

Short-Term Energy Outlook

October 2026



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Short-Term Energy Outlook

Overview

U.S. energy market indicators	2025	2026	2027
Brent crude oil spot price (dollars per barrel)	\$69	\$96	\$84
Retail gasoline price (dollars per gallon)	\$3.10	\$3.91	\$3.56
U.S. crude oil production (million barrels per day)	13.7	13.9	14.3
Natural gas price at Henry Hub (dollars per million British thermal units)	\$3.53	\$3.48	\$3.16
U.S. liquefied natural gas gross exports (billion cubic feet per day)	15	18	19
Shares of U.S. electricity generation			
Natural gas	40%	40%	39%
Coal	17%	16%	15%
Nuclear	18%	18%	18%
Conventional hydropower	6%	6%	6%
Wind	11%	11%	12%
Solar	7%	8%	9%
Other energy sources	1%	1%	1%
U.S. GDP (percentage change)	2.1%	2.1%	2.6%
U.S. CO₂ emissions (billion metric tons)	4.9	4.8	4.8

Data source: U.S. Energy Information Administration, *Short-Term Energy Outlook*, October 2026

Note: Values in this table are rounded and may not match values in other tables in this report.

- Winter Fuels Outlook.** We published the 2026-27 edition of the [Winter Fuels Outlook](#) in conjunction with this month's *Short-Term Energy Outlook* (STEO). Nationally, we expect homes that use natural gas and propane as their main source of space heating – collectively around half of U.S. households – will spend less on average on those fuels than last winter. We forecast homes that use electricity as the main heating source will spend slightly more this winter. Fuel spending is set to rise the most for homes that primarily use heating oil, which make up about 3% of U.S. households and are located mostly in the Northeast part of the country. These homes face heating oil prices that are up more than 30% from last winter, although we expect heating oil expenditures to increase by 21%, offset by a milder winter this year in the Northeast. On average across the United States, our forecast assumes temperatures this winter will be about the same as last winter and the previous 10-winter average.
- Global oil market assumptions.** Although we assume that oil flows from the Middle East will remain constrained through the fourth quarter of 2026 (4Q26), we estimate that regional shut-in production in September was the lowest since the onset of hostilities. Despite ongoing constraints, we assume that a combination of convoys through the Strait of Hormuz and workarounds to oil exports from the Middle East, including bypass routes and increased use of

ship-to-ship transfers, will lead to production and exports from the region generally increasing through the forecast period.

- Global oil prices.** Although we expect oil production and flows from the Middle East will increase, we raised our global oil price forecast compared with last month. We now forecast the Brent crude oil spot price will average \$105 per barrel (b) in 4Q26, \$14/b higher than in last month's STEO. The attacks on the East-West pipeline in Saudi Arabia highlight the potential for continued volatility in physical oil flows and oil prices amid ongoing withdrawals of oil inventories globally. [Additional upward pressure](#) on crude oil prices stems from extreme tightness in diesel markets that raises demand for crude oil in order for refiners to meet diesel demand. We expect the Brent spot price will fall to an average of \$84/b next year.
- Petroleum prices.** [U.S. retail gasoline](#) and [diesel prices](#) rose sharply in September; gasoline prices averaged \$4.35 per gallon (gal), and diesel prices averaged \$6.29/gal, driven by higher crude oil prices and rising crack spreads. We expect retail diesel prices to average about \$4.50/gal next year and for gasoline prices to average just under \$3.60/gal.
- Distillate inventories.** East Coast distillate fuel inventories fell 32% below their five-year seasonal average in September. Although we expect inventories to recover, they remain around 20% below the 2021-2025 average through the upcoming winter in our forecast. We expect ongoing global supply constraints will keep inventories below normal through the forecast period. We expect East Coast distillate inventories will gradually increase as the tightness in global fuel markets eases, bringing inventories in the region close to their five-year average during the second half of next year.
- Natural gas prices.** We forecast the Henry Hub spot price for natural gas to average \$3.16 per million British thermal units (MMBtu) in 2027, a 9% decrease from 2026. The decrease reflects ongoing higher-than-average natural gas inventories in our forecast, driven by [production increases](#) that offset rising [liquefied natural gas exports](#).
- Wholesale electricity prices.** Wholesale electricity prices in the United States average \$52 per megawatt hour in 2026 in our forecast, 11% more than in 2025 primarily due to extreme weather events such as winter storm Fern and higher-than-average summer temperatures. Although prices across most hubs have remained relatively stable in 2026, wholesale prices in the PJM region are set to increase by 41% while prices in the Northwest Mid-Columbia region are expected to fall by 23%.
- Forecast timeline.** We finalized inputs into the model on October 1, 2026. This month's forecast does not specifically account for market events after that day. Accordingly, this outlook includes exchanges for 40 million barrels of crude oil from the U.S. Strategic Petroleum Reserve [announced on September 29](#). However, it does not account for any additional crude oil or petroleum products on the market as a result of [the G7's announcement](#) on October 2.

