

MNI: U.S-Iran Tensions – Watch to Watch for Oil

By Lawrence Toye (24/02/2026)

Executive Summary:

- As a **massive U.S. military force** amasses in the Middle East and **negotiations between Washington and Tehran** reach their final phase, here are the **key factors** that could set crude's price direction

Pre-Strike Diplomacy: What to Watch

With a draft nuclear deal proposal expected imminently from the Iranians and further U.S.-Iran negotiations set for Geneva Feb. 26, these are the key factors to watch during the ongoing negotiations that could move prices in the coming days:

Iranian Nuclear Proposal

Recent reporting suggests that Iran is going to present the U.S with a draft proposal on its nuclear programme. The terms of this deal will be key in determining whether diplomacy continues or collapses. Iran repeatedly stresses it has no desire for a nuclear weapon but is entitled to a civilian programme. The US is calling for zero enrichment.

- US rhetoric in response to the deal is also an important guide to the prospects for a non-military solution. Any positive signals as to the proposal may be a starting point for an off ramp and bearish for oil. In contrast, a proposal without significant Iranian concessions is unlikely to bridge the gulf between the two positions and we may not reach the planned talks in Geneva Feb. 26.

Trump Insights

Media reports from NYT, WSJ, and Axios with sources inside the administration continue to drive market direction. So far, they imply that Trump has not made a final decision on strikes, with some key advisors calling for military caution.

- During the 12-day war, Trump had been sanguine about a possible deal with Iran in public, only for Israel to strike while negotiations were ongoing. While the reliability of these anonymous sources is impossible to assess, they can be used as a guide for the goals of the administration vis a vis possible action.
- "I am the one that makes the decision, I would rather have a Deal than not but, if we don't make a Deal, it will be a very bad day for that Country and, very sadly, its people." Trump said via Truth Social.
- It highlights similar messaging to throughout the recent standoff; a deal is preferable but threats of action if not.
- Trump on Monday categorically rejected media reports about his top general Dan Caine's opposition to any attacks on the Islamic Republic and also allegations about his administration's potential plans for limited military strikes against Iran.
- The U.S. leaves itself in a vulnerable situation were it to undertake limited strikes, unable to control Iran's likely military retaliation.

U.S Military Movements

The USS Abraham Lincoln carrier strike group is already in the Arabian Sea, with the USS Gerald Ford expected to arrive in the coming days having passed through the Mediterranean.

- The arrival of the latter provides additional fire power and, given the cost of operating this fleet, creates a shot clock for engaging or backing off.

U.S Regional Movements

Oil is likely to find support from any news reports of evacuations of US diplomatic missions in the Middle East. The U.S. has already evacuated non-essential staff from its embassy in Beirut, Lebanon.

- Likewise, removing non-essential staff from U.S regional bases could be a sign of imminent kinetic action. Sites to watch include: the Al-Udeid base in Qatar, Al-Asad base in Iraq, fifth fleet in Bahrain, Camp Buehring and Ali al-Salem Air in Kuwait, and al-Dhafra Air Base in the UAE.

Israeli Alert Level

Given that any kinetic action is likely to lead to Iranian retaliation against Israel, tracking the country's preparations can also signal the likelihood of action to the market. Israel already announced it may have to evacuate embassies.

U.S Blockade of Iranian Vessels:

The U.S. pursued this strategy against Venezuela before the eventual military operation. Consequently, Washington could begin with an intermediate step to blockade Iranian ships transiting the Straits of Hormuz.

- This may be further pressure before risking full-scale action. However, it is likely to be escalatory and supportive for oil markets.

What to Watch if Trump Calls for Strikes

Should a deal be struck, even an imperfect one, limited in scope and requiring further negotiations at a later date, crude is likely to swiftly shed its war risk. Market analysts have this current premium at around \$5-\$10/b.

- However, if Trump does call for kinetic strikes, a crude price of \$100/b plus could be in reach if crude flows are disrupted. These are the key areas to watch for oil markets.

Kharg Island

Kharg Island is a key node for Iran's oil exports, handling around 1.6m b/d, or 90% of the country's exported volumes. Kharg was spared during the 12-day war and outflows continued. If the US (and possibly Israel) attack the terminal, it will be bullish for oil and signal longer-term supply disruption. CSIS expect a \$10-\$12/b rise in Brent if these flows were curtailed. However, the likelihood of it being a principal target are low.

- China is the outlets for almost all Iran's flows. While 15% of Beijing's crude comes from Iran, it is unlikely to be impacted severely in the short term as around four months of Iranian crude in floating storage in Asia, according to Vortexa and Kpler.
- Attacking Kharg Island would hamper Iran's oil revenues and make it more likely to take more aggressive action against shipping in the Straits of Hormuz.

Flows Through Hormuz:

Another factor to watch is actual flows through the Straits of Hormuz, the only waterway connecting the Persian Gulf. Market analysts note that a threat to close the Straits of Hormuz could have a short-lived \$15-\$20/b upside for crude.

