

Israeli attacks on Iran – the impact on oil and gas markets

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The Israeli attack on Iran, which began on 13 June, has affected energy commodity markets. Prices rose almost immediately, with monthly Brent crude contracts increasing by approximately 8–13%, reaching \$75–78 per barrel. Despite airstrikes on both sides and targeted damage to Iranian and Israeli energy infrastructure, prices remained relatively stable in the following days and even slightly declined on 16 June. Gas prices on the European TTF hub also rose by a few percent.

The price increases are due less to the actual damage inflicted on Iran's energy infrastructure – so far, destruction has primarily affected facilities important for domestic supply – and more to the significance of Iran and, to a lesser extent, Israel for global oil and gas markets, as well as the potential consequences of further escalation. The availability of resources from the region and price developments in the near future will depend, among other factors, on the duration and scale of the conflict (including the risk of regional spillover), and its impact on commodity markets – particularly any potential disruption to production or export capacity caused by damage or war-related risks. One of the most critical challenges would arise if Tehran were to restrict or even block one of the key transit routes for oil and LNG exports from the Persian Gulf: the Strait of Hormuz.

Commentary

- **The Israeli-Iranian conflict and the current damage to energy infrastructure have, so far, had no significant impact on the availability of crude oil on regional or global markets.** Iran is the world's seventh-largest producer of this resource and ranks among the top twenty exporters. It also has considerable growth potential. Over the past year, oil production and exports have increased despite existing US sanctions and the limits set by OPEC. More than 90% of Iranian oil has been purchased by Chinese companies.
- **Israeli attacks have, so far, not targeted Iran's oil production and export capacity, but such a scenario cannot be ruled out.** The strikes have mainly focused on infrastructure serving the domestic market, including fuel depots and a refinery near Tehran. In the event of an escalation, a decline in Iranian oil production would hit China the hardest. Global market prices would also rise – in the event of a complete halt in Iranian oil exports, Brent crude could reach approximately \$120–130 per barrel, according to S&P Global.
- **The availability of natural gas in the region has already been reduced.** This is primarily due to Israel's suspension, on 13 June for security reasons, of production at two of its three largest gas fields in national territorial waters – Leviathan and Karish – which

supplied both the domestic market and neighbouring Egypt and Jordan. In addition, one of the installations at the South Pars gas field – the world’s largest, shared by Iran and Qatar – was targeted by Israeli attacks. Only part of the infrastructure was damaged (one of the four units comprising Phase 14 of the field), leading to a temporary reduction in production capacity. This has raised concerns regarding potential supply issues for Iran’s vast domestic market and its ability to export gas to neighbouring Iraq in case of an escalation.

- **A likely escalation of the conflict, coupled with growing desperation within the Tehran regime, could increase the risk of Iran closing the Strait of Hormuz – a key route for global oil and LNG trade.** This is the only passage connecting the Gulf states to the open ocean, enabling the export of energy resources from the region – including around 30% of global oil consumption and over 20% of liquefied natural gas, encompassing all exports from Qatar – to international markets. The vast majority of tankers and LNG carriers passing through the Strait are bound for Asian countries, primarily China, but also Japan, South Korea and India.
- **Only a portion of the oil transported through the Strait of Hormuz could, if necessary, be redirected to alternative routes** – namely, pipelines in Saudi Arabia and the United Arab Emirates. Even so, this would result in higher costs, longer delivery times, and considerable risk, as the route would need to pass through the Red Sea and the Bab al-Mandab Strait, which is vulnerable to attacks by Yemen’s Houthis. Any closure or restriction of traffic through the Strait of Hormuz would, therefore, have a significant impact on both the availability of oil and gas on global markets and on commodity prices. However, the likelihood of Iran resorting to this measure is reduced by the fact that the Strait is also the main export route for Iranian raw materials and goods.
- **The war in the Middle East, ongoing attacks on energy infrastructure, and the risk of a more serious impact on the functioning of global markets present challenges for Europe.** Due to the war in Ukraine and the EU’s move away from importing oil and gas from Russia, Europe has become more dependent on global market dynamics. Any sustained or significant increase in oil and gas prices could worsen the already difficult economic situation in EU member states. Limited gas availability would pose a problem not only because of higher import costs, but also due to the need to fill European storage facilities ahead of winter. Finally, instability in commodity markets could become yet another factor – alongside policy shifts in Washington under Donald Trump – exacerbating divisions within the EU regarding a complete phase-out of Russian oil and gas imports, thereby complicating unanimous acceptance and implementation of the specific measures proposed by the European Commission on 6 May (see [‘The European Commission’s plan for abandoning Russian energy imports’](#)).

APPENDIX

Iranian oil and gas

Iran holds the third-largest crude oil reserves in the world and was the seventh-largest producer by volume in 2023. In 2024, according to Argus, its output increased by 380,000 barrels per day (bbl/d), reaching 3.32 million bbl/d – the highest level since 2018, when US sanctions on Iran were tightened. Iranian oil exports also rose, reportedly by more than 10%

year-on-year. According to domestic media, export revenues were the highest in a decade. In the first months of 2025, exports continued to grow and, depending on the source, were estimated at between approximately 1.65 million and as much as 2.1 million bbl/d. At the same time, some industry forecasts (e.g. from Kpler) projected a decline in production of several percent, up to 10%, in the second half of the year – mainly due to stricter enforcement of US sanctions on export logistics under the Trump administration. Iran is also a major oil and petroleum products consumer – the ninth-largest globally in 2023 – using approximately 1.8–2 million bbl/d, all sourced from domestic production.

Iran possesses the world's second-largest natural gas reserves, after Russia, and was the third-largest gas producer in 2023. Its most important gas field is South Pars, located in the Persian Gulf and shared with Qatar. It is the world's largest, with estimated reserves of 51 trillion m³ and daily production of approximately 715 million m³. Iran is also a massive consumer – the fourth-largest globally – with over 90% of domestic production used internally. Gas accounts for nearly 75% of the country's primary energy mix and generates more than 80% of its electricity. Iran also exports gas to neighbouring countries, primarily Iraq and Turkey.