Notable forecast changes

Current forecast: October 6, 2026; previous forecast: September 9, 2026

	2026	2027
Brent crude oil spot price (dollars per gallon)	\$96	\$84
Previous forecast	\$91	\$74
Percentage change	6%	14%
Retail diesel price (dollars per gallon)	\$5.19	\$4.49
Previous forecast	\$5.07	\$4.40
Percentage change	2.4%	2.0%
Retail gasoline price (dollars per gallon)	\$3.91	\$3.56
Previous forecast	\$3.84	\$3.35
Percentage change	2.0%	6.3%

Data source: U.S. Energy Information Administration, *Short-Term Energy Outlook***Note:** Percentages and changes are calculated from unrounded values.

Global Oil Markets

Global oil prices

The Brent crude oil spot price increased to an average of \$114 per barrel (b) in September, \$23/b higher than in August. Prices rose following increased attacks on oil infrastructure and tankers around the Middle East. The most notable among these developments were [attacks on Saudi Arabia's East-West oil pipeline](#), which temporarily halted flows on a crucial bypass used to circumvent the Strait of Hormuz. Before the attacks, we estimate this pipeline was shipping more than 5.0 million barrels per day (b/d) of oil exports via Saudi Arabia's Yanbu port on the Red Sea. The disruption of the pipeline led to the daily Brent spot price reaching as high as \$131/b on September 15, as buyers scrambled to secure near-term supplies due to the loss of Saudi exports.

Daily prices eased somewhat during the last week of September as the East-West pipeline in Saudi Arabia [was repaired and partially resumed flows as of September 22](#). Some of the decrease in Red Sea exports has been offset by shifting exports back through the Strait of Hormuz. Ship tracking data from Vortexa indicates that oil shipments through the Strait of Hormuz increased slightly in September as Saudi Arabia increasingly used ship-to-ship transfers along Oman's coast.

We estimate that oil exports from the Middle East increased in September compared with August despite the increase in attacks, and we estimate that crude oil production shut-ins fell. We assess that crude oil production shut-ins averaged 4.8 million b/d in September, down from 5.8 million b/d in August and down from 10.9 million b/d at the peak in May.

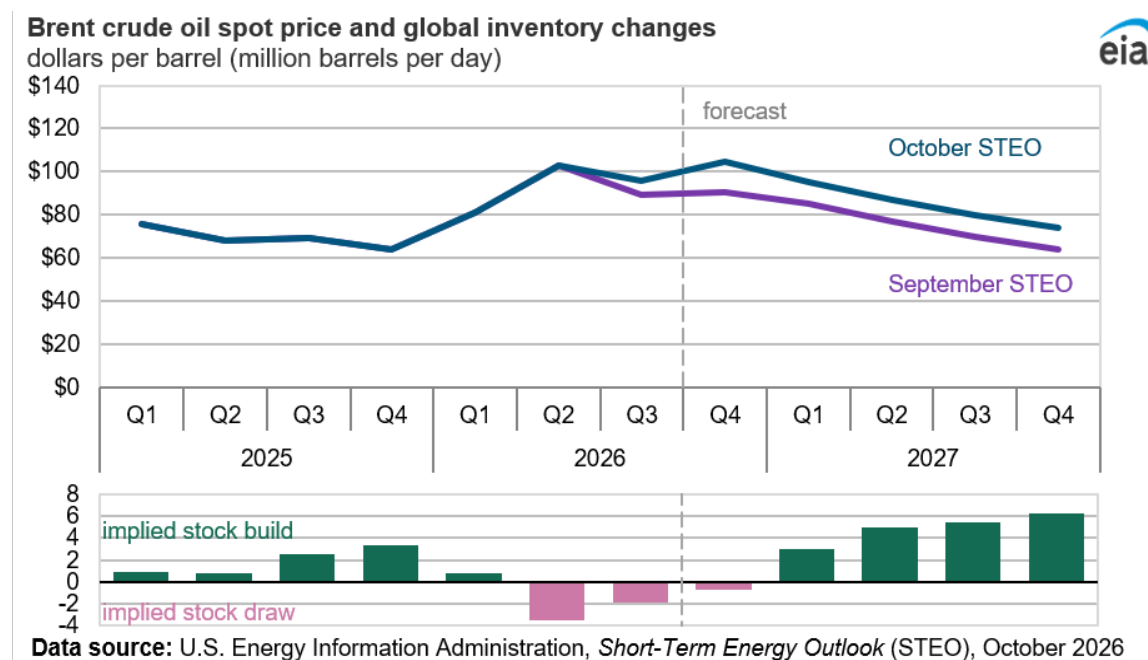
Table 1. Estimated Strait of Hormuz closure-related disruptions in crude oil production
thousand barrels per day

