

USA: the consequences of rising oil prices

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In less than two weeks since the start of the US-Israeli intervention in Iran, fuel prices in the US have risen by around 20%. This stems from a surge in global oil prices rather than from supply constraints in the US domestic market. The United States is currently the world's largest oil producer (more than 13 million barrels per day) and a net exporter of oil (4 million barrels per day in 2025). Despite this, it still imports more than 6 million barrels per day, primarily from Canada and Mexico, which together account for around 70% of its total oil imports. Supplies from the Gulf states represented 8% of US oil imports in 2024.

Oil prices in the United States have followed global trends. The disruption of transport through the Strait of Hormuz, which carries around 20% of global oil supply, had an almost immediate impact on fuel prices in the country, sparking concerns that it will drive up inflation and mortgage rates. However, the rapid price increases have not affected natural gas prices, owing to the scale of US production and high storage levels.

On 11 March, President Donald Trump decided to release 172 million barrels of oil from the Strategic Petroleum Reserve. The Trump administration is also seeking to persuade shipping companies to return to the waters of the Strait of Hormuz by offering transport insurance. To this end, the federal government agency DFC has partnered with the private insurer Chubb. Talks are reportedly under way on temporarily suspending US regulations under the Jones Act, which currently limit options for transporting oil and thus contribute to rising costs. Washington is also considering using the US Navy to escort tankers through the Strait of Hormuz.

These ad hoc measures are intended to stem the rise in oil prices and reduce political pressure on the administration in the coming weeks. Should these negative trends persist over the next few months, they could adversely affect the Republicans' electoral performance and exacerbate divisions within the MAGA movement.

Commentary

- **The Trump administration was not prepared for a sharp rise in oil prices and is now searching for ways to mitigate it.** Washington likely assumed that its initial strike would weaken Iran's ability to retaliate and that any resulting fluctuations in commodity prices would be short-lived. It is now striving to achieve a short-term reduction in price increases, hoping that the negative consequences will subside within a few weeks. The administration's actions and rhetoric are aimed at reassuring shipping companies, investors, and the general public. Rising prices and strong market demand may also lead to an increase in US oil production – by around 500,000 barrels per day by 2027,

according to forecasts by the US Energy Information Administration (EIA). Should the situation deteriorate drastically, Washington could also consider imposing partial restrictions on crude oil exports.

- **Russia has benefited from the Trump administration's efforts to lower fuel prices.** On 5 March, the United States announced a 30-day suspension of sanctions on Russian oil to enable India to purchase crude already loaded onto tankers. On 12 March, Washington expanded this measure, announcing a 30-day suspension of sanctions on Russian oil currently being transported by tankers (approximately 130 million barrels), thereby allowing other countries to purchase it. However, these decisions are unlikely to exert significant downward pressure on global oil prices. Russian crude is already present on the market, so easing sanctions on this portion of Russian exports has not actually increased supply. It has merely reduced service costs for intermediaries, which will narrow the discount on Russian crude.
- **Thus far, the attack on Iran has not eroded President Trump's support among his electoral base.** This is despite the fact that by choosing to intervene in the Middle East, he acted against his campaign promises. Although polls show that a majority of Americans do not support the intervention in Iran (according to an NBC News poll from 3 March, 54% oppose it while only 41% support it), approval among voters identifying with the MAGA movement is as high as 90%. However, divisions have emerged among right-wing commentators, some of whom have sharply criticised the president's decision to launch the attack. This could lead to deeper fractures within the Republican electorate should the negative economic consequences persist for an extended period.
- **Rising fuel prices and their impact on the cost of living could have negative consequences for the Republicans in the US Congressional midterm elections this autumn.** A majority of Americans are critical of President Trump's economic policy: the RealClearPolitics polling average from 9 February to 9 March shows that 57% of respondents disapprove of it, while 39% view it positively. Given that economic issues are likely to dominate the election campaign, this represents a significant reputational burden for Republican politicians.
- **The combination of economic pressure and the election campaign could compel Trump to bring the conflict to an end and stabilise the situation in the region, although this is unlikely to happen within the next two months.** The Trump administration expects that it will take about four weeks to assess the actual economic impact of the conflict. The EIA forecasts that high oil prices will persist for around two months before beginning to fall. This would allow the administration to anticipate a drop in fuel prices in the period leading up to the elections.