

The Iran War

I believe we are at the brink of the collapse of the Iranian regime, but it could happen in a very messy, brutal way. Iran has threatened Israel since yesterday that something “big” is coming their way. This threat was repeated today. From past experience, the Iranian regime will announce such threats, but might wait a few days before acting to keep an element of surprise. So far, when it comes to oil prices, events have reminded me somewhat of the Ukraine invasion on 24th February 2022, when oil prices dropped on 25th February, but then started rising dramatically over three days. This 3-day rise might have started today (after a spike on the first day and a decline yesterday).



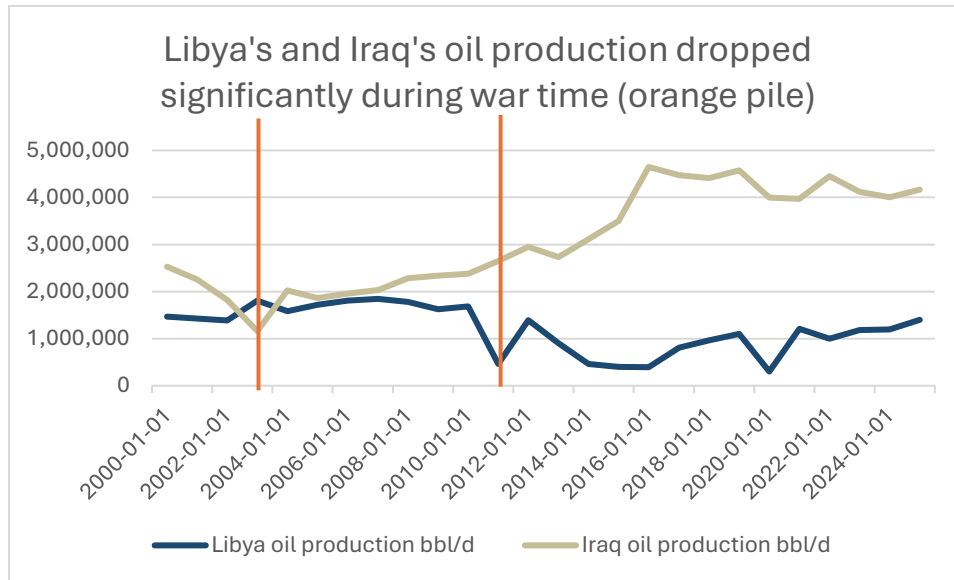
Source: Investing.com

Israel eliminates Iranian Nuclear & Defense Threat

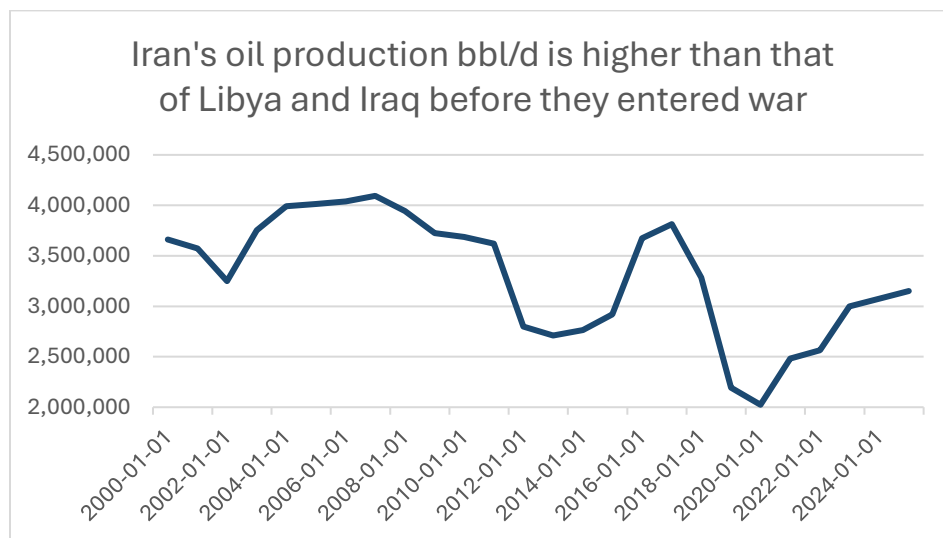
Israel has been very successful in dismantling Hezbollah and Hamas by going after its leaders. It has done so in Iran as well, although the Supreme Leader, Ali Khamenei, is still alive. There are potentially three successors in line for the 86-year-old Khamenei¹, which could carry his legacy on. However, there are no historic cases that led to victory of those whose leader was eliminated. Netanyahu has

¹ <https://www.iranintl.com/en/202411172359>

already indicated that they are going after Khamenei². Over the last 25 years, two leaders were taken out in the Middle East: Iraq's Saddam Hussein in 2003 and Libya's Muammar Gaddafi in 2011. Both instances led to a significant decline in oil production (Iraq's to 1.5m bbl/d, Libya's to near zero at one point). Iran's oil production at 3.15m bbl/d is higher than both, Iraq's in 2002 (2.5m bbl/d) and Libya's in 2010 (1.7m bbl/d) pre-invasion/assassination.



