Independent Statistics and Analysis
U.S. Energy Information Administration

Short-Term Energy Outlook

May 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**	**$95**	**$79**
Retail gasoline price (dollars per gallon)	**$3.10**	**$3.88**	**$3.62**
U.S. crude oil production (million barrels per day)	**13.6**	**13.6**	**14.1**
Natural gas price at Henry Hub (dollars per million British thermal units)	**$3.53**	**$3.50**	**$3.18**
U.S. liquefied natural gas gross exports (billion cubic feet per day)	**15**	**17**	**18**
Shares of U.S. electricity generation			
Natural gas	40%	39%	40%
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%**	**2.0%**	**2.0%**
U.S. CO_2 emissions (billion metric tons)	**4.9**	**4.8**	**4.8**

Data source: U.S. Energy Information Administration, *Short-Term Energy Outlook,* May 2026
Note: Values in this table are rounded and may not match values in other tables in this report.

- **Global oil production.** Disruptions to crude oil production in the Middle East have increased significantly since our April *Short-Term Energy Outlook* (STEO). We assess that Iraq, Saudi Arabia, Kuwait, the UAE, Qatar, and Bahrain collectively shut in 10.5 million barrels per day (b/d) of crude oil production in April. This report assumes that the Strait of Hormuz remains effectively closed until late May, with shipping traffic beginning to pick up in June. Oil shipments through the strait, however, will not likely reach pre-conflict levels until later this year, and we expect some oil production in the Middle East to remain disrupted over that period. Disrupted production leads to large oil inventory draws, particularly in May and June, limiting downward oil price pressures even after flows through the strait rise. Because this month we assume both a later reopening of the Strait of Hormuz and a longer recovery period for shut-in oil production, we forecast global oil inventories will decrease by 2.6 million b/d this year, compared with a 0.3 million b/d decrease in last month's STEO.

- **OPEC.** The UAE announced its departure from OPEC, effective May 1, 2026. Our May STEO incorporates that change. OPEC production numbers in this outlook exclude data from the UAE, both for historical and forecast periods. Because the UAE held spare crude oil production capacity, we now expect OPEC's spare capacity to average 2.5 million b/d in 2027, compared with our previous forecast of 3.8 million b/d.

- **Crude oil price forecast.** The Brent crude oil spot price increased sharply in April, reaching a high of $138 per barrel (b) on April 7 and averaging $117/b for the month, as the de facto closure of the Strait of Hormuz tightened global oil supplies. We expect global oil inventories will fall by an average of 8.5 million b/d in the second quarter of 2026 (2Q26), keeping Brent prices around $106/b in May and June. As oil production in the Middle East rises, we expect crude oil prices to fall, dropping to an average of $89/b in 4Q26 and $79/b in 2027.

- **Propane inventories.** U.S. propane inventories reached record highs in late 2025, and we expect they will remain above average throughout this year as production growth continues to outpace increases in demand. We expect propane inventories to peak in October 2026 before drawing down during the winter heating season (November—March) but to remain above the five-year average through the forecast period. Elevated inventory levels are expected to place downward pressure on U.S. propane prices, leading to an increase in U.S propane exports in 2026 and 2027 as buyers in Asia replace lost supply from the Persian Gulf after the Strait of Hormuz closure.

- **LNG exports.** U.S. liquefied natural gas (LNG) export capacity grew by about 0.9 billion cubic feet per day (Bcf/d) in April, led by the first shipment from Golden Pass LNG's Train 1 and additional output from Corpus Christi Stage 3. Corpus Christi Train 6 is scheduled to come online in summer 2026, adding an additional 0.2 Bcf/d of nominal export capacity, but long lead times for adding new export capacity will constrain growth in U.S. LNG exports. Global LNG prices remain elevated as a result of reduced flows through the Strait of Hormuz, with a wide spread between U.S. domestic natural gas prices and international markets.

- **Natural gas production.** U.S. marketed natural gas production averaged 120.2 Bcf/d in 1Q26, up 4% from 1Q25. We expect production to keep rising through 2027, with associated natural gas output increasing as higher crude oil prices support more crude oil production. Natural gas production growth this year is driven primarily by 6% growth both in the Permian and Haynesville regions. We increased our forecast of marketed natural gas production by 1% this year and by 2% in 2027 compared with last month's forecast based on our analysis that shows rising gas-to-oil ratios from many wells in the Permian region.

- **Electricity consumption.** U.S. electricity demand in our forecast rises 1.3% in 2026, averaging almost 4,250 billion kilowatthours and growing another 3.1% in 2027. Electricity demand growth is led by growth in the commercial sector, which is expected to outpace residential demand in 2027 for the first time on record. Industrial demand is also increasing, although at a slower pace, further contributing to overall growth.

- **Electricity prices.** Residential electricity prices are expected to increase by 5% in 2026 and to continue to rise in 2027, although at a slower pace. Prices are rising across the United States, but the largest increases will likely occur in regions along the East Coast.

- **Electricity generation.** Our forecast for utility-scale solar generation in 2026 is 1.4% higher than in the previous STEO because we revised our estimate of the amount of solar generating capacity that was online at the beginning of this year.

Notable forecast changes

Current forecast: May 12, 2026; previous forecast: April 7, 2026	**2026**	**2027**
Global oil inventory change (million barrels per day)	**-2.6**	**3.9**
Previous forecast	-0.3	3.3
Change	-2.3	0.5
OPEC surplus production capacity (million barrels per day)	**0.5**	**2.5**
Previous forecast	1.2	3.8
Change	-0.6	-0.4%
Henry Hub spot price (dollars per million British thermal units)	**$3.50**	**$3.18**
Previous forecast	$3.67	$3.59
Percentage change	-4.4%	-11.5%
U.S. marketed natural gas production (billion cubic feet per day)	**121.8**	**126.8**
Previous forecast	120.7	124.2
Percentage change	1.0%	2.1%

