

CRUDE AWAKENING

Jet Fuel Scenario \$/gal	DAL (FY25 base: \$2.30)	UAL (FY25 base: \$2.44)	AAAL (FY25 base: \$2.48)	LUV (FY25 base: \$2.41)	ALK (FY25 base: \$2.52)	ULCC (FY25 base: \$2.47)	JBLU (FY25 base: \$2.49)	TOTAL (\$M)
FY2025 baseline net income (\$M)	\$5,005	\$3,400	\$111	\$441	\$100	(\$137)	(\$490)	\$8,430
\$2.30 ← DAL FY25 actual	\$5,005	\$4,053	\$888	\$758	\$351	(\$73)	\$(333)	\$10,649
\$2.43 ← FY2025 industry avg	\$4,454	\$3,447	\$327	\$383	\$203	\$(122)	\$(440)	\$8,252
\$2.50	\$4,158	\$3,120	\$25	\$182	\$123	\$(148)	\$(498)	\$6,961
\$2.75	\$3,098	\$1,954	\$(1,055)	\$(538)	\$(163)	\$(243)	\$(705)	\$2,350
\$3	\$2,039	\$789	\$(2,134)	\$(1,258)	\$(449)	\$(337)	\$(911)	\$(2,261)
\$3.25	\$980	\$(377)	\$(3,214)	\$(1,978)	\$(734)	\$(431)	\$(1,118)	\$(6,872)
\$3.50	\$(79)	\$(1,543)	\$(4,293)	\$(2,698)	\$(1,020)	\$(525)	\$(1,324)	\$(11,483)
\$3.75	\$(1,139)	\$(2,709)	\$(5,373)	\$(3,418)	\$(1,306)	\$(620)	\$(1,531)	\$(16,094)
\$3.99 ← current spot (Mar 2026)	\$(2,156)	\$(3,828)	\$(6,409)	\$(4,109)	\$(1,580)	\$(710)	\$(1,729)	\$(20,521)
\$4.25	\$(3,257)	\$(5,040)	\$(7,532)	\$(4,858)	\$(1,877)	\$(808)	\$(1,944)	\$(25,316)
\$4.50	\$(4,316)	\$(6,206)	\$(8,611)	\$(5,578)	\$(2,163)	\$(902)	\$(2,150)	\$(29,927)
\$4.75	\$(5,376)	\$(7,372)	\$(9,691)	\$(6,298)	\$(2,449)	\$(997)	\$(2,357)	\$(34,538)
\$5	\$(6,435)	\$(8,537)	\$(10,770)	\$(7,018)	\$(2,735)	\$(1,091)	\$(2,563)	\$(39,149)

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Crude Awakening

by Paul O'Driscoll
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British journalist Tim Marshall has written three excellent books discussing the influence of geography on geopolitics. The second of these, “The Power of Geography,” has a chapter dedicated to Iran. If AI could design a piece of the planet optimized for the asymmetric defense of a trading choke point of a vital commodity, I guess it would look very similar to the Strait of Hormuz.

The world has witnessed two interruptions to the international flow of goods in recent years. In March 2021, the Suez Canal was blocked for just 6 days by a sideways tanker. That incident caused knock-on effects, distributions of delayed cargo deliveries and out-of-position tankers that took months to unravel. Something else happened in March 2020 to interrupt global trade, but we don't like to talk about that anymore. Bearing those two experiences in mind, it seems like an uncontroversial statement to say that after more than two weeks of war, even if the Strait of Hormuz opened tomorrow and all the wells, storage, and loading facilities could immediately start working at full capacity again, the disruption caused would take several months to remedy, and that the price of crude would remain elevated for a prolonged period. The unfortunate reality is that none of those things are likely to happen. Indeed, it may be a long time before we know how long it will take for the Gulf States to return to their pre-war export capacity.

To understand the implications for airlines, mba has modelled several scenarios for fuel prices. Today, we shall look only at US airlines. An important caveat to note is that not every airline pays the same amount for jet fuel. At either end of the spectrum are Delta and Alaska. Delta benefits from an operational fuel hedge through its ownership of a refinery, resulting in about 5 cents per gallon in fuel cost savings versus the average price paid by US airlines. United and Southwest both had hedging contracts, now expired, but were active throughout much of 2025 and priced above the market price. Delta's refinery aside, the vast majority of US carriers are currently unhedged. At the high end of the fuel cost spectrum is Alaska Airlines, whose route network means it has overweight exposure to the higher jet fuel prices on the West Coast, the only part of the mainland US cut off from the network of pipelines connecting the rest of the US to domestically refined jet fuel, and relies upon more expensive imported jet fuel. The average price each airline paid for fuel is detailed below, and those differentials are likely to remain in any cost-of-crude environment.

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This table shows the impact on profits for selected US-based airlines for various fuel price scenarios. But airlines live in a far more complex world than this analysis suggests. What remains to be seen is how well each airline is able to pass these higher fuel costs on to its customers and how higher ticket prices will impact demand.

But the biggest question of all is how long this elevated fuel cost environment will last and who is best positioned to withstand it. For that, we need to understand who has the most liquidity and access to liquidity, via unencumbered assets they can use to raise debt or assets they can offload into what is still very much a hot market.

Key indicators to look out for include airline share prices, bond yield spreads, demand for wet-lease aircraft, and short-term engine lease rates.

For further inquiries about anything covered in this article or for access to our Fuel Price Impact Model, please contact podriscoll@mba.aero.

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