War-driven fuel crisis threatens recession in Australia

Mike Head
12 April 2026

Having supported the criminal US-Israeli assault on Iran from day one, on February 28, the Albanese government in Australia faces a deepening fuel and cost-of-living crisis.

The Labor government has militarily assisted—including by dispatching SAS troops and a war command plane to the Persian Gulf—a historic war crime by the Trump administration in launching an unprovoked war of aggression. Labor is also presiding over the increasingly devastating impact on working-class living conditions and the prospect of crippling fuel shortages, particularly of diesel.

Because of Australia's heavy reliance on diesel for transport, industry and farming, it is among the most vulnerable countries in the world to the global fuel supply disaster triggered by the war on Iran and the resulting closure of the Strait of Hormuz.

This vulnerability goes far beyond what has been, until now, its most visible effect—shortages and soaring prices at retail petrol and diesel stations. Many basic industries are in danger of grinding to a halt.

Due to the closure of most of its domestic refining capacity, the Australian economy depends on imports for 89 percent of its diesel consumption, as well as 80 percent of its jet fuel and 66 percent of its petrol. Most of this has come from the Gulf, via "mega" refineries in Asia.

Partly because of Australia's large size and sparse population—except in the coastal urban concentrations—its economy relies heavily on diesel, especially for trucking, mining and agricultural operations. It has one of the highest diesel consumptions per capita in the world.

In 2025, Australian industries, transport companies and motorists consumed around 35 billion litres of diesel, far more than the 15 billion litres of petrol and around 10 billion litres of aviation fuel.

Only about a quarter of the diesel consumption goes to motorists' cars. The remainder goes to trucks and mining, each accounting for 24 percent of consumption, followed by agriculture (8 percent) and manufacturing (7 percent).

This is only part of the picture. Remote areas, hospitals and emergency services often rely on diesel generators as backup power. Food deliveries and many essential services, such as garbage collection, depend on diesel as well. Hospitals are already facing shortages of essential medical products such as gloves and syringes.

An article in the London-based *Financial Times* last week warned: "Australia is uniquely vulnerable to disruptions in diesel supply, with one of the highest per capita demands for the fuel in the world, due to the vast distances goods must be transported between cities and diesel-hungry mining and farming sectors. At the equivalent of 7.4 barrels per person per year, diesel demand is far higher than in the US or other major economies."

The Labor government is making desperate efforts to cover up the depth of the crisis, telling the public that supplies are ensured "well into May." But the reality is becoming more visible. Modelling by Deloite Access Economics, reported today by Nine network outlets, warns that a protracted Middle East war would send the global price of oil to $US175 a barrel, plunging the Australian economy into recession. Unemployment would climb beyond a million people to about 6.8 percent and inflation would hit 7.5 percent.

This is increasingly likely after the Trump administration quickly terminated the ceasefire talks with Iran at the weekend and announced a naval blockade of the Gulf. Even in the unlikely event of the US war ending by June, Deloitte estimates that Australia's economic growth would more than halve to 0.7 percent by December and unemployment would rise to more than 5 percent for the first time since 2021.

Other analysts previously warned that even if a ceasefire were to hold in the Gulf region, it would take months, in some cases years, to rebuild destroyed oil-related infrastructure and get tankers sailing at scale through the Strait, which previously accounted for about 20 percent of world's supplies of oil, as well as natural gas and fertilisers.

Worthless agreements

The truth is partly displayed by snap visits by Prime Minister Anthony Albanese to Singapore, Brunei and Malaysia to try to secure supplies and a $20 million national advertising blitz to urge motorists to curb their consumption because "every little bit helps."

The worthlessness of any agreements produced by Albanese in Asian capitals was underscored by his dash to Singapore on Friday. The overnight visit was intended to create the illusion that the Singaporean government would or could guarantee supplies from its refineries, which account for about 55 percent of

Australia's petrol imports, and 15 percent of its diesel imports.

Albanese's joint statement with Singapore's Prime Minister Lawrence Wong on Friday simply reiterated a previous statement they had issued after a phone call on March 23, in which they "stated our determination to make maximum efforts to meet each other's energy security needs in the context of the acute energy crisis currently affecting global markets."