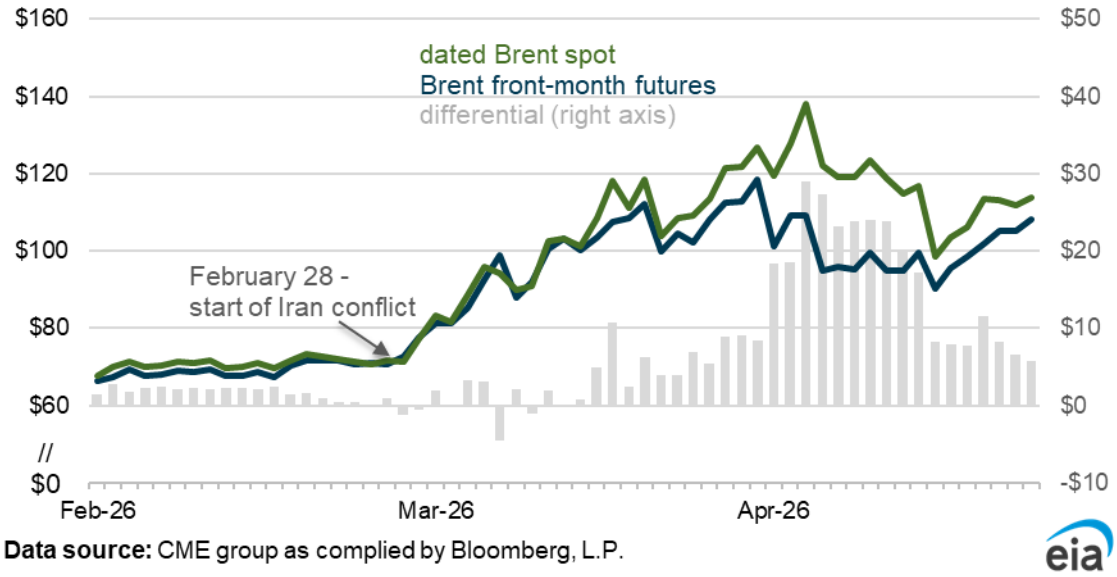
Data source: U.S. Energy Information Administration, *Short-Term Energy Outlook*
Note: Percentages and changes are calculated from unrounded values.

Global Oil Markets

Global oil prices

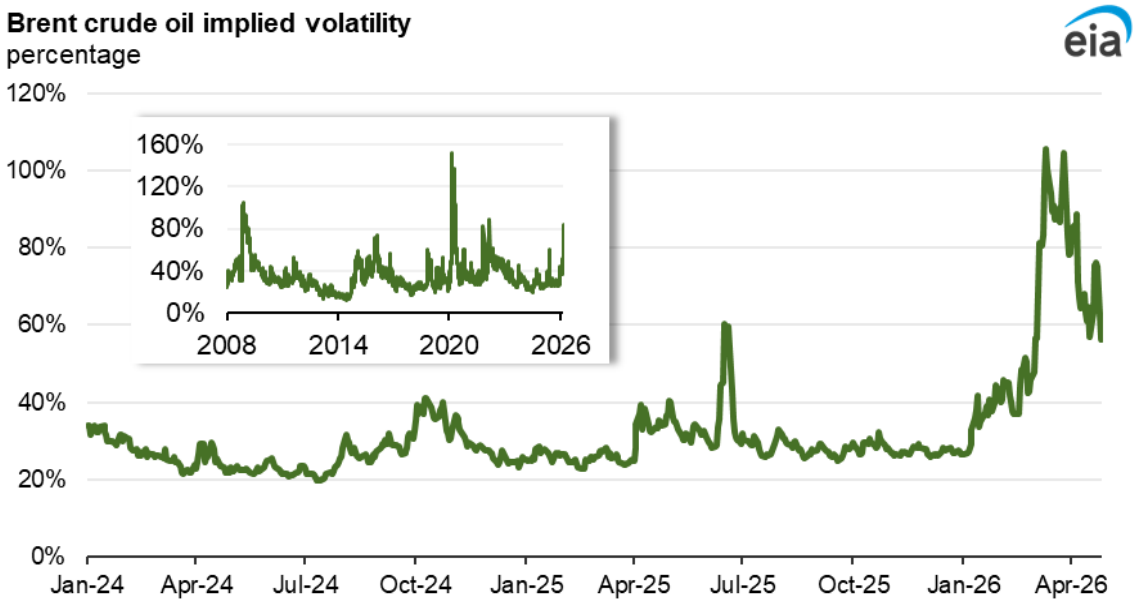
Global oil markets are in a period of heightened volatility and uncertainty due to the de facto closure of the Strait of Hormuz, a major world oil transit chokepoint through which nearly 20% of global oil supply flowed prior to military action that began on February 28. The strait has been effectively closed to shipping traffic since. The Brent crude oil spot price averaged $117 per barrel (b) in April, $46/b higher than the average in February. This monthly average price is also the highest since June 2022, following Russia's invasion of Ukraine. Daily Brent spot prices reached as high as $138/b on April 7. The closure of the strait has dramatically reduced the availability of oil supplies to global markets and has had cascading effects across oil supply chains.

Daily Brent crude oil spot and front-month futures prices (February 1–April 27)
dollars per barrel



Data source: CME group as complied by Bloomberg, L.P.

Daily Brent spot prices increased significantly in April, reflecting the tightness and demand for physical barrels of crude oil for delivery in the very near term. At the same time, front-month Brent futures prices for delivery in June were highly volatile due to significant uncertainty around the length of the disruption. Fewer physical barrels available for near-term delivery helped widen the differential between spot and front-month futures to nearly $30/b early in April, as buyers bid to replace disrupted supplies. Although crude oil prices remained elevated in late April, the two prices trended closer as trade flows adjusted and refiners sourced new supplies.



Data source: CME group as complied by Bloomberg, L.P.

Since the conflict began in late February, crude oil implied volatility has averaged 78%, based on futures and options contract data from the CME Group, with daily Brent crude oil implied volatility reaching as high as 106% on March 12. Prior to the conflict, implied volatility was generally less than 30% since the beginning of 2024. Recent Brent crude oil implied volatility is the highest it has been since the onset of the COVID-19 pandemic in early 2020.

As the conflict persists, we have adjusted our expectations around the duration of the disruption. We now assume that the Strait of Hormuz will remain effectively closed through late May, with flows slowly starting to resume in late May or early June. Even after flows resume, we expect it will take until late 2026 or early 2027 for most pre-conflict production and trade patterns to resume. However, we anticipate that some producers around the Persian Gulf will not see their production levels return to pre-conflict levels during the STEO forecast period.

Disrupted crude oil production volumes in the Middle East have increased since our last forecast. We assess that production shut-ins averaged 10.5 million barrels per day (b/d) in April, and we expect they will peak at nearly 10.8 million b/d in May as storage levels reach maximum limits requiring producers to shut in additional volumes. One of the factors driving our increased expectations of shut-in production is that we now forecast Iran will have to reduce production in part due to the U.S. blockade, which has curtailed Iran's ability to export oil.

