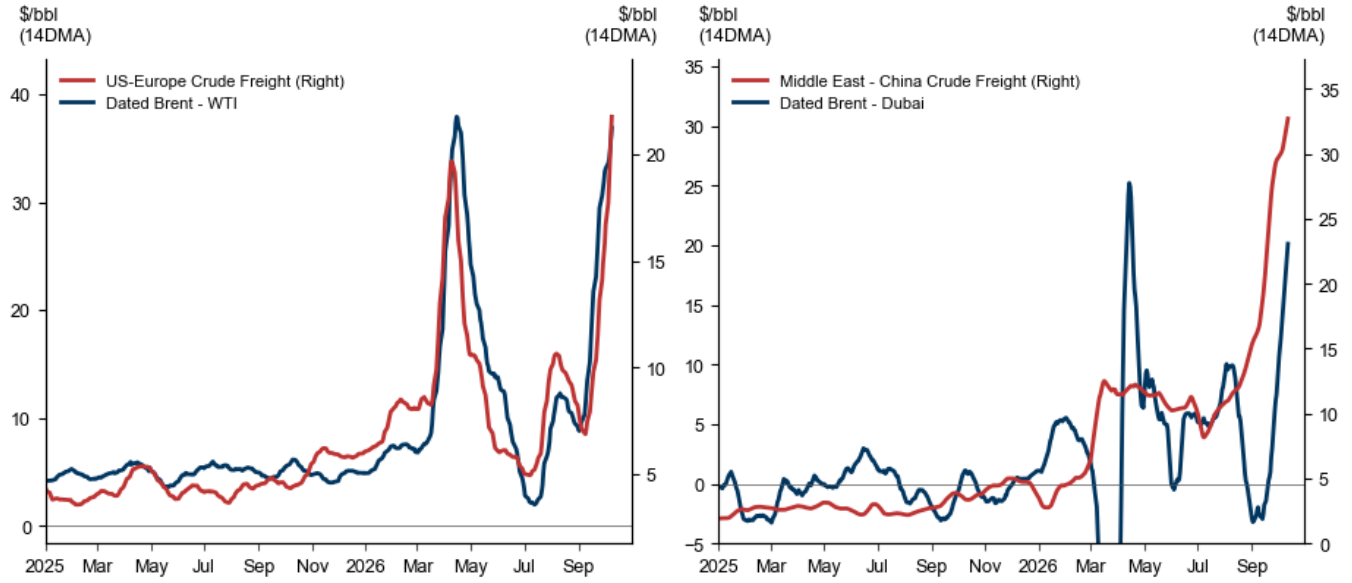
Exhibit 8: High Costs of Shuttling Oil From the Persian Gulf Are Reflected in $35/bbl Middle East Crude Freight Rates and Large Discounts for Crude Shipped Within the Persian Gulf vs. Outside the Gulf



Basrah is an Iraqi crude grade; Murban is a UAE crude grade.

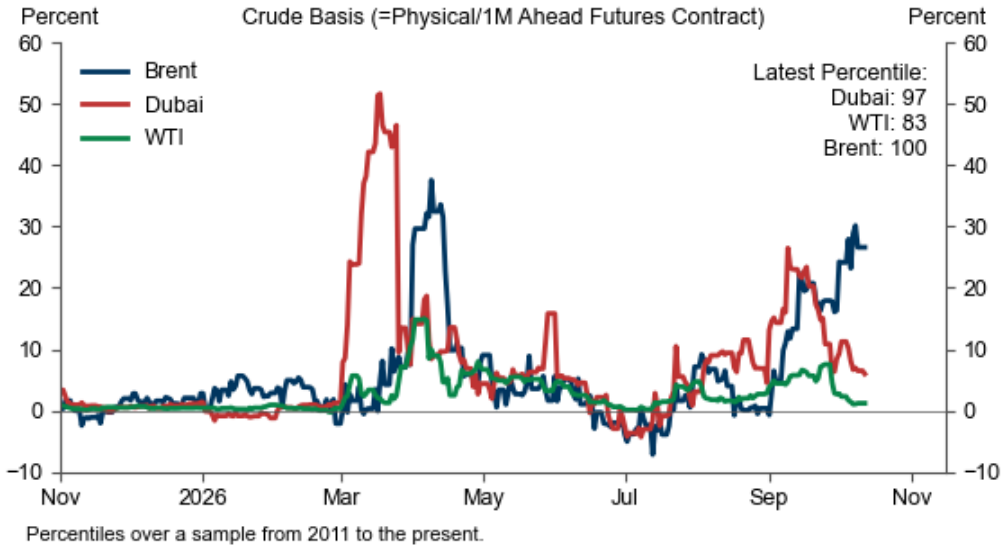
Source: Platts, Refinitiv, Goldman Sachs Global Investment Research

Exhibit 9: Record-High Freight Rates Widen Geographical Differentials, Pushing Dated Brent-WTI Above $30/bbl (14DMA)



Source: Platts, Refinitiv, Goldman Sachs Global Investment Research

Exhibit 10: The Dubai Crude Basis Moderates as Crude Flows From the Persian Gulf Recover and High Freight Rates Weigh on FOB Crude Prices in the Middle East



Source: ICE, Platts, Goldman Sachs Global Investment Research