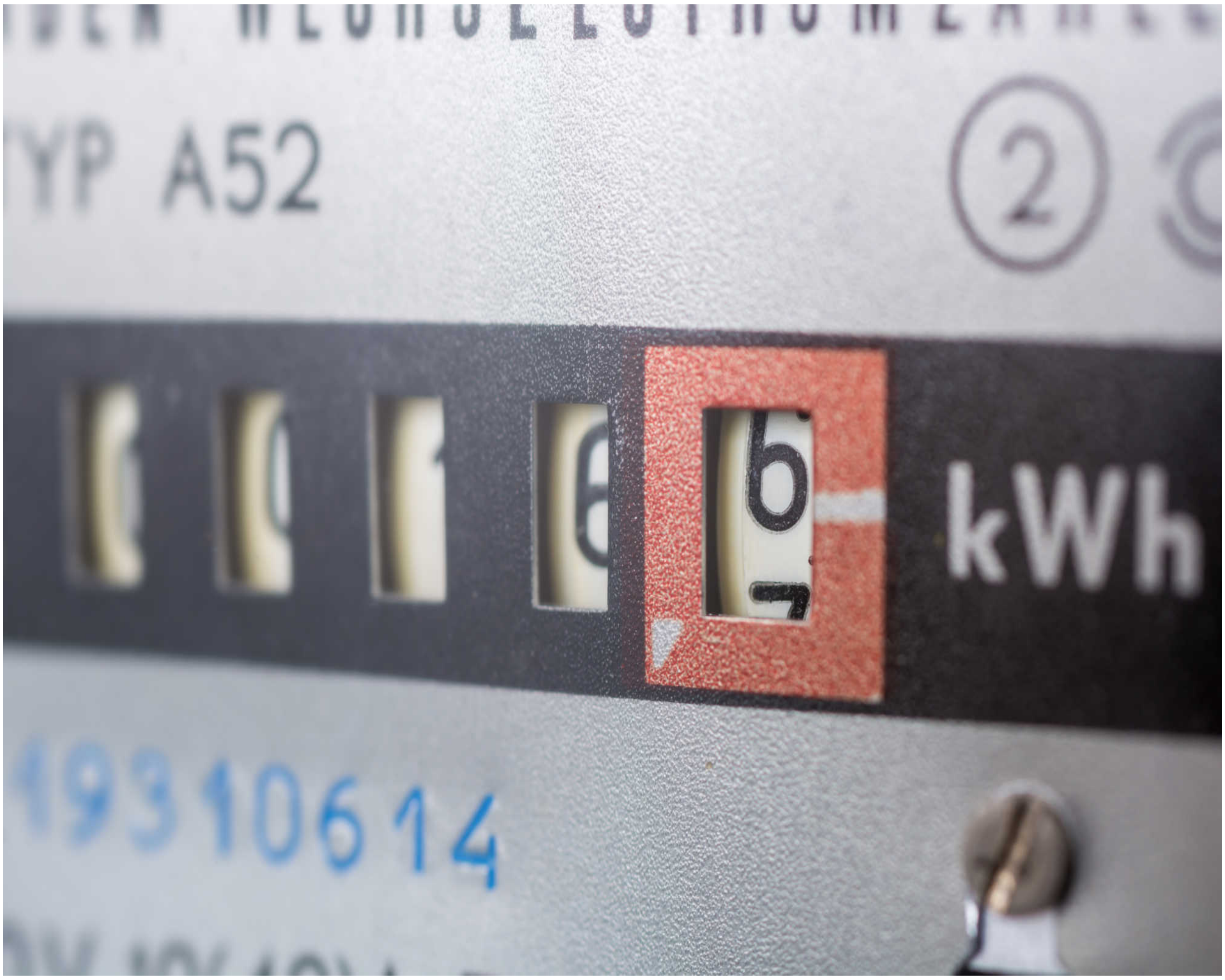
The Virgin Islands Consortium

Oil Above $100 Puts WAPA and PSC on Collision Course Over Rising Costs

With Brent crude climbing above $100 as the U.S.-Israel war against Iran keeps the Strait of Hormuz largely blocked, new pressure is building on WAPA, leaving the Public Services Commission's next meeting as a key moment to watch in the Virgin Islands.

Economy / **Published On April 24, 2026 05:53 AM /**

Ernice Gilbert April 24, 2026



Rising oil prices tied to the U.S. and Israel's war with Iran are putting new pressure on the Virgin Islands Water and Power Authority, raising the stakes for the Public Services Commission as it heads toward the end of the current LEAC settlement on June 30.

