

# 2026 Oil and Gas Industry Outlook

*In 2026, oil and gas companies face shifting policies, rising costs, and new opportunities in LNG and digital transformation, requiring agility and discipline to sustain growth*

In 2025, the US macroeconomic, geopolitical, and energy landscape shifted in ways few could have anticipated. Yet, despite the shifts, oil and gas (O&G) companies displayed remarkable resilience, although at the expense of slower production growth and tighter margins (figure 1). The key principles outlined in **last year's outlook**—disciplined capital allocation, customer and core operations centricity, and strategic technology adoption—proved to be steady anchors amid uncertainties.

Figure 1

## Comparing the expectations to reality in the oil and gas sector in 2025

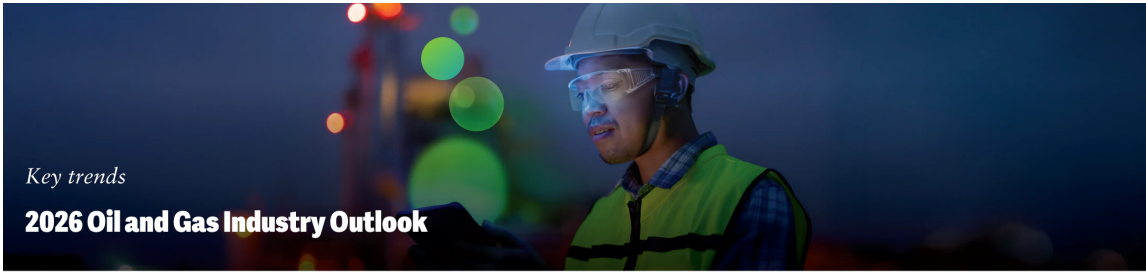
| Area                      | Expected for 2025                                                                                                        | Actual (as of September 2025)                                                                                                | Effects                                                                                                                                                                                                                                                                                                                                                    |
|---------------------------|--------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Macro environment</b>  | US GDP growth by 1.5% to 2%; inflation edges higher to 3% to 3.5% <sup>a,b</sup>                                         | US GDP growth estimated at 1.8; inflation remains steady at 2.9% <sup>a,b</sup>                                              | <p>Shale production growth has slowed to under 1% year over year<sup>a</sup></p> <p>Drilled-but-uncompleted wells inventory dropped to historic lows of 5,192<sup>a</sup></p> <p>Profit margins are squeezed by sluggish growth and rising costs</p> <p>S&amp;P 500 Energy index underperformed broader market indices by 12% year to date<sup>d</sup></p> |
| <b>Geopolitical risks</b> | Potential easing of the Russia-Ukraine war and conflicts in the Middle East                                              | Potential peace deal in the Middle East; continuation of the Russia-Ukraine war                                              |                                                                                                                                                                                                                                                                                                                                                            |
| <b>US trade policy</b>    | Unspecified trade tariffs on nations and sectors                                                                         | Announcement of country-specific tariffs ranging from 10% to 50%, along with additional sector-specific tariffs <sup>c</sup> |                                                                                                                                                                                                                                                                                                                                                            |
| <b>US energy policy</b>   | Prioritization of policies for fossil fuel expansion and deregulation, and the rollback of climate regulations           | Policies favoring fossil fuel production and roll back of clean energy incentives                                            |                                                                                                                                                                                                                                                                                                                                                            |
| <b>Oil prices</b>         | Brent projected to average between \$70/b and \$80/b <sup>a</sup>                                                        | Brent crude briefly spiked to \$83.5/b in January 2025 and is expected to average \$70/b in 2025 <sup>a</sup>                |                                                                                                                                                                                                                                                                                                                                                            |
| <b>Demand</b>             | US oil demand expected to rise to 20.4 million b/d in 2025; boost in demand for natural gas <sup>a,b</sup>               | US oil demand to reach 20.5 million b/d and natural gas demand to reach 91.4 bcf/d in 2025 <sup>a</sup>                      |                                                                                                                                                                                                                                                                                                                                                            |
| <b>Supply</b>             | OPEC+ to institute 2.2 mb/d of voluntary production cuts; non-OPEC oil supply to rise by 1.9 mb/d in 2025 <sup>a,d</sup> | OPEC+ unwinds its production cuts that could result in 1.6 million b/d of crude oil oversupply <sup>a,d</sup>                |                                                                                                                                                                                                                                                                                                                                                            |
| <b>AI/gen AI adoption</b> | Major oil and gas companies to pilot and scale gen AI solutions <sup>f</sup>                                             | AI, gen AI, and agentic AI spending by US oil and gas companies increased by 40% year over year in 2025 <sup>f</sup>         |                                                                                                                                                                                                                                                                                                                                                            |

Note: The above information and data is sourced as of September 2025.