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-26	Forecast shut-ins Apr-26	Forecast shut-ins May-26	Forecast shut-ins Jun-26	Forecast shut-ins 3Q26	Forecast shut-ins 4Q26
Kuwait	2,560	1,400	2,050				
UAE	3,600	1,450	1,350				
Iran	3,390	130	230				
Iraq	4,400	2,870	3,230				
Qatar	557	450	500				
Bahrain	193	120	180				
Saudi Arabia	10,500	2,500	3,000				
Total	**25,200**	**8,920**	**10,540**	**10,750**	**8,825**	**6,414**	**1,709**

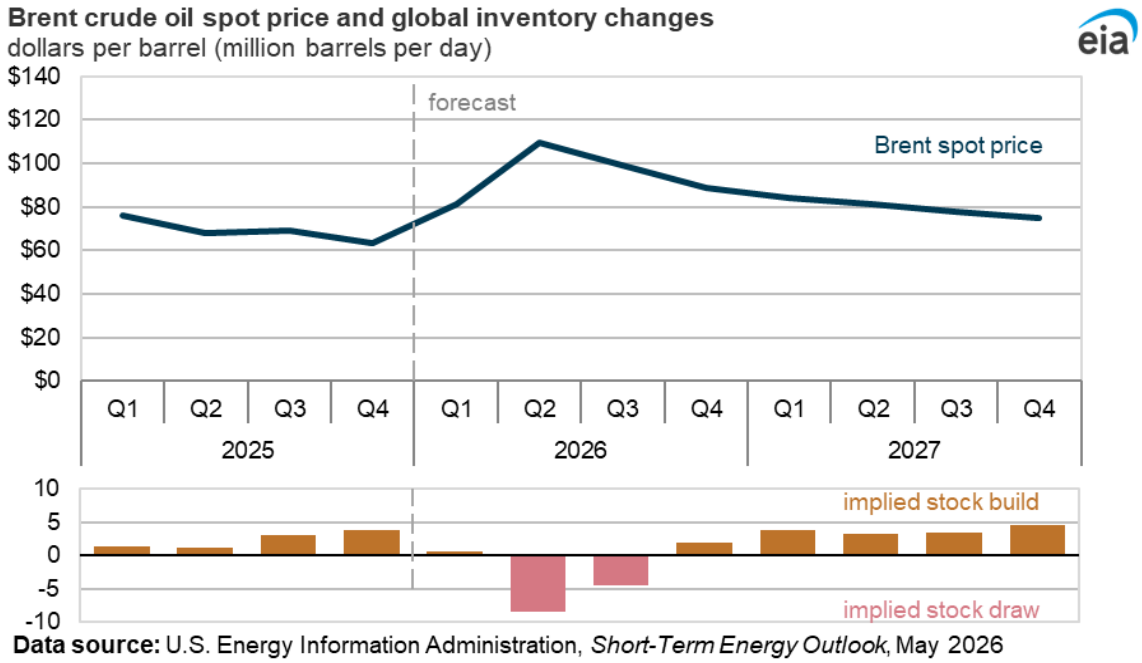
We only forecast aggregate disruptions for future months.

Data source: U.S. Energy Information Administration

Our initial assessment after the closure of the strait was that, as a result of months of global oversupply and significant global oil inventory builds in on-land and floating storage, the market was well positioned to weather a short-term disruption to oil flows. As the conflict and disruption have persisted, oil inventories have continued to fall. It takes several months for higher oil prices to lead to supply growth for price-responsive producers like shale oil production in the United States, and even longer in other regions.

However, oil demand responds much more quickly to high prices. We expect higher prices will bring about a reduction in oil demand, which will help move the oil market towards balance. The longer that shut-in production volumes and disruptions to oil flows persist the larger we expect this price response to be. As a result, we have reduced our expectations around global oil demand growth, based on reports of government initiatives to reduce fuel use, fuel shortages, and the curtailing of refined oil product exports. We assume reductions in demand occur primarily in Asia, which is more reliant on crude oil supplies from the Middle East. As a result, we now assume that global oil demand will increase by an average of 0.2 million b/d in 2026, down from an average of 0.6 million b/d in last month's STEO, and 1.2 million b/d in our February STEO. We assume oil demand will rebound next year once supply flows return later in 2026, with oil demand growing by 1.5 million b/d in 2027 to 105.6 million b/d.

Although the United States announced a ceasefire in early April, we still assess that oil prices will reflect a larger risk premium throughout the forecast. Traffic through the Strait of Hormuz has largely been at a standstill, both because of the risk of attacks on oil tankers as well as a new U.S. blockade against Iranian oil shipments through the strait.



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

We estimate that global oil inventories will fall by an average of 8.5 million b/d in 2Q26, pushing Brent crude oil prices to an average of around $106/b in May and June. Once the traffic through the Strait of Hormuz gradually begins to resume in June and shut-in oil production gradually returns, we assume oil prices will begin to fall, decreasing to an average of $89/b by 4Q26 as global oil inventory withdrawals lessen. We assess that most shut-in oil production will be fully restored by January 2027 and that global oil inventories will again start building, helping oil prices gradually lower to an average of $79/b in 2027.

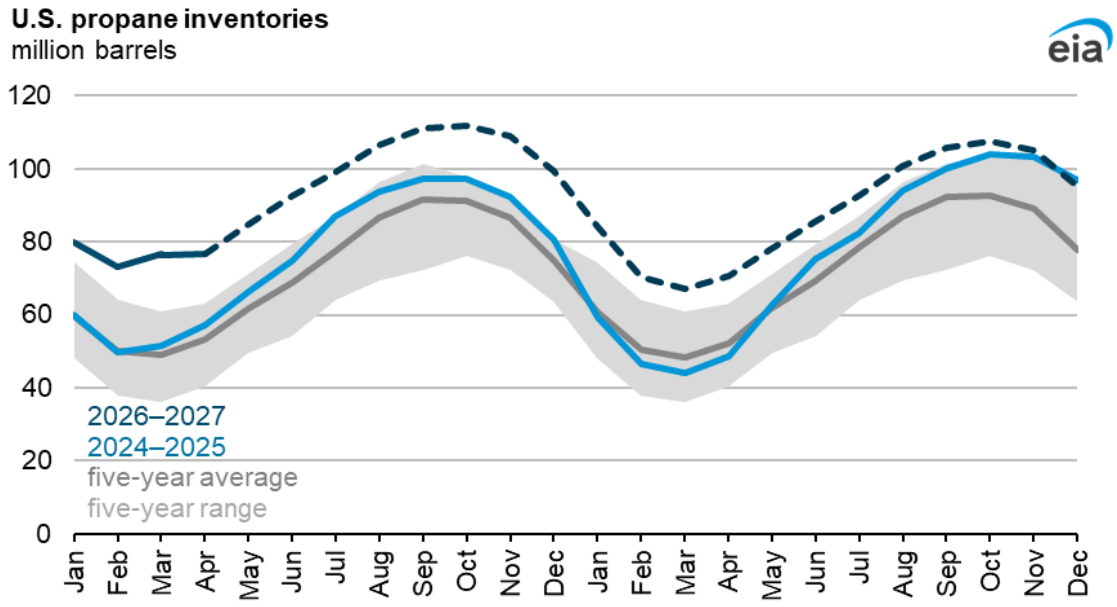
This month's STEO assumes that the strait reopens in late May. We assessed the impact on oil prices if there was a delay in the reopening of the strait by one month—through late June. This would result in crude oil prices that are more than $20/b higher than our current forecast in the near term. Prices would remain higher than our current forecast through next year, although the difference would narrow over time.

