

Our View

Crude Oil May Reach \$200/bbl by April 1; \$300 May Be Next

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Wednesday, April 1, will be celebrated as April Fools' Day. According to *History.com*, "While its exact history is shrouded in mystery, the embrace of April Fools' Day jokes by the media and major brands has ensured the unofficial holiday's long life." The website editors noted that one of the better pranks played on the public was done in 1957 when "the BBC reported that Swiss farmers were experiencing a record spaghetti crop and showed footage of people harvesting noodles from trees."¹

On April Fools' Day this year, we may see a bulletin from a major price reporting agency telling us that the value of crude oil to refiners in Asia had surpassed \$200 per barrel.

Unlike the BBC's spaghetti farmers, this story will not be a joke. On Friday, *Platt's Oilgram Price Report* published an estimate of the cracking yield of Malaysia's Kimanis crude oil. According to Platts, the products from Kimanis were worth **\$196.02** per barrel on the Singapore spot market.

Admittedly, before this, we had never heard of Kimanis crude. However, the Platts editors wrote about it in 2022, noting the crude's Malaysian origin. They also noted that Petronas, the country's state-run oil company, typically offers seven or eight 600,000-barrel cargoes of Kimanis per month, which puts its production at around 150,000 barrels per day. In addition, the Platts article described the crude as follows:

Kimanis crude remains widely considered within the Asian trading community as one of the most expensive crude grades in the world as the light sweet grade is coveted for its high yield of light and middle distillates, while low sulfur and mercury contents make it easier for many of the less sophisticated Southeast Asian and Oceania refiners to process, trading and refinery sources said.²

A separate Platts report observed that the crude "has a typical API gravity of 38.61 with a sulfur content of 0.06%" and that "Kimanis is typically sold in cargo sizes of 300,000-600,000 barrels."³ This confirms our 150,000 barrels-per-day output estimate.

¹ "April Fools' Day," *History.com*, updated February 6, 2026 [<https://tinyurl.com/3abykm5v>].

² Gawoon Philip Vahn, Fred Wang, and Christel Ong, "Asian traders, refiners anticipate up to 10 cargoes/month of Malaysian Kimanis crude in 2023," S&P Global Platts, October 4, 2023 [<https://tinyurl.com/p3mr74wh>].

³ "Specification Guide: Asia Pacific and Middle East Crude Oil," S&P Global Platts, updated January 2025 [<https://tinyurl.com/3dkb2e77>].

The \$200-per-barrel value of Kimanis crude has resulted directly from the global diesel squeeze we noted at the start of the war, which is particularly intense in Asia. As the figure here illustrates, the price of low-sulfur diesel in Singapore now exceeds \$250 per barrel. This is much higher than diesel in New York, where the spot price is **only \$190**.

Diesel prices will rise further, as will prices for other products, due to limited export volumes. This is the real oil squeeze, and it will not get better soon, despite the Trump administration’s optimistic claim that gasoline and diesel prices will fall.

