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THREATS TO EUROPEAN DIESEL IMPORTS: RISK OF SHORTAGES RULED OUT FOR THE TIME BEING, BUT INCREASED RISK OF PRICE RISES

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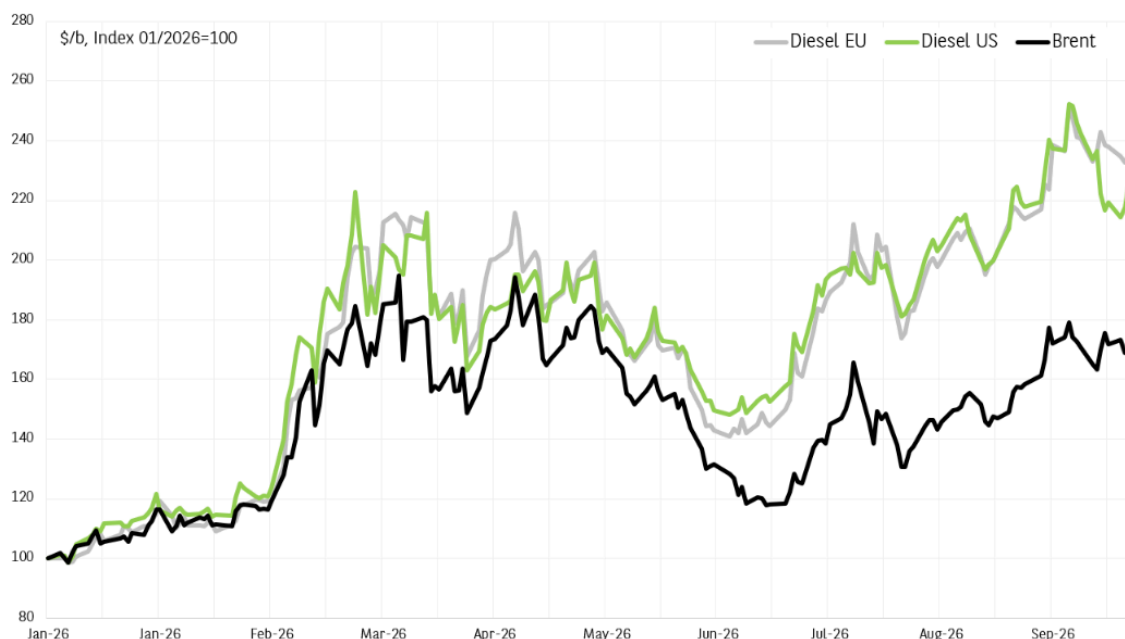
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In Europe, the possibility of a US ban on diesel exports has heightened concerns about price trends for this widely used fuel[1], which has already risen significantly since the outbreak of the conflict in Iran. It has become a major political issue on both sides of the Atlantic in the run-up to decisive elections.

A particularly tight diesel market due to a shortage of buffer stocks

Following the outbreak of the conflict, diesel prices did indeed see some of the sharpest rises on the oil market due to particularly tight market conditions. Since the end of February, whilst the price of a barrel of crude has risen by 46%, diesel prices have soared by 100% in Europe and by 76% in the United States.

Rising pressure on the diesel market



Source: Bloomberg, BNP Paribas

The factors alleviating pressure on the refined products market, and more specifically the diesel market, were more limited than in the case of crude oil. Shipments passing through the Strait of Hormuz (around 17% of maritime diesel trade prior to the conflict) have fallen by around 75%. Added to this is the halt in Russian exports due to war damage, which is depriving the diesel market of around 12% of its maritime exports. Furthermore, unlike with crude oil, China has not acted as a stabilising force in the diesel market. On the contrary, the energy crisis has led to a halt in Chinese exports of refined products (including diesel) to the rest of Asia from April onwards. The resumption of Chinese exports over the last two months remains fragile, given, in particular, that diesel stocks are at their lowest level in 15 months.