Our forecast includes the U.S. Strategic Petroleum Reserve release announced on March 11 and the collective release of strategic stocks announced by the International Energy Agency.

U.S. Petroleum Products

Propane inventories

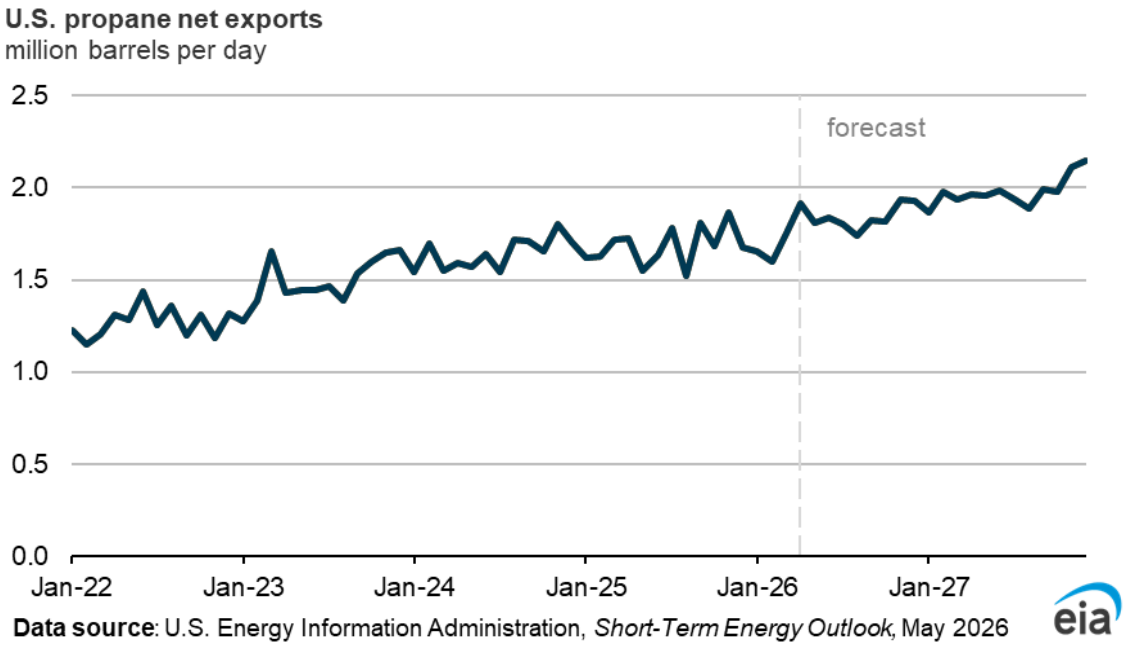
U.S. propane inventories reached a record-high 104 million barrels in October 2025, and we expect propane inventories will remain above the five-year range for nearly all of 2026 and 2027. Reflecting seasonal demand, U.S. propane inventories typically increase from April through September and decrease from October through March.



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

Propane inventories in our forecast peak in October 2026 at nearly 112 million barrels, 19 million barrels above the five-year average, before starting to draw down for the winter heating season. By the end of the winter, we forecast that inventories decrease to 67 million barrels in March 2027, or 21 million barrels above the five-year average. We forecast that inventories will build at a slower rate in 2027, ending October 2027 at 107 million barrels, about 15 million barrels above the five-year average.

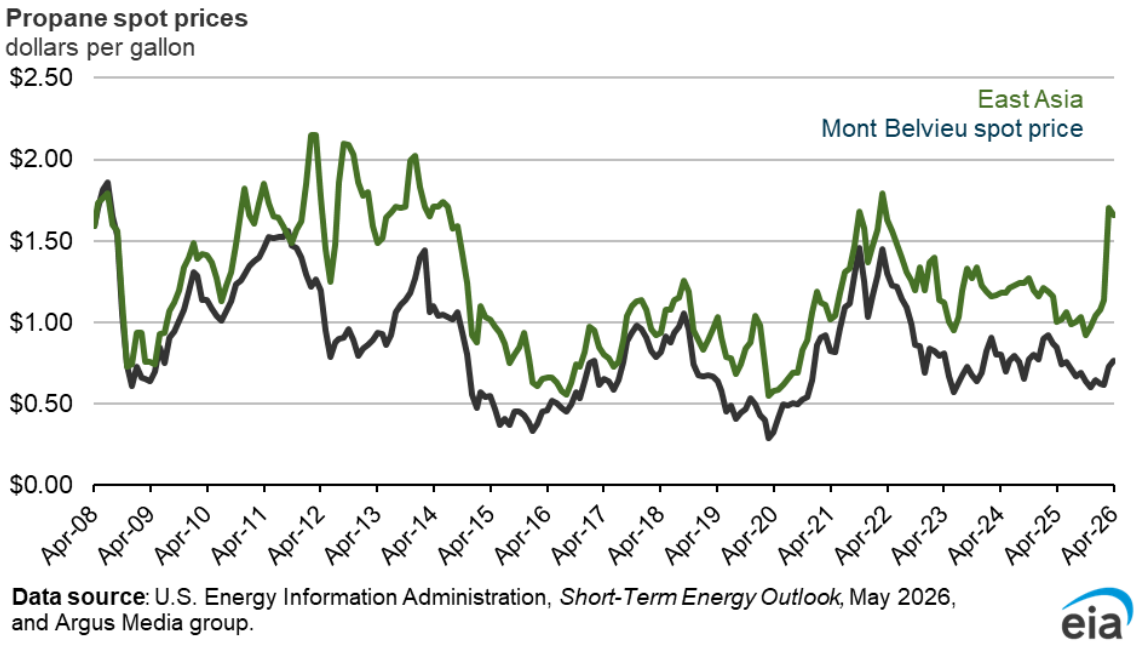
Propane inventories reflect supply and demand balances. U.S. propane demand is greatest in the winter months because propane is used as the main heating fuel in about 5% of U.S. homes, primarily in the northern parts of the Midwest and Northeast. Most propane is produced at gas plants, and propane production has risen in recent years as natural gas production has grown. U.S. propane production grew by 5%—125,000 barrels per day (b/d)—from 2024 to 2025, leading to high inventories going into 2026. We forecast propane production to increase by 4% in 2026 and 6% in 2027, which supports elevated inventories throughout the forecast period.



