Tomorrow's Affairs
Analysis of today
Assessment of tomorrow

By: Carolyn Kissane

Did the Iran war stop the growth of global oil demand?

The US/Israeli-Iran war may be remembered for many things, not least the closure of the Strait of Hormuz, the reshaping of Middle Eastern geopolitics, and the damage done to the global economy.

But another consequence is less obvious: The largest oil-supply disruption in modern history has accelerated the arrival of peak oil demand.

Four months ago, the effective closure of the Strait of Hormuz triggered a global energy crisis.

Oil prices surged, trade flows were disrupted, governments scrambled to shield consumers from rising costs, and businesses were forced to adjust to an increasingly uncertain energy landscape.

But amid the disruption, another trend emerged as countries began adapting to life with less oil. What began as a supply shock increasingly became a demand story, forcing the energy sector to reconsider one of its most important assumptions: the continued growth of global oil demand.

Before the war, the International Energy Agency projected that oil demand would "rise by 2.5 mb/d [million barrels per day] from 2024 to 2030, reaching a plateau around 105.5 mb/d by the end of the decade."

The debate was not whether demand would continue growing, but how quickly growth would slow.

Now, the IEA forecasts that global oil demand in 2026 will be approximately 1.3 million barrels per day lower than expected before the war.

Reducing oil dependence

Some of that decline reflects weaker economic conditions and higher prices, but the remainder reflects adaptation.

Faced with constrained supplies and unprecedented uncertainty surrounding the world's most important energy chokepoint, governments and industries have accelerated their efforts to reduce oil dependence.

Markets have responded accordingly. Oil prices rise on renewed attacks and fall on reports of diplomatic progress.

West Texas Intermediate crude ended the first week of June above $90 per barrel, and Brent crude closed near $93.

While prices have retreated from the highs reached earlier in the conflict, they remain roughly 30% above pre-war levels.

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True, in the face of the largest supply disruption in modern energy history, the market response feels surprisingly restrained.

But this relative calm masks a more troubling reality: global inventories have been drawn down at a record pace, leaving considerably less cushion should the disruption persist.

Before the conflict, roughly 125–140 vessels moved through the Strait of Hormuz daily.

The waterway was viewed as vulnerable but dependable, with any prolonged disruption considered unlikely.

The past three months have demonstrated that the Strait need not be formally closed to be functionally constrained.

Reduced tanker traffic, maritime threats, mine deployments, insurance withdrawals, military operations, and persistent uncertainty have disrupted trade flows and forced governments and companies to rethink long-standing assumptions about energy security.

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experience of the past four months cannot be undone.

Forced adaptation

This forced adaptation is most apparent in Asia, where China may prove to be one of the most important stories of the war.

Before the conflict, it was importing roughly 11 million barrels per day. Since then, imports have fallen sharply as it has drawn down stockpiles, adjusted refinery operations, substituted coal for some petrochemical feedstocks, slowed inventory building, and deployed conservation measures.

According to several analysts, China's ability to reduce imports has been one of the primary reasons oil prices have not risen as high as many feared.

China's role is especially significant because it has been the dominant driver of global demand growth over the past decade.

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Between 2015 and 2024, Chinese oil demand increased by nearly six million barrels per day, accounting for roughly 60% of global demand growth.

Yet even before the war, the IEA expected China's oil demand to peak this decade, owing to the uptake of electric vehicles, liquefied natural gas-powered trucking, high-speed rail, and demographic changes that would reduce future consumption growth. The war appears to have accelerated this trend.

Nor is China alone. Governments across Asia and other parts of the world have increasingly adopted what can only be described as survival measures.

Four-day workweeks, expanded work-from-home policies, restrictions on air conditioning, industrial rationing, emergency subsidies, tax reductions, and direct support for agricultural inputs have all become part of the policy tool kit.

More than 100 countries have introduced measures to reduce the economic pain associated with the disruption.

An earlier arrival of peak oil demand

These policies were designed to keep economies functioning, societies stable, and governments in power—reinforcing an argument that Richard Haass and I made in a recent commentary.

Energy security can no longer be understood simply as securing adequate fuel supplies.

It must also encompass diversification, redundancy, strategic reserves, hardened infrastructure, alternative transportation routes, fuel flexibility, and reduced exposure to single points of failure. The war with Iran has become a real-world test of that framework.

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The great irony is that US President Donald Trump returned to office championing American energy dominance and continued growth of hydrocarbons.

Yet the disruption associated with his war is

accelerating exactly what many oil producers feared: an earlier arrival of peak oil demand.

That outcome has been hastened not because climate policy suddenly triumphed, nor because governments collectively decided to consume less oil, but because energy insecurity forced everyone to adapt.

Thus, an enduring legacy of the war lies in how it has reshaped the way governments, companies, and consumers think about energy security.

The assumptions that defined the pre-war energy system—abundant supply, reliable transit through the Strait of Hormuz, and confidence that disruptions would be temporary—no longer stand.

Three months of disruption, scarcity, and forced adaptation have moved peak demand from the horizon to the rearview mirror.

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