The United States has eased these tensions in the diesel market by increasing its exports of refined products (up 25% on average in the first half of 2026 compared with the average over the last five years). This rise in exports has required high refinery utilisation rate (close to maximum capacity) and, to a lesser extent, a reduction in stocks (-11% compared with the average over the last five years as at mid-September for middle distillates[2]). All these factors have contributed to tightening the US domestic market and pushed retail diesel prices to record levels. Road diesel prices (US average) have risen by 68% since the end of February and by 74% year-on-year.

A structurally high level of vulnerability in Europe...

Against this market backdrop, characterised by mounting tensions and very limited room for manoeuvre, Europe would be particularly hard hit by a reduction in – or even a complete halt to – US exports. According to Eurostat, imports accounted for 46% of European demand for diesel in the first half of 2026, with 40% of these imports coming from the United States. Europe, which has lost a great deal of production capacity in recent years, is operating its refineries at near-maximum capacity. Its room for manoeuvre is therefore limited.

... But the risk of a shortage has been ruled out in the short term

The risk of a shortage, however, appears limited in the short term. The situation regarding European stocks is not comfortable, but it is not alarming. Commercial diesel stocks in the ARA region[3] are currently at historically low levels (around 12 million barrels), 23% below their level at the end of September 2025. As for emergency stocks (EU Emergency Stocks), these are, according to the European Commission, at a sufficient level. Eurostat estimates this figure at 270 million barrels in June 2026 (stable from a year earlier), representing approximately 60 days' worth of EU consumption. Europe imports around 0.9 mb/d of diesel from the United States, and emergency stocks would therefore cover around 60 days' consumption at 4.5 mb/d.

The rise in prices could be significant

Whatever the outcome of the conflict, diesel prices are likely to continue to rise in the short term. According to our base-case scenario, crude oil prices are expected to remain very high in Q4 2026 due to ongoing tensions in the Persian Gulf, whilst a return to normal levels of diesel exports from Russia and the Middle East appears unlikely by that time.

Among the factors likely to cause future tensions, the start of the maintenance season in Europe could affect production levels, whilst demand for diesel in the United States is typically high in the autumn (agricultural harvests and pre-winter storage). In a scenario where tensions remain low, the diesel refining margin (crack spread) could rise by 5% in Q4 compared with its level at the end of September 2026, before gradually falling back during 2027. An intermediate scenario (a 10% rise in the crack spread in Q4 2026) would result in moderate constraints on US diesel exports and a drawdown of European stocks. Finally, an adverse scenario (a 35% rise in the crack spread in Q4 2026) would imply severe restrictions on US diesel exports and a delayed European response.

What impact will this have on inflation in the euro area?

According to our estimates, the rise in diesel prices would exacerbate the expected peak in inflation in the euro area without altering its timing. In our baseline scenario for September 2026 (see our recently

published [EcoPerspective](#)), headline inflation would peak at 4.1% y/y in January 2027 before gradually falling back towards 2% by the end of the year. The two least adverse scenarios would add only a limited amount to the peak: +0.1 pp in the first scenario (+5% for the crack spread in Q4 compared with the end of Q3) and +0.2 pp in the intermediate scenario (+10%), with inflation reaching 4.2% and 4.3% respectively in January 2027. However, there is an upside risk in the second scenario linked to the uncertain extent of the spillover effects. In both cases, the main impact would be felt through fuel prices (which quickly reflect rising market prices) and would fade over the course of 2027. In the case of the adverse scenario (+35%), the additional inflation would be close to 0.6 pp by early 2027, pushing inflation above 4.6%. A shock of this magnitude would, in fact, reduce businesses' ability to absorb rising costs, which would lead to price increases across a broader range of goods (food, industrial goods). Subsequently, the effect would only fade gradually.

[1] Diesel accounts for 17% of the primary energy mix in the EU and 7.3% in the United States.

[2] A category of refined petroleum products comprising mainly diesel and aviation fuel.

[3] Amsterdam-Rotterdam-Antwerp, Europe's main hub for the storage of raw materials.

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