GoldSquawk

OIL REPORT · OCTOBER 2026

Refinery outages are tightening diesel more than crude

GoldSquawk Research

Key takeaways

- The clearest sign of current tightness is in products, not crude: the IEA says global refinery runs are at a seasonal low of 81.3 mb/d in October, while global diesel tightness is likely to persist well into 2027; EIA data also show distillate and jet cracks almost tripled year-on-year in 3Q26.[1,2,3]
- Russian refinery damage matters disproportionately for diesel because attacks have increasingly hit secondary units such as hydrocrackers and hydrotreaters; the IEA estimates Russian diesel production has fallen nearly 30% versus 2025 and says throughput is now assumed at 4 mb/d for the rest of 2026 and for 2027.[4]
- Crude logistics normalisation has not solved the product shortage: the IEA said Middle East crude exports had recovered significantly by 2 October, but refined-product flows remained severely constrained.[5]
- The U.S. is acting as the balancing barrel in distillates, but with limited flexibility: refinery utilisation averaged more than 95% of capacity from May through September, the highest for those months since 1998, even as U.S. refining capacity is 4% below 2019.[6]
- Inventories underline the asymmetry: EIA expected U.S. distillate stocks to fall below 100 million barrels in September and remain below the 2021-2025 five-year low through end-2026 and most of 2027, while days of supply fell from 35.6 in early January to 25.8 by late April.[7,8]

Figure 1: WTI has risen, but product tightness is the sharper signal



Source: NYMEX WTI crude futures daily closes via Yahoo Finance; GoldSquawk calculations, as of 30 October 2026.

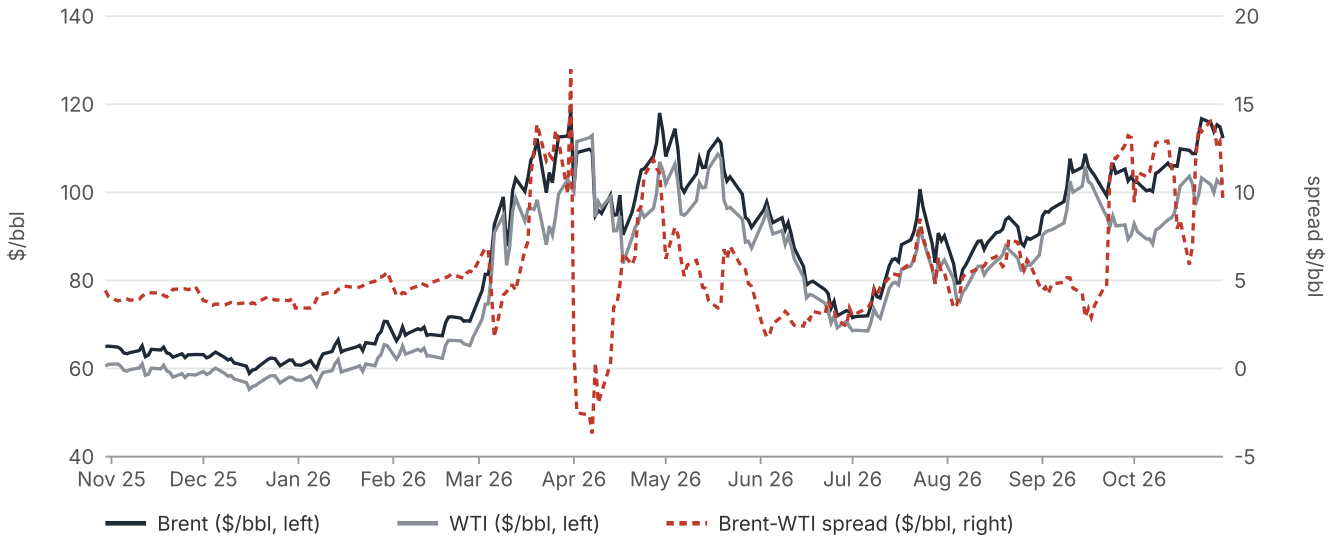
Diesel is pricing refinery unreliability

