



The Daily Dish

What's Up With the Global Oil Market?

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Candidly, Eakinomics has been anticipating much more expensive oil – say \$150 per barrel – given the duration of the closure of the Strait of Hormuz. Being dead wrong is not a new phenomenon, but even something familiar can still be annoying. So, Eakinomics demanded some answers from AAF Director of Energy and Environmental Policy Shuting Pomerleau. Here is why oil prices have not skyrocketed (even more).

First, there are workarounds. While closure of the Strait disrupted about 20 million barrels per day, pipelines in Saudi Arabia and U.A.E. and other infrastructure can [get](#) about a third of that supply (7.5 million barrels per day) to market. Also, additional supply from non-OPEC countries including the United States, Brazil, Canada, and Venezuela have added 1.5 million barrels per day. Workarounds have reduced the amount of supply impacted.

Second, there are reductions in demand. Countries have been adopting policies to conserve energy since the beginning of the crisis. This [International Energy Agency \(IEA\) tool](#) tracks global responses to the disruption. The [IEA May 2026 Oil Market Report](#) notes:

World oil demand is forecast to contract by 420 kb/d y-o-y in 2026, to 104 mb/d, 1.3 mb/d less than our pre-war forecast. The biggest decline is in 2Q26, down by 2.45 mb/d, of which the OECD accounts for 930 kb/d and the non-OECD for 1.5 mb/d. The petrochemical and aviation sectors are currently most affected, but higher prices, a weaker economic environment and demand-saving measures will increasingly impact fuel use.

Very specifically, China has been able to reduce its imports of oil. It significantly [increased](#) imports of oil by 16 percent in the first two months of 2026 (mostly from Russia) to add to its stockpiles. Why? It anticipated the war due to U.S. threats to Iran.

This really irks Eakinomics. Why is it a Saturday surprise to Americans in February, but the Chinese know on New Year's Day?

Third, there have been drawdowns of inventories around the globe. To begin, there was about 90-120 million barrels of Russian crude stranded at sea. Globally, government and commercial inventories totaled 8.2 billion barrels. In March, the IEA [announced](#) a coordinated release of 400 million barrels from 32 member countries' emergency reserves; 129 million barrels were [drawn](#) in March, 117 million barrels in April, and about 250 million barrels in May. This rate draw is unprecedented and may contribute to a distorted sense of security in the market.

That's all good news. But experts stress that what really matters is the current level of inventories. In an article in the [Financial Times](#), Eakinomics' old colleague Bob McNally weighed in:

Bob McNally, founder of Rapidan Energy Group, warns the oil market has got it badly wrong by adopting a sanguine approach to the closure of the strait through most of May.

McNally says this optimistic view is very unlikely and with the drawdown of global inventories, oil prices could soar in July or August close to \$200.

For these reasons, the IEA, International Monetary Fund, World Bank, and World Trade Organization have warned that global oil inventories are being drawn down at an unprecedented pace and this poses a significant threat to the economy.

In short, prices have been more benign than Eakinomics anticipated. But we are far from out of the woods yet.