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MONDAY MORNING
QUARTERBACK
ENERGY MARKETS
CEO BRIEFING NOTE

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Misjudge the Israel-Iran Conflict”*

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The World Can't Afford to Misjudge the Israel-Iran Conflict

By Sean Evers, Managing Partner, Gulf Intelligence

A dangerous illusion has taken hold. Despite missiles raining down on Tel Aviv and Tehran, targeted military strikes on nuclear sites, and oil prices climbing over 12% in a week, global markets—and global leadership—have responded with a troubling calm. The world appears to be misreading the moment. What is unfolding is not a temporary flare-up or a regional rivalry. It is the opening phase of a potentially catastrophic war between two of the most entrenched enemies in the Middle East. And the longer it continues unchecked, the closer it drags the global economy and political order toward the edge.

This conflict is not simply about Iran and Israel. Its consequences radiate across the Strait of Hormuz, through oil markets, into the fragile architecture of nuclear non-proliferation, and into the heart of a world economy still reeling from inflation and trade volatility. The stakes could not be higher. Left to escalate, this war risks triggering a global recession, reshaping the balance of power, and ending what little remains of multilateral diplomacy.

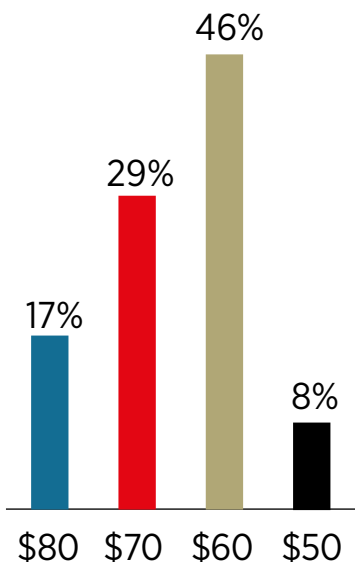
The False Calm: Oil Markets Misread the Moment

Oil markets, thus far, have shown more skepticism than shock. Brent crude rose modestly in the aftermath of direct missile attacks and intelligence reports confirming the likely continuation of the conflict. The relatively muted price response reflects confidence in strong supply fundamentals, available storage, and contingency routes like pipelines through Fujairah or Saudi Red Sea terminals. But that calm could be a trap.

Traders and analysts warn that the market is treating this conflict as just another headline risk. But this time is different. The war is direct, not proxy-based. The targets are harder, the rhetoric sharper, and the risk of escalation far more real. If Iranian energy infrastructure or export terminals such as Kharg Island are struck—or if Iran retaliates by targeting facilities in Israel or Saudi Arabia—oil markets will not remain restrained.

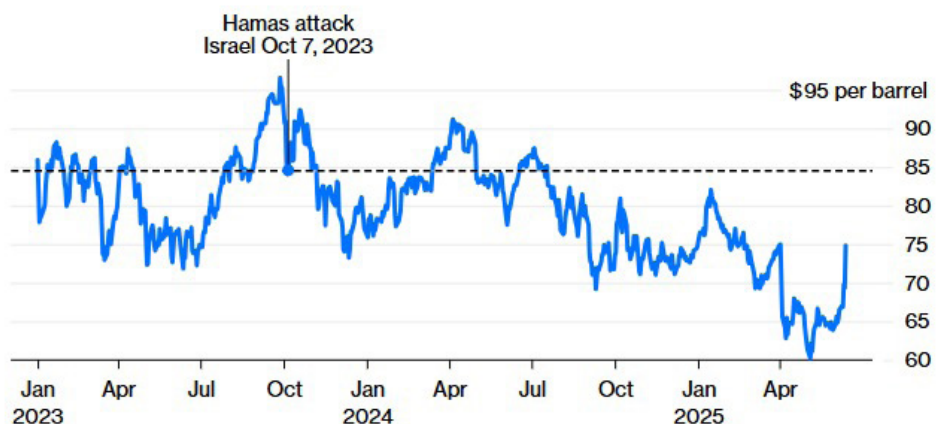
The Strait of Hormuz remains the elephant in the room. Roughly 20% of the world's oil passes through it. While many argue Iran wouldn't risk shutting its own lifeline, the logic of war may override economic calculation. In the eyes of Tehran, closing the

Brent crude oil will end up to average around \$70 in H1 2025 – what will it average closest to in H2?