Country	Production Feb-26	Estimated shut-ins Mar-Jul-26 Average	Estimated shut-ins Aug-26	Estimated shut-ins Sep-26	Forecast shut-ins 4Q26	Forecast shut-ins 1Q27
Kuwait	2,560	1,466	630	930	We only forecast aggregate disruptions for future months.	
UAE	3,600	740	0	0		
Iran	3,390	424	900	1,200		
Iraq	4,400	2,646	780	760		
Qatar	557	350	100	100		
Bahrain	193	136	80	80		
Saudi Arabia	10,500	2,750	3,270	1,700		
Total	25,200	8,512	5,760	4,770	4,470	2,683

Data source: U.S. Energy Information Administration, *Short-Term Energy Outlook*, October 2026

We forecast the Brent crude oil spot price will average \$105/b in the fourth quarter of 2026 (4Q26), \$14/b higher than in last month's STEO. We assume that oil flows from the Middle East remain constrained through 4Q26, leading to shut-in production averaging 4.5 million b/d during that quarter. With export routes still constrained, the attacks on the East-West pipeline highlight the potential for continued volatility in physical oil flows and oil prices amid ongoing withdrawals from oil inventories.

The heightened risk associated with oil tankers transiting the region has added to shipping costs and increased the risk premium reflected in oil prices. High tanker rates, which [reached record levels](#) in September, reflect increasing insurance costs and are putting additional upward pressure on delivered crude oil prices to refiners. Ships are also taking longer routes to avoid conflict zones, which is limiting the number of available vessels.



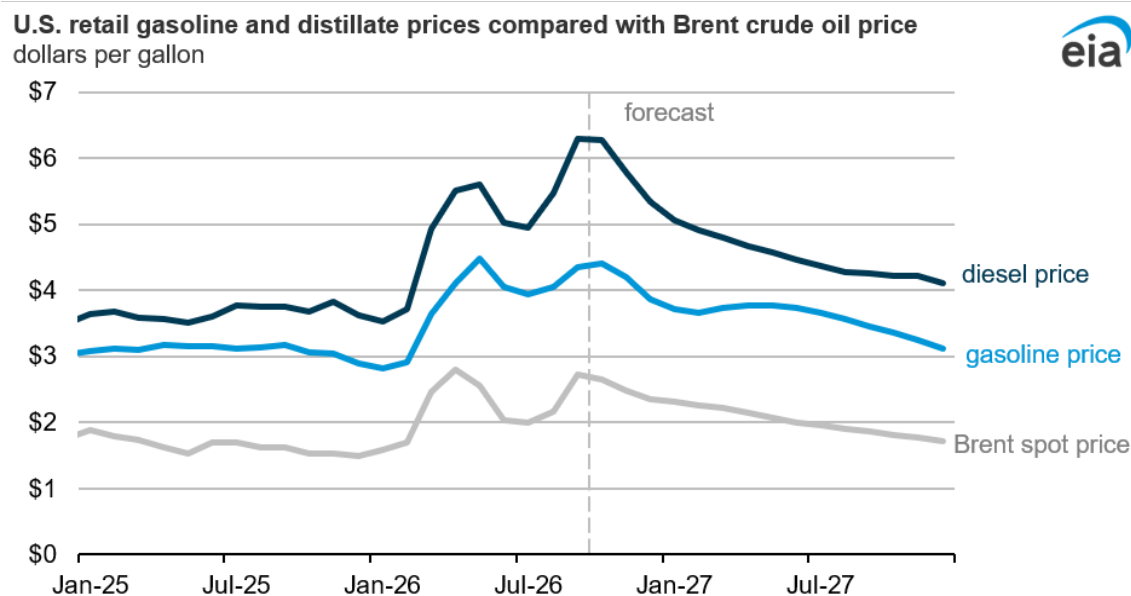
With continued disruptions of crude oil production and high transportation costs and risk premiums, we forecast that oil prices will remain elevated until constraints on oil flows from the Middle East resolve and oil inventories can be replenished. We estimate that global oil inventories fell by an average of 1.9 million b/d in 3Q26 and will fall an additional 0.7 million b/d on average in 4Q26.

