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WEEKEND READING
ENERGY MARKETS
CEO BRIEFING NOTE

*“G7 Summit Faces Crucial
Test Amid Israel-Iran Crisis:
Global Growth & Stability at Stake”*

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ENERGY MARKETS CEO BRIEFING NOTE – June 12th

G7 Summit Faces Crucial Test Amid Israel-Iran Crisis: Global Growth and Stability at Stake

As leaders of the world's seven largest advanced economies gather in Canada this weekend, their summit agenda has been dramatically reshaped by Israel's unprecedented military strikes against Iran. Far from being a distant regional skirmish, this event poses profound implications for global economic growth, energy stability, and the political order itself

By Sean Evers, Managing Partner, Gulf Intelligence

Economic Stability Under Threat

The immediate market reaction to Israel's attack was telling yet incomplete. Oil prices spiked rapidly but quickly moderated, reflecting investor caution rather than calm. Experts agree this initial reaction does not capture the full scope of risks at play. If the conflict escalates further, particularly if Iran targets strategic infrastructure or vital oil transit points such as the Strait of Hormuz, oil prices could surge dramatically, reigniting global inflation and severely undermining fragile economic recoveries worldwide.

The ripple effects would be felt intensely by the world's major economies, particularly those represented at the G7 summit. Europe, still grappling with the fallout from the Ukraine war, would face renewed energy security threats and inflationary pressures. For the U.S., already navigating domestic economic turbulence amid high debt levels and inflation concerns, higher energy costs would compound fiscal pressures, complicate monetary policies, and strain an already polarized political landscape.

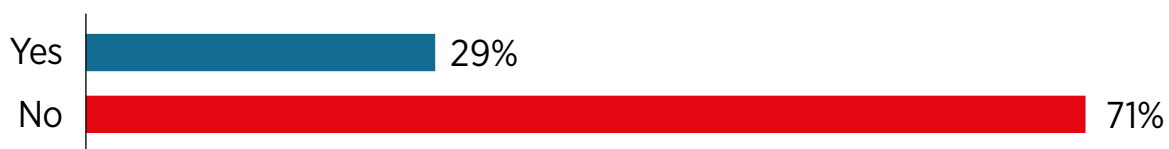
Central banks worldwide, cautiously optimistic due to recent easing inflation, now face renewed concerns. Rising oil prices and increased geopolitical uncertainty could force tighter monetary policies, exacerbating global debt



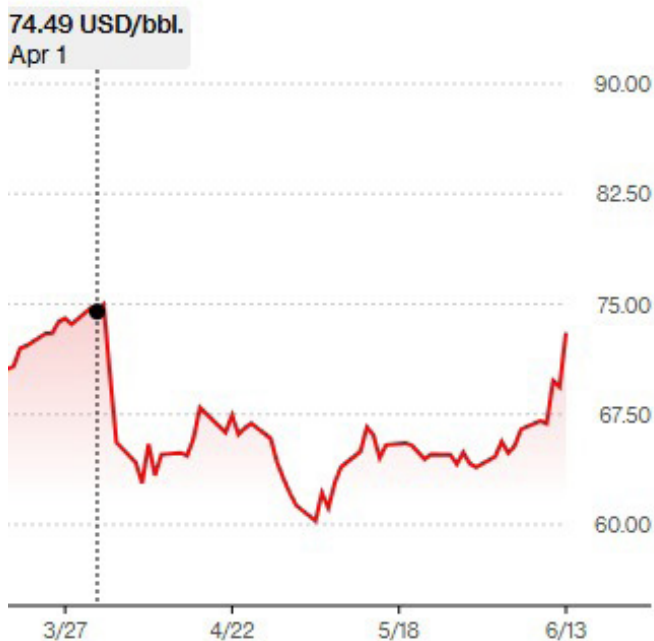
Source: The New York Times

vulnerabilities, especially in debt-laden economies already struggling post-pandemic. The fiscal fallout, including potential reintroduction of costly energy subsidies by governments desperate to avoid social unrest, could trigger austerity measures, political instability, and further economic polarization globally.

Have we already seen the peak spike in oil markets reaction to Israel attack on Iran?



