



Economic Insights: Oil Markets In Focus

Quantifying the key risks and
opportunities in global oil markets

20 February 2026



Key Findings

Global oil markets enter 2026 in surplus—yet geopolitical shocks dominate the risk outlook.

The global oil market enters 2026 amid heightened uncertainty, driven primarily by escalating geopolitical tensions across several major producer states. A series of recent events, including unrest in Iran and the capture of Venezuelan President Nicolas Maduro, has introduced significant disruption into the market, increasing volatility in global supply chains.

This note outlines the potential impacts of these events for oil prices and the broader global economy.

- Global oil supply enters 2026 in a surplus; prices fell by almost **20% in 2025** as OPEC+ unwound voluntary cuts alongside robust non-OPEC+ supply.
- However, oil prices remain volatile, with average prices in January 2026 of USD 66 per barrel (bbl), rising to USD 72/bbl on February 20, the highest level in six months due to escalating US-Iran tension.

To assess the effects of key developments in the global oil market, we have modelled two high-impact scenarios using KGEM (Kroll's geo-economic model).

- A closure of the Strait of Hormuz in 2026 which **doubles oil prices** and drives down global growth by 2.5%, pushing most of the world into recession.
- A revival of the Venezuelan oil industry by 2030 leads to longer term benefits to the global economy as **oil prices are moderated** and supply becomes more diversified.

The analysis shows that instability in the Middle East is the main short-term issue for oil markets, with developments in Venezuela more likely to impact the market in the longer term.



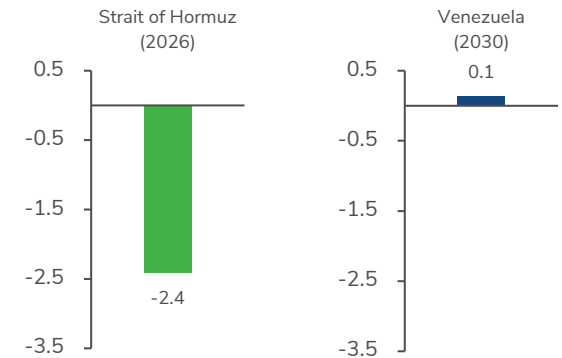
Venezuela accounts for 18% of global oil reserves.



20% percent of global supply passes through the Straits of Hormuz.

