Tomorrow's Affairs
Analysis of today
Assessment of tomorrow

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Gasoline prices may surprise on the downside

Behind the scary headlines about “oil shocks” and the Strait of Hormuz, the structure of the global energy market has changed in ways that make sustained high prices much harder to maintain.

The world now has more supply, more redundancy, and more flexibility than at any point in modern oil history, and that directly affects what drivers pay at the petrol station.

Over the past decade, the US has emerged as a major energy exporter. It is no longer the vulnerable importer of the 1970s but a major exporter of crude oil, refined products, liquefied natural gas, jet fuel, and even fertiliser.

Every additional US cargo that leaves the Gulf Coast adds competition to global markets, offering Europe and Asia a credible alternative to barrels from higher-risk producers.

That competition caps the ability of any one region to dictate prices and makes temporary spikes harder to sustain.

The United States has effectively become a pressure valve on global energy prices, producing more than 13 million barrels per day and exporting well over 6 million barrels of petroleum products daily.

Beyond strict quota discipline

Politics inside OPEC is also breaking the old pattern. For years, OPEC-imposed quotas constrained the United Arab Emirates’ heavy investments in expanding its production capacity.

Now Abu Dhabi has moved de facto beyond strict quota discipline, with the clear intention of using more of its 4 million barrels per day spare capacity when prices rise.

This shift transforms how traders think about the balance of power. Instead of a perfectly unified cartel committed to holding back supply, the market sees a key producer with both the means and the incentive to defend market share.

This structural trend is detrimental to oil and, consequently, gasoline: it undermines the argument that OPEC can maintain high prices solely by privately agreeing on cuts.

> Periods of tension in Hormuz no longer automatically translate into a catastrophic loss of supply

Saudi Arabia, the group’s heavyweight, has reinforced this new reality through infrastructure. Not every Saudi barrel needs to pass through the Strait of Hormuz.

Over many years, the kingdom has built pipeline systems that move crude from fields in the Gulf to export terminals on the Red Sea, where it can be loaded onto tankers without ever entering the strait.

As a result, periods of tension in Hormuz no longer automatically translate into a catastrophic loss of supply.

The market sees something very different from the 1980s picture of a single chokepoint: it sees flexibility and a growing ability to reroute well over 7 million barrels per day of exports when necessary. That perception alone shortens the lifespan of panic-driven price spikes.

How futures and infrastructure shape oil prices

The futures market is reinforcing the same message. Oil is trading in steep backwardation, with prompt barrels priced well above contracts further out on the curve.

Backwardation is the market’s way of saying that it recognises some tightness today but does not believe it will last. The curve discounts a dramatic $40 decline in Brent oil prices by the end of 2026.

If traders really expected a deep, prolonged

supply shock, prices for deliveries two or three years ahead would be exploding higher as buyers rushed to lock in future barrels.

Instead, the curve implies that additional supply, rerouted flows, and demand adaptations will ease the situation over time. For gasoline, that structure is one of the clearest signals that relief is coming: risk premia can elevate pump prices in the short term, but the underlying expectation is normalisation.

> 80% of the volumes that went through the Strait have been re-routed or offset

Perhaps the most symbolic change is happening at the very chokepoint that has dominated oil anxiety for decades: the Strait of Hormuz. Hormuz still matters, but it matters less every day.

When tensions have flared recently, major shipping lines have not simply waited and hoped; they have begun actively avoiding the strait, unloading cargo in alternative ports such as Fujairah, Sohar, or Khor Fakkan and sending it onwards by feeder vessels and trucks across the Gulf region.

Some long-haul services have rerouted entirely, going around the Cape of Good Hope rather than transiting Hormuz and Suez. At the same time, pipeline alternatives outside the strait have helped keep oil moving. 80% of the volumes that went through the Strait have been re-routed or offset.

This doesn't eliminate disruption costs, but it makes them manageable, which is a key difference from the past.

Resilient fundamentals

Taken together, these five forces point in the same direction. Record US exports add barrels and competitive pressure. The UAE's more independent stance weakens cartel discipline, increasing the likelihood of actual spare capacity usage when prices rise.

The steady rerouting around Hormuz demonstrates how quickly supply chains can adapt when risk becomes chronic - Daniel Lacalle

Saudi pipeline infrastructure gives producers real routing flexibility, undermining the idea that a single narrow waterway can hold the world economy hostage.

The steep backwardation of the futures curve shows that the market sees current tightness as temporary, not permanent. And the steady rerouting around Hormuz demonstrates how quickly supply chains can adapt when risk becomes chronic.

Gasoline prices can still rise due to fear, and geopolitical headlines will always have a short-term impact on the markets. But prices fall on fundamentals, and the fundamentals of today's oil market are far more resilient and competitive than the crisis narrative suggests.

As supply continues to adjust and logistics continue to evolve, the most underappreciated story is not how high gasoline might go but how quickly it can come back down.