IMPACT ASSESSMENT 25 March 2026

GP-RPT-2026-013

A WORLD WITHOUT CHEAP OIL

Oil hasn't been below $100 since February. Goldman Sachs says it may not get there until late 2027. Ras Laffan is a 5-year repair. South Pars is on fire. The Strait of Hormuz is functionally closed. This is not a spike—it's a new floor. Here's what that means for Chicago.

> *"Any kind of disruption to oil markets, even abroad, will impact prices in the U.S. They'll see it at the pump, obviously, but over time, they'll see it in everything being more expensive—any manufactured good that requires energy input."*
> --- Sam Ori, Executive Director, University of Chicago Energy Policy Institute, March 2026

CONTENTS

1 Executive Summary 3

2 How Long Does This Last? 4

3 At the Pump and on the Road 6

4 At the Grocery Store and on the Farm 7

5 Heating a City Through Winter 8

6 The City's Books 10

7 Scenarios 11

8 What Chicagoans Can Do 13

9 Sources 14

EXECUTIVE SUMMARY

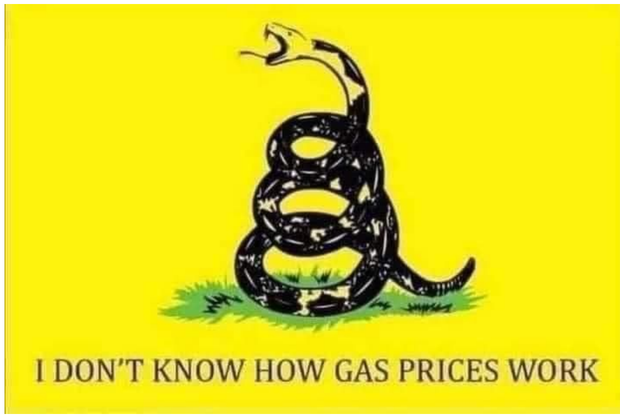
The 2026 Iran war didn't just spike oil prices. It broke the infrastructure that keeps them low. Ras Laffan LNG (17% of global capacity) has a 5-year repair timeline. South Pars (world's largest gas field) was struck by Israel on March 18. The Strait of Hormuz is at less than 10% of pre-crisis throughput. Goldman Sachs projects Brent could stay above $100 through Q4 2027 in a sustained-disruption scenario, with a worst case of $115 by late 2026 converging to $100 by late 2027.

This is not the 2022 Ukraine spike, which peaked and receded in months. The infrastructure damage is physical and structural. Even in a ceasefire scenario, LNG capacity doesn't come back for years.

For Chicago, this means: gas at $4.46/gal today and climbing. Grocery prices up double digits with more coming. Peoples Gas and Nicor filing for $437 million in combined rate hikes. CTA fares held flat but the system is running a $112M deficit at 70% of pre-COVID ridership. United cutting 5% of flights. Diesel at $5+ moving every product on every shelf. A city already carrying $53 billion in unfunded pension liabilities, a $1.2 billion budget deficit, and the 4th-slowest GDP growth in the nation since 2019.

The question is not whether this hurts. It's how long.

- Chicago gas: **$4.46/gal** (up 43% from $3.12 one month ago); national avg: **$3.98**
- Brent crude: **$101–112/bbl**; pre-war (Feb): **$64–72**
- Goldman worst case: **$115/bbl Q4 2026**, **$100/bbl Q4 2027** (sustained disruption)
- Goldman base: Brent averaging **$85/bbl 2026**, **$80/bbl 2027**
- Oxford Economics: $140/bbl sustained = US economy at "**standstill**"; unemployment spikes
- Ras Laffan LNG: **5-year repair**. South Pars: **struck March 18**. Hormuz: <**10% throughput**
- Illinois utilities filing **$437M in rate hikes** (Peoples Gas $202M + Nicor $221M + North Shore $14M)
- Chicago unfunded pension liabilities: **$53 billion**; FY2026 budget deficit: **$1.2 billion**



2022: ``OIL SPIKE IS TEMPORARY''

2026: THE INFRASTRUCTURE IS GONE

You can't spike and recover when the production facility is rubble

HOW LONG DOES THIS LAST?

The duration depends on which damage you're measuring.