Although we raised our crude oil price forecast from last month, we still expect oil prices will generally fall from their early October average. We assume that the combination of workarounds to export oil from the Middle East (such as pipeline and overland bypass routes, the use of ship-to-ship transfers, and new bypass pipeline capacity expected to come online in 2027 in the United Arab Emirates) will help shut-in volumes gradually fall through the STEO forecast period. We expect the majority of production in the region to return to pre-conflict averages by the end of 2Q27, and we forecast the Brent spot price decreases to an average of \$87/b by 2Q27. As depleted global oil inventories build throughout next year, oil prices gradually fall to an average of \$74/b in 4Q27. However, we expect the conflict in the Middle East will lead to continued volatility in crude oil flows both through the Strait of Hormuz and through alternative routes, which will likely lead to more volatility in short-term price movements than our forecast indicates.

U.S. Petroleum Products

U.S. retail gasoline and diesel prices

U.S. retail prices for both diesel and gasoline increased in September. Retail gasoline prices averaged \$4.35 per gallon (gal), and retail diesel prices averaged \$6.29/gal. The increase in retail prices was driven by higher crude oil prices in addition to [rising crack spreads](#). Most of the increase in gasoline crack spreads occurred at the beginning of the month and [distillate crack spreads increased throughout the month](#).



Data source: U.S. Energy Information Administration, *Short-Term Energy Outlook*, October 2026

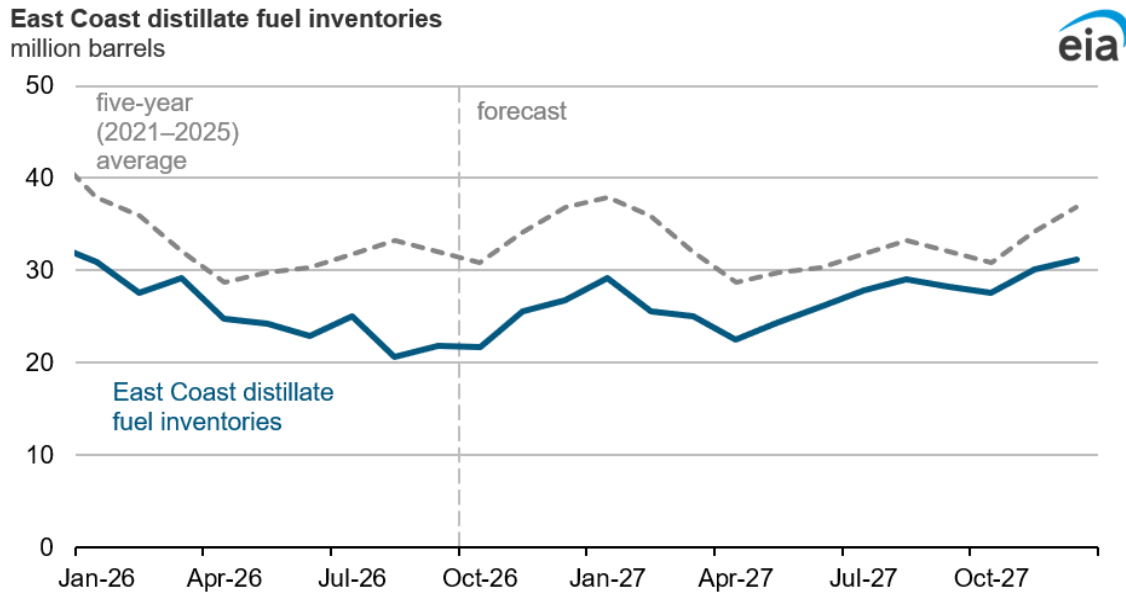
We forecast retail distillate prices will remain above \$6/gal in October and then come down gradually with crude oil prices and a slight recovery in inventories, which we expect will help lower crack spreads. Although we expect crack spreads will decrease, we forecast they will remain high relative to historical averages. We expect U.S. distillate fuel inventories to remain below the 2021-2025 average throughout the forecast period, however, keeping diesel crack spreads elevated and retail prices above \$4/gal through 2027.

We forecast retail gasoline prices will be about the same in October as September and then slowly decrease with crude oil prices. We expect the gasoline crack spread to decrease but remain above seasonal averages through the beginning of 2027 due to low U.S. inventories.

Decreases in wholesale crack spreads will not immediately translate into lower retail prices. Crack spreads reflect the difference between crude oil prices and wholesale prices. However, the difference between our wholesale price estimates and retail prices reflect the added cost of fuel taxes and margins for retail and distribution. So far in 2026, these retail and distribution margins have been depressed because of surging wholesale prices, but we expect them to increase back above the five-year average in 2027 after wholesale prices begin to decrease.