Source: Deloitte analysis of data from <sup>a</sup>US Energy Information Administration, <sup>b</sup>International Energy Agency, <sup>c</sup>Deloitte's 2025 Oil and Gas Outlook, <sup>d</sup>S&P Global, <sup>e</sup>AlphaSense database, and <sup>f</sup>International Data Corporation's AI and generative AI spending guide.

In 2026, this resilience will likely continue to be tested as shifts in US energy and trade policies are expected to drive significant on-the-ground changes across the sector. In this context, companies can consider shaping their strategies around five key trends.

1. **Growth priorities: Balancing policy-driven opportunities and industry challenges with disciplined capital management**
2. **Cost pressures: Managing potential tariff-related cost increases by strengthening supply chains**
3. **Scaling US LNG: Positioning for growth amid structural risks in global markets**
4. **Digital transformation: Scaling digital platforms to drive operational excellence and efficiency**
5. **Rebuilding downstream: Strengthening resilience through feedstock optimization and advantaged renewables**



*Key trends*

### 2026 Oil and Gas Industry Outlook

|                                                                                                                                                                                                                 |                                                                                                                                                                                                                                            |                                                                                                                                                                                                                                           |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>1</b> In 2026, companies are likely to cautiously leverage favorable policy tailwinds to inform investment decisions, with a strong focus on building resilience and maintaining capital discipline.         | <b>2</b> Tariff-driven cost inflation could drive operators to fortify their supply chains through actions such as localization, modular builds, and smarter contracting.                                                                  | <b>3</b> US LNG is positioned for strong growth in 2026; however, sustained expansion will require agile strategies to address ongoing oversupply, escalating development costs, and increasingly complex global commercial arrangements. |
| <b>4</b> The industry will likely accelerate the transition from pilot projects to full-scale deployment of AI and generative AI, embedding digital tools across operations to boost efficiency and compliance. | <b>5</b> In 2026, refiners will likely counter uncertain demand and margin pressure by prioritizing feedstock flexibility, streamlining capacity, and accelerating investments in advanced renewable diesel and sustainable aviation fuel. |                                                                                                                                                                                                                                           |

Source: Deloitte analysis.

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## 1. Growth priorities: Balancing policy-driven opportunities and industry challenges with disciplined capital management

Several administrative actions and legislative measures have been announced in 2025 to support the US O&G sector's growth. Executive actions expanded federal land access and eased regulations, while legislative measures also offered fiscal support through reduced royalties and bonus depreciation (figure 2).<sup>1</sup>

Figure 2

## Tracking US oil and gas–related policies and legislative shifts in 2025

● Leasing and exploration   ● Permitting and regulation   ○ Tax and financial incentives

| Category                                                      | Past framework                                                                                   | Updated framework (executive/legislative)                                                      | Projected impact                                             |
|---------------------------------------------------------------|--------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------|--------------------------------------------------------------|
| <b>LNG export approvals</b>                                   | Restricted leasing and pause on LNG exports                                                      | Court ended the prior LNG export pause; the US DOE resumed approvals and expansions            | Enhanced drilling access; export growth; regulatory pullback |
| <b>Federal leasing expanded (Alaska &amp; Gulf of Mexico)</b> | Bans and limited leases                                                                          | Expanded leasing to include Alaska; opened new areas                                           | Increased production                                         |
| <b>Gulf lease sales (more than 1 per year)</b>                | Minimum three lease sales (2024 to 2029)                                                         | Two lease sales annually through 2039, and one in 2040                                         | Increased offshore acreage; operational expansion            |
| <b>Reopening offshore areas*</b>                              | Bans on new offshore leases (Atlantic/Pacific OCS regions)                                       | Reopen offshore areas for leasing (pending in court)                                           | Expanded leasing opportunities; coastal opposition           |
| <b>Methane fees &amp; charges removal</b>                     | Methane fees (\$900–\$1,500/ton), slow permits                                                   | Defers methane fees to 2034, delay charge until 2034                                           | Cost reduction; emission trade-offs                          |
| <b>Expedited NEPA review</b>                                  | 1 to 2 years of NEPA delays                                                                      | Expedites NEPA reviews for oil/gas                                                             | Accelerated project timelines; oversight gaps                |
| <b>Protecting energy from state overreach*</b>                | State fracking bans (e.g., California, New York)                                                 | Federal override of bans                                                                       | Unlocked shale reserves; legal uncertainties                 |
| <b>Streamlined drilling permits</b>                           | 6 to 24-month-long drilling permit reviews                                                       | Permit reviews accelerated to 28 days                                                          | Quicker project approvals                                    |
| <b>Refinery emission rules*</b>                               | VOC/NOx limits on refineries                                                                     | Extended compliance deadlines for emission reporting                                           | Lower compliance costs                                       |
| <b>Approval of drilling, pipelines, and LNG terminals</b>     | Stalled pipelines and paused LNG permits                                                         | Fast-tracked the permitting for pipelines and LNG terminals                                    | Streamlined logistics; spill and methane risks               |
| <b>Royalty rate cuts (onshore &amp; offshore)</b>             | 16.67%–18.5% royalty, discretionary leases                                                       | 12.5% to 16.67% royalty; mandatory leases                                                      | Reduced industry expenses                                    |
| <b>Expensing for equipment</b>                                | Bonus rates were declining and scheduled to end for property placed in service after end of 2026 | 100% expensing reinstated under OBBBA                                                          | Immediate capex relief, tax-shield expansion                 |
| <b>Higher expensing for small operators</b>                   | Section 179 limits prior cap: \$1.6M                                                             | Updated cap: \$2.5M                                                                            | Supports small operators                                     |
| <b>Some clean energy subsidy changes*</b>                     | EV credits, 45Y/48E clean power, broad 45X, 45V hydrogen, 45Q CCUS, nuclear, and geothermal      | EV credits repealed, 45Y/48E cut, 45X narrowed, but 45V, 45Q, nuclear, and geothermal retained | Increased fossil fuel demand                                 |
| <b>Accelerate pipeline depreciation</b>                       | 15-year MACRS depreciation for many pipeline/infrastructure assets                               | Accelerated cost recovery for shorter life components; full expensing under OBBBA              | Faster asset recovery, infrastructure investment boost       |
| <b>45Z credit extensions</b>                                  | Clean fuel production credits (45Z credits) were scheduled to expire by end of 2027              | 45Z credits extended to 2029                                                                   | Incentivizes low-carbon fuel production                      |

