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News Flash

**Geopolitical Tensions Rise as Israel-Iran Conflict Deepens
– Oil Markets React**

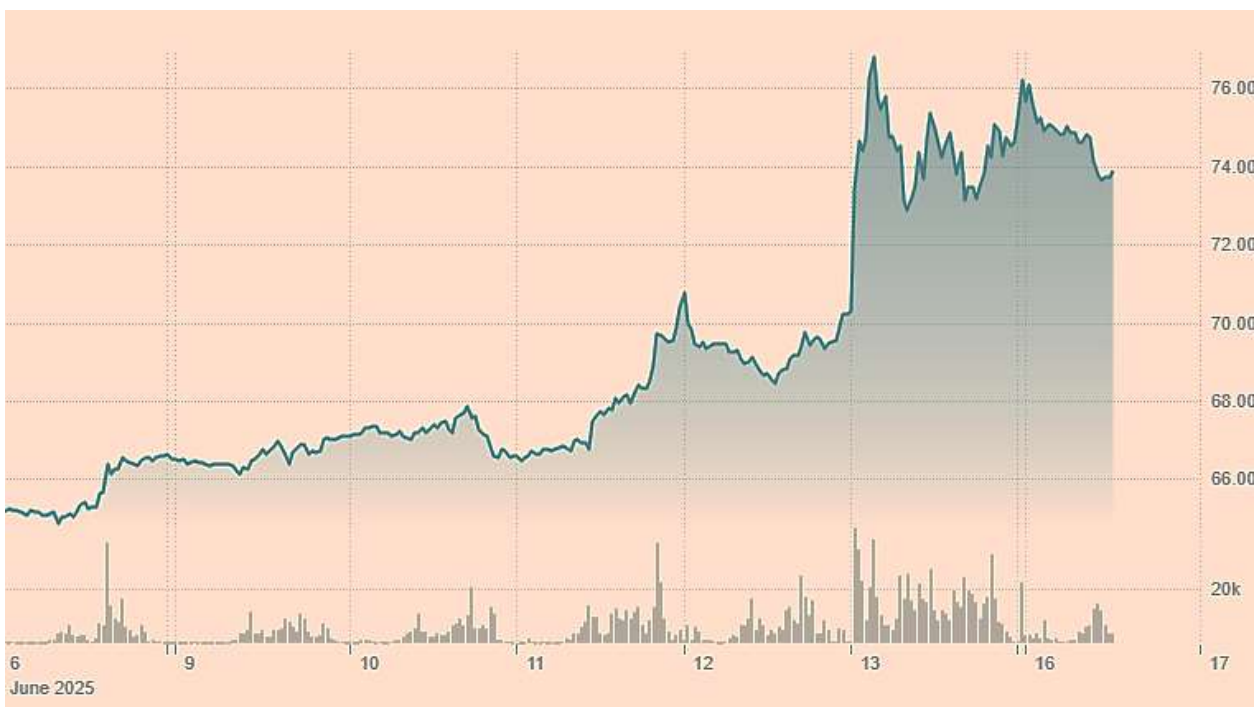


Geopolitical Tensions Rise as Israel-Iran Conflict Deepens – Oil Markets React

As hostilities between Israel and Iran escalate into sustained military operations, global energy markets are closely watching developments for signs of disruption to oil and gas supplies. The initial market reaction has been one of volatility and concern, though some stability has returned as trading unfolds and more data becomes available.

Early morning trading on Monday, June 16, saw international oil prices inch higher, with Brent crude—the global benchmark—opening at \$76.50 per barrel for one-month forward contracts. However, as trading progressed, prices slipped below the \$75 threshold. At the Intercontinental Exchange (ICE) in London, Brent was reported at \$73.99 per barrel, while West Texas Intermediate (WTI), the U.S. benchmark, stood at \$72.77.

These fluctuations follow a sharp spike on Friday, June 13, when Brent surged by almost 12% in a matter of hours, rising from \$67 to \$77 per barrel before settling at \$75.48 by the end of the day. WTI, the U.S. benchmark climbed 9% at \$74.15. The surge was triggered by reports of Israel's extensive airstrikes on Iranian territory, marking the most serious direct confrontation between the two nations in recent history.