East Coast distillate inventories

Distillate inventories on the U.S. East Coast (PADD 1) were 32% below their five-year (2021–2025) seasonal average in September, and we forecast inventories in the region to remain between 10% and 30% below that five-year average in 2027.



Data source: U.S. Energy Information Administration, *Short-Term Energy Outlook*, October 2026

Because of limited regional refinery capacity, the East Coast region consumes more distillate fuel than it produces. To meet consumption needs, the region supplements local production with a combination of shipments from the U.S. Gulf Coast—mostly via the Colonial Pipeline but also via waterborne shipments—and imports from other countries. In 2025, the East Coast imported 124,000 barrels per day (b/d) of distillate fuel oil, about 10% of regional consumption. Imports mostly come from Canada to the Northeast and typically peak between December and February. Imported distillate fuel oil accounts for about 15% of regional consumption during those months.

We forecast East Coast distillate inventories to remain between 20% and 30% below the five-year average through the upcoming winter. With low global distillate fuel inventories, we expect East Coast importers will face difficulty boosting imports enough to bring inventory levels closer to normal during the winter heating season. After a brief recovery in 4Q26, East Coast distillate inventories reach their 2027 low point in April at 22.6 million barrels, 21% below the 2021–2025 average. We expect normalization in global oil markets and wider availability of distillate fuel next year will push the region's stocks to 31.2 million barrels by December 2027, which would be about 15% below average.

Natural Gas

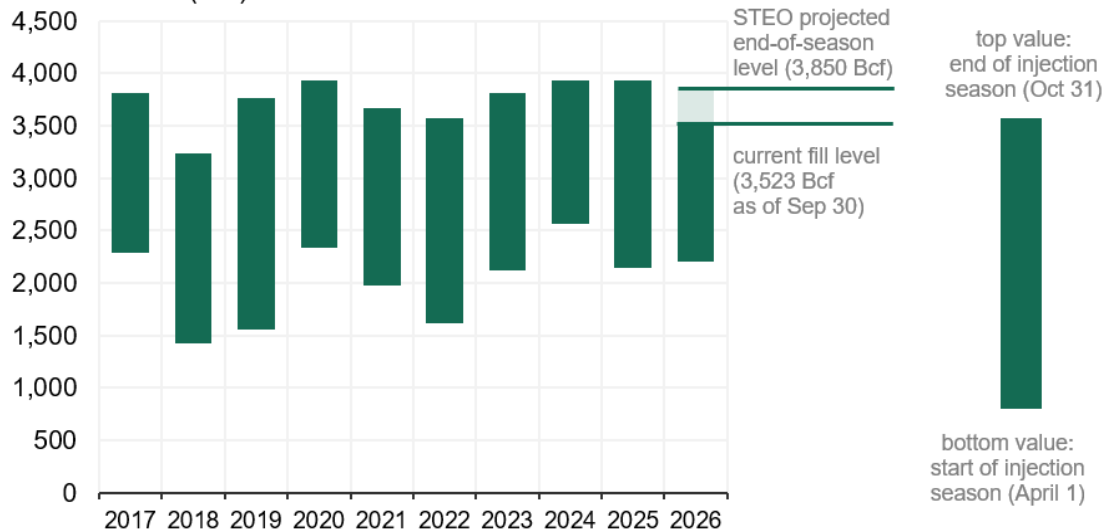
Natural gas storage

The natural gas market is entering the final weeks of the storage injection season. We estimate the United States held 3,523 billion cubic feet (Bcf) of natural gas in inventory at the end of September. Inventories in our forecast build by 328 Bcf during October—slightly less than average—to reach 3,850

Bcf at the end of October 2026, which would put inventories 2% above the five-year average to start the heating season on November 1. Although the end of October is typically considered the close of the injection season, depending on market and weather conditions, inventories can often build through mid-November.

Above average inventories entering the withdrawal season provide additional supply to meet winter heating demand. Our forecast assumes heating degree days this winter will be nearly unchanged from last winter on a national average basis and 1% less than the previous five-winter average. Under these conditions, natural gas in storage provides a buffer against periods of increased consumption or reduced production. However, prolonged periods of cold weather could increase withdrawals beyond our forecast.