Notes: The above information and data is sourced as of September 2025; \*implies pending/proposed; LNG = liquefied natural gas; VOC = volatile organic compounds; NOx = nitrogen oxides; MACRS = modified accelerated cost recovery system; NEPA = National Environmental Policy Act; OBBBA = One Big Beautiful Bill Act; CCUS = carbon capture, utilization, and storage; OCS = Pacific Outer Continental Shelf.

Sources: Deloitte analysis of data from: Federal Register, "2025 Donald J. Trump executive orders"; Congress.gov, "119th Congress (2025-2026)"; Institute for Energy Research, "Trump administration releases oil and gas offshore lease plan," Aug. 26, 2025; Brookings Institution, "Tracking regulatory changes in the second Trump administration," Sept. 30, 2025; Holland & Knight, "Trump's 2025 executive orders," 2025.

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## Why it matters

Supportive administrative actions and legislative measures can prompt O&G companies to reconsider conservative growth plans and pursue new investments. Yet, with ongoing challenges like low oil prices, supply chain pressures, and a weak macro environment, decision-making will remain complex and require careful consideration.<sup>2</sup>

## What's our expectation for 2026?

In 2026, industry response may lag policy intent as many firms maintain capital discipline or initiate internal restructuring amid uncertainty, while others seize new growth opportunities.

- **Modest growth ahead:** US natural gas and liquefied natural gas (LNG) companies will likely boost their capital expenditure and expand their shale acreage, driven by rising data center demand and supportive LNG export policies. But US oil companies could remain cautious, awaiting a structural change in global demand-supply fundamentals, before boosting investments. Companies with established enhanced oil recovery operations and carbon dioxide pipeline infrastructure could benefit from an increased 45Q carbon tax credit. Meanwhile, Deloitte's analysis projects only 15% to 25% of listed US O&G companies achieving revenue growth above 5% in 2026.<sup>3</sup>
- **Accelerated internal restructuring:** Facing price and cost pressures, nearly 70% of the US O&G companies analyzed plan to restructure portfolios, optimize costs, and divest noncore assets.<sup>4</sup> Policy changes could incentivize buyers and sellers, revitalizing asset-level mergers and acquisitions, which already represent 45% of deal value in 2025.<sup>5</sup> This could prompt some companies to exit early-stage low-carbon projects or ventures that are misaligned with their near-term return thresholds and capital deployment priorities.
- **Elevated financial responsiveness:** Between 2022 and the first half of 2025, nearly 45% of US O&G companies' cash flows have gone to dividends and share buybacks, underscoring ongoing focus on shareholder returns.<sup>6</sup> Medium to large firms could leverage capital discipline and balance sheet flexibility to manage oil price volatility, macroeconomic shifts, and policy changes. Some companies may adopt financial strategies such as full expensing of capital costs or frontloading impairments on subsidy dependent investments to maximize deductions and defer taxes.