That is essentially meaningless. As Wong told the media conference with Albanese: "As a global refining hub, we will keep these flows going as long as upstream supplies continue."

Even if "upstream supplies" can be obtained elsewhere in the world, the deliveries will be much more expensive, unreliable and likely delayed as other governments also scramble for fuel, while the global oil giants exploit the crisis.

The *Financial Times* reported: "With Asian countries, including China, restricting exports of fuels due to the fear of shortages created by the shutdown of the Strait of Hormuz, Australia is now pulling in diesel along some of the longest and most expensive trade routes in the world. Four vessels are making the 13,000-mile journey from the US Gulf Coast, a journey that can take up to two months, and a further three from the US West Coast."

Wholesale prices for diesel in Asia and Australia have more than doubled since the US launched the assault on Iran. As of Friday, the Singapore benchmark for the region was $192 per barrel, up from $93 before the war.

Shortages are looming because Australia's onshore stocks of diesel, as well as those of petrol and jet fuel, cover only about 30 days of consumption. That is lower than any other member of the 31-country International Energy Agency (IEA) and well below the IEA's 90-day stockholding obligation.

With the global fuel market controlled by corporate conglomerates such as ExxonMobil, Chevron, Shell and BP, no binding deals can possibly be obtained with Singapore, Brunei or Malaysia—which in any case account for only just over a third of Australian diesel imports.

That is regardless of Albanese's offers to ensure continued natural gas supplies to Asian countries by "fast tracking" approvals of new or extended gas mining projects, such as those under the ocean on the Australian continent's North West Shelf, irrespective of the impact on global warming.

Last week, Albanese's government effectively underscored the capitalist stranglehold over global fuel supplies. It signed deals with the two entities that operate the two refineries left in Australia—corporate-controlled Ampol and Viva Energy, a subsidiary of Vitol, a Swiss-based Dutch multinational energy and commodity trading company—to underwrite their potentially loss-making purchases of supplies on the world markets.

At a media conference, Albanese refused to put a price on the agreements, but they are known to provide for at least $2 billion from the government's Export Finance Australia fund, all going into the pockets of the oil companies. "These are commercial arrangements," he said, saying the outlays all depended on bidding for global spot-market supplies.

Layoffs and inflation

Just before Easter, Albanese made a televised address to the nation, urging people not to panic, but there are reports from workers that they are already being laid off by mining and transport companies because of the soaring diesel prices and shortages.

On Friday, construction employers warned of "mass layoffs," saying that thousands of businesses could go bankrupt and major projects could be delayed because of surging prices for fuel and other materials, such as timber and PVC piping. That would be on top of the 3,500 construction industry insolvencies last year, at the expense of workers and customers.

At the same time, workers in the outlying suburbs of Australia's major cities say they are paying up to $100 extra a week to get to work, as well as facing higher home mortgage payments and prices for food and other essentials. The Labor government's halving of fuel excise taxes last month has had little impact, especially on diesel prices, which are now higher than they were before the excise cut.

Inflation, which was already resurging before the war, triggering interest rate hikes by the Reserve Bank of Australia (RBA), will now accelerate further. Economists widely predict that the official Consumer Price Index will be near 7 percent year-on-year, by June this year, and that the RBA will inflict three more interest rate rises this year, adding hundreds of dollars a week to working-class household bills.

These forecasts are far above the nominal pay rises of 3 to 3.5 percent that the trade union bureaucrats, all tied to the Labor government, are trying to impose on workers via enterprise agreements with employers.

As always, Labor's response is dictated by the profit requirements of the ruling capitalist class, including the oil and gas conglomerates, whose fortunes will keep rising as workers pay the price.

The developing popular hostility to this barbaric war must be fused with the struggle against the destruction of living conditions in a politically conscious working-class movement, guided by an international socialist program, against the Labor government and its trade union enforcers, to overturn the capitalist profit system itself and place the world's energy resources under democratic working-class control.