

# Oil & gas: The sharp rise in U.S. exports is providing temporary relief to the oil market, but prices remain very high

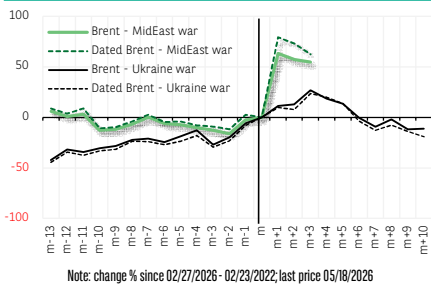
For now, European oil and gas prices appear to be reacting more strongly to the energy shock caused by the war in the Middle East than they did to the shock that followed Russia's invasion of Ukraine.

**Oil:** The growing loss of barrels available on the market due to the closure of the Strait of Hormuz, repeated attacks on production capacity in the Gulf, and restrictions on traffic through the Strait increase the risk of a physical oil shortage in the short term. This has led to a sharp reaction in the prices of physical barrels (dated Brent). In recent weeks, better pricing of this risk of shortage has caused the prices of futures (Brent) to converge with that of the physical barrel (dated Brent). Furthermore, the sharp rise in oil exports from the United States and, to a lesser extent, the decline in Chinese imports have eased tensions in the physical market and pushed prices lower.

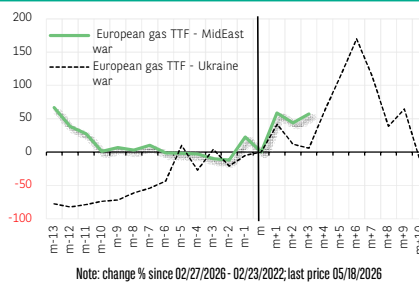
**Gas:** The reaction of the spot gas price in Europe (TTF) has been more moderate than that of oil. This is due in particular to 1) European countries' limited direct dependence on gas from the Gulf, 2) the reduction in European demand as winter ends, and 3) the decline in Asian demand. Nevertheless, TTF prices remain high and have trended upward over the past month due to the ongoing blockade of the Strait and the start of the restocking period in Europe.

**Electricity:** Unlike 2022, wholesale electricity prices in Europe have been falling since the start of the conflict. Gas prices remain an important determinant of wholesale electricity prices, but progress in decarbonation of the electricity mix since 2022 and favorable weather conditions explain this recent development.

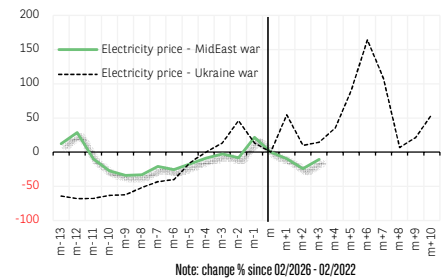
May 2026: Narrowing spread between the physical barrel price and futures price



May 2026: Rebound in LNG prices in Europe



May 2026: Wholesale electricity prices in Europe have not reacted yet



Source: Bloomberg, Ember, BNP Paribas