175 Days after Operation Epic Fury; What Happens Next?

Tom Kloza

Senior Energy & Market Advisor for Gulf

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A Personal Update

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Rescued by LinkedIn?

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Motivational Speakers Get All the Coin

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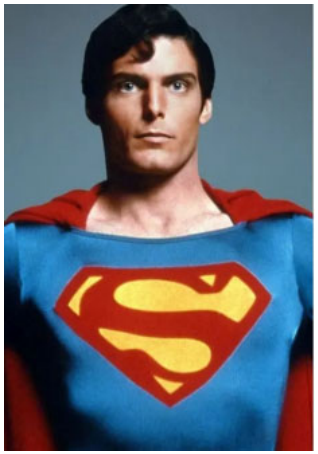
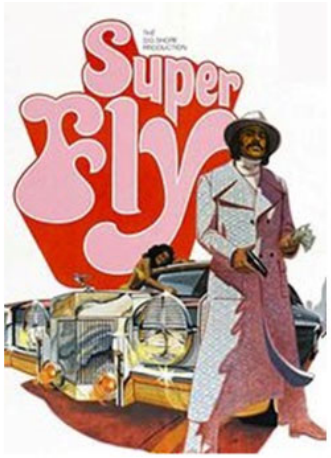
What Would 2026 Look Like Without an Iran War?

We all know about SUPERMAN



And then there's SUPERBAD

And of course SUPER FLY



And who could forget SUPER FREAK?

But without Iran, 2026 would have brought

SUPERGLUT

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A 2026 Energy Price Epiphany

Some Challenging Names for the West

- Irishinefteorgsintez
- Ryazan
- Nizhny Novgorod
- Slavyansk
- Yelabuga, Tartarstan
- Nizhnekamsk
- Kuibyshev
- Novoshakhtinsk
- Voronezh
- Omsk
- Smolensk
- Nizhegorodnefteorgsitez

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A Two-Year Old Slide that Has Gained Relevance

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A Recent Ukrainian Drone Attack on the Novonorshrik Refinery

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And Russian News Always Has the Same Reaction

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So, Where Do We Find Ourselves in Late August?

- **The CEO of Aramco this month estimated that we've lost about 2.5-billion barrels of crude, refined products, and petrochemicals since February 28. On August 20, the commodity desk at Citi put the actual loss at 519-million barrels. Initially, they saw a 7-million to 8-million b/d deficit.**

- **This huge variation proves a point. Every analyst, from the 21-year-old Ivy League punk to Pulitzer Prize Winning analyst Daniel Yergin, struggles with these numbers. There is no precursor for what is happening or for what will happen.**

- **U.S. does now boast clear "energy dominance." But some of that dominance has a "monkey's paw" aspect to it.**

- **Oil balanced thanks to four factors. 1)There was modest demand destruction, mostly elsewhere; 2) Strategic Oil sales were gamechangers, but the end looms; 3)Higher output from Brazil, Canada, US, Guyana helped the cause; 4) China moved in an altogether unpredictable fashion. Number 5 has largely been ignored.**

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How Has the Energy Investment “mojo” been altered?