With growing propane production, the United States is well positioned to make up for some of the lost supply from the Persian Gulf after the Strait of Hormuz closure. Almost half of Asia's propane imports in 2025 came from countries in the Persian Gulf, according to Vortexa. The U.S. Gulf Coast (USGC) provides most of the Asia's remaining imports, with marginal imports from Canada and West Africa. High U.S. propane inventories put downward pressure on USGC prices. According to data from Argus, the average price spread between propane on the USGC and East Asia propane reached 97 cents per gallon (gal) in March 2026, compared with March 2025 when it was 29 cents/gal. This price spread was the widest since December 2012.

Lower propane prices on the USCG compared with East Asia create a strong pull for U.S. propane exports. We forecast U.S. net propane exports will increase 7% in 2026 and 10% in 2027. Two USGC projects coming online this year and next year will add a combined 660,000 b/d of liquified petroleum gas (LPG) export capacity: the Enterprise Port Neches LPG terminal that began service in April; and Enterprise's expansion at its Houston Ship Channel location. A planned expansion at Targa's Galena Park facility in 2027 would add 133,00 b/d of capacity.

However, we expect some factors will limit exports in the coming months. The Targa Galena Park facility encountered maintenance issues in early March and declared force majeure. The Targa facility accounts for about 20% of all U.S. liquified petroleum gas (LPG) exports. Vessel tracking showed that the facility was loading vessels at the time of writing, and we expect exports to increase in 2026. There is also a bottleneck at the Panama Canal from April going into May 2026 because of high demand for product from shipments the U.S. Gulf Coast to Asia. The shortest route for these shipments is through the Panama Canal. Vessels traveling to and from East Asia to the United States also have the option to go around the Cape of Good Hope, which could add up to two weeks of travel time.

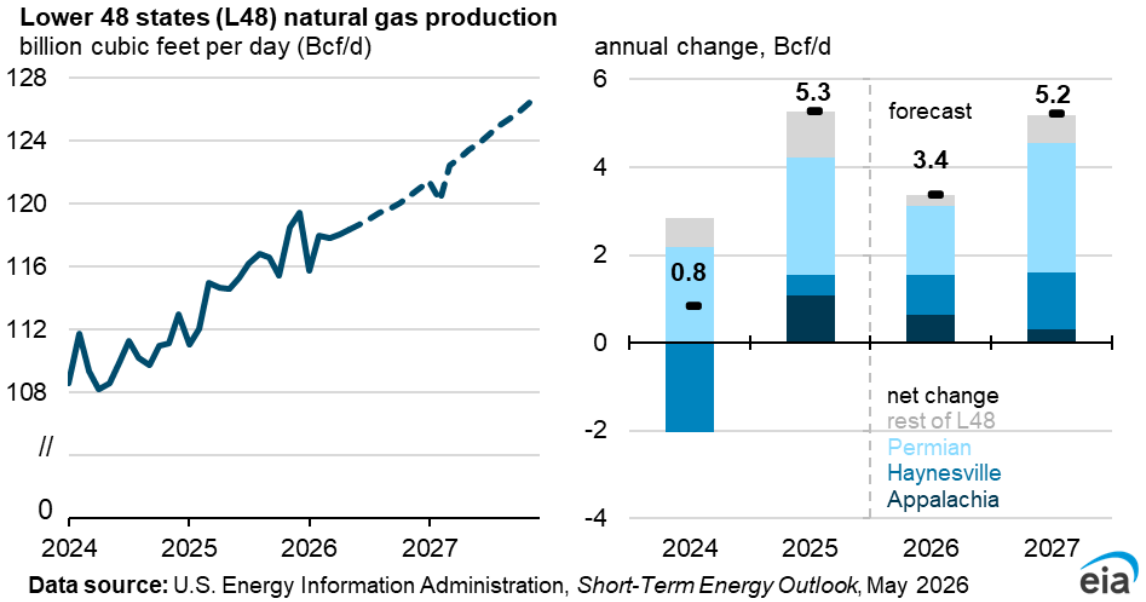


Data source: U.S. Energy Information Administration, *Short-Term Energy Outlook*, May 2026, and Argus Media group.

Natural Gas

Natural gas production

Marketed natural gas production in the Lower 48 (L48) averaged 117.2 billion cubic feet per day (Bcf/d) in the first quarter of 2026 (1Q26), a 4% increase compared with the same period in 2025. We expect L48 production to steadily increase throughout our forecast period, averaging 118.9 Bcf/d in 2026 and 124.0 Bcf/d in 2027. Higher crude oil prices throughout 2026 compared with last year support sustained production of associated natural gas.

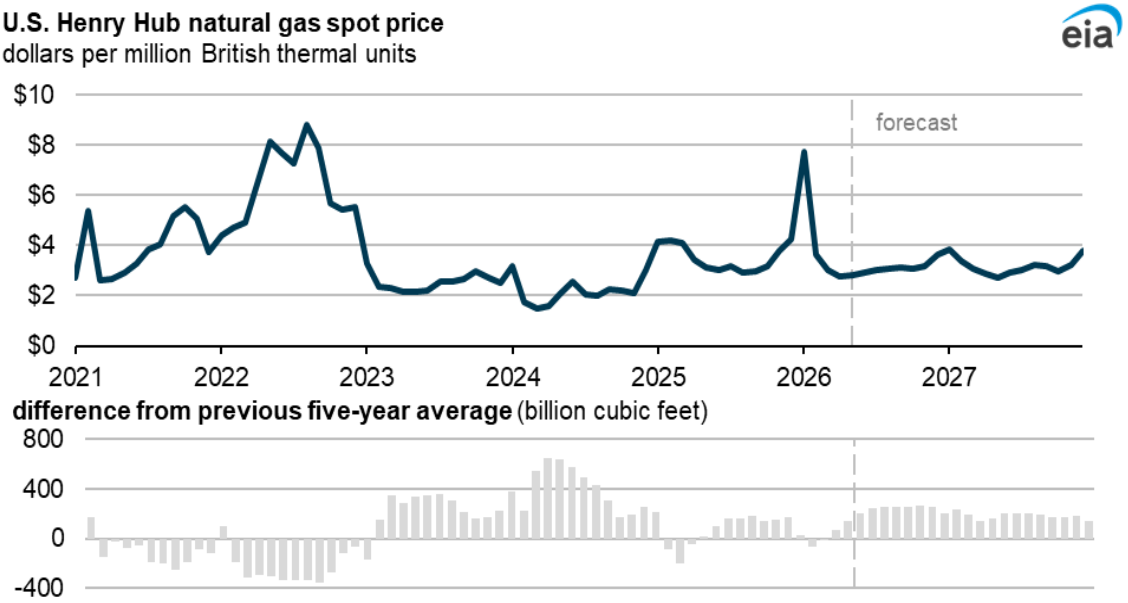


Data source: U.S. Energy Information Administration, *Short-Term Energy Outlook*, May 2026