Seasonal change in U.S. natural gas inventories billion cubic feet (Bcf)



Data source: U.S. Energy Information Administration, *Short-Term Energy Outlook* (STEO), October 2026

Natural gas prices

We forecast the Henry Hub spot price will average \$3.16 per million British thermal units (MMBtu) in 2027, down 32 cents/MMBtu (9%) from 2026. The decline largely reflects [high prices](#) in January 2026 in the aftermath of winter storm Fern, when the Henry Hub price averaged \$7.72/MMBtu as increased heating demand reduced natural gas supply. With inventory levels in our forecast for 2027 similar to inventories this year, we forecast the Henry Hub price will average \$3.09/MMBtu from February through December in 2027, unchanged from the same period in 2026.

Ample natural gas inventories, relative to the previous five-year average, limit upward price pressures in our forecast. Inventories remain above the rolling five-year average in most months of our forecast, as ongoing growth in natural gas production supplies increases in liquefied natural gas exports and domestic demand growth. Monthly Henry Hub prices in the forecast for 2027 reach a low for the year at just \$2.60/MMBtu in April and May and end the year at \$3.90/MMBtu in December 2027.

Electricity, Coal, and Renewables

Electricity prices and consumption

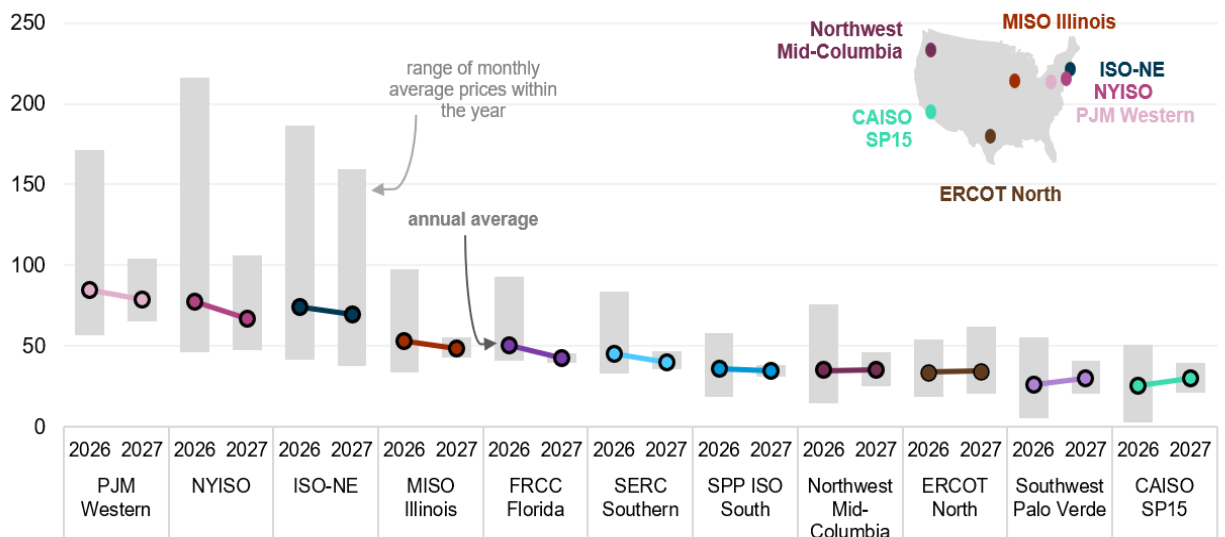
We anticipate wholesale electricity prices in 2026 to average \$52 per megawatthour (MWh) across the 11 hubs we track, which is 11% higher than in 2025. Prices in 2027 are expected to decline slightly to \$49/MWh on average. Some regions experienced higher wholesale electricity prices this year mainly due to weather events, such as winter storm Fern and high summer temperatures particularly in July, which affected most of the country, spiking prices compared with last year.

Wholesale electricity prices are just one component of residential electricity prices, and they are strongly influenced by [natural gas prices](#) and weather conditions. [Residential electricity prices include other expenses](#) such as transmission and distribution upgrades, capacity market auction prices in some regions, among other expenses.