(*nb. Polling conducted with 100+ Energy Market Stakeholders June 13)



Financial markets have also signaled unease beyond typical geopolitical risk premiums. The muted response from traditionally safe-haven bond markets indicates deeper systemic vulnerabilities and limited investor confidence in the global financial system's resilience. Continued geopolitical instability could further restrict policy responses, escalating financial market volatility and economic uncertainty.

Geopolitical Repercussions and U.S. Diplomatic Credibility

Beyond economics, the crisis significantly undermines U.S. diplomatic credibility. Despite clear American cautions against aggressive unilateral action, Israel proceeded independently, casting a shadow over America's global leadership and negotiation capability. This erosion of diplomatic authority is precisely the kind of fracture authoritarian and rival powers seek to exploit, reshaping international relations in ways that diminish Western influence and cohesion.

Moreover, the internal political dynamics within the U.S. add complexity. Strong Republican support for Israel's actions places intense pressure on the Trump administration, potentially drawing America deeper into direct military engagement. Such involvement would exacerbate geopolitical instability, strain resources, and further polarize U.S. domestic politics.

The underlying geopolitical shifts triggered by this crisis are profound. Experts foresee China emerging as a significant beneficiary, exploiting diverted U.S. attention to consolidate its position in other strategic arenas, particularly in Asia-Pacific and within global economic institutions. The potential for accelerated transition to a multipolar world order looms, weakening established alliances and complicating international governance at precisely a moment when collective leadership is most urgently needed.

Regional actors in the Middle East will initially seek diplomatic containment. Gulf states, central to global

energy supply, will strive to avoid escalation. Yet the delicate diplomatic landscape could quickly unravel should Iran's retaliatory responses be ineffective or disproportionately aggressive, emboldening further Israeli military actions and triggering broader regional instability.

The strategic ambitions underlying Israel's military actions cannot be overlooked. If the true aim is regime change or profound destabilization of Iran's government, the consequences could be catastrophic. Rather than weakening Iranian hardliners, such actions risk strengthening radical factions, deepening internal instability, and creating vacuums that extremist groups could exploit, further exacerbating regional and global security threats.

Nuclear Proliferation and Global Security Risks

The threat of nuclear proliferation adds yet another alarming dimension. Should Iran emerge further isolated or destabilized, regional powers such as Saudi Arabia, Egypt, Turkey, and the UAE might pursue nuclear capabilities defensively. A Middle East nuclear arms race would irreversibly alter regional security dynamics, dramatically elevating global security risks and straining international non-proliferation frameworks.

For emerging economies, the stakes are equally dire. India, representing the Global South at this weekend's summit, faces severe vulnerabilities. Heavily dependent on Middle Eastern oil, India's economic stability hinges precariously on sustained regional peace. Disruptions in critical energy corridors or prolonged conflict threaten not only India's economic ambitions but also its strategic initiatives, like the India-Middle East economic corridor aimed at bolstering connectivity with Europe. Any protracted instability could severely hamper India's development trajectory, creating ripple effects across Asia's economic landscape.

Amidst this complex backdrop, the G7 leaders meeting this weekend thus face a profound moment of reckoning. The decisions made—or avoided—at this pivotal juncture will not only shape immediate economic outcomes but could define the geopolitical landscape for decades. Silence or passive responses to this crisis risk accelerating global fragmentation, further destabilizing international systems already under severe strain from pandemics, economic uncertainty, and rising authoritarianism.

Now, more than ever, coordinated and decisive leadership is needed. G7 nations must rise above short-term political calculations, reaffirm collective diplomatic efforts, and seek urgent resolutions to contain conflict escalation. Economic stability, global political cohesion, and decades of progress in international governance are at stake. Inaction or division at this summit would resonate deeply, signaling to adversaries and allies alike that Western leadership is fractured, further destabilizing global markets and empowering disruptive global actors.

The world stands at a critical crossroads. The G7 leaders have a responsibility not merely to react but proactively shape outcomes. How they respond this weekend could define the trajectory of global stability, economic prosperity, and geopolitical order for years to come. The stakes have rarely been higher, nor the responsibilities greater. ■



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