

War in Gaza threatens global oil and gas price surge

Bank of America warns of prices as high as \$250 a barrel

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In the almost four weeks since the October 7 rebellion by Hamas, bomb and missile strikes by the Israel Defense Forces have reduced large sections of the Gaza Strip to rubble, killing, officially, almost 7,000 Palestinian civilians. A total of 1.4 million people are thought to have been displaced from their homes. Drinkable water, food, fuel, electricity and the internet are all being denied to the 2.3 million people living in Gaza.

This genocide of the Palestinian people by the Israeli state has ignited mass protests around the world—in many cases the largest anti-war protests since those against the Iraq war in 2003.

The Biden administration, already deeply committed to the proxy war against Russia raging in Ukraine, has now asked for \$105 billion in additional funds for war. This is in addition to its over \$1 trillion annual military budget. The US has moved two of its 11 aircraft carrier strike groups to the eastern Mediterranean in preparation for a broader war in the Middle East involving Iran. The Associated Press reports that the US has decided to “rush defenses and advisers to Middle East,” both to aid Israel’s imminent ground invasion of Gaza and to prepare for the outbreak of a far broader war involving Iran and the US.

The frenzied preparations of US imperialism—and its key allies—for a new, regional war in the Middle East, we wrote, “marks a major step in the escalation of what is, in fact, the initial stages of a third world war.”

The Middle East has long been a central concern of global geopolitics because of its disproportionate holding of the world’s best and largest oil and gas reserves.

OPEC, whose principal members are located in the Middle East and North Africa, holds approximately 65 percent of the world’s existing oil and gas resources. Since at least the 1930s, British and American imperialism have been fixated on using a combination of military force, assassinations, coups, bribery and other means to control this region. It is for this simple reason that President Biden explained to Congress recently, “[Israel] is the best three billion dollar investment we make. Were there not an Israel, the United States would have to invent an Israel to protect her interests in the region.”

Oil prices have already climbed significantly since the war began. Brent crude, the leading price benchmark used for global oil trades, climbed by almost ten dollars per barrel in the opening two weeks of the war. Because oil and natural gas comprise two-thirds of the energy used in the global economy, movements in their prices have a broad and disproportionate impact on the prices of all goods. Oil fuels not just cars but the global trucking, shipping and aviation industries, as well as an assortment of critical petrochemical products and industrial processes. Natural gas is the leading fuel used for heating and electricity generation worldwide. Solar, though quickly growing, accounts for just 2 percent of the world’s current energy use.

Right now, oil prices remain volatile. The minute-to-minute news of the escalating war is causing speculators to nervously place bets in different directions. When two hostages were released by Hamas, prices went down. But after the relentless bombardment by Israeli forces over the last 48 hours, prices went up as traders worried about a spiraling conflict.

At the time of writing, Brent crude is traded for \$88.50 a barrel on the open market. Should, however, the war unfold, and the United States launch major strikes against Iran, it is possible that the price for oil could double or even triple.

According to a recent research note from Bank of America, the price for oil could go as high as \$250 a barrel should the war significantly escalate.

A \$250 per barrel oil price would have catastrophic impacts on consumption and economic growth worldwide, likely triggering a global recession within months. The price of oil has never climbed that high. The closest it has gotten to that level was in 2008, about a month before the unraveling of the global financial crisis, when it climbed to \$210 in today’s dollars.

Bank of America writes that \$250 would be a more extreme case. But even its more moderate suggestion, that prices almost double to \$150, would cause major duress.

The key reason behind these possibilities is that one third of the world’s sea-traded oil flows through the Strait of Hormuz every day (about a quarter of the world’s overall oil). Iran’s capacity to stop trade going through the strait is one of its

leading forms of defense against a potential war with the United States.

The *Guardian* quotes Nicholas Farr, of Capital Economics, who laid out a potential scenario of escalation.

Iranian-backed Hezbollah has exchanged missile fire with Israel from Lebanon, which has the potential to open up a new front in the conflict. If Iran were drawn into the war this would create major global risks by disrupting energy supplies and pushing up oil prices. Natural gas prices could be affected too if there's disruption to LNG [liquefied natural gas] exports.

As General Frank McKenzie, the former head of US Central Command, stated in an interview with NPR, a regional war involving Hezbollah, the US, and Iran is “uniquely possible.”

Platts, a leading oil research service, describes oil markets as “on edge,” but notes that, at present, the majority of OPEC, which includes Iran, has no interest in disrupting global oil supplies.

Meanwhile, Washington-based think tanks are beating the drum for retaliatory economic and military strikes against Iran.

The Washington Institute for Near East Policy, a major Israeli-supported American think tank, writes, “so far America has dispatched, among other assets, two aircraft-carrier groups, their associated guided-missile destroyers and a Marine Corps expeditionary unit capable of conducting amphibious operations.”

For the Washington Institute, however, this is not enough. They continue:

America's display of force in the Mediterranean is impressive, to be sure—and there is more to come: the Pentagon says it will send a THAAD air-defence missile system and Patriot missile battalions to the region. But it remains unclear whether this muscle-flexing is actually curbing the involvement of other actors, or will prevent the war from spreading. For America's deterrent threat to be credible, it will have to act decisively against emerging provocations.

The institute recommends “increasing economic pressure” against Iran, ultimately declaring, “Washington may have no choice but to engage militarily.”

The logic of these positions, swirling in the minds of war planners at the Pentagon and in Tel Aviv, leads to global war. They are openly admitting that satisfying the ambitions of US imperialism in the region requires—whether they like it or not—a direct military confrontation with Iran.

Given the broader geopolitical context—the war against Russia and highly advanced plans for war with China—such a “strike of the match” could explode into a world war, or at the very least mark the first major stage of one.

But the initiation of such a conflict would, as the question of energy shows, contain enormous contradictions within it. Should the desires of the Washington Institute, and its supporters at the Pentagon and in Tel Aviv, be realized, Iran could likely retaliate through the “energy weapon.”

In 2022, following Russia's provoked invasion of Ukraine, the NATO powers, led by the US, initiated a global ban on Russian oil and gas exports. While the actual efficacy of those measures is debated—it reduced the price at which Russia was able to sell its energy, but not block sales, instead redirecting flows to Asia—the consequences, globally, were tremendous.

The year 2022 marked an incredibly challenging year for billions of people across the globe as the prices for nearly everything surged. In the United States, the annual rate of inflation reached 8.3 percent. In Europe, a horrible winter of high electricity prices dug into all working people and slowed industrial production. In Sri Lanka in July 2022, an uprising against the government was triggered by the skyrocketing cost of fuel and cooking gas.

While inflation, globally, is not as high as it was in 2022, prices have not gone down; they are just not rising as quickly.

The machinations of US imperialism, globally, are leading the world into a spiraling crisis of global war. As the unfolding genocide against Gaza demonstrates, the pursuit of US geopolitical aims will lead to catastrophic, unforeseen and cascading impacts.

Should the US go to war with Iran, it is entirely possible that the devastating inflation experienced in 2022 returns. Only the working class, which owes no allegiance to any country, has the power and ability to put an end to the horror and consequences of what is now unfolding.



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