TO: OFFICE OF THE SECRETARY
DEPARTMENT OF WAR

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SUBJECT: Market impact analysis of the disruption to federal offshore Gulf of America crude oil and natural gas production

EIA was asked to assess oil market conditions and impacts to crude oil, gasoline, diesel and jet fuel, and natural gas prices resulting from a hypothetical scenario in which all offshore Gulf of America (GOA) crude oil and natural gas production was disrupted immediately and indefinitely, with no prospect for return even beyond our analysis period, which runs through the end of 2027. Additionally, EIA considered the potential impacts of a disruption that only lasted for 1 year or 2 years. Our analysis estimates the impact of this disruption on the Brent crude oil price, and retail prices of gasoline, diesel, and jet fuel, based on the latest forecast from our January 2026 *Short-Term Energy Outlook* (STEO). We also assess the impact on the U.S. natural gas market.

Assumptions

Based on the latest monthly data from [EIA's Petroleum Supply Monthly](), GOA crude oil production averaged 2.0 million barrels (b) per day, or about 15% of total U.S. crude oil production Natural gas production in GOA is currently about 2 billion cubic feet per day (Bcf/d), or about 1.7% of total U.S. natural gas production.

We assume that all of the crude oil and natural gas production in the GOA is disrupted indefinitely and is not replaced by increased production from other, non-U.S. sources. Alternatively, we provide estimates for impacts should the disruption to GOA production only last 1 year or 2 years.

EIA uses the January 2026 STEO as the baseline for this assessment. In order to estimate the price impacts of these disruptions, we use the most recent estimates of total global production of petroleum and other liquids and natural gas, as well as global consumption of gasoline, diesel fuel, and jet fuel from our International Energy Statistics (IES) database and the January 2026 *Short-Term Energy Outlook* (STEO). Current and forecast prices for crude oil, natural gas, gasoline, diesel fuel, and jet fuel are also sourced from the January 2026 STEO. Likewise, the volume losses in this analysis and the estimated crude oil and natural gas price impacts are relative to the market conditions and price forecasts from the January 2026 STEO, which extends through the end of 2027.

In the January STEO, EIA forecasts the 2027 average Brent crude oil price of $54/b, U.S. average regular gasoline retail price of $2.95/gal, on-highway diesel fuel price of $3.48/gal, and jet fuel price of $1.98/gal. EIA expects the Henry Hub natural gas spot price to average just under $3.50 per million British thermal units (MMBtu) in 2026, down 2% from 2025, and to increase to an average $4.60/MMBtu in 2027.

Current oil market conditions

The Brent spot crude oil price fell to $63/b in December 2025, $11/b lower than the average in December 2024. Prices have since increased to nearly $68/b as of January 14 driven in part by the potential risk of supply disruptions associated with escalating protests in Iran.

We assess the current global oil markets remain in a state of oversupply, reflected in a lower crude oil price outlook for 2026 and 2027.

We estimate that oil inventories rose quickly in the second half of 2025, at an average of nearly 2.7 million b/d. We expect this trend to continue in both 2026 and 2027, although at a decreasing rate in 2027 as supply growth begins to slow and global oil demand growth increases to 1.3 million barrels per day (b/d) from 1.1 million b/d in 2026. We forecast that global oil inventory builds will average 2.8 million b/d in 2026, which is similar to this year's increase, before averaging 2.1 million b/d in 2027.

Although the excess supply that we estimate built up last year has not yet been fully reflected in observable inventories of crude oil such as those at storage hubs in Cushing, Oklahoma, or the U.S. Gulf Coast, tanker tracking data indicates that oil in floating storage has reached its highest level since the pandemic, which have begun to weigh on oil prices.

We also assess that as much as 35-40% of our estimated 2.6 million b/d on average oil inventory builds during 2025 went into strategic stockpiles in China. Because these strategic builds acted as a source of demand, similar to the consumption of oil, we estimate they helped keep oil prices roughly 5-10% higher in 2025 than they would have been otherwise given large estimated inventory accumulation. We assume that China will continue building strategic stockpiles at nearly the same rate of just under 1.0 million b/d in 2026 before decreasing its rate of strategic builds by nearly a third in 2027.