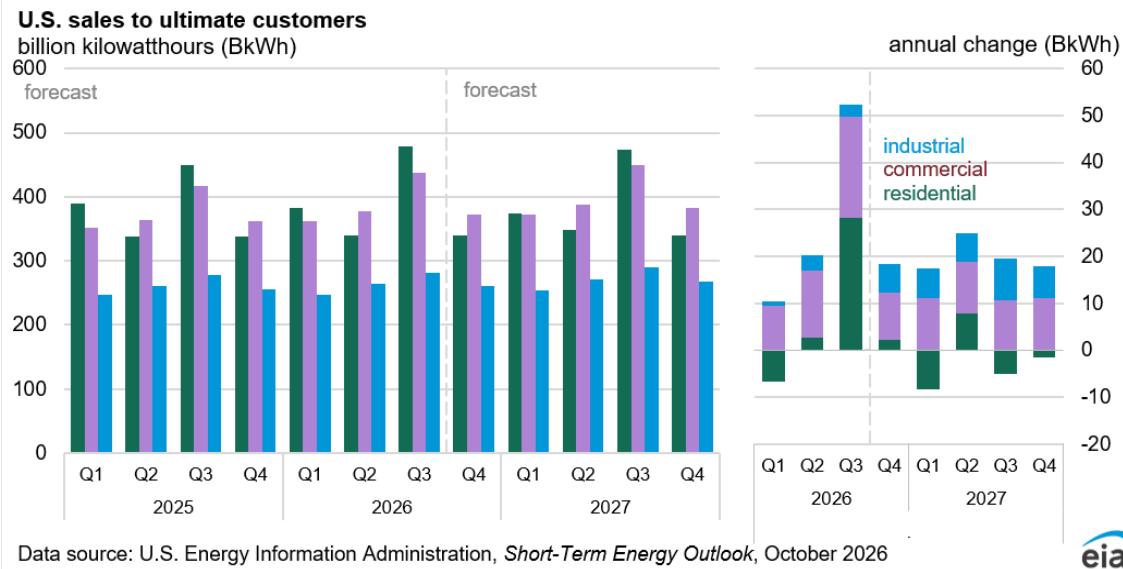
We forecast wholesale prices in the PJM region this year will increase by 41% compared with 2025, the largest increase across all regions. The Northwest Mid-Columbia region saw the largest decline with prices falling 23% from 2025 levels. However, prices across most hubs in the country remain similar to 2025.

The three regions with the highest wholesale prices this year—PJM, ISO-NE, and NYISO—are expected to see declines in 2027 ranging from 7% at PJM and 14% at NYISO. Prices in those regions decline as our forecast assumes winter temperatures will return to near average this year after relatively cold weather last winter. CAISO's prices in our forecast increase by 19% to \$30/MWh in 2027 after [reaching historic lows this year](#).

Wholesale electricity prices at select trading hubs
dollars per megawatthour



Data source: U.S. Energy Information Administration, *Short-Term Energy Outlook*, October 2026



A [hot summer](#) led to an increase in electricity consumption for cooling needs in the third quarter of 2026 (3Q26), particularly from the residential and commercial sectors. Overall, electricity consumption in 3Q26 increased by 4% across the country compared with the same quarter last year. The largest increases came from the residential (6%) and commercial (5%) sectors.

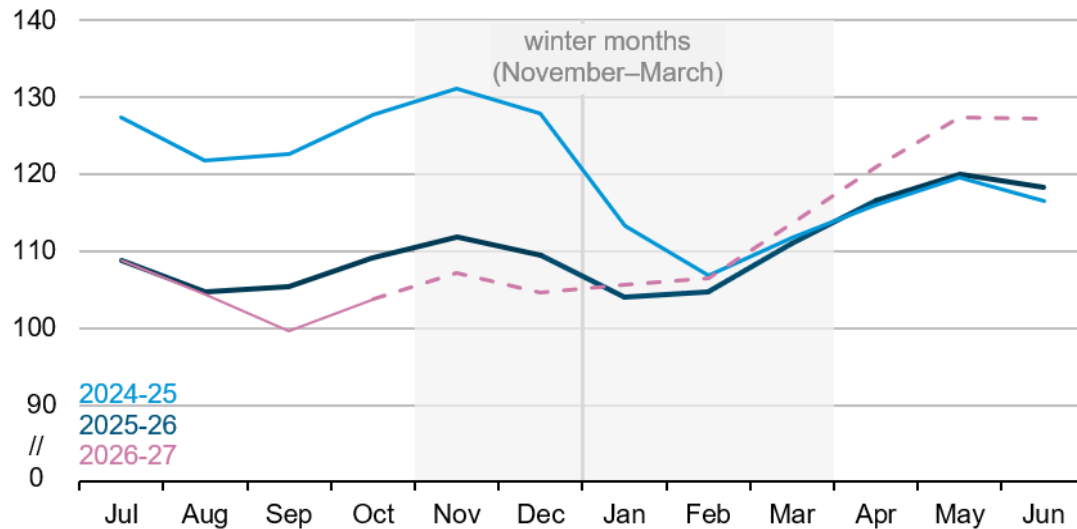
We forecast electricity demand from the commercial sector, which includes data centers, to increase steadily throughout 2027, growing by 2.8% year-over-year. Demand from the industrial sector is expected to increase by 2.7%. Consumption from the residential sector is expected to remain mostly unchanged from 2026 levels.