We forecast L48 marketed natural gas production will increase 3% this year compared with 2025, largely because of rising production in the latter part of the year. This increase is driven mainly by the Permian region, which we expect to produce 29.2 Bcf/d in 2026, or 6% more than in 2025. The Permian region is predominantly an oil producing region, and operators in the region are influenced by crude oil prices. Most of the Permian's natural gas production is associated natural gas. Currently, the region faces severe pipeline constraints, as evidenced by record-low Waha Hub spot prices, which have averaged below zero for eight of the last nine months. However, we expect these constraints will be alleviated later this year, and we forecast production in the Permian region to grow by 10% next year. We also forecast natural gas production in the Haynesville region, which is a natural gas-dominant region, to grow by 6% this year and 8% next year. Compared with last month's forecast, we expect natural gas production in the L48 to be 1.1 Bcf/d higher this year and 2.6 Bcf/d higher in 2027, based on our analysis that shows rising gas-to-oil ratios from many wells in the Permian region.

Natural gas prices and storage

We estimate that more than 2,020 billion cubic feet (Bcf) of natural gas was withdrawn from storage over this winter heating and withdrawal season (November–March), or 4% more than the five-year (2021–2025) average. Henry Hub spot prices reached a monthly average of $7.72 per million British thermal units (MMBtu) in January. Despite a colder-than-normal January, near-normal conditions for the remaining season supported storage levels that were just above the five-year average by the end of March. At winter's end, we estimate that U.S. working natural gas in underground storage totaled 1,908 Bcf, or 4% more than the five-year average. With storage rising back above the seasonal average the Henry Hub spot price in April fell to $2.77/MMBtu.



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

With higher production, we expect natural gas injections into storage during the April–October injection season to be above average. We forecast the Henry Hub price will average $2.83/MMBtu in 2Q26, 11% lower than in 2Q25. We forecast U.S. natural gas inventories will end the injection season on October 31

at 7% above the previous five-year average. Higher storage levels help meet demand and reduce the risk of price volatility. We expect the Henry Hub price to average about $3.50/MMBtu in 2026 and $3.18/MMBtu in 2027.

LNG exports

In April, liquefied natural gas (LNG) terminal operators in the United States added approximately 0.9 Bcf/d of export capacity. On April 22, Golden Pass LNG exported its first cargo from Train 1, adding approximately 0.7 Bcf/d of export capacity and becoming the ninth operational U.S. LNG export terminal. In addition, Cheniere began ramping up LNG production at Train 5 at Corpus Christi Stage 3, adding 0.2 Bcf/d of nominal export capacity. Commissioning activities have also begun on Train 6 at Corpus Christi Stage 3, which we expect will add another 0.2 Bcf/d of nominal export capacity in summer 2026. LNG exports in our forecast average 17.0 Bcf/d this year and 18.2 Bcf/d in 2027. We reduced our forecast for LNG exports next year by 0.4 Bcf/d compared with last month's STEO because Golden Pass shareholder Exxon announced delays to startup at the facility's Trains 2 and 3.

Global near-month futures prices have remained elevated amid the closure of the Strait of Hormuz. Price spreads between U.S. and international prices narrowed in April compared to their highs reached in mid-March, but the spreads remained wider than before the closure of the strait as a result of near-maximum export capacity utilization rates of U.S. LNG terminals. Our March and April export estimates are the second- and third-highest ever, behind December 2025 (18.4 Bcf/d). We estimate that LNG exports fell to 17.6 Bcf/d in April from 18.1 Bcf/d in March on lower spot market demand due to milder weather globally.

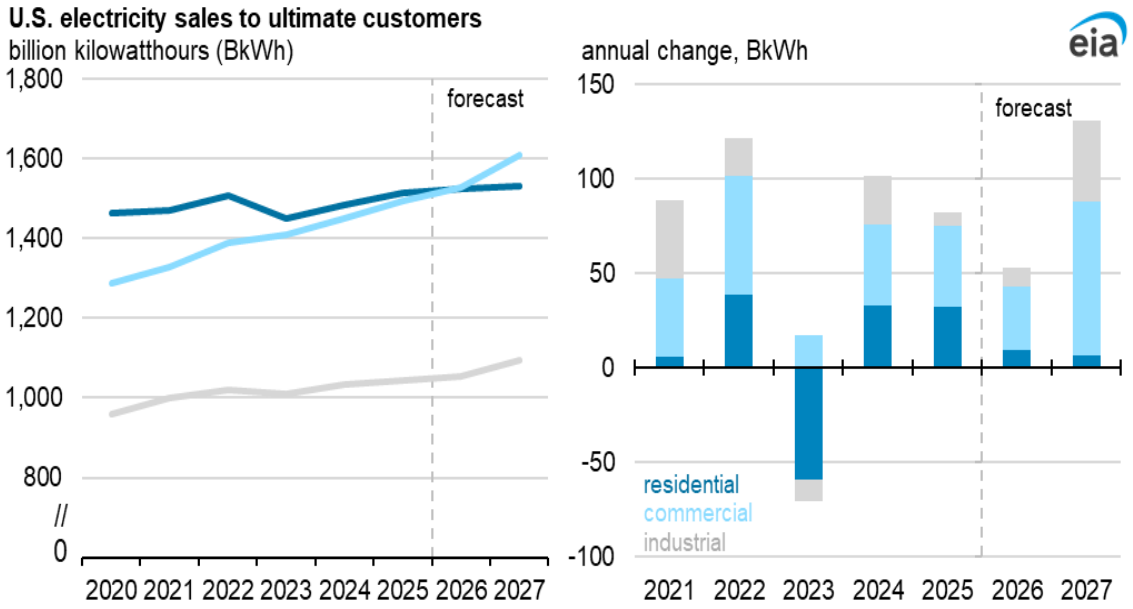
Electricity, Coal, and Renewables

Electricity consumption

We expect U.S. electricity consumption in 2026 will total almost 4,250 billion kilowatthours (BkWh), up 1.3% from 2025. Forecast electricity consumption grows by 3.1% in 2027. The most significant source of electricity demand growth is the commercial sector, which includes data centers, with forecast U.S. sales of electricity to this sector growing by 2.2% in 2026 and 5.3% next year.

