Towards A New Oil Crisis?

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The US is looking to start a new regional war in the Middle East with the dual objective of drying up China's energy sources and subsequently, designing the cartography of the new Greater East. Such an escalation of war could reenact the 1973 Oil Crisis of disastrous memories for the world economy and that would translate into the energy domination of the European Union of liquefied gas and American crude.

Thus, the foreseeable increase in the escalation of war would translate into an escalation of crude oil to $150, a brutal increase in inflation rates, the consequent increase in the price of money by the Central Banks, the subsequent economic suffocation of countless countries and finally, the entry into stagflation scenarios, characterized by economic stagnation and high inflation (secular stagflation).

New Oil Crisis?

Given that alternative energy still needs huge subsidies to be viable in developing countries, the practice of fracking raises environmental concerns and the inertia of oil assets will not allow large companies to abandon their current equipment and infrastructure, the world economy will continue to gravitate towards oil dependency in the next decade.

Image: Oregon gasoline dealers displayed signs explaining the flag policy in the winter of 1973–74 (From the Public Domain)

The International Energy Agency (IEA), in a report entitled “Global Energy Investment Prospects”, warns that it will be necessary to invest $48 billion until 2035 to cover the growing world energy needs. The major developed countries have strategic oil reserves that are used exclusively in critical situations to ensure domestic consumption for a couple of months.

However, according to the US Department of Energy, reserves in the US have fallen sharply and are 374.4 million barrels of oil well below the level of 600-700 million in the last decade and in the case of China, would have about 511 million barrels in storage, so its crude oil reserve is equivalent tobetween 40 and 50 days.

Global inventories would also have fallen by 57 million barrels in the second quarter, coupled with a voluntary cut in production of 2.2 million barrels per day, agreed between Russia and OPEC until the end of 2025 and the lack of resolution of the Iranian dispute, have caused a daily deficit of 1 million barrels per day and a dangerous “supply anxiety” to increase the countries’ inventories, Brent crude oil has risen to $75 per barrel.

Should the situation in the Middle East continue to escalate, Iran could try to prevent trafficking across the strategic Strait of Hormuz if the US resorts to military action against the Islamic Republic. According to IEA (International Energy Agency) estimates, 13.4 million barrels per day (bpd) of crude oil would pass through the narrow channel in oil tankers (representing almost 30 percent of the supply of crude oil traded worldwide), with which the crude could climb up to $150, reissuing the 1973 Oil Crisis.

This would lead to a worldwide supply-gap psychosis, which would be reflected in a wild rise in the cost of freight and agricultural fertilizers. This, together with unusual droughts and floods in the traditional world barns and the consequent application of restrictions on the export of commodities from these countries to ensure their self-sufficiency, could lead to shortages of agricultural products on world markets, the rise of their prices to stratospheric levels and the consequent global food crisis.

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