

MNI: Political Drivers for Energy Markets Feb. 23-Mar. 3

By Lawrence Toye (23/02/2026)

Executive Summary:

- The **U.S. and Iran** are planning to **meet in Geneva** this week, as Tehran plans to present a nuclear deal proposal while **Trump considers limited strikes**.
- The U.S. **supreme court struck down** Trump's ability to impose **tariffs via the Emergency Economic Powers Act**, but that is **unlikely to translate into liberalised trade**.

U.S.-Iran on Brink as Negotiations in Last Chance Saloon

U.S. and Iranian negotiators are expected to meet in Geneva on Thursday (Feb. 26) to discuss a detailed Iranian proposal for a nuclear deal.

- The current diplomatic push is likely the last chance President Trump will give Iran before launching a massive U.S.-Israeli military operation that could directly target Supreme Leader Ali Khamenei, U.S. officials told media outlets.
- Though no final decisions have been made, advisers said, The NYT reported that Trump has been leaning toward conducting an initial strike in coming days intended to demonstrate to Iran's leaders that they must be willing to agree to give up the ability to make a nuclear weapon. This would leave open the possibility of a wider military assault later in the year to topple the regime if it still refused to give up its nuclear ambitions.
- A senior U.S. official told Axios on Sunday morning the Trump administration expects to receive the proposal by Tuesday (Feb. 24).
- Trump's team believes Tehran is making serious proposals for these next talks to dilute its stockpile of highly enriched uranium and show it is not seeking a nuclear weapon.
- Iranian Foreign Minister Abbas Araghchi believes the proposal will be discussed in Geneva and both sides will work to try and reach "a fast deal." He added that there is still a "good chance" for a diplomatic solution.
- While Araghchi told U.S. media last week that zero enrichment was not discussed, the U.S. publicly maintains that this is the only acceptable outcome.
- The NYT is reporting that a potential face saving off ramp is a "very limited nuclear enrichment program that Iran could carry out solely for purposes of medical research and treatments."
- Israeli media is reporting that Trump may be pushing for an Iran deal in stages, initially focusing on the nuclear issue before addressing other concerns such as Iran's support for proxies and its missile programme.
- Trump's advisers say the president could change course and order a strike at any time, but many on his team are currently advising patience, with concerns over the lack of a clear goal for any kinetic operation.
- Iran's foreign ministry reiterated that any strike, even limited, would be "Regarded as an act of aggression. Period". This may drag the U.S. into a protracted conflict it sought to avoid.

OUTLOOK: The looming Iranian nuclear proposal details is likely the last chance for diplomacy and the final opportunity to prevent a kinetic strike. The massive build-up of U.S. forces has backed Trump into a corner, and thus significant concessions from Iran to limit or end its nuclear programme are necessary to avert military action.

- A key unknown is how determined the Trump administration is to ensure zero rather than limited enrichment.

- If the U.S deems the proposal insufficient – very possible given the gulf between at least the two sides' rhetorical positions – at least some form of kinetic action against Iran would be likely and could take place by the end of the week.
- The think tank CSIS noted four potential risk scenarios for oil: The US blockading Iranian oil flows, The US striking Iran's oil infrastructure at Kharg Island, Iran attacking wider energy infrastructure in the Persian Gulf, and Iran disrupting flows through the Straits of Hormuz.
- If Trump goes ahead with strikes, direct targets on Kharg are unlikely, given it would have longer lasting effects on global oil prices. However, Iranian retaliation targeting of Middle East energy infrastructure or harassing ship traffic would be a realistic possibility. A full blockade of the Straits of Hormuz remains unlikely given Iran's own dependence on the chokepoint.

Supreme Court Strikes Down Trump Tariff Power

The US supreme court on Friday struck down Trump's tariffs imposed under the International Emergency Economic Powers Act (IEEPA).

- Trump responded by promising to impose a global tariff duty, initially quoting a 10% levy, before upping it the next day to 15% under Section 122 of the 1974 Trade Act.
- Bloomberg noted that this would put the effective U.S. tariff rate to 16.5%, compared to 13.5% before the ruling. However, the new flat tariff appears to only include products covered by reciprocal tariffs and includes carveouts. This would put the average effective rate at 10.2% for a 10% tariff, or a 12% effective rate for a 15% global tariff. Either way, it is set to be the lowest level since Liberation Day.
- However, an analysis from the Yale Budget Lab suggests an upper limit of 15% without the IEEPA exemptions would push the effective tariff rate to 24.1%.

OUTLOOK: While the lifting or at least lowering of tariff rates would on its face could be seen as more bullish for economic growth and thus supportive of oil and natural gas demand, the market has taken a more neutral outlook to its influence on consumption.

- This is because the ruling does not dismantle the broader framework for imposing tariffs and it is widely expected that the Trump administration can find other ways to reimpose the levies.
- Moreover, the effective tariff rate could be akin to the level prior to the ruling, offering limited scope for additional growth.
- While energy imports had been and continue to be exempt from tariffs, the industry continues to be affected by levies on other products such as steel.