

MNI: Political Drivers for Energy Markets Oct. 13-19

By Lawrence Toye (13/10/2025)

Executive Summary:

- As a **tentative ceasefire enters force in Gaza**, freight markets consider an eventual return of **shipping transits via the Red Sea**.
- **US-China tariff threats** have returned amid new exports controls on minerals.
- **Ukraine and Russia** continue to trade **strikes on energy infrastructure**

Israel-Gaza Ceasefire

The tentative ceasefire deal between Israel and Hamas in Gaza is seen as a first step to easing the current febrile geopolitical tensions within the Middle East.

- As part of the deal, Hamas has returned all living Israeli hostages along with the remains of deceased hostages it holds. Palestinian prisoners are due to be released from Israeli custody in return.
- Israel will also withdraw from its current position to a line detailed in the agreement, leaving it in control of 53% of the Gaza strip.
- This is the first of a three-stage withdrawal, with no timeline for the later phases such as a more extensive Israeli withdrawal from Gaza.
- The Middle East Eye reported that the leader of Yemen's Houthi rebels Abdul-Malik al-Houthi has ordered a halt on attacks against Israeli-linked ships in the Red Sea for as long as the ceasefire holds.
- The Iranian-backed rebels have been targeting vessels transiting the Gulf of Aden since late 2023 as a means of resisting the Israeli military operation in Gaza. The result has been a 70% drop in maritime traffic through Aden.
- Despite the hope for an end to hostilities, sentiment in the shipping industry remains cautious. Shipping giant Maersk confirmed that its vessels will continue to avoid the area until conditions are deemed sufficiently safe.

OUTLOOK: The next days and weeks will be key to determining whether the ceasefire holds. Given that the Trump administration has widely touted this deal, Washington is likely to pressure both sides to stick to the plan and uphold the ceasefire in the near-term.

- A period of calm with no subsequent attacks from the Houthis would offer conditions whereby Suez transits could restart. However, it may be some time before the conflict risk is sufficiently low to resume voyages.
- Should Suez transits return, it would be bearish for delivered oil and LNG prices, cutting freight costs.
- Israel's relationships with its Arab neighbours Egypt and Jordan have been strained due to the conflict, but both have ensured energy cooperation continues. While this is likely to endure irrespective of the ceasefire's success, a long-term Gaza truce could help to deepen energy ties even further.

US-China Tariffs Return

On Oct. 10, Trump threatened China with a 100% tariff as well as export controls on any critical software starting from November. The President had already threatened to cancel a meeting with President Xi earlier in the day.

- This followed Beijing's new restrictions on rare earth metals and other mineral exports. These are critical for the US defence sector, needed for equipment such as fighter jets and submarines.
- China says the action is defensive, accusing Washington of implementing restrictions on China's access to chips.
- Beijing also said that the US should stop threatening higher tariffs and urged negotiations. A tariff of 100% likely acts as a de facto trade embargo for most goods.
- Trump has since appeared to downplay these threats, posting on Truth Social on Sunday "Don't worry about China, it will all be fine! Highly respected President Xi just had a bad moment."

OUTLOOK: While the rhetoric between the world's top economic powers will be concerning for the global economy and could pressure energy markets in the near term, the market has become acquainted with such trade war threats over the course of 2025.

- Given the importance of US chips for China and Chinese refined rare earths for the U.S, it is likely that some sort of compromise will be found which at least extends the deadline for any tariffs of export restrictions.
- However, in the near-term, oil and gas markets may be sensitive to headlines and comments from U.S and Chinese government officials.

Russia-Ukraine Continues

While Trump can celebrate a ceasefire agreement in Gaza, no such deal appears in site in Ukraine.

- Trump and Zelenskiy had a call over the weekend to discuss air defence and long-range weapons. Washington is still deliberating on whether to provide Tomahawk long-range missile which put Moscow within range of fire.
- Wires reported that the U.S. has been providing intelligence to help Ukraine step up its ongoing strikes on Russian energy targets such as refineries.
- In response to refinery attacks, Russia has targeted Ukrainian gas storage facilities ahead of winter, as well as Ukraine's power grid during the night of Oct. 11
- Kremlin spokesman Dmitry Peskov said the situation in Ukraine has reached a "very dramatic moment" adding that tensions are "escalating from both sides."

OUTLOOK: It is unclear whether the U.S will agree to the long-range missiles, which Russia would view as escalatory.

- Regardless of the Tomahawks, attacks on Russia's energy infrastructure are likely to continue, causing its refining industry to falter and limited output of fuels such as diesel and gasoline.
- Russia is also highly likely to continue its targeting of Ukrainian gas and power grids ahead of winter.
- New sanctions on Russia from the US remain unlikely, with the idea of secondary sanctions on buyers of Russian oil off the table while NATO members continue to buy Russian energy.

US-Venezuela Tensions

Diplomatic relations continue to worsen between the US and Venezuela, with Trump threatening to conduct anti-drug-trafficking operations on Venezuelan soil. There are concerns that this is a front to attempt to oust current President Nicolas Maduro, who has a \$50bn U.S. bounty on his head for alleged drug trafficking.

- The NYT reported that Maduro's regime had offered to open Venezuela's oil and gold projects to U.S. companies to appease the Trump administration and avoid conflict. It also proposed diverting oil currently headed to China to the USA and ending some deals with Russia and Iran.
- Eschewing diplomatic negotiations, the U.S. reportedly rejected the proposal.
- Polymarket places the likelihood of US military engagement in Venezuela by the end of the 2025 at 65%.
- Despite the growing concerns, the U.S. did grant Trinidad and Tobago permission to explore an offshore gas field in Venezuela, close to its maritime border, a sign of U.S. practicality despite ratcheting up diplomatic pressure.

OUTLOOK: While concerns of US military engagement rise, the energy markets have shown little reaction and are unlikely to unless the security situation in Venezuela deteriorates significantly and or there is any change to Chevron's license to export. Either scenario would add some support to oil prices, particularly for heavy sours in the Americas.

- Even in the case of confrontation, the U.S. is likely to support a continuation in Chevron's limited operations
- Reports of Maduro's offer for U.S. involvement in the energy sector was reportedly dismissed but were a future offer even more in Washington's favour to arise, it may spark more interest in the White House.