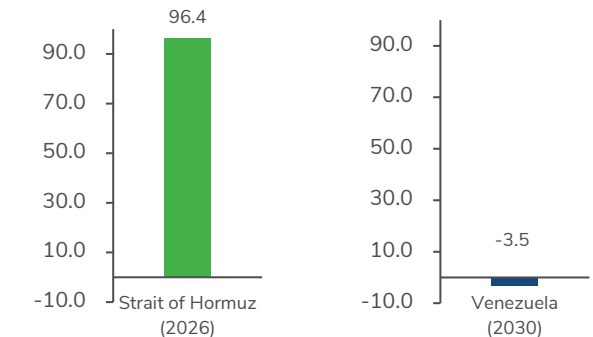
Global GDP

% variance from baseline



Global Oil Price

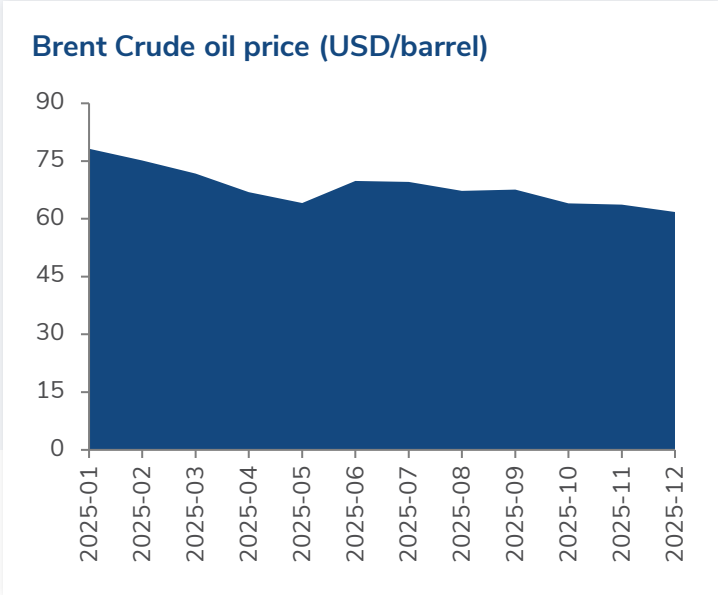
% variance from baseline



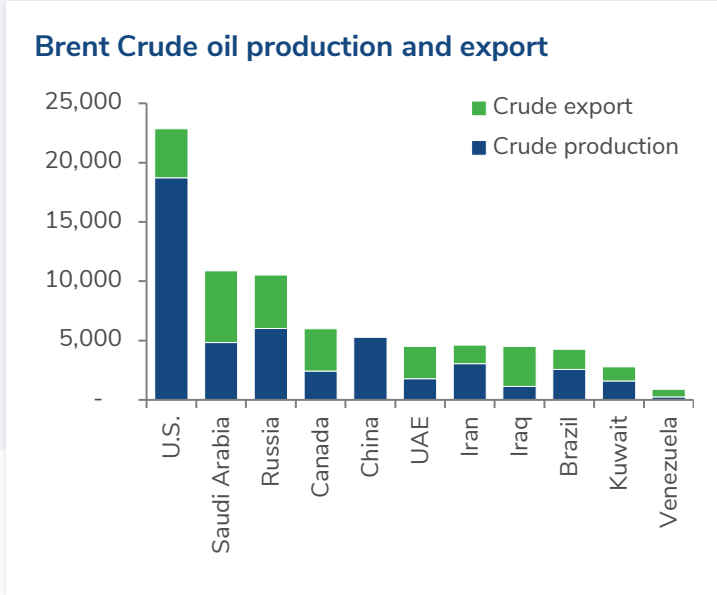
Current State of the Market

Brent crude oil prices have risen to their highest level in six months in February, despite surplus supply.

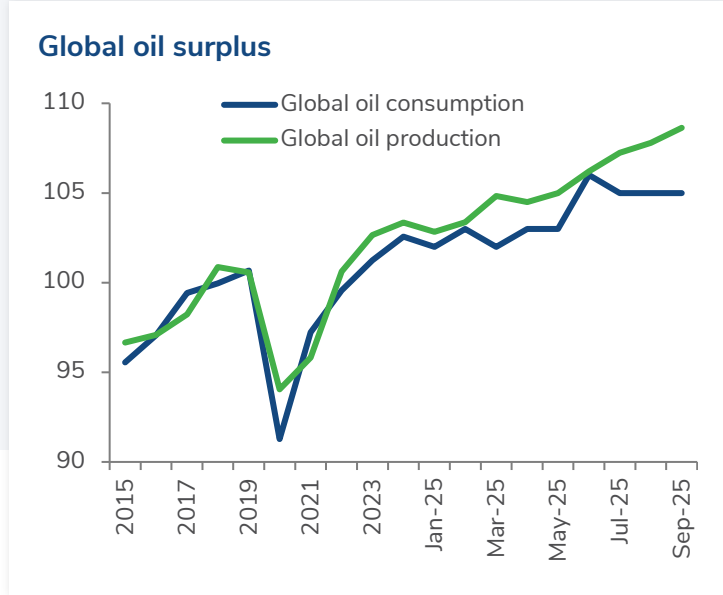
- Global oil supply is currently operating in a surplus, with prices having fallen by almost 20% in 2025. This shift is largely due to OPEC+ producers unwinding voluntary production cuts, alongside robust supply from non-OPEC+ producers.
- Average oil prices in January 2026 were USD 66/bbl, and are forecast to remain subdued throughout 2026, with a range of industry forecasts indicating an average of USD 60 per barrel as inventories continue to rise. This level is significantly below the 30-year average of USD 80 per barrel.
- However recent geopolitical tensions between US and Iran, coupled with a clampdown in shadow fleets, has led to oil prices rising to USD 71/bbl (February 20, 2026), the highest level since July 31, 2025.



Reference: Focus Economics.



Reference: EIA, OPEC.



