

The Oil Superpower that Still Needs the World

The US produces more crude oil than any country in history, yet American motorists are paying record prices as war restricts flow through the Strait of Hormuz. The shale boom has given Washington leverage over rivals and relief to allies. It has not severed the refineries, trade routes and prices tying the world's largest economy to the global oil market.

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On Friday, the national average price of diesel reached a record \$5.85 a gallon, according to fuel-price tracking service GasBuddy. West Texas Intermediate crude settled at \$90.76 a barrel, up 8.3 per cent over the week, as renewed US-Iranian hostilities heightened concerns about shipping through the Strait of Hormuz.

This took place in a country producing almost 13.9mn barrels of crude oil a day. The strong revolution has transformed the US from a vulnerable importer into the world's largest oil producer and a vital supplier to its allies. It has not delivered the insulation promised by the phrase "energy independence".

This contradiction defines America's new place in the global economy. The US can soften an overseas supply shock by exporting more oil, rerouting cargoes and using its strategic reserves. But because crude oil is priced internationally and must pass through specialised refineries, a disruption in the Gulf can still raise costs for a trucker in Illinois, a farmer in Utah and a family driving to work in California.

Power through trade

US crude production averaged a record 13.6mn barrels a day in 2025, according to the Energy Information Administration, about 40 per cent more than either Russia or Saudi Arabia.

"The world's biggest producer, top consumer and one of the biggest exporters. That gives you a lot of geopolitical leverage," Devika Krishna Kumar, Bloomberg News' Oil Trading Americas Team Leader, said during a briefing in New York in June.

That leverage became visible as flows through the Strait of Hormuz were disrupted. In April, US exports of crude oil and petroleum products reached a record 13.6mn barrels a day, The U.S. Energy Information Administration (EIA) said, with crude exports alone reaching 5.6mn. Japan has been buying more US crude after losing part of its Middle Eastern supply, Krishna Kumar said. She described the rerouting as "musical chairs", meaning heavier imports give US refiners more options while lighter American crude is sent to Asia.

Strategic reserve releases and alternative shipping routes have also softened the shortage. “It’s kept the world fairly well supplied and the US is exporting more than ever,” Krishna Kumar said.

The crude mismatch

Yet that export boom has not stopped the US buying crude from abroad. In 2025, it imported 6.2mn barrels a day and remained a net crude importer of 2.2mn barrels a day. That gap can exist together with record exports because the crude going out and the crude coming in are different grades.

The explanation lies inside America’s refineries. Much of the shale oil produced in Texas and New Mexico is light and low in sulphur. Many Gulf Coast and Midwest plants, however, were designed to process cheaper, heavier crude from Canada, Mexico, Venezuela and the Middle East.

“For a long time, the US refineries were geared to process Middle Eastern oil,” Krishna Kumar said. They can run domestic light crude, she explained, but beyond a point it becomes less efficient and cuts into profit. Exporting light oil while importing heavier grades is therefore not simply a sign of shortage. It reflects refinery design, transport links and economics.

Only 8 per cent of US Crude imports came from the Middle East Gulf in 2025. Direct dependence on the region is now limited. Exposure to the price of a global barrel is not.

A global price at the local pump

Before the Iran Conflict, roughly a fifth of global daily crude oil and liquefied natural gas (LNG) supply passed through the Strait of Hormuz. On Thursday, only four observed commodity vessels crossed the strait, compared with ten-a day average of 15, according to shipping data cited by Reuters.

Record domestic output cannot quickly replace those missing flows. US refineries were operating at 98 per cent of capacity in the week ending 28 August, leaving little room to increase fuel production. New plants require billions of dollars and years of construction.

“I would not expect to see a refinery get built here anytime soon in the US,” Krishna Kumar said. That constraint is most visible in diesel, the fuel that moves freight, powers agricultural machinery and enters the cost of almost every physical product.

Who pays

Matthew Martin, a senior US economist at Oxford Economics, said stronger equity markets had continued to support spending by wealthier Americans. Lower earners have less room to absorb a fuel shock.

“Low-and middle-income households spend a lot more on gasoline and driving than high-income households, so they’re being disproportionately hit,” Martin said during a panel discussion in New York in June.

If fuel remains expensive, the pressure spreads into food and other services dependent on transport. “You’re spending more on gas, you’re spending more on groceries, but your wages aren’t going to be going up necessarily any more than they were two months ago. So now your real spending power is going down.” Martin added.

Official figures already show the transmission. US consumer prices were 3.4 per cent higher in July than a year earlier, while the energy index rose 14.7 per cent and petrol prices increased 24.6 per cent. Higher fuel costs can weaken consumption while making the Federal Reserve’s inflation problem harder to solve.

What happens next

A Federal Reserve Bank of Dallas study illustrated the stakes. It estimated that a one-quarter closure of Hormuz would add 0.6 percentage points to headline Personal Consumption Expenditures (PCE) inflation measured from the fourth quarter of 2025 to the fourth quarter of 2026. Under a three-quarter closure, the effect would rise to 1.1 percentage points.

The EIA expects American production to climb from average 13.8mn barrels a day in 2026 to 14.2mn in 2027. Its August forecast also said Brent crude would fall to an average \$69 a barrel next year as Middle Eastern supply recovers.

That leaves the country with more protection than it had before the shale boom, but not immunity. “Previously, the shock would have been way, way higher. Now the US can export a lot more,” Krishna Kumar said.

America has exchanged one form of dependence for another – less reliance on foreign producers for volume, but continued reliance on global network of refineries, tankers, trading routes and prices. The US may now be the market’s indispensable supplier. The question is whether Americans will accept that being an oil superpower does not necessarily mean paying less for oil.