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An Energy Mojo Box Score

Commodity Complex	Commodity	Net Positioning	1-week change	4-week change	2YAvg	5YAvg	2YRank	5YRank	10Y Seasonal Rank
Energy	Brent	185083	-6948	129449	191497	199446	45%	45%	38%
	WTI	108307	21402	14594	104487	166627	49%	37%	15%
	HH Gas	-105605	-2911	-40551	-46287	-37843	16%	20%	36%
	RBOB Gasoline	73967	104	1659	48556	53815	72%	72%	72%
	Gas Oil	88971	5130	28966	37599	53511	85%	72%	59%
	Heating Oil	11374	-2317	2880	4753	14137	66%	60%	42%
Precious Metals	Gold	120328	-3258	3511	152411	115815	18%	55%	53%
	Silver	8387	-1616	-4360	25981	19142	9%	44%	23%
	Platinum	6377	264	-1485	9296	5320	46%	52%	49%
	Palladium	-6173	436	-184	-5726	-5260	58%	52%	25%
Base Metals	Copper	38042	6977	11572	37705	28574	44%	61%	91%
	Aluminium	129121	-1838	-16410	106493	74732	65%	71%	93%
	Nickel	14492	1232	-2118	6271	6787	60%	58%	61%
	Zinc	48600	3054	9520	29948	27990	94%	83%	86%
	Lead	-18634	2342	-1782	-7405	1678	16%	12%	0%
Grains	Corn	168399	75490	214608	16337	48502	70%	71%	82%
	Soybeans	155001	30101	123801	34551	46671	82%	82%	99%
	Wheat	-6880	12469	62150	-65289	-52842	87%	78%	63%
	Soybean Meal	88655	13503	86814	-18544	30441	83%	77%	100%
	Soybean Oil	109855	-15493	17623	34412	30228	77%	79%	100%
	HRW Wheat	33233	3289	26323	-25859	-5444	96%	78%	69%
Softs	Sugar	-112413	-15817	38162	-60474	55107	35%	26%	10%
	Coffee	25136	270	3913	38509	31370	35%	58%	76%
	Cocoa	-14127	-2523	2569	8462	16920	19%	24%	29%
	Cotton	52410	-799	20425	-33948	7079	93%	75%	75%
Livestock	Live Cattle	66523	-8840	-52780	111929	82297	24%	38%	49%

Explaining the Positioning Dashboard

- Crude oil markets no longer see periods of heavy speculative buying. There were massive amounts of money bet on higher price outcomes in 2007, 2008, 2011, 2012, 2013, and 2014 compared to contemporary times.
- Buyers of gasoline or distillate (ULSD and Gasoil) are less risk averse and speculative buying is more considerable in those contracts. So far, it has been smart money. One bank believes we are flirting with a wall of huge selling interest.
- It's not three-dimensional chess but Truth Social posts and tweets have put the fear of God into financial funds in the energy markets. The posts have lost relevance lately for Brent & WTI. But there could be an upcoming trio of posts that spook buyers of gasoline, diesel and gasoil. I'll explain.

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Global Refining & The Import/Export Balance

- Even before the Iran War, it was clear that 2026 would see global demand growth for refined products outstrip new supply additions.
- Best estimates are that between 7-million b/d and 8-million b/d of vital refining has been curtailed thanks to violence. It's been happening for two years in Russia; and they've been joined by drone and missile strikes on Persian Gulf, Red Sea, and Libyan refining. What happens if the theater for drone violence widens to Europe and elsewhere?
- Beyond the US and Canada, the rest of the western hemisphere is a mess. Venezuelan refining struggles to hit 20% of capacity; Mexico is around 45%. Twenty years ago, there was plenty of Caribbean refining capacity. You'll hear about possible resurrection but plants would take years to revive. Meanwhile, Dangote and Dos Bocas haven't hit production strides.
- US Gulf Coast refinery output of gasoline and diesel is needed by more than 40 countries. Gulf Coast gasoline, diesel, and jet fuel often represent the world's "cleanest dirty shirt." Diesel is the problem child in remainder of 2026.
- The Northeastern quadrant of North America finds about a third of the capacity that existed when Katrina made landfall. Far fewer imports arrive from Europe. T/A season in September through November looms large.

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Global Refining & The Import/Export Balance

- Current estimates suggest that some 7-million to 8-million b/d of global refining is down for various reasons. Those refineries attacked by Iran in the early weeks of the Iran War or by Ukraine this summer saw damages that require months to repair. Attacks recently expanded to Libya.
- Even without the Iran War and Russia/Ukraine War, 2026 was shaping up to be a year in which demand growth outpaced refinery growth worldwide.
- Venezuelan refining struggles to hit 20% of capacity; Mexico now about 45%; and Russia is somewhere under 50% of capacity. No wiggle room whatsoever.
- US output is healthy and robust but we did lose two refineries in California. Can we continue to run above 95% of capacity? (19)
- US Gulf Coast refinery output of gasoline and diesel is needed by more than 40 countries. Gulf Coast gasoline, diesel, and jet fuel often represent the world's "cleanest dirty shirt."
- The East Coast of the US is still dependent on gasoline imports. At one point in the second quarter, only 75,000 b/d of gasoline came into the region. Northeastern North America has lost about 1-million b/d of refining in the last 15 years as well.