Although we forecast OPEC+ will produce about 0.8 million b/d less on average below its targets in 2026, we expect much of this shortfall to be driven by underproduction from members such as Russia and Mexico due to sanctions and declining productivity, respectively. Of the nine OPEC members subject to production targets (a group that excludes Iran, Libya, and Venezuela), we expect production will track closely with stated targets during 2026. Despite no plans to announce 2027 targets until 4Q26, we do not expect OPEC+ will increase production next year given our expectation of large inventory builds over the forecast period.

We estimate U.S. crude oil production set a new record of 13.6 million b/d in 2025. We forecast total crude oil production will average about 13.6 million b/d again this year. In 2027, we expect production to decrease to 13.3 million b/d, down 2% from our forecast for 2026. The flat-to-declining trend in crude oil production reflects a decrease in drilling and completion activity that is a result of sustained crude oil prices under $60/b. We forecast that offshore production in the GOA will increase by almost 0.1 million b/d in 2026 before decreasing by 0.1 million b/d in 2027. Offshore projects like those in the GOA are larger, more capital-intensive projects that require longer startup timelines before beginning production. The slowdown in the number of new projects expected to begin production in 2027 therefore contributes to the expected fall in GOA production in 2027 driven by natural decline rates.

We assess that OPEC surplus capacity is currently about 3.7 million b/d, above the previous 10-year average of 3.2 million b/d. This estimated surplus capacity accounts for assumed production increases from OPEC members in response to 0.6 million b/d of shut-in production from Venezuela, which we assume will be disrupted until the oil blockade and sanctions are lifted.

Oil price and market impacts of disruption to GOA Production

As a result of the permanent disruption to all offshore GOA crude oil production, EIA assesses that the Brent crude oil spot price would increase by about $10/b to $13/b above the January STEO forecast prices through 2027. We assess that retail prices of gasoline and diesel and jet fuel would increase by about 55 cents/gal and 65 cents/gal, on average, respectively. Table 1 compares the current January STEO price forecasts and the modeled impacts of the disruption through 2027. EIA assesses that the price impacts for crude oil, gasoline, diesel, and jet fuel remain the same for either a 2-year or permanent disruption to GOA production (Table 1). A disruption that extends to two years would require prices to incentivize production elsewhere but those impacts are likely limited to only during the disruption period.

Table 1. Price impacts in response to the disruption of all of Federal Gulf of America offshore production

Price	2026 Q1	2026 Q2	2026 Q3	2026 Q4	2027
January STEO Brent Forecast ($/b)	$59	$56	$55	$53	$54
GOA disruption scenario Brent Spot Price ($/b)	$69 - $72	$66 - $69	$65 - $68	$63 - $66	$64 - $67
Percent change (%)	17-21%	17-22%	17-22%	17-22%	19-24%
January STEO U.S. Avg Regular Gasoline Forecast ($/gal	$2.85	$3.02	$3.03	$2.78	$2.95
GOA Disruption Scenario Regular Gasoline Price ($/gal)	$3.33-$3.47	$3.50-$3.64	$3.51-$3.65	$3.26-$3.40	$3.43-$3.57
Percent change (%)	17-22%	16-21%	16-20%	17-22%	16-21%
January STEO U.S. Diesel Fuel Forecast ($/gal)	$3.50	$3.40	$3.41	$3.41	$3.48
GOA Disruption Scenario Regular Diesel Fuel Price ($/ga	$4.06-$4.23	$3.96-$4.13	$3.97-$4.14	$3.97-$4.14	$4.04-$4.21
Percent change (%)	16-21%	16-21%	16-21%	16-21%	16-21%
January STEO U.S. Jet Fuel Forecast ($/gal)	$1.95	$1.88	$1.92	$1.88	$1.98
GOA Disruption Scenario Regular Jet Fuel Price ($/gal)	$2.51-$2.68	$2.44-$2.61	$2.48-$2.65	$2.44-$2.61	$2.54-$2.71
Percent change (%)	29-37%	30-39%	29-38%	30-39%	28-37%

*We assume Federal GOA production as of latest October 2025 production level of 2.0 million b/d. We assume this consists of an even split between HOOPS and Mars crude oil assays, which are medium sour (~30 API) crude oils that have a high diesel refinery yield (32% diesel yield and 22% gasoline yield). We assume that the hypothetical disruption occurs in January 2026.