With Brent crude climbing to about $107 a barrel and shipping through the Strait of Hormuz still badly disrupted, the fuel outlook has turned sharply more difficult for an electric system that remains heavily dependent on imported energy.

That matters in the Virgin Islands because WAPA remains deeply exposed to fuel-market shocks. Federal energy data show that in 2024 the territory generated about 51 percent of its electricity from fuel oil, 47 percent from propane and just 2 percent from solar. WAPA says roughly 76 percent of its budget is spent on fuel costs recovered through the Levelized Energy Adjustment Clause, or LEAC, meaning sustained increases in oil and related fuel prices eventually place direct pressure on the utility's cost structure.

The latest conflict developments offer little relief. On Friday, oil rose on concerns over escalating tensions in the Middle East, with the Strait of Hormuz remaining largely blocked and regional shipments still constrained. At the same time, President Donald Trump has extended the ceasefire while Iran has said it will not negotiate under what it considers coercion and blockade conditions, leaving markets unconvinced that a durable easing is close.

For now, the LEAC itself is fixed. Under a 2025 settlement between WAPA and the PSC, the electric LEAC remains at 22.22 cents per kilowatt-hour through June 30, 2026. That agreement followed WAPA's challenge to an earlier PSC decision that would have reduced the charge to 17 cents. The settlement also allowed the current rate to stay in place while disputes over deferred fuel calculations continued to be worked through.

That does not mean the territory is insulated from the current fuel shock. If oil and related fuel prices stay elevated while the LEAC remains unchanged through the end of June, the more immediate pressure may build behind the scenes in the form of fresh deferred fuel exposure rather than an instant rate adjustment. That possibility is one reason the PSC's next meeting is expected to draw close attention, as commissioners face growing pressure to assess WAPA's fuel position against a much harsher global market. This is an inference based on the current fuel environment and the June 30 settlement deadline.

The situation underscores how vulnerable the Virgin Islands remains to external energy shocks even as WAPA has pursued fuel-supply improvements, including its selection of Empire Gas as primary LPG provider under a proposed contract aimed at faster and more flexible deliveries. Propane may offer advantages over diesel in ordinary conditions, but both remain imported fuels exposed to global disruption, and both are affected when conflict in one of the world's most important oil corridors drives prices higher.

The freight squeeze is already beginning to show up in territory. As the Consortium recently reported, Tropical Shipping and Crowley have both moved to raise fuel-related cargo charges affecting the U.S. Virgin Islands trade, creating one of the clearest near-term channels through which the war-driven oil shock can reach local consumers and businesses. Tropical said its bunker surcharge for cargo moving between Puerto Rico and the U.S. Virgin Islands would rise effective April 12 because of "volatility in global fuel costs," while Crowley said fuel prices remain "elevated and volatile" as it finalized higher vessel-fuel charges on the U.S./Puerto Rico-USVI route.

Those increases are substantial. Tropical's published schedule showed the surcharge on a 20-foot dry container rising from $100 to $350 and on a 40-foot dry container from $200 to $700, while Crowley’s finalized schedule showed a 20-foot charge moving from $200 to $400, a 40-foot charge from $400 to $800 and vehicle charges from $90 to $170. In a territory that depends heavily on imported food, household goods, vehicles, building materials and refrigerated cargo, those increases point to higher landed costs well before the full effect appears on store shelves.

Groceries are also vulnerable. The war has worsened supplier delays and helped drive the sharpest rise in output prices since July 2022. The conflict is also disrupting fuel and fertilizer flows, with the Strait of Hormuz serving as a route for roughly one-third of the world’s fertilizer shipments, a development the U.N. Development Programme said is likely to push food prices higher. For Virgin Islands consumers, that means the current surge in oil, freight and shipping costs could eventually be felt not only in WAPA charges and fuel bills, but also in the cost of produce, packaged foods and other imported staples.

All of it points to a broader economic squeeze taking shape in the territory. If the conflict continues to keep energy markets elevated and shipping unstable, the Virgin Islands is likely to feel the pressure across multiple fronts at once — electricity, gasoline, freight and groceries — with the PSC’s upcoming deliberations becoming one of the clearest places to watch for signs of how regulators and WAPA intend to manage the strain. Attempts to reach WAPA Chief Executive Officer Karl Knight were unsuccessful. Governor Albert Bryan Jr. did not return a request for comment.