Historically, the residential sector has used the most electricity. However, because of recent and forecast growth in the commercial sector, we forecast that commercial sector consumption will be about the same amount as the residential sector in 2026 (about 1,530 BkWh). Forecast growth in U.S. sales of electricity to the residential sector only grow about 0.5% in 2026 and 2027, so commercial electricity demand is likely to surpass residential use for the first time on record in 2027.

U.S. sales of electricity to the industrial sector have also been growing, and we forecast industrial electricity consumption will grow by 1.0% in 2026 and 4.0% in 2027 to reach a total of 1,095 BkWh next year. Increases in electricity demand for both the commercial and industrial sectors is strongest in the West South Central region, driven by data center and manufacturing growth in Texas.

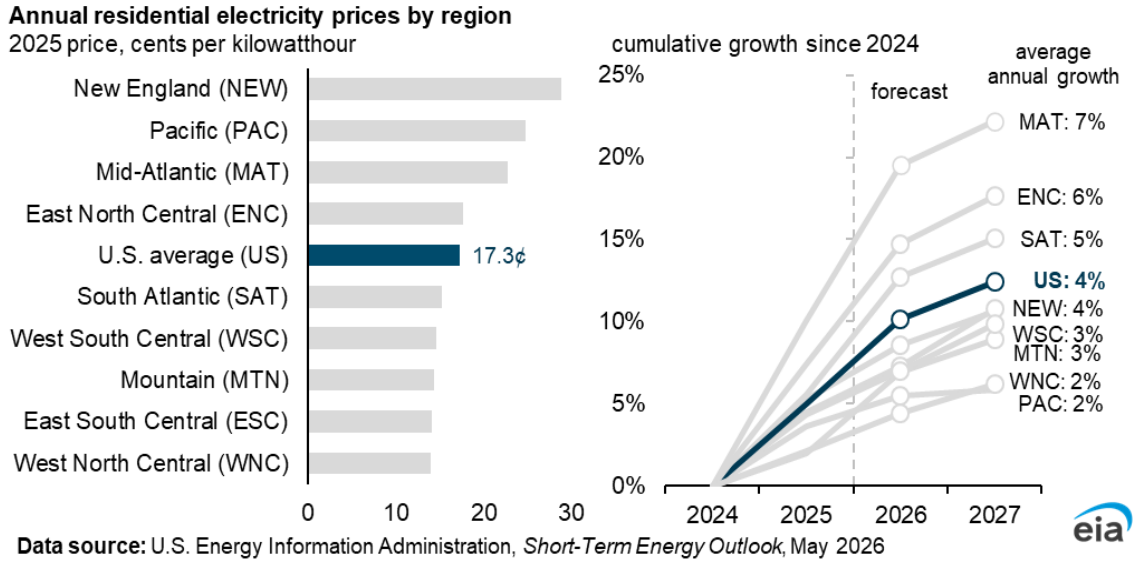


Data source: U.S. Energy Information Administration, *Short-Term Energy Outlook*, May 2026

Residential electricity prices

The price of electricity paid by U.S. residential customers averages 18.2 cents per kilowatthour in 2026. This represents a nearly 5% increase from 2025, which is similar to the increase in U.S. prices between 2024 and 2025. We expect residential prices to grow at a slightly lower rate of 2% next year.

Residential prices have been growing in all regions of the United States, and we expect this trend to continue. We expect that regions along the East Coast (Mid-Atlantic, East North Central, and South Atlantic) will experience the largest increases in residential prices, with average annual growth ranging from 5% to 7% between 2024 and 2027. Electric utilities in these regions are citing various factors for rising electricity rates, including higher fuel prices for generation and expenses for bolstering the transmission grid against extreme weather and to accommodate rising power demand.

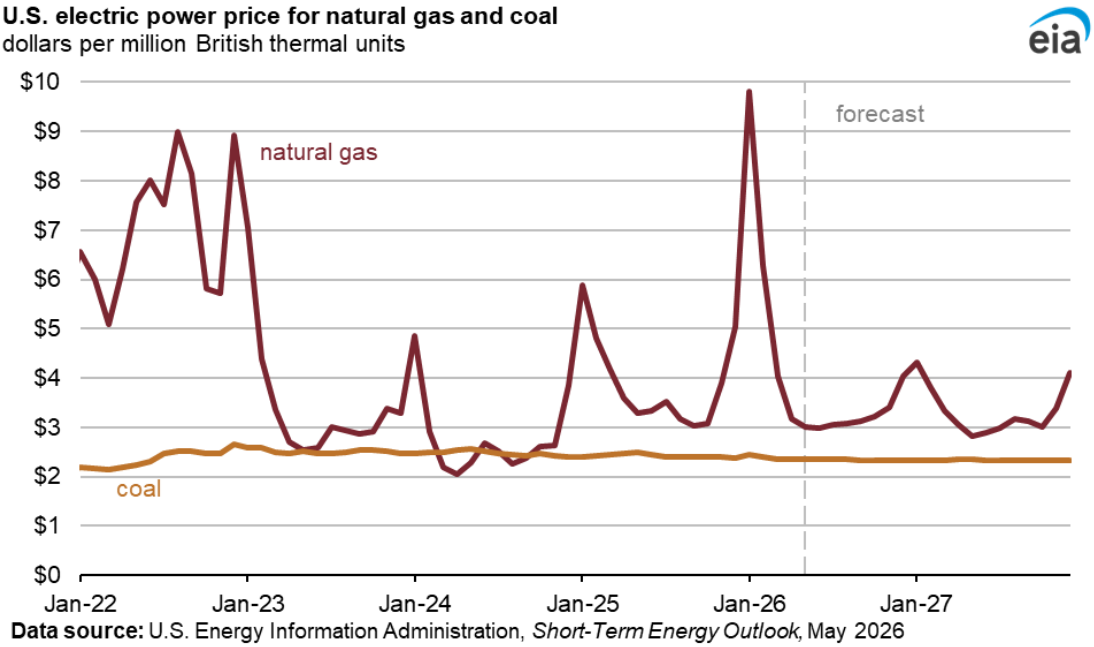


Data source: U.S. Energy Information Administration, *Short-Term Energy Outlook*, May 2026