Two Years of Chaos in the Middle East

The cost of Brent crude is below what it was when Hamas attacked Israel



Source: Bloomberg

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



Brent crude oil is up 12% since June 11th – Geopolitical risk premium is unlikely to rise much further until oil supply infrastructure is actually targeted in Israel-Iran war?



(*nb. Polling conducted with 100+ Energy Market Stakeholders June 9, 13 & 16)

Strait could be the ultimate lever to globalize the pain, draw international pressure on Israel, and challenge U.S. leadership. If that happens, the world could see oil at \$120+ per barrel overnight—and a deep global recession in the weeks that follow.

Diplomacy in Tatters, Escalation on the Horizon

What's equally troubling is the crumbling of diplomatic architecture. The war has demonstrated the failure of traditional power brokers to prevent escalation. Despite repeated warnings, no external actor was able to stop the strike that ignited this war. Now, the very idea of negotiations is collapsing under the weight of political expediency and mutual distrust.

For Iran, regime preservation is the first and final filter for decision-making. As long as its core leadership feels existentially threatened, it will escalate—calibrated or not. Israel, meanwhile, appears to view this as an opportunity to degrade Iran's military and nuclear command infrastructure permanently. If those aims expand to include political decapitation, as some suspect, then retaliation becomes inevitable—and large-scale.

There is little to suggest that either side has the appetite for talks. Prior nuclear agreements have been broken or abandoned. Intelligence leaks indicate Iran has suspended further diplomatic engagement for now, while Israel has doubled down on air campaigns. Meanwhile, international efforts at mediation have been sluggish and noncommittal. The growing consensus among observers is that no party at the center of this crisis is willing—or able—to find an off-ramp.

That leaves the door open to escalation. And with each retaliatory strike, the risk expands beyond missile counts or city names. The real danger is a tipping point: a targeted strike on a vital refinery, an accidental hit on a U.S. base, or an Iranian closure of shipping lanes. Such triggers could transform this conflict from a regional war to a global shock.

Asia's Silence and the West's Paralysis Could Tip the Balance

The most affected customers of Gulf oil—Asia's largest economies—have been remarkably quiet. Nearly every drop of Middle East crude fuels industry, transport, and energy grids in

China, India, South Korea, and Japan. And yet, the reaction from these capitals has been cautious to the point of passivity.

This silence is strategic. Asian nations are well stocked in the short term and have turned to West African crude and U.S. exports to diversify. But this buffer is temporary. If tanker insurance premiums rise tenfold, or if Hormuz becomes unsafe, supply security vanishes quickly. That's when silence may turn to panic.

Western governments, meanwhile, appear politically paralyzed. Israel's aggressive stance is as much about domestic survival as strategic necessity. Some analysts describe the campaign as being driven by personal political agendas, rather than long-term national interest. And the international community's most influential players seem either unable or unwilling to challenge that narrative.

The absence of global leadership opens the door to further breakdown. It signals to Tehran that restraint is pointless. It encourages Israel to act with impunity. It emboldens opportunistic actors like Russia and China to exploit the vacuum. The war, in this light, becomes not just a regional confrontation, but a global stress test of power, resilience, and rules.

Conclusion: What's at Stake

This conflict is not just another flare-up in a volatile region. It is the most direct military clash between two of the Middle East's most powerful actors in decades. It places vital global energy flows at risk. It tests the credibility of international diplomacy. It challenges the assumption that global powers can insulate themselves from regional wars.

At stake is the stability of global oil markets. The integrity of nonproliferation frameworks. The credibility of Western diplomacy. The economic security of billions. And ultimately, the choice between escalation or diplomacy.

Without urgent de-escalation, this war could spiral into a multi-front crisis that the world cannot afford—economically, politically, or morally. Leaders across continents must stop assuming others will act. The time for muted statements and cautious calculations is over. The world must confront this war for what it is: a global threat with no winners. ■



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