Damage	Recovery	What It Means
Hormuz closure	Weeks–months	Traffic can resume quickly after a ceasefire, but mine clearance and insurance normalization take 6–16 months (Red Sea precedent: 26 months)
South Pars strike	Months–years	Processing facilities at Asaluyeh taken offline. 70% of Iran's domestic gas. Repairs depend on sanctions, regime stability, access to parts
Ras Laffan LNG	**5 years**	17% of global LNG capacity. Shell declared force majeure. Physical reconstruction of liquefaction trains
Oil market psychology	Years	Goldman: "structural risks from concentration of production" will lead to "structurally higher strategic stockpiling and long-dated prices"
Insurance/shipping	6–16 months post-ceasefire	War risk premiums, P&I clubs need 30–60 zero-incident days. Tanker rates at $400K/day (8x pre-conflict)

The EIA's optimistic forecast has Brent below $80 by Q3 2026 and $70 by year-end—*but that assumes a rapid de-escalation that has not materialized.* Goldman's sustained-disruption scenario: $100+ through 2027. The structural damage to LNG infrastructure is the wildcard. Even in a best-case peace scenario, global LNG prices stay elevated for years because Ras Laffan doesn't come back until 2031.

AT THE PUMP AND ON THE ROAD

Chicago gas hit $4.46 on March 25—up 43% from $3.12 a month ago. Illinois carries the second-highest gas taxes in the nation, so every barrel-price increase hits harder here. Diesel at $5+ nationally means every product that moves by truck costs more to ship.

United Airlines (headquartered in Chicago) is cutting 5% of flight capacity. Jet fuel surged 60% after the strikes. Spring break travel from O'Hare will be "busy, unpredictable, and more expensive."

HMD Trucking (Chicago Ridge) reports fuel now accounts for 25% of operating costs, up from 20%. Most carriers are passing costs through fuel surcharges—which means higher prices on everything delivered by truck, which is everything.

Commuters are trapped. One Chicago resident told Block Club she now pays $280/month on gas commuting to the suburbs, up from $180 pre-war. CTA ridership is rising but the system was already running a $112M deficit at 70% of pre-COVID levels. The newly formed Northern Illinois Transit Authority (NITA) held fares flat for 2026, but the math doesn't work if oil stays high and ridership surges without revenue to match.

REGULAR: ARM. PLUS: LEG.

SUPREME: SOUL. DIESEL: KIDS.

Gas station pricing has entered the organ-market phase

AT THE GROCERY STORE AND ON THE FARM

The IEA estimates energy costs account for up to **50% of variable costs** in food production in advanced economies. Oil is up 50%+. The math is straightforward and the lag is 2–6 months.

Chicago grocery prices have already climbed double digits over the past year. The Green Markets fertilizer index is up 31% since February 28. USDA projects 4.8 million acres shifting from corn to soybeans because fertilizer is too expensive. Corn feeds everything: livestock, ethanol, corn syrup, processed food.

The IMF's rule of thumb: a sustained 10% oil increase raises global inflation 0.4 percentage points. Oil is up 50%+. That's 2+ points of additional inflation, arriving in grocery aisles over the next 3–9 months.

Food prices have already risen **24% above pre-COVID levels**. American grocery costs are up nearly **30% over five years**. This next wave hits a population that was already stretched.

FOOD PRICES: UP 30% OVER 5 YEARS

AND THAT WAS BEFORE THE WAR

The 2--6 month lag means the worst hasn't arrived yet

HEATING A CITY THROUGH WINTER

This is the sleeper crisis. Chicago winters are brutal, and Illinois is a gas-heated state. The Ras Laffan destruction and Hormuz closure have tightened global LNG markets for years, and US natural gas prices are now linked to global markets through LNG exports.

Illinois utilities are already on the offensive:

- **Peoples Gas**: Filed for $202M rate hike (January 2026). Just three years after the largest gas increase in Illinois history.
- **Nicor Gas**: Filed for $221M hike. Since 2017, Nicor has increased delivery rates **five times** for a total of $898M (+137%).
- **North Shore Gas**: $14.4M increase filed.
- Supply prices already up **6–50%** across all 9 major Illinois gas utilities in January 2026.
- Winter storms in late January pushed spot prices up **120%**, hitting a 3-year high.

CUB Executive Director Sarah Moskowitz: “A double-whammy for gas customers—the volatile market is hitting them with price spikes on one part of the bill, while utilities continue their aggressive spending to jack up rates on another part.”

If oil stays above $100 through winter 2026–27, Illinois households face a heating season with **both** elevated commodity prices **and** utility rate hikes taking effect. CUB’s Jim Chilsen warns even $10–11/month more “could be enough to disrupt families on the brink.” As of the last data available, 146,899 Chicago households were already 30+ days behind on Peoples Gas bills—$65.2 million in arrearages.

