Tomorrow's Affairs
Analysis of today
Assessment of tomorrow

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Have global energy consumers learned the lessons of the 1991 Gulf War?

On Friday night, Israeli F-35 fighter jets carried out precision airstrikes on Iran's uranium enrichment facilities in Natanz and conventional weapons depots in the Isfahan province. The targets were underground tunnels and concrete bunkers in which, according to Israeli sources, missile components were stored.

The attacks lasted about an hour and, according to Iranian officials, caused considerable damage to the uranium processing facilities.

On the same evening, Iran launched dozens of Fateh-110 ballistic missiles at Israeli territory. Most of the missiles were intercepted by the Iron Dome and Patriot systems, and only a minimal number hit the outskirts of populated areas near Tel Aviv, with no reports of casualties.

This morning, Iran launched a new series of ballistic missiles from its western provinces. Air raid sirens were sounded in Tel Aviv and Jerusalem, but this time no civilians were killed or injured.

Impact on energy and financial markets

The exchange of strikes immediately increased the risk of disruption to traffic in the Strait of Hormuz and fuelled uncertainty in the energy and financial markets.

Brent jumped more than 10% on the day to around $78.50 a barrel and closed the day at $74.23, up around 7% on the previous day. Investors massively abandoned riskier securities and shifted their capital into gold and US Treasuries: gold jumped about 1% to around $2,038 an ounce, while the 10-year Treasury yields dropped eight basis points to 3.76%.

Saudi Arabia and the United Arab Emirates have increased oil transport via existing East-West pipelines to the Red Sea and activated additional storage terminals on land to relieve pressure on the Strait of Hormuz.

> The US has activated part of its strategic oil reserves to mitigate short-term market disruptions

Regional financial institutions in the Gulf are reviewing the credit terms for risky projects and are demanding selectively higher premiums for loans close to energy infrastructure.

Banks in Saudi Arabia and Kuwait have changed terms only for specific sectors, not globally.

The United States has activated part of its strategic oil reserves to mitigate short-term market disruptions, while India has not yet announced any emergency distribution from its own reserves.

Power shifts and political pressure

In Iran, the state of war is strengthening the position of the Revolutionary Guard. Hard-line circles are using tensions to marginalise reform-oriented forces and consolidate their control over state structures.

Formal institutions increasingly serve as a façade, while important decisions are made by the military authorities. The rhetoric of resistance against external threats confirms the political strategy of closing the space for alternative voices.

> Growing public pressure on the Prime Minister and the Minister of Defence to explain the number of civilian casualties

The military operations in Israel are widely supported, but public pressure on the Prime Minister and the Minister of Defence to explain the number of civilian casualties is growing. The media are reporting on the rising number of civilian casualties.

The opposition warns that this is a symptom of the loss of control over the strategy. If the number of victims continues to rise, there could be a political crisis and demands for an independent investigation into responsibility.

Conflict scenarios

The army estimates that the conflict could develop through three basic scenarios.

The first involves mutual precision attacks on military targets with periodic periods of calm. In this framework, Israel would continue its attacks on infrastructure facilities while Iran fires low-intensity missiles to maintain a balance of intimidation.

In another scenario, the conflict would spread to Yemen and Iraq, where Iran provides financial and military support to the Houthis and Shiite militias. The Houthis could attack merchant ships or platforms in the Red Sea, which would prompt Saudi Arabia to launch a direct military response in Yemen. At the same time, Israel would attack Iranian Revolutionary Guard convoys on the Syrian-Iranian border to cut off supplies to the paramilitary units.

> A blockade of the Strait of Hormuz and a massive attack on Israel would force the US to action

The third scenario envisages an escalation to open war. Iran could fire hundreds of ballistic and cruise missiles at Israeli cities and military bases while at the same time laying naval mines in Hormuz and deploying missile systems.

A blockade of this passage and a massive attack on Israel would almost certainly force the United States to deploy aircraft carriers and move ground or air forces into the Persian Gulf.

Russia, faced with the weight of the war in Ukraine, would likely respond with additional arms supplies, air defence systems, and intelligence support for Tehran, but it would not deploy ground forces.

The United States has withdrawn destroyers and moved additional air defence systems to the Persian Gulf to bolster the protection of naval routes and regional allies while maintaining diplomatic channels in Oman to ease tensions.

The European Union has publicly called for restraint and supports international initiatives to share information on maritime incidents through existing maritime security coalitions.

Russia has accelerated deliveries of the S-400 system and precision munitions to Iran, while blocking proposals at the UN Security Council to introduce new sanctions against Tehran.

China emphasises the need to reduce tensions and insists on the uninterrupted flow of oil, but it has not yet formulated a concrete plan for mediation to de-escalate the conflict.

Adapting to conflict risks

High oil prices directly increase fuel costs and slow down industrial production in China and India. To protect themselves against supply disruptions, both major economies are increasingly replenishing their national oil reserves and concluding long-term contracts for LNG supplies.

At the beginning of July, the European Commission will present a package of measures to reduce the energy vulnerability of its members.

It will oblige companies to report all details of gas contracts (particularly from Russia), ban new gas deals with Russia until the end of 2025 and cancel all supplies by the end of 2027, while accelerating the construction of strategic gas storage facilities and subsidising their filling costs to reduce pressure on consumers and industry without placing an additional burden on public budgets.

If the conflict is not contained, the consequences could be similar to the 1991 Gulf War, when the war reshaped global oil flows

The humanitarian consequences of the disruption of transport through Hormuz are also being felt in North Africa. A slowdown in the transport of food and medicines could trigger a wave of migration towards Europe and cause a humanitarian crisis on the EU's southern borders.

The most likely development of the conflict over the next six months will be a combination of the first and second scenarios.

Precision strikes and counter-strikes will alternate with short periods of calm until the diplomatic mechanisms are stabilised and a temporary ceasefire is reached. During this period, oil prices will fluctuate between $70 and $90 per barrel, with a high degree of volatility.

Companies and countries are accelerating the transition to various energy sources – from additional gas terminals and strategic oil reservoirs to wind and solar farms – to reduce the risk of supply disruptions.

At the same time, diplomatic teams are working to establish channels for the urgent exchange of information on military incidents at sea to avoid misinterpretation and prevent the unintended escalation of conflict.

If the conflict is not contained, the consequences could be similar to the 1991 Gulf War, when the war reshaped global oil flows.

As long as no actor is interested in completely disrupting energy supplies, the conflict will continue to serve as a tool for political pressure and a mechanism for internal consolidation. Until then, markets and governments must react to any new information and manage risks in real time.