- While the start of the war is set to spike oil in the near term, this should settle down if oil continues to flow without disruption. Freight rates will likely rise due to the added risk but would be set for an even higher increase if there were deliberate targeting of tankers.
- The worst-case scenario for oil markets is a closure of the Straits of Hormuz, which would shut in around 9m b/d of crude, 10% of global diesel, and 20% of global jet fuel. Iran may mine or look to close the Straits of Hormuz if the crisis becomes existential for the regime and their own oil flows are already halted.
- Given the U.S. fire power in the region and the fifth fleet in Bahrain, any closure would be temporary but exert a significant surge in prices.
- A more likely scenario is the use of drones and boats to harass shipping, akin to the Houthis' strategy in the Bab el-Mandeb strait. This would keep oil flowing but require military escort. Flows would continue but at a slower pace. Given the elevated risk to tankers, freight rates would climb. The initial concern could push crude to around \$90/b, according to CSIS in a scenario of Iranian attacks on shipping.

Iranian Retaliation

Iran has vowed to retaliate to any strike, and given the regime's weakened position, it may need to deal a blow to the U.S. in fear of further future action.

- The most likely targets would be U.S. military installations in the Middle East. As noted above, these could include: the Al-Udeid base in Qatar, Al-Asad base in Iraq, fifth fleet in Bahrain, Camp Buehring and Ali al-Salem Air in Kuwait, and al-Dhafra Air Base in the UAE.
- These bases are also close to key oil installations such as loading ports and refineries. This threatens to disrupt output around the Persian Gulf. Some output may be shuttered as a precaution even if infrastructure is not a direct target. Indications of precautionary closures would be bullish for oil.
- Alternatively, Iran may directly target the host countries of regional U.S. bases, raising the risk that oil infrastructure is a targeted. The longer the conflict drags on and the closer the Iranian Islamic regime is to collapse, the higher the likelihood that Tehran resorts to more extreme and globally disruptive tactics.
- Iraq's entire Gulf export flow relies on offshore loading near Iranian territorial water. Damage to this could cause a protracted outage. The Iran-Houthi attack on Saudi Aramco's Abqaiq crude oil processing facility disrupted 5m b/d of flows initially and led to a two-week outage.
- If infrastructure were successfully targeted and it led to outages, crude could climb to \$130/b, CSIS warned.

Analyst Views

- **Goldman Sachs** forecast a further \$8/b of fair value upside for Brent if tensions in the Middle East led to a 1m b/d Iranian supply disruption for 12 months.
- **Citi Bank's** current bull case for Brent around \$75/b reflects supply risks in Iran and Russia, but not the closure of the Strait of Hormuz. Conflict with Iran which results in disruptions to flows through the strait would probably cause a larger rise. The banks added that market pricing in oil does not seem to be reflecting this as much."
- **JP Morgan** assigns a low geopolitical risk premium to the Middle East. This reflects the long-held view that both US affordability concerns ahead of the mid-term elections in November and the economic

transformation underway in GCC countries depend on a sustained absence of regional conflict. The bank’s baseline scenario assumes some form of agreement with Iran.

- **Bloomberg Intelligence** sees the war premium on crude at around \$8-\$10/b. A limited, non-energy escalation could add \$3-\$5/b and is the most probable scenario, while an unlikely physical-flow disruption could lift Brent by \$20-\$50/b. A sustained Kharg outage boost crude by \$5-\$7/b and raise the odds of retaliation against Gulf energy infrastructure.
- **Kpler’s** head of geopolitical risk Michelle Brouhard said during IE week that both Trump and Iran need an off ramp, so a deal needs to be done, even if it is a weak deal. “The risk of escalation is being priced in the options market while the flat price is not doing so to the same degree,” she added. However, Kpler’s head of OPEC Amena Bakr showed more scepticism towards a US-Iran deal.
- **John Kemp**, an independent analyst, notes that oil traders currently assign a low probability to a US-Iran war causing significant and sustained disruption to exports from the Persian Gulf, with current war risk premium around \$10/b. If traders assume the impact in the event of a full-scale war would add more than \$50/b upside, then the expected probability is below 25%. Conversely, if the probability is expected to be above 65%, then the assumed impact is relatively modest adding \$20/b or less.

Iranian Crude Exports Preparing for Strikes

Iran’s crude loadings have surged to multiyear highs this month as geopolitical risks build ahead of a third round of nuclear talks with Washington on Feb 26.

- Loadings of Iranian crude and condensate to vessels jumped to nearly 27m bbl last week, or about 3.78 million barrels a day—almost three times the recent weekly average of roughly 10m bbl—according to Kpler.
- The pattern shows unusual activity and could be Iran trying to front run barrels out of the country ahead of any potential strike.

Iran Weekly Oil Exports – Source: Kpler