Under the scenario, EIA assesses that Brent crude oil prices would average between $69/b and $72/b in the first quarter of 2026, compared with the January STEO forecast of $59/b. Prices would gradually fall to an average of between $63/b and $66/b in the fourth quarter of 2026 and an average of $64/b-$67/b in 2027, all else being equal. Regular U.S. average gasoline prices would average between $3.33/gal and $3.47/gal in the first quarter of 2026, compared with the January STEO forecast of $2.85/gal. Gasoline prices would gradually fall to an average between $3.26/gal and $3.40/gal in the fourth quarter of 2026 and then rise to an average between $3.43/gal and $3.57/gal in 2027.

Diesel fuel prices would increase to an average between $3.98/gal and $4.23/gal in the first quarter of 2026, compared with the January STEO forecast of $3.50/gal, before decreasing slightly to an average between $3.89/gal and $4.13/gal in Q4 2026 and an average between $3.96 and $4.21/gal in 2027. Lastly, jet fuel prices would increase to an average between $2.51/gal and $2.68/gal in the first quarter of 2026, compared with the January STEO forecast of $1.95/gal, before decreasing slightly to an average between $2.44/gal and $2.71/gal in Q4 2026 and an average between $2.54 and $2.71/gal in 2027.

We believe that a 1-year disruption to GOA production, where production ceases during Q1 2026 and returns in Q1 2027, would result in the same price impacts as the other scenarios through the first half of 2026. However, the impending return of production would likely soften price impacts in the second half of 2026. With GOA production resuming in 2027, liquid fuel prices would return to our baseline STEO forecast fairly quickly at $54/b for crude oil, $2.95/gal for gasoline, $3.48/gal for diesel, and $1.98/gal for wholesale jet fuel (Table 2).

Table 2. Price impacts in response to a 1 year disruption of all of Federal Gulf of America offshore production

Price	2026 Q1	2026 Q2	2026 Q3	2026 Q4	2027
January STEO Brent Forecast ($/b)	$59	$56	$55	$53	$54
GOA disruption scenario Brent Spot Price ($/b)	$69 - $72	$66 - $69	$60 - $62	$58 - $60	$54
Percent change (%)	17-21%	17-22%	9-13%	9-13%	0%
January STEO U.S. Avg Regular Gasoline Forecast ($/gal)	$2.85	$3.02	$3.03	$2.78	$2.95
GOA Disruption Scenario Regular Gasoline Price ($/gal)	$3.33-$3.47	$3.50-$3.64	$3.27-$3.34	$3.02-$3.09	$2.95
Percent change (%)	17-22%	16-21%	8-10%	9-11%	0%
January STEO U.S. Diesel Fuel Forecast ($/gal)	$3.50	$3.40	$3.41	$3.41	$3.48
GOA Disruption Scenario Regular Diesel Fuel Price ($/ga	$4.06-$4.23	$3.96-$4.13	$3.69-$3.77	$3.69-$3.77	$3.48
Percent change (%)	16-21%	16-21%	8-11%	8-11%	0%
January STEO U.S. Jet Fuel Forecast ($/gal)	$1.95	$1.88	$1.92	$1.88	$1.98
GOA Disruption Scenario Regular Jet Fuel Price ($/gal)	$2.51-$2.68	$2.44-$2.61	$2.20-$2.28	$2.16-$2.24	$1.98
Percent change (%)	29-37%	30-39%	15-19%	15-19%	0%

*We assume Federal GOA production as of latest October 2025 production level of 2.0 million b/d. We assume this consists of an even split between HOOPS and Mars crude oil assays, which are medium sour (~30 API) crude oils that have a high diesel refinery yield (32% diesel yield and 22% gasoline yield). We assume that the hypothetical disruption occurs in January 2026.