Brent Oil price movement from June 6 until June 16, 2025 (\$ per barrel)

Strategic Energy Targets and Military Escalation

It has now been more than three days since Israel launched a coordinated airborne campaign against Iran. The stated goal of the offensive: to degrade or destroy Iran's

nuclear infrastructure and prevent it from acquiring nuclear weapons capability. Initial Israeli strikes reportedly inflicted severe damage on Iran's anti-aircraft systems and targeted several industrial and energy installations.

Iran retaliated swiftly, launching waves of cruise missiles and armed drones into Israeli territory. These strikes have resulted in significant infrastructure damage and civilian casualties, with 14 deaths and dozens injured reported on the Israeli side. Iran, meanwhile, has suffered far greater losses—more than 220 dead and over 1,200 injured—as Israeli strikes have hit hundreds of strategic targets across the country.

In a significant and controversial move, Israel has begun targeting Iran's energy infrastructure. At least two natural gas processing plants and two major fuel depots have been struck. Analysts view this escalation as a high-risk strategy that raises the stakes for global energy markets. By directly attacking energy assets, Israel has introduced the potential for broader supply disruptions across the Middle East, a region that collectively holds more than 50% of the world's proven oil reserves.

Vulnerability of Iran's Energy Sector

Iran's energy sector was already under pressure before the current hostilities. Decades of international sanctions have severely limited foreign investment, resulting in underdeveloped infrastructure, power outages, fuel shortages, and unreliable gas export routes. Despite sitting on some of the world's richest reserves of oil and natural gas, Iran's production and export capacity has lagged behind regional peers.

With Israeli strikes targeting energy infrastructure, concerns have grown about the country's ability to maintain stable oil exports. However, Iran has so far continued to retaliate with considerable firepower, raising questions about the effectiveness of the Israeli campaign in neutralizing Iran's military capabilities.

Risk of Regional Spillover and Strait of Hormuz

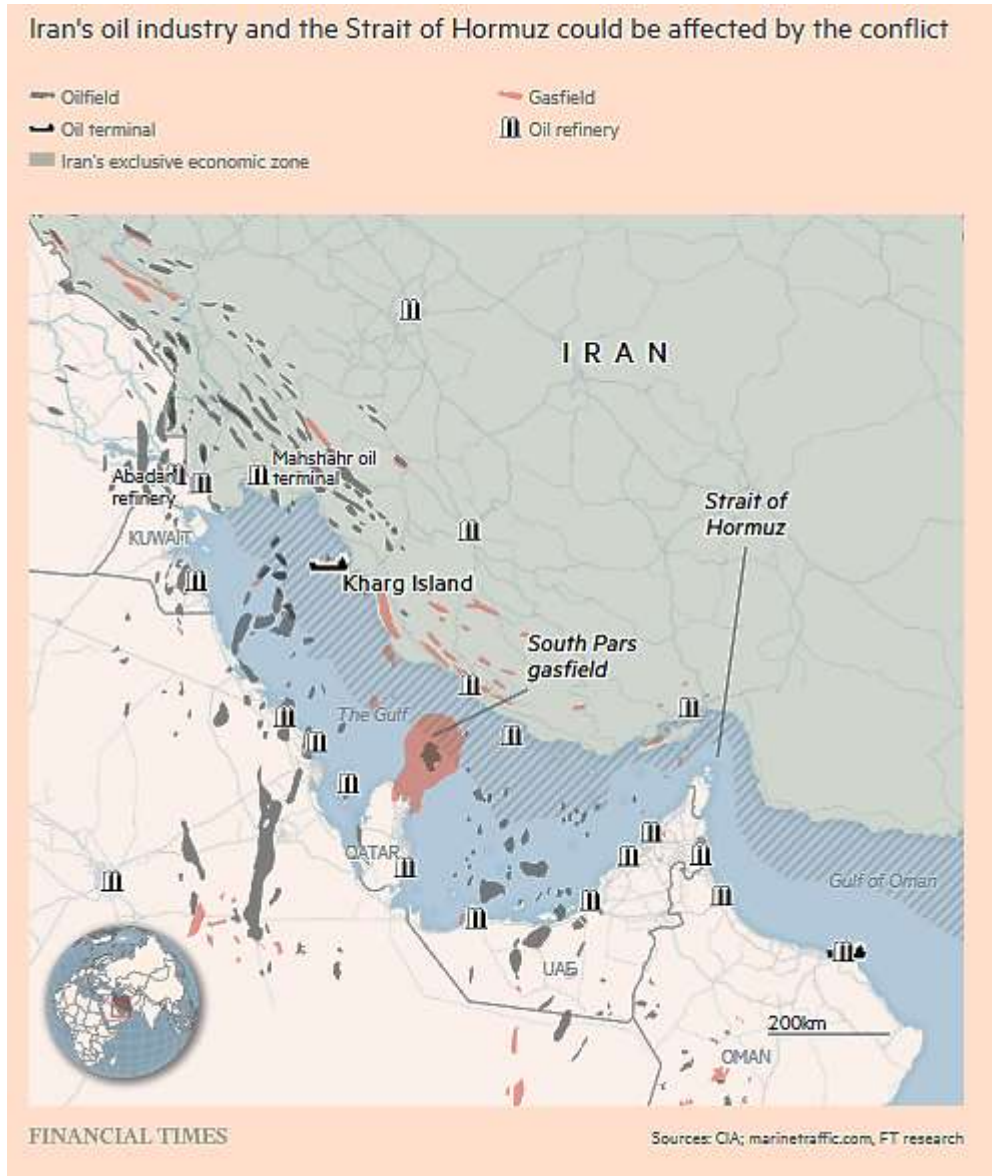
As the conflict intensifies, market analysts are increasingly focused on the potential for a broader regional spillover. A key concern is the possibility that Iran may attempt to disrupt maritime traffic through the Strait of Hormuz, a narrow but strategically vital chokepoint between Iran, UAE and Oman, less than 32 km wide, through which roughly one-third of the world's seaborne oil and significant volumes of LNG pass daily. A disruption here could send oil prices soaring and severely impact global supply chains.