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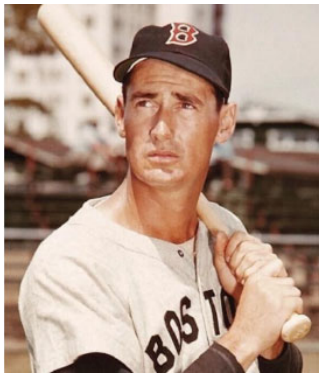
Charting Retail Gasoline Numbers Through Metaphor



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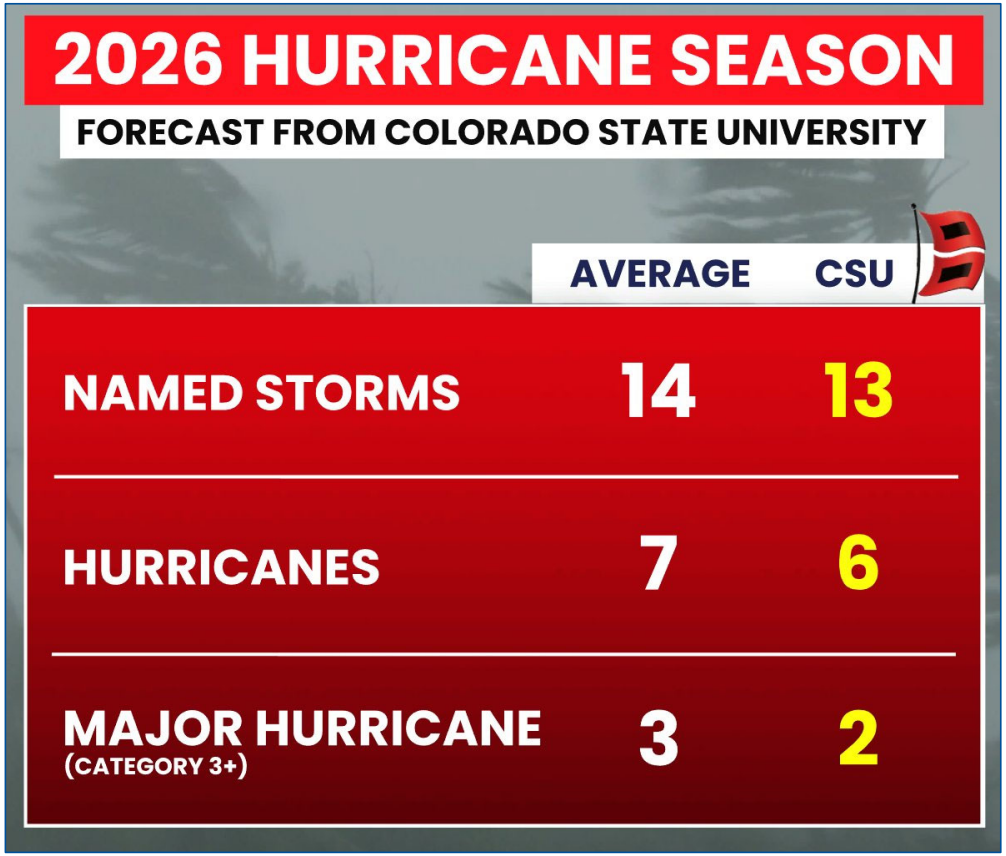
Speaking of Katrina, Some 21 Years Ago . . .



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Twenty-One Years after Katrina

Commodity	Current* Export Level	2005 Export Level
Crude Oil	5.000 million b/d	45,000 b/d
Finished Petroleum Products	7.741 million b/d	1.135 million b/d
NGL	2.260 million b/d	194,000 b/d
Finished Gasoline	1,000,000 b/d	142,000 b/d
Jet Fuel	243,000 b/d	72,000 b/d
Distillate	2.000- million b/d?	165,000 b/d

Conclusion: The U.S. is the dependable supplier of over 40 Americas' countries. Crude exports are about 143 times what they were in 2005. Six times as much gasoline departs the U.S. as opposed to 21 years ago and ten times as much distillate goes offshore. These numbers have not yet peaked. My own personal mnemonic tool?