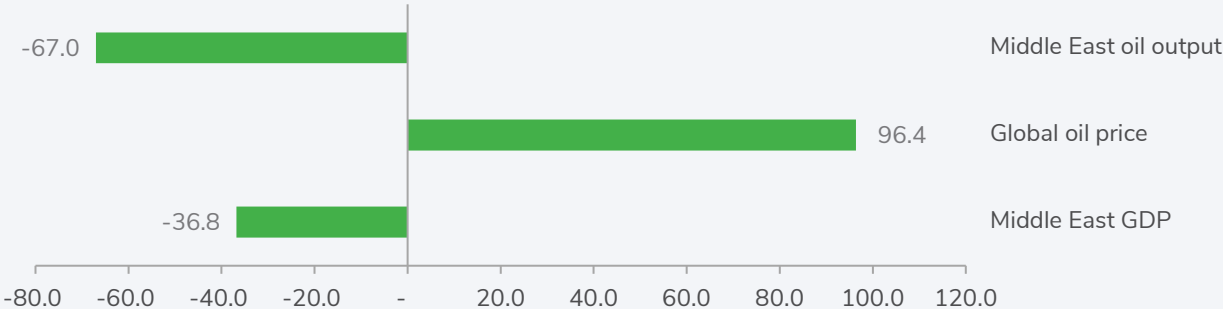
Reference: EIA.

Scenario 1: Strait of Hormuz Closes in 2026

A major political crisis leads to Iran closing the Strait of Hormuz in 2026 choking Middle Eastern oil exports and temporarily crippling the global oil trade. Middle Eastern oil supply declines by 65% and average global oil prices rise by up to 96%. Middle Eastern GDP falls by 37% in 2026.

- Rising tensions in the Middle East, particularly involving Iran, pose a serious risk to regional oil production and could threaten the stability of the Strait of Hormuz, the world’s most important oil shipping route.
- Although the Strait has never been closed, Iran has repeatedly threatened to do so during periods of conflict, most recently in 2025 after U.S. strikes on Iranian nuclear facilities during the “Twelve-Day War”.
- In recent weeks, the U.S. has rapidly concentrated high-end military capability around Iran, including two aircraft carriers, expanded airpower, and layered strike and defense assets.
- The Middle East remains central to global energy markets. It includes five of the world’s top ten oil producers, Saudi Arabia, Iraq, the United Arab Emirates, Iran and Kuwait, and supplies around 31% of global oil, and around 20% of the world’s oil passes through Hormuz annually.
- The combination of high volume and geopolitical volatility makes it one of the world’s most significant economic choke points.
- If a major political crisis prompted Iran to close the Strait, regional oil output could fall by about 65%. The resulting price shock would extend far beyond energy markets, raising transportation and manufacturing costs and ultimately affecting businesses and consumers globally.
- According to the International Monetary Fund, a 10% increase in oil prices typically leads to a 0.3% to 0.4% rise in global inflation.¹

Middle East key impacts – variance from 2026 baseline (%)



- Under this scenario, KGEM results show that such a significant reduction in oil output in the Middle East would drive global oil prices up by 96%, and lead to a substantial decline in global GDP of up to 2.4% in 2026.
- The Middle East would face the largest impacts, with overall GDP expected to fall by up to 36%, temporarily crippling the economy.
- Once the Strait reopens, modelling suggests that a rapid recovery would follow across most regions.

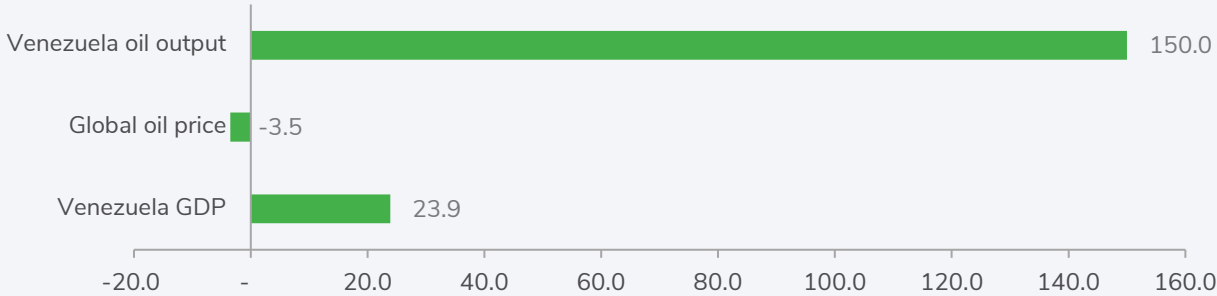
¹ Oil Prices and Inflation Dynamics: Evidence from Advanced and Developing Economies.