## **2. Cost pressures: Managing potential tariff-related cost increases by strengthening supply chains**

As of October 2025, the US administration had imposed 10% to 25% tariffs on non–United States–Mexico–Canada Agreement (USMCA)-compliant crude feedstocks, raised Section 232 steel and aluminum duties to 50%, and extended them to derivative goods such as compressors and pumps. While most crude oil imports from Canada and Mexico remain USMCA-compliant, these tariff actions could reshape the O&G industry's cost structure and add uncertainty to feedstock sourcing.<sup>7</sup>

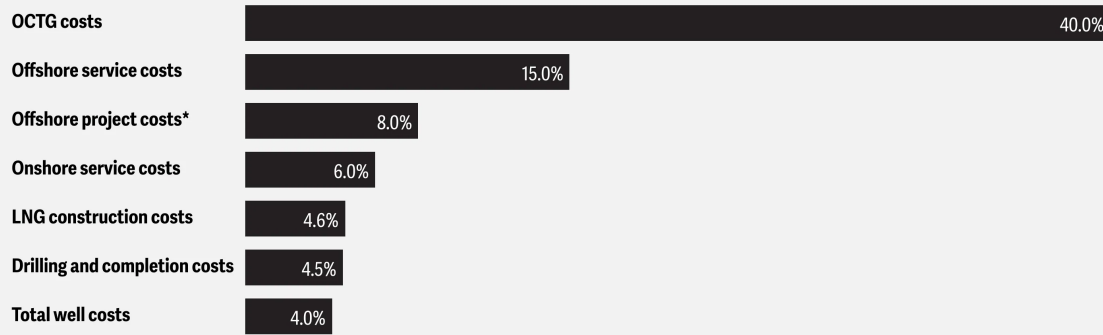
### **Why it matters**

The O&G industry is deeply integrated with global supply chains, usually relying on internationally sourced equipment such as drilling rigs, valves, compressors, and specialized steel worth nearly US\$10 billion in 2024.<sup>8</sup> The announced US tariffs on these components and key input materials, including steel, aluminum, and copper, could increase material and service costs across the value chain by 4% to 40%, potentially compressing industry margins (figure 3).<sup>9</sup>

Figure 3

### Gauging the potential tariff-driven increase in oil and gas costs

Potential cost increase (year-over-year percentage increase)



Notes: \*based on 25% steel tariffs; oil country tubular goods (OCTG) refers to a collection of steel pipes and accessories used in the oil and gas industry for drilling, completing, and producing wells.

Sources: Independent Petroleum Association of America, "Comments for the 11th National OCS Oil and Gas Leasing Program," June 2025; Wood Mackenzie, "The oil industry nervously stands by: Tariff uncertainty and price volatility are threats to supply, investment and the service sector," April 2025; Wood Mackenzie, "Tariff turmoil: how big a cost hit will US oil and gas operators take?" May 2025.

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While some tariffs may eventually be eased or exemptions may be granted, their impacts could manifest through higher operating costs, supply chain disruptions, and weakened investment momentum.

## What's our expectation for 2026?

These potential cost pressures could reflect across the O&G industry in several ways.

- **Deferring investments due to limited cost pass-through:** Tariff-driven inflation and financing uncertainty could stall final investment decisions (FID), deferring offshore greenfield projects worth more than US\$50 billion to 2026 or later.<sup>10</sup> Since O&G commodities are not priced on a cost-plus basis, operators could struggle to recover higher costs, dampening their investment activity.
- **Securing supply chains through strategic procurement:** Ongoing disruptions could drive companies to prioritize supply chain resilience over lowest-cost sourcing. This could involve shifting to domestic or non-tariffed suppliers, expanding modular and local fabrication of oil country tubular goods and subsea components, and using foreign trade zones or tariff reclassification to manage duties. This shift is significant given the US's reliance on imports, with nearly 40% of oil country tubular goods demand in 2024 met through foreign sources.<sup>11</sup>
- **Recontracting to share costs:** Rising input costs could cascade through the value chain as engineering, procurement, and construction firms and suppliers adjust pricing. O&G operators could respond by recontracting with escalation, change-in-law, and force majeure clauses to share risks and reduce exposure to volatility. Procurement models could shift from fixed lump sum to flexible frameworks. Meanwhile, AI and digital twins are modernizing contract life cycle management, enhancing digital contracting, forecasting, and agility in managing cost and performance risks.

## 3. Scaling US LNG: Positioning for growth amid structural risks in global markets

The administration has lifted its pause on non-free trade agreement LNG export approvals and is fast-tracking permitting applications, reducing full environmental reviews from two years to about 28 days.<sup>12</sup> The

Department of Energy now reviews project extension requests case by case, while the Federal Energy Regulatory Commission has waived certain rehearing and cost limits to speed infrastructure development.<sup>13</sup>