A loss of all GOA crude oil production would also affect crude oil trade flows and U.S. refinery output. Many of the complex refineries along the U.S. Gulf Coast that are the primary consumers of GOA crude oil production were built and designed specifically to most efficiently process the medium to heavy sour crude oil predominantly produced from offshore GOA wells. Losing access to GOA production would leave Gulf Coast refiners with a choice: ramp down operations to accommodate the lower availability of crude feedstock or replace that crude with other sources. The first option would tighten the supply of refined products, push up the price of consumer fuels, and reduce revenue to refineries. The second option would entail utilizing lighter domestic crude oil that otherwise would have been exported, thereby causing a reduction of U.S. crude oil exports. Since GOA refineries are optimized to run heavier, more sour crude oil than the grades produced in tight oil formations, this would result in loss of efficiency and lower yields of high-value petroleum products. This option would also result in higher petroleum product prices and reduced revenue to refineries. Finally, GOA refineries would need to import additional suitable replacements for lost medium to heavy sour barrels from GOA sources, such as from Canada, the Middle East or South America, which would incur a higher cost. This would reduce the energy independence and security of U.S. Gulf Coast refineries as they would be more dependent on imported supplies.

Alternatively, if substitute heavy to medium sour barrels were not available, it would limit the ability of U.S. Gulf Coast refiners to run secondary processing units like cokers and crackers, designed to process heavier crude oil, and could reduce utilization rates. This would reduce refinery output in the short term as refinery yields fall. Diesel fuel and jet fuel prices would be impacted more than gasoline prices, due to the higher diesel and jet fuel yield from the disrupted GOA crude oil types, as well as the tighter supply in current diesel fuel markets.

Strategic Petroleum Reserve

Additional consideration is also needed for the U.S. Strategic Petroleum Reserve (SPR). Many of the crude oil grades the SPR targets for purchase are produced in the GOA. A long-term disruption to GOA production would necessitate studying other types of crude oil that would be suitable replacements for filling the SPR and the necessary logistics to move that crude oil to SPR storage sites.

Also, similar to the situation with U.S. Gulf Coast refineries, this would both increase the cost and reduce the energy security of crude oil inflows into the SPR. Additions to the SPR would be competing with U.S. Gulf Coast refineries, as well as the larger global market, in a tighter heavy to medium sour crude oil market, resulting in a higher cost of crude oil and an increased dependence on imports for SPR inventories.

Current natural gas market conditions

Working U.S. natural gas in inventories stood at 3.26 trillion cubic feet, about 1% higher than last year at this time. Inventories are drawing down as more natural gas is consumed in the wintertime for home heating purposes. The U.S. exported 26.3 Bcf/d of natural gas at the end of 2025, about two thirds of which was LNG and the rest by pipeline. We expect more LNG export capacity to come online over the next two years. The Henry Hub spot price was $3.00 /MMBtu as of January 14.

Natural gas market impacts

While GOA accounts for a relatively smaller share of U.S. natural gas production, nonetheless, the loss of these volumes would mean higher draws of natural gas from underground storage, driving up natural gas prices. Higher natural gas would reduce natural gas demand for electric power generation in the short term and incentivize additional onshore natural gas production in the medium term. We assess that it would take 6-12 months to observe higher onshore natural gas production as a result of these higher prices.

Under the scenarios where GOA natural gas production is permanently disrupted for 2 years, EIA assesses that the Henry Hub spot price for natural gas would increase by $0.75-$1/MMBtu initially and push the Henry Hub spot price over $4/MMBtu in 2026. In 2027, natural gas prices would likely increase by 25-40 cent/MMBtu. This would place the 2027 average price for Henry Hub at $4.85-$5/MMBtu. EIA does not believe these higher prices are enough to curtail U.S. LNG exports, however, the sharp drop in GOA natural gas production could cause some LNG export facilities to temporarily reduce or pause operations as natural gas flows on the U.S. Gulf Coast adjust.

As with liquid fuels, a disruption of only 1 year would likely result in a similar initial increase in U.S. natural gas prices during the first half of 2026. Prices would then drift lower in the second half of 2026 as the market anticipates the production returning in Q1 2027. EIA believes natural gas prices would then return to our baseline forecast of around $4.60/MMBtu in 2027.