S&P Global Ratings' Oil And Gas Price Decks Unchanged Amid Middle East Disruptions

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*(**Editor's Note:** S&P Global Ratings believes there is a high degree of unpredictability around the duration and scale of the Middle East war and its potential effect on commodity prices, supply chains, economies, and credit conditions. As a result, our baseline forecasts carry a significant amount of uncertainty. As situations evolve, we will gauge the macro and credit materiality of potential shifts and reassess our guidance accordingly.)*

This report does not constitute a rating action.

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Key Takeaways

- Our price assumptions for oil and natural gas are unchanged for the rest of 2026-2029 and beyond.
- Middle East conflicts have resulted in the effective closure of the Strait of Hormuz and Bab El Mandeb strait.
- Market prices for oil have fluctuated for several months.

S&P Global Ratings today reviewed its oil price deck, leaving its oil and natural gas price decks unchanged. Our price assumptions for Brent and West Texas Intermediate (WTI) oil and Henry Hub, Alberta Energy Co., and Title Transfer Facility (TTF) natural gas remain for the rest of 2026-2029 and beyond.

S&P Global Ratings' oil and natural gas price assumptions

	--New prices--					--Old prices--				
	WTI ($/bbl)	Brent ($/bbl)	Henry Hub ($/mmBtu)	AECO ($/mmBtu)	TTF ($/mmBtu)	WTI ($/bbl)	Brent ($/bbl)	Henry Hub ($/mmBtu)	AECO ($/mmBtu)	TTF ($/mmBtu)
Remaining 2026	105	110	3.50	1.50	18	105	110	3.50	1.50	18
2027	75	80	3.50	1.75	12	75	80	3.50	1.75	12
2028	60	65	3.50	1.75	8	60	65	3.50	1.75	8
2029 and beyond	60	65	3.50	1.75	7	60	65	3.50	1.75	7

Prices are rounded to the nearest $5/bbl and 25 cents/mmBtu. bbl--Barrel. WTI--West Texas Intermediate. HH--Henry Hub. TTF--Title Transfer Facility. AECO--Alberta Energy Co. mmBtu--Million Btu. Source: S&P Global Ratings.

This update supersedes our last oil and natural gas price update published June 5, 2026.

To calibrate the potential use of cash flow volatility adjustments and resilience of financial risk profiles and ratings, we maintain a ratings marginal price reference point in our analysis of investment-grade oil and gas producers. These assumptions remain $50 per barrel (bbl) for WTI, $55/bbl for Brent, $2.75 per million Btu for Henry Hub natural gas, and $8 per million Btu for TTF natural gas. Our base case assumes that the supply disruptions in the Strait of Hormuz will ease during the second half of the year. Even after the strait reopens, shipping and energy flow will likely remain below prewar levels through the end of 2026.

The effective closure of the Strait of Hormuz has persisted for over four months. Oil prices have been on a roller coaster, with Brent reaching a high of $137/bbl in early April 2026, then declining to $73/bbl on July 1 following the memorandum of understanding between the U.S. and Iran on June 17. Since then, with the renewal of hostilities and the recent attack on two Saudi oil tankers by the Yemin-based Houthis in the Bab El Mandeb strait, the price of Brent has increased 38%. With the renewal of hostilities, traffic in the Strait of Hormuz has come to a standstill.

The Bab El Mandeb connects the Red Sea to the Gulf of Aden and Arabian Sea/Indian Ocean. It was being used by the Saudis to bypass the Strait of Hormuz. The Saudis have ramped up capacity considerably along the 7 million bbl per day Yanbu pipeline to the Yanbu port on the Red Sea. Approximately 5 million bbl per day of crude and refined product was recently being shipped through the Bab El Mandeb, about two-thirds of that Saudi crude. Most of this crude was destined for Asia.

With the Bab El Mandeb effectively shut down, shipping can be redirected north through the Suez Canal, but very large crude carriers (VLCC) cannot traverse the canal fully loaded. It's uncertain how much that crude can actually be shipped through the Suez. Most ships loading crude at the Yanbu port are VLCCs. Redirected cargoes would have to travel north through the Suez and loop around the Cape of Good Hope in Africa. This would be very expensive and add an extra 30 days or so of travel depending on the destination.

There has been somewhat of a disconnect between oil prices and refined product prices. Prior to the Houthi attacks, energy markets were in a "refined product scarcity" environment because of very low global inventory, rather than a "crude oil scarcity" situation. That could change, and it's unclear how quickly oil shipping logistics can adapt. There is a risk that the Houthis could attack oil refineries along Saudi Arabia's west coast. There is approximately 2 million bbl per day of refining capacity there, which is a vital diesel supplier to Europe which could further escalate sky high diesel prices.

Another key risk is whether China will continue to draw down its massive oil stocks or return to prewar open market oil purchase levels. Oil prices have been surprisingly lower than what we and market pundits would have expected, and crude availability has been surprisingly resilient. A primary reason is that China has reduced its open market purchases by 5 million-6 million bbl per day and has been drawing from its massive oil reserve stockpiles. China doesn't divulge its oil reserves, which have been estimated to be 1.3 billion-1.6 billion barrels.

To put this in perspective, the U.S. has the next highest reserves, approximately 410 million barrels of commercial inventories (not including 337 million barrels in its Strategic Petroleum Reserve). If China decides to increase open market oil purchases, it could lead to another rapid increase in oil prices.

Related Research

- Oil Price Assumptions Raised As Hormuz Disruption Deepens And Inventory Buffers Erode; Near-Term Henry Hub Price Assumptions Lowered, June 5, 2026

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