

Diesel Prices Roar as Brent Sulks

A very odd week where the bears backed ICE Brent and the bulls backed diesel fuel.

Crude oil prices sulked slow and tortoise-like while behind the curtains "Rome burned." ICE gas oil prices surged dramatically, dragging gasoline and naphtha along for the ride. Simply put, crude oil and petroleum products became disconnected, all because of the tightening supply in the European diesel market. The cause of this divergence lies in several overlapping disruptions. Russian diesel production continues to decline, as repeated Ukrainian drone attacks hit major refineries and export terminals. India, meanwhile, has reduced its diesel exports to Europe following new sanctions that restrict the processing of Russian crude. Add to that a series of refinery maintenance programmes in the Middle East temporarily limiting the region's petroleum output and the result is a perfect storm just as Europe prepares to move from autumn into winter.

This tightness has been reflected sharply in product cracks. ICE gas oil cracks the value of gas oil versus dated Brent jumped to a 21-month high, with premiums reaching \$34 per barrel. At one point, front-month gas oil breached the \$800-per-tonne mark before easing back later in the week. Traders are now facing a refined-product market that is running hot while the crude complex drifts sideways.

Russian seaborne diesel exports fell another 4% in October, to roughly 2.4 million tonnes, following drone strikes on the Volgograd refinery and the Tuapse terminal both critical nodes in the country's downstream network. The damage has reduced flows to multiple regions, particularly South America. Brazil, for example, recorded a sharp 73% month-on-month drop in Russian diesel imports, to just 74,000 tonnes.

The ripple effects go beyond fuel markets. European power generators and industrial consumers are increasingly competing with the transport sector for middle distillates, amplifying demand pressure. With winter temperatures expected to dip earlier than usual, refiners face both logistical and pricing challenges as inventories fall to multi-year lows.

In contrast, crude prices remain subdued. ICE Brent and WTI both slipped lower as traders brace for a potential oversupply heading into Q4 2025 and early 2026. Analysts continue to warn of a looming glut, with satellite data showing dozens of crude-laden tankers idling offshore, awaiting buyers or better margins. Sentiment across the crude complex remains cautious even weary while refined-product markets are still in full bullish stride.

It's a tale of two energies: crude oil moving at a crawl, and diesel sprinting ahead. The imbalance underscores a growing dislocation between feedstock and product values, a reminder that refining margins not just headline oil prices often tell the real story of energy market health.



Other Market Highlights

Saudi Aramco Slashes Asian Prices: Cuts December Arab Light by \$1.20/bbl to a \$1.00 premium over Oman/Dubai. The move reflects weaker refining margins across Asia and signals Aramco's intent to defend market share amid softer regional demand.

Trump Expands Critical Minerals List: Adds copper and metallurgical coal, fast-tracking new mining projects. The expansion underscores Washington's focus on industrial resilience and its willingness to prioritise resource security over environmental optics.

Chinese Crude Imports Surge: Up 8.2% y/y to 11.4 million b/d as refiners chase 2025's best margins. This buying spree suggests Chinese refiners anticipate strong end-of-year demand and are taking advantage of discounted cargoes before any winter rally.

Gunvor's Lukoil Deal Blocked: Trump halts the \$20-billion sale of Lukoil's foreign assets. The decision reinforces tightening US scrutiny on Russian energy holdings and effectively sidelines Geneva-based Gunvor from a lucrative acquisition.

Japan Builds LNG Reserves: Will buy one LNG cargo monthly from January 2025 for emergency storage. Tokyo's strategy reflects lessons from previous winters, aiming to shield the economy from potential price spikes or supply interruptions.

China Suspends Rare-Earth Export Controls: Measures lifted through November 2026 after the Trump-Xi summit. Analysts interpret this as a strategic pause designed to reduce trade friction and reassure global manufacturers reliant on Chinese materials.

Ukraine to Buy US LNG: Naftogaz plans 1 bcm per year via Poland after heavy domestic losses. The move strengthens Kyiv's energy independence while deepening its partnership with Washington.

US Flight Curbs Hit Jet Fuel Demand: FAA cuts could remove 160,000 b/d of jet demand amid government shutdowns. The cancellations are expected to weigh on short-term refining utilisation and suppress jet fuel cracks.

This week's closing guide prices:

Name	Price	Last Week
Ice Brent	\$63.70	-1.45
WTI	\$59.75	-1.61
Ice Gas Oil	\$761.50	+35.50
Euro Mogas Swaps	\$687.00	+18.75
Euro Naphtha Swaps	\$540.00	+4.50
Nymex Gasoline	\$1.9403	+3.05 ¢/gal
LPG Swaps	\$ 424.50	-23.50
OPEC Basket	\$65.51	
Gold	\$4009	