Why Lubricant Prices Haven't Come Down

Crude Has Fallen — But the Base Oil Crisis Isn't Over

ILMA
Independent Lubricant Manufacturers Association

THE BOTTOM LINE

Crude oil prices have fallen toward pre-war levels following the U.S.–Iran ceasefire and increased traffic through the Strait of Hormuz. While welcome news, it does **not** translate into an immediate drop in finished lubricant prices. Your lubricant is mostly **base oil**, not crude, and the base oil picture remains severely strained: **Group III** — the backbone of modern full synthetic motor oils — is still in short supply and may not fully recover until **2027**, while **Group II** is being **allocated** as refiners divert feedstock to diesel. Expect a **staged recovery**: crude and freight ease first; lubricants normalize last.

Crude Is Down. Why Isn't My Lubricant?

Crude oil prices can change in minutes. Base oil, additives, freight and finished-lubricant prices move far more slowly — and base oil, not crude, is what your lubricant is made of.

Base oil is 75%–98% of your product. It makes up roughly 75% of a typical engine oil and as much as 98% of many industrial oils, and it is the carrier for the additives that make up the rest. When base oil supplies are tight, finished lubricants are expensive, regardless of where crude trades.

Three Reasons Prices Are Staying Up

Crude oil price relief reduces one pressure. These three remain firmly in place — and each blocks the usual path back to normal pricing.

1. **Group III is still severely constrained.** Group III is essential to full synthetic and low-viscosity oils (0W-20, 0W-16, 0W-8). Roughly 44% of U.S. supply came from the Persian Gulf, and Qatar's Pearl GTL plant sustained physical damage. Industry analysts do not expect Middle East Group III capacity to fully return until 2027.
2. **Group II is being allocated.** Group II is normally the fallback when Group III is short. But with diesel margins near 40-year highs, refiners are routing feedstock to fuels rather than base oils — so Group II is moving to allocation rather than freely filling the gap. The usual safety valve is largely closed.
3. **High-cost inventory is still in the system.** Suppliers, blenders and distributors bought base oil, additives, packaging and freight at peak-crisis prices. Those costs are already embedded in product on hand and must be sold through before any lower replacement costs can reach your invoice.

WHY CRUDE RELIEF HASN'T REACHED YOUR INVOICE YET

For a full synthetic motor oil, Group III base stock — not crude oil — was the dominant cost driver of the 2026 run-up, accounting for a roughly 70% price increase. A reopened Strait of Hormuz and lower crude prices do not restore damaged Group III capacity, refill allocated Group II, or clear high-cost inventory. The binding constraint is **base oil supply**, and that is exactly what is slowest to recover.

A Staged Recovery

Different products recover at different speeds. The categories most visible to customers — full synthetic engine oils — are the most exposed to Group III and among the last to normalize.

Stage	Status	Expected timing
Crude oil risk premium easing	*Underway*	Now
Freight & insurance normalizing	*Underway*	Now – late 2026
Group I & II base oil stabilization	*Projected*	Late 2026 – early 2027
Finished lubricant price stabilization	*Projected*	Early – mid 2027
Group III supply normalization	*Projected*	Mid – late 2027
Synthetic motor oil full normalization	*Projected*	Late 2027 into 2028

Directional only; actual timing depends on shipping, facility repair, allocation programs, and supplier-specific conditions.

What This Means for You

What to Expect

- **Prices ease slowly, not all at once.** A lower crude headline does not undo embedded base oil, additive and freight costs already in the system.
- **Synthetics stay tight longest.** Full synthetic and low-viscosity grades (0W-20, 0W-16, 0W-8) remain most exposed to Group III constraints.
- **Allocation continues on some SKUs.** Certain premium synthetic products may remain on allocation with longer-than-normal lead times.
- **OEM flexibility where allowed.** API has activated Emergency Provisional Licensing, and OEMs (including GM's dexos) have been asked for enforcement flexibility.

What ILMA Members Are Doing

- **Securing supply.** Working every available channel — including licensed/approved Group III sources — to protect your inventory and limit disruption.
- **Holding the line on quality.** Any recommended substitution will meet the specifications your equipment requires. ILMA members will not compromise on performance.
- **Communicating early.** You will receive as much advance notice as possible on pricing, allocation and availability — and a straight explanation of the reasons.
- **Coordinating with stakeholders.** ILMA is engaged with API, OEMs, the U.S. Department of Energy and Congress on the supply situation.

Outlook. Industry analysts do not expect Group III base oil supply or Group II refining economics to fully normalize until **at least mid-2027**. Crude and freight should ease first; broad base oil stabilization follows; Group III-dependent synthetics are likely to be the last to recover.

Pricing and availability will track refinery economics, the durability of the ceasefire and shipping through the Strait of Hormuz, and the pace at which damaged or offline capacity returns to service. We will keep you informed as conditions evolve.

Questions?

Please contact your ILMA member company account representative. We will continue to work alongside you to navigate this recovery with as little impact as possible to your operations.

Sources: Independent Lubricant Manufacturers Association (ILMA) industry briefings, 2026; JobbersWorld/Petroleum Trends International market analysis, June 2026; Argus Media; ICIS; American Petroleum Institute