## **Why it matters**

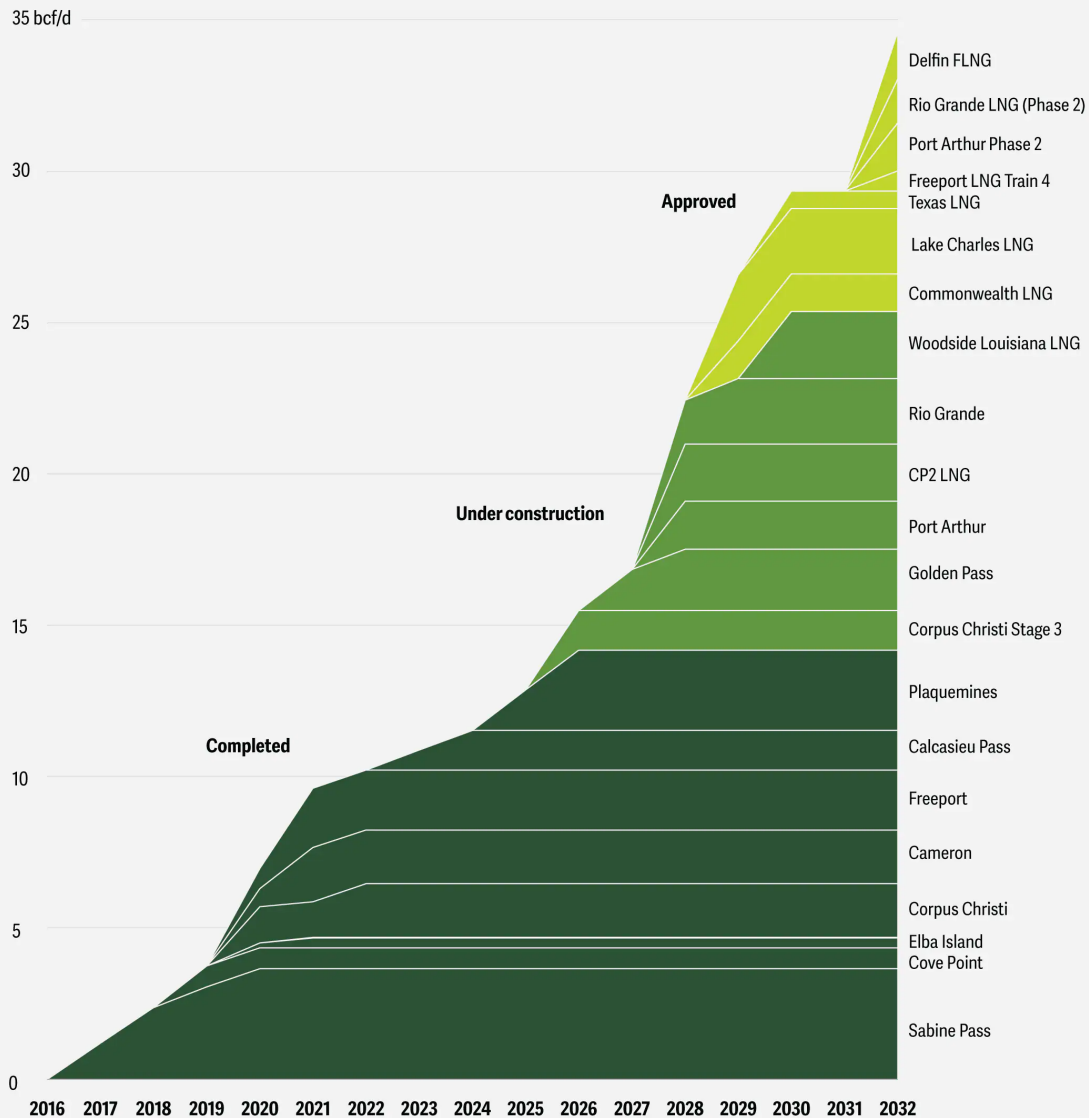
Historically seen as a transition fuel, LNG now holds strategic importance in meeting rising US energy demand from data centers and industrial projects. Global LNG demand is projected to grow 60% by 2040.<sup>14</sup> Although contracted by private companies, LNG is increasingly shaping US energy policy and trade negotiations.

## **What's our expectation for 2026?**

US LNG exports could rise by 25% in 2025 and 7% in 2026, with volumes potentially doubling by 2030 and nearly tripling in the early 2030s if all approved projects proceed (figure 4).<sup>15</sup>

Figure 4

## Mapping operational and upcoming LNG export projects in the United States



Source: US Energy Information Administration, "US liquefaction capacity," accessed September 2025.

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However, several structural and geopolitical factors could shape a different growth trajectory in 2026 compared with prior years.

- Potential lag between policy and effect:** Despite policy support, LNG projects could be delayed by rising construction costs (up 4.6% YoY) and potential oversupply as new capacity from Qatar, Australia, and Canada comes online.<sup>16</sup> Although US LNG maintains cost and destination flexibility, trade uncertainty and a weak macro-outlook could slow contracting and FIDs, with the four- to five-year lag between FID and completion further extending development timelines.<sup>17</sup>
- Reduced price competitiveness or arbitrage:** Persistently low oil prices could limit associated gas output, which supplies 37% of US natural gas, while growing demand from data centers, LNG exports, and gas-fired power generation could spur domestic natural gas prices as producers shift to higher-cost sources.<sup>18</sup> Estimates suggest each 1 bcf/d rise in LNG exports above FID levels could raise

US natural gas prices by about 2.5%, compressing netbacks for US exporters if global LNG prices potentially weaken in 2026.<sup>19</sup>

- **Balancing contractual flexibility:** Spot-based LNG contracting increased from below 10% in the early 2000s to over 30% by 2024, driven by portfolio players remarketing long-term volumes, especially in the United States, which accounted for 35% of global spot and short-term trade.<sup>20</sup> However, the spot trade growth could plateau as new supply is increasingly tied to long-term contracts. Rising supply could lower LNG prices, attract price sensitive buyers in Asia, and renew interest in securing favorable long-term deals.