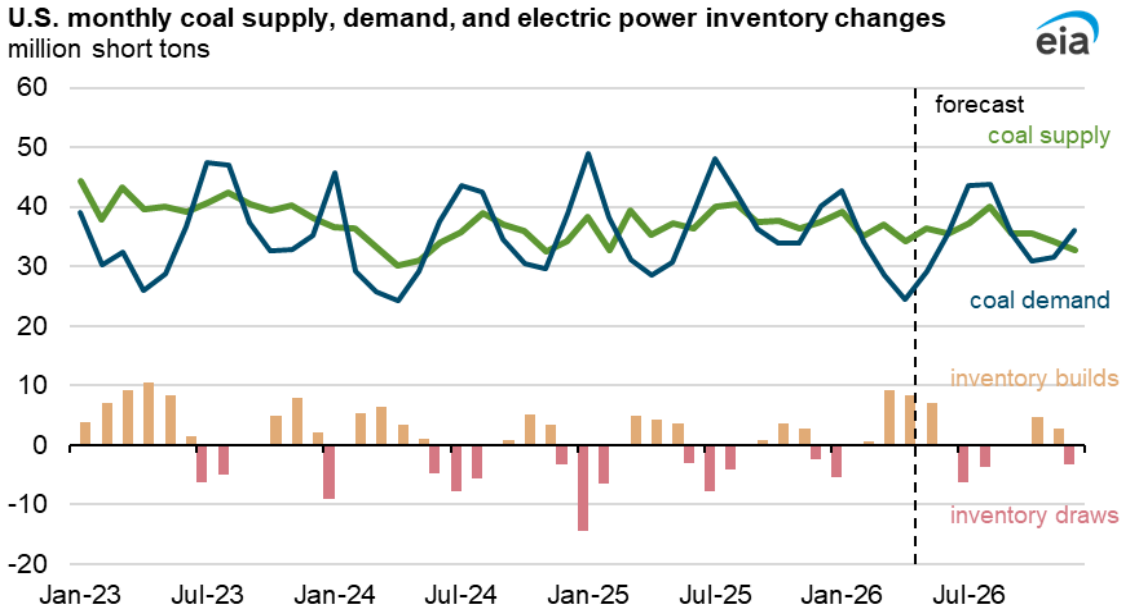
Coal markets

Although regional coal spot prices have increased over the past year, we expect the average cost of coal delivered to the U.S. electric power sector decreases to $2.36 per million British thermal units (MMBtu) in 2026, down from $2.42/MMBtu at the end of 2025.

The cost of coal delivered to the U.S. electric power sector is largely anchored by mining and transportation costs, particularly in major producing regions but is also sensitive to regional supply-demand conditions and competition from natural gas. Because of the variety of coal grades and plant-specific fuel requirements, coal has a less liquid and less active spot market than natural gas. Supply and demand dynamics tend to affect prices with a lag through term contracting rather than being reflected continuously through more liquid, and volatile, spot markets.



We expect electric power sector coal inventories to increase 12% to reach 123 million short tons (MMst) by the end of 2026, putting downward pressure on prices. The rise in inventories reflects a widening imbalance between supply and domestic demand: we forecast coal consumption to decline by 36 MMst (8%) in 2026, compared with a 10 MMst (2%) decline in production, while exports are expected to increase by 4 MMst (5%).



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

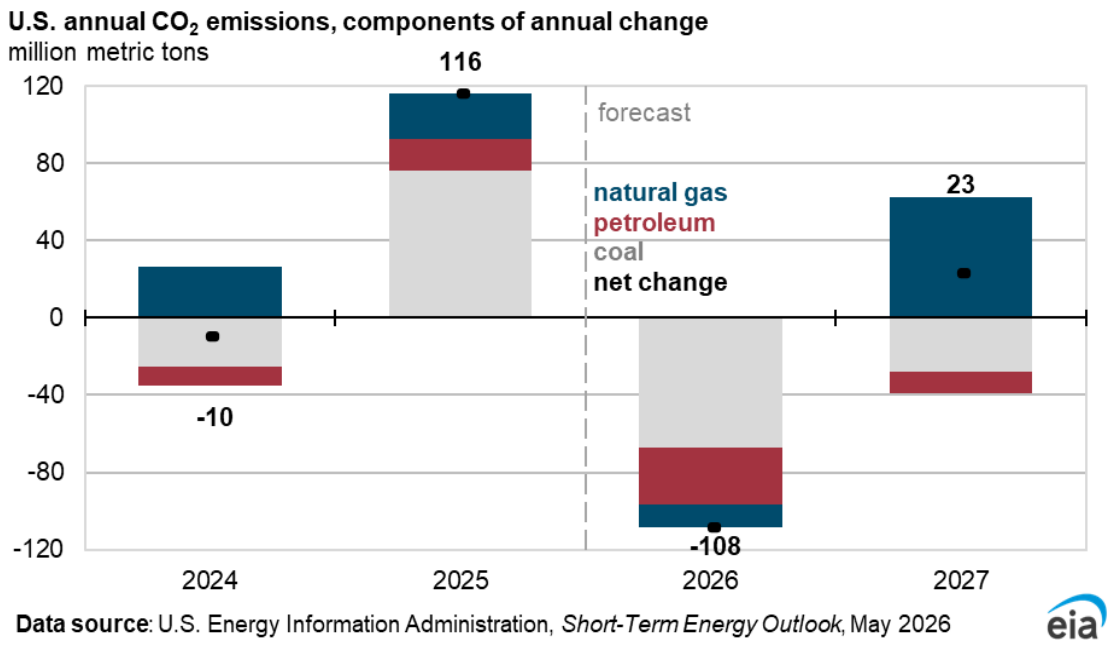
Economy, CO_2, and Weather

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 (CO_2) emissions to decrease by 2.2% in 2026 relative to 2025 and to increase by 0.5% in 2027 relative to 2026. In 2026, decreases in CO_2 emissions are due primarily to expected declines in coal consumption, most of which occur at power plants for electricity generation. Declines in coal-fired generation and coal-related emissions are expected to continue in 2027 but are counteracted by growth in natural gas-fired generation, resulting in a modest increase in total CO_2 emissions.



Weather

Based on our current forecasts and data from the National Oceanic and Atmospheric Administration, we expect the United States to average around 440 cooling degree days (CDDs) in the second quarter of 2026 (2Q26), slightly cooler than 2Q25 but higher than the 10-year quarterly average (3% more CDDs). Warmer weather in 3Q26 is expected to offset the cooler start to the summer (June–September) with 8% more CDDs than 3Q25. As a result, we expect the United States will average about 1,610 CDDs in 2026, 4% more CDDs than in 2025 and 5% more than the 10 year-average.