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Some Takeaways at the Five Eighths Mark of 2026

- Normal relationships are now distorted. Consider that based on the gold-to-oil relationship in the last 75 years, oil benchmarks “should” be trading between $185-$275/barrel.
- All of the modeling for refined products can be tossed out the window with drone debris. Gulf Coast gasoline and diesel are fetching $42.25/bbl and $99/bbl respectively above crude. We may never pass this way again. ”
- Politics neuter some of the impact from waivers. EPA’s move to winter gasoline on September 1 should help reduce the price of gas, given $1.15/gal butane. But acceptance of relaxed specifications differs according to local concerns.
- These crazy relationships may combine with technology to revolutionize some fuels. US agriculture may shift from traditional diesel dependence to B30 or even E98 ethanol.
- Best way to keep apace on the cheap. Start using Twitter (X). The news breaks there before it hits the news services and it debuts many hours before it gets trumpeted as "breaking news" on the evening broadcasts.

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A Quick & Contemporary View of Downstream Fuel Markets

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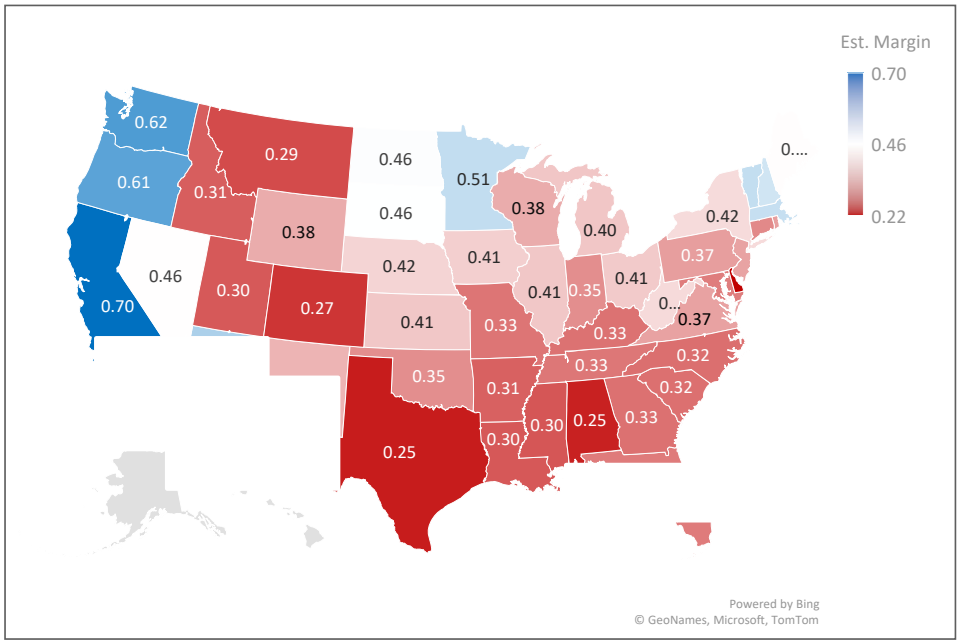
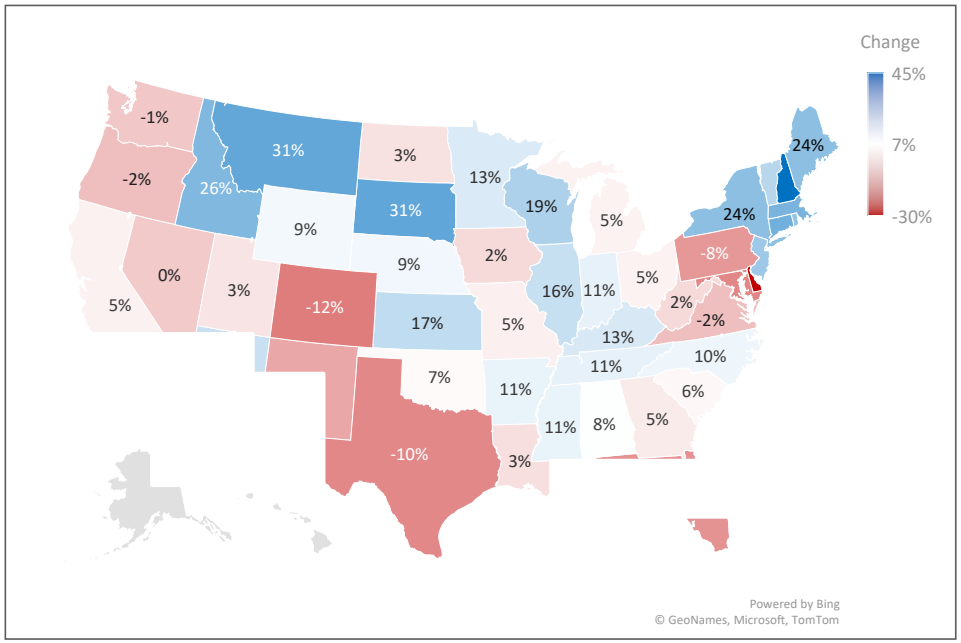
How are Fuel Marketers Doing?