While there is speculation that Iran could try to assert control over Hormuz or at least harass international shipping, Western military analysts remain skeptical. Under the current pace of Israeli bombardment, it is unclear whether Iran retains the operational capability to enforce such a blockade.

Market Fundamentals and Supply Outlook

Despite initial jitters, oil markets appear to be regaining some composure. Data from the International Energy Agency (IEA) and OPEC suggest that the global oil market remains adequately supplied. OPEC+, the alliance of oil-producing nations led by Saudi Arabia and Russia (and including Iran), has reiterated its ability and willingness to adjust production levels to ensure market stability.

At present, Iran exports approximately 1.6 million barrels of oil per day. In the context of a global market that consumes over 104 million barrels daily, analysts believe that the loss of Iranian supply could be absorbed—at least in the short term—by increased output from other producers, both within and outside OPEC. The alliance also retains significant spare capacity, particularly in Saudi Arabia and the UAE.



Nonetheless, the longer-term picture remains uncertain. If the conflict persists or escalates further, and if Iranian exports are significantly curtailed or Hormuz is disrupted, oil prices could rise substantially, reversing recent inflationary gains made in the United States, Europe, and Asia.

Broader Economic Implications

The current conflict poses a real risk to the fragile recovery of the global economy. Many economists warn that a sustained rise in oil prices would drive up inflation once again, just as central banks in major economies were beginning to consider rate cuts. Higher

energy costs would also strain public finances in energy-importing countries and dampen consumer spending.

While the United States has thus far avoided direct military involvement—barring an attack on its assets—the conflict is being closely watched in Washington. Any escalation that jeopardizes global supply security or threatens allies in the Gulf could prompt a more active response.

Outlook

As of now, oil prices have stabilized somewhat, and the immediate shock to global markets has been contained. However, the situation remains highly fluid. The Israel-Iran conflict is evolving rapidly, and any further targeting of critical infrastructure—particularly in the Gulf region—could ignite broader supply disruptions and renewed market volatility.

IENE will continue to monitor developments and provide timely analysis of geopolitical risks affecting energy markets. Members are advised to track not only pricing trends but also policy signals from OPEC+, Western capitals, and key regional actors.

This IENE News Flash is published as part of the Institute's ongoing effort to provide up-to-date analysis on developments that impact energy security and market stability in Southeast Europe and beyond.

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Compiled and Edited by IENE's Research Team

News Analysis is published by the INSTITUTE OF ENERGY FOR SOUTH-EAST EUROPE (IENE)
3, Alex. Soutsou st. 106 71 Athens, Greece, T: +30-210 3628457, 3640278, F: +30 210 3646144, marketing@iene.gr, www.iene.eu

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