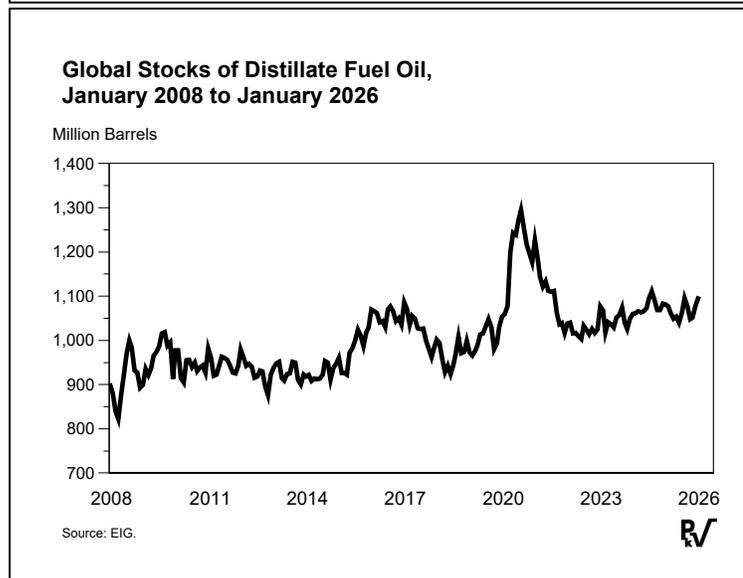
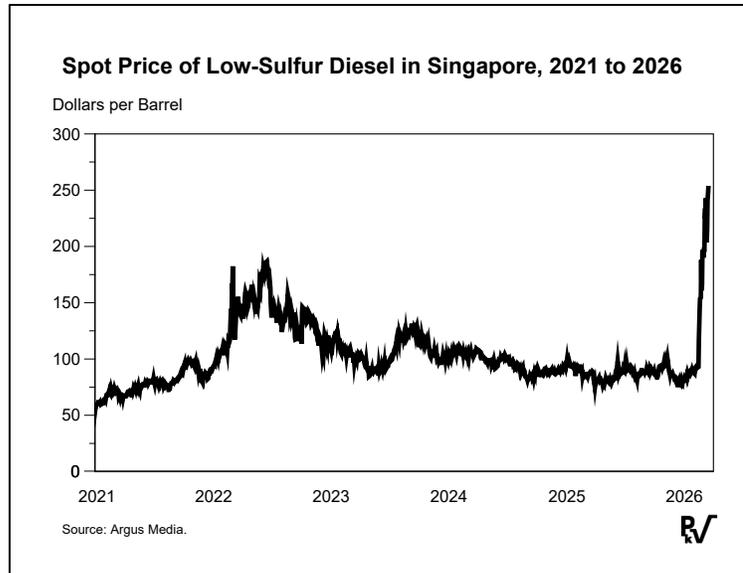
In fact, administration officials like the Secretary of Energy might as well shout “April Fools!” after making these assertions. These individuals seem to think Americans, Asians, and Europeans put crude oil into their vehicle fuel tanks.

The global diesel market was extremely tight before the attacks on Iran began. Refiners were struggling to produce the low-sulfur diesel required by US, Asian, and European consumers.

The data on global distillate stocks published by the Energy Intelligence Group reveal the market situation before the war began. As the second figure here shows, stock levels have remained relatively unchanged for the last two years after falling from the high levels recorded during the Covid crisis.

Stocks will decline in the coming weeks, putting additional upward pressure on diesel prices. This pressure will be exacerbated by policies adopted by various governments. The damage Iran has done to refining capacity in Middle Eastern exporting countries will reduce supply. The disruption of shipments of distillate-rich Middle Eastern crudes will also decrease the available volumes, as will a fire at Valero’s Houston refinery that shut down a diesel hydrotreater.

Other refinery accidents should be feared. Historically, these events occur when very high product margins prompt refiners to maximize output. Today, our data show that refiners are raking in almost \$60 per barrel on diesel production while losing money on the gasoline they make.



Further upward pressure on diesel prices will come as countries such as China, which hold excess supplies of the fuel, ban exports, and countries desperate for imports offer premiums for deliveries. Today, Australia announced it would subsidize spot fuel purchases, effectively offering a “bounty” for the product.⁴ Such subsidies have been tried before when global supplies are tight. The consequence is always the same: higher prices.

We have yet to see the peak in diesel prices. They could rise to \$300, or even \$400, per barrel if consumption does not decline. Crude price peaks are also yet to be seen.

The situation is especially grave because we now live in an “every man for himself,” or better, “every country for itself” world. In 1974, after the Arab oil embargo had created a global energy panic, Henry Kissinger advised a Congressional committee that “international collaboration, particularly among the industrial nations of North America, Western Europe, and Japan, is an inescapable necessity,” warning that “dangerous political consequences” would follow, absent cooperation, along with a global recession.⁵

Evidently, those in the Trump administration have decided to test Kissinger’s hypothesis.

⁴ “Australia to halve tax on fuel, underwrite spot cargoes,” Reuters via *The International News Pakistan*, March 30, 2026 [<https://tinyurl.com/5n96kvvy>].

⁵ “Kissinger-Simon Proposals for Financing Oil Imports,” Hearings before the Joint Economic Committee, Congress of the United States, November 25, 27, and 29, 1974 [<https://tinyurl.com/5yxn33vn>].