Scenario 2: Venezuela's Oil Industry is Restored By 2030

Stabilising economic conditions and lifted sanctions restore confidence in Venezuela, leading to increased foreign investment and a revival of the oil industry by 2030. Supply expands, lowering global prices by 3.5%. Venezuela's GDP rises by 24%.

- Following the capture of Maduro by US Armed Forces on January 3, 2026, the oil market response was mild with prices rising by only \$1 per barrel, reflecting Venezuela's current contribution of just 1% of global supply.
- However, Venezuela is estimated to hold the largest proven reserves of oil (approximately 300 bn barrels, 18% of total global reserves) and following the US intervention earlier this month, there is potential for a significant uplift in production.
- Current oil production in Venezuela is estimated between 900 thousand and one million barrels per day, down from a peak of three million in the 1990's. As a result of recent sanctions, China is currently the largest buyer of Venezuelan crude oil, making up over 80% of their export demand.
- The KGEM scenario assumes Venezuelan oil production rises by 150% by 2030. This assumption is based on data from Aurora Energy who forecast that under political and economic stability, and with significant capital investment and competitive crude prices, Venezuelan oil output could increase to 2.5 million barrels per day by 2030.¹ The KGEM scenario also assumes that Venezuela re-enters the global market through increased exports, largely to the US.

Venezuela key impacts – variance from baseline (%)



- Under this scenario, the impact on the global economy would be modest, increasing global GDP by 0.1% and reducing global oil prices by 3.5%. The muted impacts are largely due to current oversupply in the market, and the fact Venezuela's economy is small (less than 0.5% of global GDP).
- Venezuela would experience a greater economic uplift, with GDP expected to rise by around 24% due to the increase in output.
- Although the direct effects on the global economy are limited, the greater concern lies in the potential secondary consequences, particularly in how other nations responded to the US actions on January 3. Responses across South America were mixed, with Mexico, Chile, Columbia and Brazil condemning the actions, alongside major powers like Russia, China and Iran.
- If the US were to retaliate with higher tariffs, it could disrupt global supply chains by redirecting South American exports towards Asia and Europe and prompting countermeasures from China.

¹ [Breaking Down Venezuela's Oil Outlook for the future.](#)



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About Kroll Economics



Kroll Economics delivers clarity in complexity, quantified with credibility. In today's volatile and uncertain markets, we empower leaders to make confident decisions by going beyond interpretation. We quantify, stress-test and report change, delivering actionable insight at global, sectoral, country and firm levels. Our advisory supports finance, valuation, risk, compliance, strategy, policy, ESG, investor relations and sector teams, ensuring answers are credible, defensible and ready for scrutiny. Through deep collaboration across Kroll's core offerings, we co-create hybrid solutions and thought leadership for a rapidly changing world, helping decision-makers navigate VUCA (volatility, uncertainty, complexity, ambiguity) and meet the demands of regulators, shareholders and stakeholders.

Client drivers and challenges

- **Regulatory and policy change:** Navigating evolving trade, economic and compliance demands across jurisdictions, with proactive support to anticipate, interpret, and adapt to regulatory shifts and policy developments
- **ESG and impact analysis:** Meeting expectations for transparency, sustainability, and socioeconomic value by quantifying, benchmarking, and communicating measurable impact to stakeholders and regulators
- **Risk and governance:** Managing financial, operational and strategic risks with integrated advisory, helping organizations build resilience, enhance governance and maintain stakeholder trust
- **Globalization:** Entering new markets and optimizing cross-border trade, supported by expert policy advice, global insight, and tailored strategies for international growth and compliance

Differentiating factors

- **Truly global reach:** Analyzing across 160 countries and 70 sectors, we deliver granular, cross-market insight wherever clients operate.
- **Advanced, always-on platforms:** Our technology delivers rapid, real-time analysis and diagnostics, providing clients with true speed to insight in relation to emerging risks and opportunities.
- **Integrated expertise:** We combine economic, risk, valuation and policy advisory for hybrid solutions that address complex, multidimensional challenges.
- **Credible, evidence-based analysis:** Every recommendation is grounded in robust data and methodologies, ready for regulatory and stakeholder scrutiny.
- **Agility in volatile markets:** We help clients adapt to megatrends, regulatory shifts and geopolitical risks with actionable, forward-looking strategies.

Service offerings



Computable general equilibrium modeling



Cost benefit analysis



Economic contribution studies



Forecasting and scenario planning



Economic impact assessments



Business Cases