Oil shipping costs spike, lifting prices from pump to grocery

By Arathy Somasekhar and Lisa Baertlein | October 15, 2026



An oil tanker sails near the oil hub at the port of Fos-Lavera at sunset near Marseille, southern France, September 15, 2026. REUTERS/Manon Cruz/File Photo

Shipping cost increase of $10 per barrel adds 23 cents per gallon of gasoline, economist says

- Freight cost exceeds 40% of crude's value, versus 7% in 2025
- Longer rerouted voyages, tighter vessel supply amplified rate spikes

HOUSTON/LOS ANGELES, Oct 15 (Reuters) - When the oil supertanker Esteem Explorer sails from the United States to Japan in late November, loaded with about 2 million barrels of crude, the journey will cost $81 million. The same journey would have cost $9.1 million last year, on average.

The shipping cost translates into $40.50 per barrel, about nine times last year's rate. While oil's soaring selling price worries consumers, the Esteem Explorer's expensive voyage illustrates how transport costs are further inflating the price. Refiners process oil into fuel to move food, retail goods and construction materials, and rising costs are stoking inflation in countries that depend on imports.

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Every $10-per-barrel increase in shipping costs adds about 23 cents per gallon to gasoline, said Kenneth Medlock, a fellow in energy and resource economics at the Houston-based Baker Institute for Public Policy. On that basis, the Esteem Explorer's shipping cost works out to at least 80 cents more per gallon of gasoline than last year, according to Reuters calculations.

"It's sort of like a slow-moving train. It doesn't all happen instantly ... but the longer this drags on, the more sticky it becomes, which means you get more of a sustained impact at the grocery store, in the convenience store, at the mall," Medlock said. "Everything gets more expensive because that's how we move stuff around."

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Freight rates account for more than 40% of the price of US oil, based on Wednesday's price around $95 per barrel, compared with 7% on average in 2025, according to LSEG shipping and oil price data.

Countries reliant on imports — including India, the Philippines and Indonesia — bear the brunt of the soaring costs, Medlock said.

Record oil tanker rates are already squeezing Asian refiners' profits, the International Energy Agency said on Wednesday.

OIL'S ROLE IN THE ECONOMY

Refiners process oil into gasoline for cars, diesel for semi-trucks and farm equipment, and jet fuel for airplanes.

Attacks on ships related to the US-Iran war and the Russia-Ukraine war have boosted freight and insurance rates.

Rates to move oil from the Strait of Hormuz and the Red Sea in the Middle East to Asia surged to a record high around $34 per barrel this week, as shippers price in a risk premium for attacks

on vessels. Fearing attack, ships are also sailing longer routes than before, tying up tankers longer.

Shippers moving Saudi oil are using more vessels than before — transferring oil ship to ship — to reduce the risks for individual ships after attacks on Saudi Arabia's main pipeline increased exports via the Strait of Hormuz. That strategy has reduced ship availability, raising costs and increasing the time cargoes are on the water.

The resulting shortage of very large crude carriers such as the Esteem Explorer has lifted prices for smaller vessels. Freight rates have quadrupled since the Iran war began in February for Suezmax ships, which can carry up to 1 million barrels of oil, for a route between the US Gulf Coast and Asia, and for Aframaxes, which carry up to 750,000 barrels, on the US Gulf Coast to Europe route, according to Signal Ocean.

While some shippers contract vessels for three to five years, many of them charter ships on the spot market about a month prior to loading. The long-term contracts, in which shippers and vessel owners lock in prices, could prove to be bargains for the shippers if prices rise further.

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Oil market upheaval has provided a windfall for tanker owners. They have recently earned as much as $1.3 million per ship per day for a round trip from the Persian Gulf through the Strait of Hormuz to Asia, said Georgios Sakellariou, a Signal Ocean freight analyst. That compared with earnings of $55,000 per ship per day on average in 2025.

“If you'd have told me six weeks ago that we were seeing a million dollars per day, I wouldn't have believed you,” said Michelle Wiese Bockmann, senior analyst at maritime intelligence firm Windward.

This year may be the most profitable ever, said a person at a company that owns and operates tankers primarily in the Americas.

"Our expectation is that as long as there is more crude oil demand than supply, tanker rates will remain strong. However, as soon as the crude oil market loosens, tanker rates will come off the boil quickly," said Erik Broekhuizen, head of tanker research and consulting at ship broker Poten & Partners.

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