Estimated Rack-to-Retail Gasoline Margins First Half 26



Change in Gasoline Margins vs First Half 25



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What Does the Retail Data Tell Us?

- Weekly EIA data is notoriously errant for weekly trends. This driving season isn't a washout, but monthly data hints at more demand destruction that weekly numbers.
- Demand data is quite funky. Best data sets point to increased volume for BJ's, Buc-ee's, Costco, Kroger, and Sam's Club. Midlevel sites (QuikTrip, Sheetz, Wawa) have seen very modest year-on-year slips. Biggest losers have been the smallest retail operators.
- Notwithstanding some attrition, this is an exciting year for US fuel retailers. We've seen successful public debuts for Yesway and APM (ARKO) and the world awaits the public offering of Cumberland Farms. Not exactly Google, but the value proposition for these companies (and 40cts/gal margins) is upbeat.
- A possible second half 2026 trend may see public companies (Sunoco and APM come to mind) target multistate distributors. We've already seen purchase of Offen and US Petroleum Partners.
- Curb the greatest enthusiasm. China percentage of EVs in summer vehicle sales data is worth a mention.

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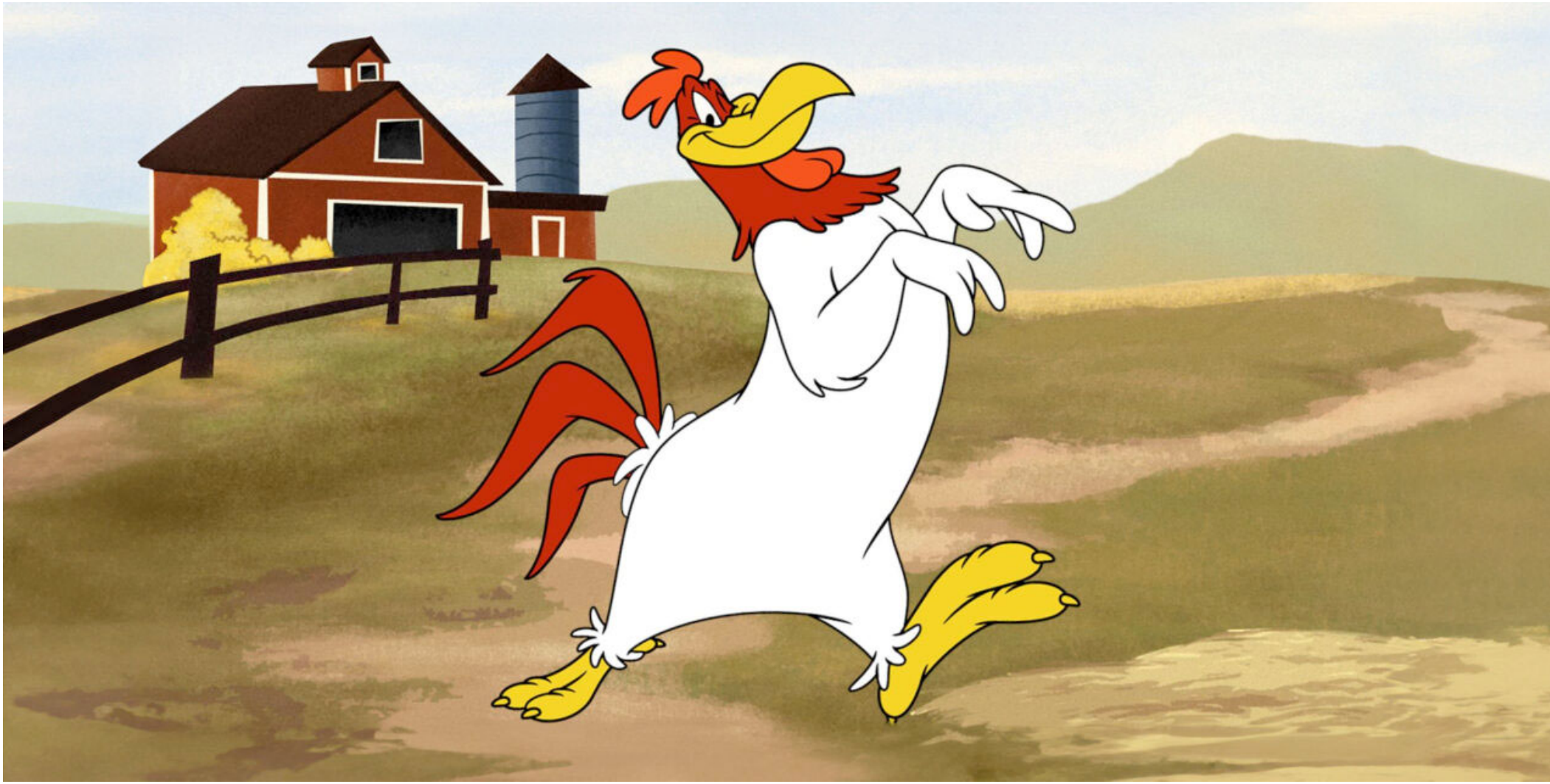

Thought Experiment: Who Is The Most Dangerous Man in the World?

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The Most Dangerous Man in the World is the Articulate Incompetent

March 15 – 20% of the world's oil flows through the Strait of Hormuz.

That means 80% does not.

Given the massive flexibility of most oil producers, there is no question that 80% can crank up production if asked firmly by Trump.

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Some Final Observations