Coal markets

During the fall and spring, stocks of coal held by coal-fired electric power plants tend to increase as seasonal demand for the fuel for electricity generation falls relative to coal supply. Amidst this year's [hot summer](#), the U.S. electric power sector drew down coal stocks to meet high electricity demand, with stocks at an estimated 100 million short tons (MMst) at the end of September compared with 105 MMst in September 2025.

U.S. coal stocks held by the electric power sector

million short tons



Data source: U.S. Energy Information Administration, *Short-Term Energy Outlook*, October 2026

During the upcoming winter months (November–March), we expect U.S. coal stocks to remain relatively steady, averaging 106 MMst before a late-winter rise in March 2027. Coal stocks fell between November and February during the past two winters in response to [colder-than-normal weather](#) and associated increase in power generation. However, milder expected weather this winter, upcoming planned coal plant retirements, and low natural gas prices should keep coal generation this winter lower than last winter.

Economy, CO₂, and Weather

U.S. macroeconomics

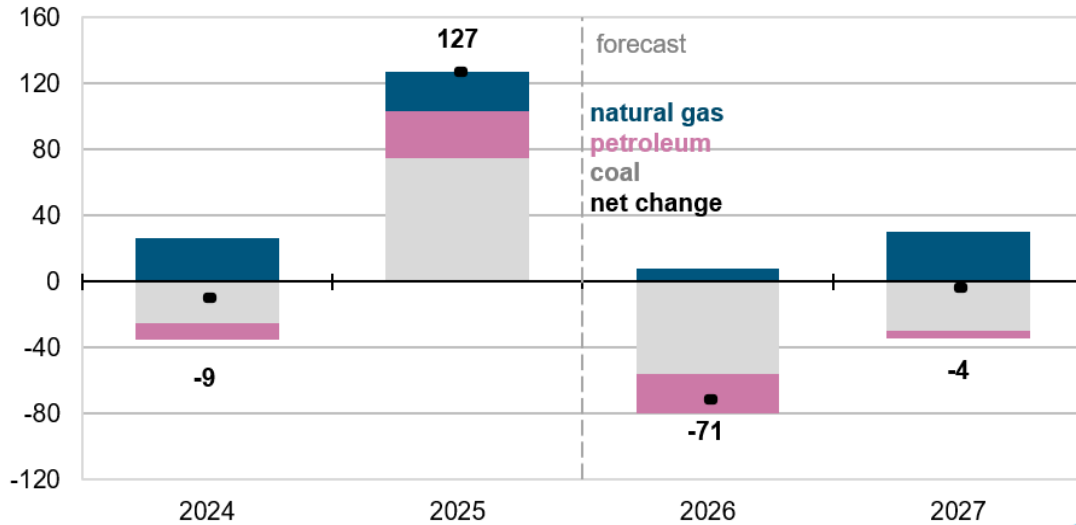
To generate the macroeconomic assumptions in the *Short-Term Energy Outlook* (STEO), we input STEO energy price forecasts into S&P Global's Short-Term U.S. Macroeconomic Model to produce a conditional macroeconomic forecast. For more details on the macroeconomic model, see [our documentation](#).

Emissions

We forecast U.S. energy-related carbon dioxide (CO₂) emissions to decrease by 1.5% in 2026 relative to 2025 and remain flat in 2027. In 2026, decreases in CO₂ emissions primarily reflect expected declines in coal consumption and, to a lesser extent, declines in consumption of various petroleum products, most notably motor gasoline and distillate fuel oil. Declines in coal-related emissions are expected to continue in 2027 but are offset by rising natural gas-related emissions, largely from consumption growth in the commercial and industrial sectors.

U.S. annual CO₂ emissions, components of annual change

million metric tons

Data source: U.S. Energy Information Administration, *Short-Term Energy Outlook*, October 2026**Weather**

Our forecast assumes a cooler-than-average October as we shift into the 2026–2027 winter heating season (November–March). Based on our current forecasts and data from the National Oceanic and Atmospheric Administration, we expect the United States to average 236 [heating degree days](#) (HDDs) in October, 7% more than the 10-year average for the month. Despite a cooler start to the fourth quarter of 2026, our forecast assumes milder weather in November and December, bringing the quarterly average to around 1,430 HDDs—slightly less than the 10-year quarterly average.

Overall, we expect this winter will be slightly warmer than normal, with an average of 3,150 HDDs, 3% fewer HDDs than the previous 10-year winter average, reducing overall energy use for space heating this winter. Our expectations for energy expenditures for the 2026–2027 winter season are outlined in our [Winter Fuels Outlook](#).