- The IEA says global refinery runs are set to hit a seasonal low of 81.3 mb/d in October before recovering to 84.6 mb/d by year-end, but it also argues that easing Russian diesel export restrictions is unlikely to materially alter the gasoil balance because the operational constraint is refinery capacity, not policy alone.[1]
- The IEA said on 11 and 15 October that global diesel tightness is likely to persist well into 2027, with continued monitoring under the March 2026 Collective Action focused explicitly on diesel.[2]
- EIA said distillate and jet cracks almost tripled year-on-year in 3Q26 even as crude averaged around $104/b in the final two weeks of the quarter, indicating that refining bottlenecks have been stronger than feedstock scarcity alone.[3]
- This helps explain why resumed crude movements have not translated into comparable relief in products: the marginal constraint is conversion into middle distillates rather than access to crude barrels.[5,1]

Russia shows why outages hit diesel harder than crude

- The IEA says reported Russian diesel production is estimated to have fallen nearly 30% versus 2025, compared with a 20% decline in gasoline output, after attacks increasingly targeted secondary refinery units including hydrocrackers and hydrotreaters.[4]
- That distinction matters because damage to downstream conversion and treating units can impair middle-distillate output disproportionately even if some crude throughput resumes. The IEA cut assumed Russian refinery throughput to an average of 4 mb/d for the remainder of 2026 and for 2027.[4]
- The export effect has been global: the IEA says seaborne gasoil and diesel exports averaged 4.7 mb/d in the first eight months of 2026, down 10% year-on-year, while combined Middle East and Russian diesel exports fell to 520 kb/d in August, down 75% from August 2025.[4]
- The same disruption helped push diesel crack spreads above $100/b in September in both the U.S. Gulf Coast and Northwest Europe, reinforcing that the lost barrel was exportable diesel supply, not just crude availability.[4]

Figure 2: Crude benchmarks are firm, but refining remains the binding constraint



Source: ICE Brent and NYMEX WTI front-month futures via Yahoo Finance; GoldSquawk calculations, as of 30 October 2026.

The balancing role falls on stretched refiners

- On 2 October, the IEA said crude exports from the Middle East had recovered significantly, but refined-product flows remained severely constrained, with Ukrainian attacks on Russian refineries worsening diesel tightness.[5]
- The U.S. refining system has absorbed part of that shock: EIA says utilisation averaged more than 95% of capacity from May through September, the highest for those months since 1998, driven largely by tight global distillate supplies and strong export demand.[6]
- Even so, flexibility is limited because U.S. refining capacity is 4% below 2019, and distillate inventories were 13% below the five-year average in the week ending 25 September, compared with gasoline at 7% below average and jet fuel at 3% above average.[6,3]
- Local disruptions can therefore matter quickly. Reuters reported that protests affecting Eni's Taranto refinery threatened fuel supply in southern Italy, with more than 50 of roughly 300 service stations supplied by the refinery running dry and shortages declared at Bari and Brindisi airports.[9]

Scenarios

- **Supportive case:** Refinery runs recover as expected towards 84.6 mb/d by year-end, late-October gains in Russian throughput prove durable, and distillate inventories begin to rebuild. That would ease the product-specific premium even if crude remains firm.[1,10,7]
- **Pressure case:** Fresh refinery outages, renewed attacks on Russian secondary units, or disruption to highly utilised U.S. refining capacity keep diesel supply constrained into the winter demand period. In that setup, products remain tighter than crude and diesel cracks stay the main stress barometer.[4,6,1]
- **Patchy relief case:** Crude flows continue to normalise and ad hoc diesel exports increase, including additional Russian cargoes, but refinery reliability remains uneven. That would improve availability at the margin without resolving the broader conversion bottleneck.[5,11,1]

Levels to watch

- WTI last close: $102.95/bbl (30 Oct 2026)
- Brent last: $112.33/bbl; Brent-WTI spread: +$9.38/bbl
- WTI 50-day moving average: $94.61/bbl
- WTI 200-day moving average: $86.34/bbl
- WTI 52-week high/low: $112.95/$55.27 per bbl

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Glossary

Crack spread: The margin implied by turning crude oil into refined products; a proxy for refinery economics and product tightness. [2][5]

Middle distillates: Refined products such as diesel, gasoil and jet fuel that sit in the middle of the refinery yield barrel. [2][11]

Hydrocracker: A refinery unit that upgrades heavier oil fractions into lighter, higher-value products, including diesel-range output. [11]

Hydrotreater: A refinery unit that removes sulphur and other impurities so fuels meet required specifications. [11]

Utilisation rate: The share of operable refining capacity that is running at a given time. [1]

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