- Much must happen to declare that products' markets have peaked. SPR sales will soon end, Chinese policy is unknown, and despite gloom-and-doom, international economic growth is substantial. We could see "stupid" autumn and winter numbers for diesel and heating oil.
- Refinery margins remain well outside the norm in the U.S. Postponed maintenance work in the final third of 2026 may haunt the spring 2027 markets.
- Verbal interventions, via Truth Social or Twitter, are a new wildcard in markets. These items have changed the fabric of crude markets and could impact heating oil markets and RBOB.
- As Fred Flintstone Might Say: Yabba Dabba Yanbu! (I'll explain)

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Some takeaways and action items given the circumstances

- Make a staff member responsible for monitoring markets on the weekend. Oil is now trading 24/7 on one platform and we could soon see weekend action for gasoline and diesel.
- Canvass your area and look closely at alternate supply points. Diesel prices may see huge variations when supply comes from landlocked refineries versus coastal plants.
- Consider topping off diesel tanks in front of the winter. If global markets continue on the present path, supply and price will take no prisoners.
- Keep close tabs on regional supply. As summer wanes, we find supply in two heavily populated areas at 40-year lows.
- Sign up for, or have a team member monitor oil news flow on Twitter (X). Well before news breaks with the PRAs, or even with Reuters, Bloomberg, and others, the social media channel often provides the first tip of a trend change.
- Recognize that just as all politics are local, each local market has its own set of circumstances. Use historical data when deciding on NTI locations.

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Thank You

For more real-time industry analysis, follow Tom on X and LinkedIn!

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