NICOR: 5 RATE HIKES SINCE 2017

TOTAL: +$898 MILLION (+137%)

And they just filed for another one

THE CITY'S BOOKS

Chicago entered this crisis in the worst fiscal shape of any major American city. The oil shock doesn't create these problems—it makes them unsolvable.

- **$53 billion** in unfunded pension liabilities across municipal, police, fire, laborers, and teachers' funds—exceeding the pension debt of **44 states**
- **$1.2 billion** FY2026 budget deficit
- City delayed its January pension "advance" payment because it didn't have the cash
- Illinois' $144.3 billion in state pension unfunded liabilities (45.8% funded ratio)
- GDP growth **4th-slowest in the nation** since 2019; 10+ corporate HQ departures since 2020
- Federal tax changes (H.R. 1) expected to reduce Illinois revenue by **$830 million**

A sustained oil shock depresses economic activity, which reduces income and sales tax revenue. It raises costs for city services (fleet fuel, heating public buildings, transit operations). It increases demand for social services as household budgets break. It makes the pension math worse by reducing investment returns and increasing cost-of-living adjustments.

Oxford Economics: every $10/bbl sustained increase subtracts 0.1% from GDP. Oil is up $40+ from pre-war. That's 0.4% of GDP gone—applied to a state that was already the 4th-slowest grower.

SCENARIOS

These scenarios look out 12–24 months, not weeks. The question is not "when does oil spike?"—it already has. The question is "when does it come down, and what's left when it does?"

Scenario	Prob.	Impact on Chicago
Quick De-escalation (Hormuz reopens by May, Brent → $80 by Q3)	15%	Gas falls to $3.50. Heating crisis averted. Food inflation still arrives (lag). City finances stabilize. Best case, but EIA's forecast hasn't held.
Prolonged Elevation (Brent $85–100 through 2027)	40%	Gas $4–5 for 12+ months. Heating bills spike winter 26–27. Grocery inflation 10–15%. Manufacturing contraction. CTA ridership surges past capacity. Pension funding ratios worsen.
Structural Reset (Brent $100+ through 2027, Goldman worst case)	25%	Gas $5+ becomes normal. Recession hits by Q3 2026. Mass layoffs in energy-intensive sectors. Peoples Gas arrearages double. City forced into emergency budget measures. Real estate market cools as heating/commuting costs reshape affordability.
Escalation to $140+ (further infrastructure destruction)	10%	Oxford Economics: US economy at "standstill." Gas $6–7+. Emergency state tax relief. Social services overwhelmed. Chicago's fiscal position becomes untenable without federal intervention.
Demand Destruction (recession kills demand, prices fall)	10%	Brent drops to $70–80 but via recession, not peace. Unemployment rises. Tax revenue collapses. LNG shortage persists regardless. The cure is worse than the disease.

THE GOOD NEWS: OIL PRICES FELL

THE BAD NEWS: BECAUSE NOBODY CAN AFFORD TO BUY ANYTHING

Demand destruction is not the victory you think it is

WHAT CHICAGOANS CAN DO

1. **Gas**: GasBuddy shows 60c+ variation between Chicago neighborhoods. NW Indiana saves 29c/gal. Costco membership pays for itself in gas savings at current spreads. Fill up before April—summer-blend transition adds 15–30c/gal.
2. **Transit**: NITA held fares flat for 2026. CTA 30-day pass ($85) beats two fill-ups at $4.46/gal. Metra monthly $101–168. If you're commuting to the suburbs by car, do the math—transit may now be cheaper.
3. **Heating**: Apply for LIHEAP *now* at **helpillinoisfamilies.com** or call **1-877-411-9276**. Peoples Gas "Share the Warmth" program: **1-888-546-6975**. Lock in alternative supplier rates through **illenergy.com** before winter.
4. **Food**: Bulk buy staples now—the 2–6 month lag means the worst price increases haven't arrived. SNAP benefits: apply at **abe.illinois.gov**. Greater Chicago Food Depository: **773-247-3663**.
5. **Budget for $5 gas through winter**: If Goldman's sustained scenario plays out, this is the new normal for 18+ months. Adjust monthly budgets now, not when it hits.
6. **Call your reps**: Durbin (**312-353-4952**), Duckworth (**312-886-3506**). Ask about gas tax relief, LIHEAP expansion, and the $15B farmer aid package. The war has no congressional authorization after 8 failed votes.
7. **Insulate**: If you own, weatherization pays for itself in one winter at these prices. Illinois Home Weatherization Assistance Program: **1-877-411-9276**. Federal tax credits cover 30% of insulation costs.

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