## 4. Digital transformation: Scaling digital platforms to drive operational excellence and efficiency

A new generation of advanced technologies, including generative AI, agentic AI, and real-time analytics, is transforming enterprise operations, from corporate offices to frontline operations.<sup>21</sup> In 2026, some of these technologies could move from pilots to enterprisewide deployment for building operations-centric capabilities. The US administration's focus on AI innovation through supportive policies and investments could further accelerate large-scale adoption and digital transformation.

### Why it matters

Shale productivity gains are flattening as most advances in hydraulic technologies have likely been realized. New well oil production per rig increased less than 2% between June 2024 to June 2025.<sup>22</sup> Meanwhile, 2% to 5% increase in costs due to import tariffs on key materials could squeeze sector margins.<sup>23</sup> With growth slowing and assets aging, digitally enabled operations are becoming the next frontier for competitiveness.

### What's our expectation for 2026?

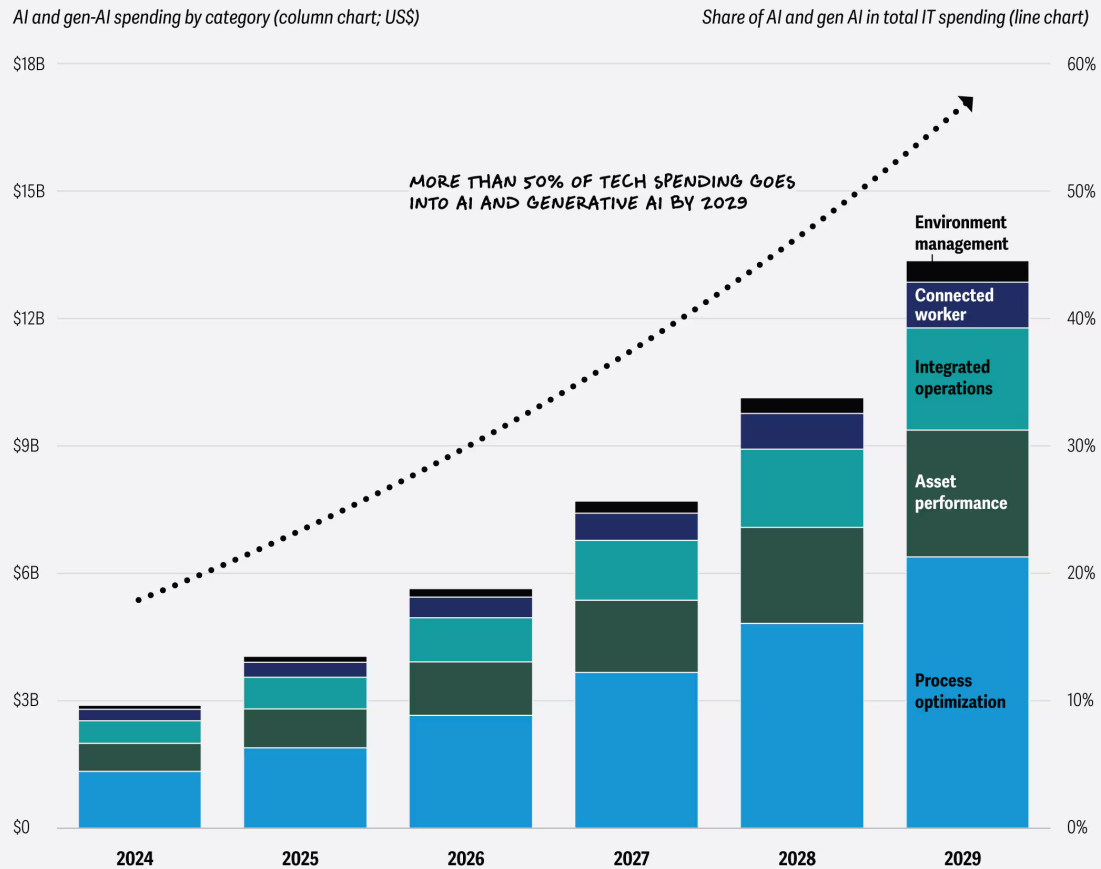
AI and gen AI currently make up less than 20% of total IT spending by US O&G companies but are projected to reach more than 50% by 2029 (figure 5).<sup>24</sup> This growth highlights their central role in driving:

- **Process optimization:** Around half of all AI and generative AI spending by US O&G companies now targets process optimization. AI-driven analytics adjust drilling parameters and production rates in real time, improving yield and decision-making. For example, predictive algorithms on processes have prevented more than 140 hours of downtime and protected 1.6% uptime, delivering measurable operational expenditure savings for an O&G company.<sup>25</sup>
- **Integrated operations:** US shale producers are integrating infrastructure from wellhead to dock as takeaway constraints increase the need for nodal pricing and operational reliability. Centralized control centers using supervisory control and data acquisition systems—linked real-time analytics and AI-enabled field services enhance uptime, while automated IT operations enable scalable, resilient systems. This becomes important as LNG exports are expected to double by 2030 and regional price dislocations intensify demand for responsive infrastructure management.<sup>26</sup>
- **Asset performance:** Aging pipelines, platforms, and refineries raise the downtime risks as even brief outages can wipe out margins and disrupt product supply in already tight markets. Mitigating such challenges could require shifting toward prescriptive and self-healing maintenance, while also leveraging robotics, drones, and “zero-touch” sensors for automated inspections.<sup>27</sup> Some early adopters of these systems have reported up to 40% fewer equipment failures and annual savings of US\$10 million.<sup>28</sup>

- **Connecting workers:** With 66% of the O&G workforce in mechanically intensive roles, upskilling through AI-enabled engagement platforms and augmented training could enable faster onboarding and knowledge retention.<sup>29</sup> Meanwhile, satellite connectivity is now enabling high-speed, real-time internet access in remote locations like deepwater offshore rigs.<sup>30</sup>
- **Environmental management:** The Environmental Protection Agency's July 2025 interim final rule does not tighten methane standards but delays implementation of leak detection, control device, and Super-Emitter Program requirements to 2027. Despite the delay, the need to automate leak detection and reporting would require investment in sensor networks, drones, and real-time analytics.<sup>31</sup>

Figure 5

### Rising spending on AI and generative AI capabilities by US oil and gas companies



Source: Deloitte analysis of International Data Corporation's AI and generative AI spending guide (2024–2029), Gartner IT spending data 2024–2029.

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## 5. Rebuilding downstream: Strengthening resilience through feedstock optimization and advantaged renewables

Policy actions, like the proposed relaxation of Corporate Average Fuel Efficiency standards for light-duty vehicles and sunseting of EV incentives, could support petroleum demand and reduce regulatory costs. Meanwhile, proposed higher renewable fuel blending standards and the extended 45Z Clean Fuel Production Credit support renewable diesel (RD) and Sustainable Aviation Fuel (SAF) growth.<sup>32</sup>

# Why it matters

The downstream sector has faced profitability challenges, with US Gulf Coast refining margins falling over 50% and D4 Renewable Identification Number (RIN) prices declining 38% between August 2022 and August 2025 (figure 6).<sup>33</sup> However, policy support and early recovery, including US Gulf Coast crack spreads stabilizing between US\$12/bbl and US\$18/bbl, a 58% year-to-date rise in D4 RIN prices, and RD imports down 90% YoY, are strengthening investment prospects for renewable fuel.<sup>34</sup>

Figure 6

## Navigating the evolving dynamics of the US downstream sector

|   |                                     |                                                                                                                                                                     |   |                                                      |                                                                                                                                                   |   |                                       |                                                                                                                                               |
|---|-------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|---|------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------|---|---------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------|
| 1 | <b>Stabilizing refining margins</b> | 21% year-to-date increase in USGC margins in Sep 2025 <sup>a</sup><br><br>57% decline between Jan 2023 and Dec 2024 <sup>a</sup>                                    | 2 | <b>Rebound in renewable credits</b>                  | 58% year-to-date rise in D4 RIN credit prices in Aug 2025 <sup>b</sup><br><br>61% decline between Jan 2023 and Dec 2024 <sup>b</sup>              | 3 | <b>Shrinking US refinery capacity</b> | 3% of (0.6 mb/d) of US refining capacity has closed since 2019 <sup>c</sup><br><br>More shutdowns already scheduled through 2026 <sup>c</sup> |
| 4 | <b>Tax credit extensions (US\$)</b> | Up to \$1.00/gal for RD and \$1.75/gal for SAF under 45Z credits <sup>d</sup><br><br>Up to \$0.36/gal for RD and \$0.35/gal for SAF under LCFS credits <sup>e</sup> | 5 | <b>Rising renewable diesel blending requirements</b> | 33% year-over-year rise in RD blending mandates for 2026 <sup>f</sup><br><br>RD blending mandates rose by 10% year-over-year in 2025 <sup>f</sup> | 6 | <b>Growing SAF demand</b>             | Eightfold increase in global SAF demand expected between 2025 and 2030 <sup>g</sup>                                                           |

Notes: USGC = US gulf coast, RD = renewable diesel; SAF = sustainable aviation fuel; RIN = renewable identification number.

Source: Deloitte analysis of data from <sup>a</sup>Organization of the Petroleum Exporting Countries, <sup>b</sup>US Environmental Protection Agency, <sup>c</sup>International Energy Agency, <sup>d</sup>Internal Revenue Service and Clear Blue Markets, <sup>e</sup>Stillwater Associates; <sup>f</sup>Sky NRG.

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## What's our expectation for 2026?

The rebound in profitability prompts questions about the structural sustainability of shifting market dynamics, while evolving policies create opportunities to enhance resilience.

- **Optimizing feedstock sourcing:** Although the majority of crude oil imports from Canada and Mexico are USMCA-compliant, tariffs on non-USMCA-compliant imports, up to 10% for Canadian and 25% for Mexican crude, could widen the WTI-WCS spread, raising U.S. refinery costs and increasing refinery feedstock uncertainty.<sup>35</sup> Meanwhile, potentially higher renewable volume obligation requirements and proposed reduction in RIN values for imported feedstock could strain supply chains, prompting refiners to diversify feedstocks, enhance trading efficiency, and expand Gulf Coast storage to capture arbitrage opportunities.<sup>36</sup>
- **Rationalizing refinery capacity:** US refiners are expected to continue rationalizing capacity following 400 kb/d of closures and 120 kb/d of renewable conversions in 2025, particularly in California.<sup>37</sup> This could reduce total US refining capacity by about 3% and drive a sharper focus on efficiency, with utilization expected to remain in the mid-80% range.<sup>38</sup> Such emphasis on operational efficiency, product optimization, and targeted maintenance could be critical as 2.6 mb/d of new global capacity is added by 2030, heightening competition and pressuring margins.<sup>39</sup>
- **Scaling RD and SAF:** RD is poised to grow under the Renewable Fuel Standard requirements and 45Z credits, with US output projected to reach nearly 250 kb/d by 2026 through expanded co-processing at existing refineries.<sup>40</sup> However, higher renewable volume obligations and stricter feedstock requirements could pressure margins.<sup>41</sup> However, SAF adoption could remain slow due to high costs, feedstock competition with RD, and lower credits compared to RD and ethanol, despite demand from

airline deals and EU requirements.<sup>42</sup> Meanwhile, low carbon fuel standard credit volatility and new climate disclosure rules in California alongside upcoming renewable fuel initiatives in Washington, New Mexico, and New York could create regional arbitrage opportunities while increasing compliance complexity for refiners.<sup>43</sup>

## The road ahead: Agility, discipline, and consolidation in oil and gas

The O&G sector faces a pivotal moment as global trends, policy shifts, and rapid technological change create both challenges and opportunities. Navigating this environment would require leveraging time-tested internal strengths while proactively leading through disruption.

- **Navigating the unknowns:** Persistent monetary, trade, and geopolitical uncertainties in 2026 could swiftly reshape market sentiment and investment priorities, making adaptability and scenario-based planning essential. According to Deloitte's baseline scenario, US GDP could grow by 1.4% in 2026 and the average tariff rate on goods imports could rise by 12.5 percentage points to 15%.<sup>44</sup>
- **Anchoring around time-tested strengths:** Capital discipline and shareholder returns remain core to the industry's resilience. However, policy-driven growth may prompt some companies to take greater risks while others reinforce financial restraint, signaling a more diverse and adaptive strategic landscape in 2026.

### Future in focus: Navigating the next wave of O&G consolidation

Over the next three years, mega-mergers are expected to reshape the O&G landscape, echoing the late 1990s consolidation wave as low prices, shifting policies, geopolitical challenges, and the drive for scale converge. Rising LNG demand and the adoption of gen AI will likely accelerate this trend, transforming industry dynamics and fueling both competition and innovation. AI-enabled operations could make deal-making more focused and efficient, unlocking greater synergies, while cross-sector partnerships with technology, utility, and automotive firms are poised to speed digital integration, open new revenue streams, and help O&G players adapt to fast-changing customer preferences.

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#### ACKNOWLEDGMENTS

The authors would like to thank **Abhinav Purohit** and **Vamshi Guguloth** for their extensive contributions to this report, including their extensive research, in-depth analysis, and narrative development.

The authors would also like to thank **Peter Buettgen, Harpreet Kaur, Shilpa Dhumal, Bernadette Cullinane, Earl Stone, Mike Lynn, James Touns, Josh Sawislak, Trey Cornelius, Daniel Bolgren, Mahaesh Jayaraman, Kate Keller,** and **Julia Tavlaz**, for their subject matter input and review.

Finally, the authors would like to acknowledge the support of **Clayton Wilkerson** for orchestrating resources related to the report; **Katrina Drake Hudson** and **Dario Failla**, who drove the marketing strategy and related assets to bring the story to life; **Kaitlin Pellerin** for her leadership in public relations; **Rithu Thomas, Aparna Prusty**, and **Pubali Dey** from the *Deloitte Insights* team who edited the report and supported its publication; and **Harry Wedel** for the visual design.

Cover image by: **Sanaa Saifi** and **Jim Slatton**

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