Source: FRED St. Louis



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² <https://abcnews.go.com/Politics/netanyahu-tells-abc-ruling-taking-irans-supreme-leader/story?id=122868515>

Israel's Iranian assassinations

Category	Person	Rank
IRGC	Mohammad Bagheri	Chief of the General Staff of the Armed Forces of the Islamic Republic of Iran
	Hossein Salami	Commander-in-Chief of the Islamic Revolutionary Guard Corps
	Gholam Ali Rashid	Commander of the Khatam-al Anbiya Central Headquarters
	Amir Ali Hajizadeh	Commander-in-Chief of IRGC Aerospace Force
	Davoud Sheikhan	Commander of the IRGC Air defenses
	Gholamreza Mehrabi	Deputy Head of Intelligence for the Armed Forces General Staff
	Mehdi Rabbani	Deputy Head of Operations for the Armed Forces General Staff
	Hassan Mohaqeq	Deputy Head of the IRGC's Intelligence Organization
	Pour Taher	Commander of the IRGC UAV Force
	Mohammad Kazemi	Brigadier General of Intelligence Organization of IRGC. He was appointed as the commander of the IRGC's intelligence in 2022
	Khosrow Hassani	Commander of the air defence system of the IRGC Aerospace Force.
	Ali Shadmani	Commander of the Khatam-al Anbiya Central Headquarters
Nuclear scientists	Fereydoon Abbasi	Former Vice President of Iran and Head of Atomic Energy Organization, expert in nuclear engineering
	Seyyed Amir Hossein Faqhi	Full professor at Shahid Beheshti University. Deputy of the Atomic Energy Organization of Iran
	Akbar Motabizadeh	Nuclear engineer
	Mohammad Mehdi Tehrani	President of the Islamic Azad University, expert in physics
	Akbar Motalebi Zadeh	Expert in chemical engineering
	Saeed Barji	Expert in materials engineering
	Amir Hassan Fakhahi	Expert in physics
	Abdolhamid Minoocher	Head of the Faculty of Nuclear Engineering at Shahid Beheshti University, expert in reactor physics
	Mansour Asgari	Expert in physics
	Ahmadreza Zolfaghari Daryani	Distinguished professor of nuclear engineering at Shahid Beheshti University, expert in nuclear engineering
	Ali Bakhouei Katirimi	Expert in mechanics
	Abdolhamid Minouchehr	Nuclear physicist and nuclear engineer, head Nuclear Engineering at Shahid Beheshti University
	Ahmad Reza Zolfaghari	Iranian professor of nuclear physics

Sources:

https://www.timesofisrael.com/liveblog_entry/iran-confirms-two-more-senior-generals-killed-in-israeli-strikes/,
<https://www.jpost.com/middle-east/iran-news/article-857580>, <https://amp.abc.net.au/article/105419082>,
<https://www.ynetnews.com/article/sjygn69mex>, <https://www.eghtesadonline.com/fa/news/2065886>,
<https://www.bbc.com/news/articles/c2lk5j18k4vo>

Iran's Oil & Gas

Iran holds the world's 4th largest oil reserves³ and the world's 2nd largest natural gas reserves⁴. The country produces around 3.15m oil bbl/d (3% of global production) with around 2.4m refining capacity⁵ and produces around 275bcm of natural gas a year (6.5% of global production)⁶. Most of its oil fields are located in the northwest (86% onshore), while all of its gas fields are located just below in the southwest of the country, with 40% held in a single gas field, the South Pars⁷. Israel has already attacked parts of Iran's energy infrastructure. However, the biggest worry is any disruption of oil and gas flow through the Strait of Hormuz. 25% of global LNG trade⁸ and 20% of total oil trade⁹ is flowing through the Strait of Hormuz. Whilst a closure of the Strait of Hormuz is unlikely – partly because Iran's army is weakened now, partly because it would upset their largest customer and ally, China – there could still be some disruption, which is already mirrored in insurance rates, which have skyrocketed¹⁰.

Strait of Hormuz: Oil & LNG flows

Volume of crude oil, condensate, and petroleum products transported through the Strait of Hormuz, 2020–1Q25 (million barrels per day)

	2020	2021	2022	2023	2024	1Q25
Total oil flows through Strait of Hormuz	19.1	19.4	21.4	21.4	20.3	20.1
Crude oil and condensate	14.3	14.4	16.0	15.5	14.3	14.2
Petroleum products	4.8	5.0	5.5	5.8	5.9	5.9
World maritime oil trade	71.4	72.6	74.3	76.0	75.5	75.7
World total petroleum and other liquids consumption	91.0	96.6	99.5	101.8	102.7	102.1
LNG flows through Strait of Hormuz (billion cubic feet per day)	10.7	10.7	11.0	10.5	10.3	11.5

Data source: U.S. Energy Information Administration, *Short-Term Energy Outlook*, June 2025, and U.S. Energy Information Administration analysis based on Vortexa tanker tracking

Note: World maritime oil trade excludes intra-country volumes except those volumes that transit the Strait of Hormuz. LNG=liquefied natural gas. 1Q25=first quarter of 2025

Source: <https://www.eia.gov/todayinenergy/detail.php?id=65504>

³ <https://www.worldometers.info/oil/oil-reserves-by-country/>

⁴ <https://www.worldometers.info/gas/gas-reserves-by-country/>

⁵ <https://www.tehrantimes.com/news/513916/Iran-s-refining-capacity-rises-to-2-4m-barrels-a-day>

⁶ <https://www.reuters.com/world/middle-east/iran-says-production-worlds-largest-gas-field-partly-suspended-after-israeli-2025-06-14/>

⁷ https://www.eia.gov/international/content/analysis/countries_long/Iran/background.htm

⁸ https://www.eia.gov/international/content/analysis/countries_long/Iran/background.htm

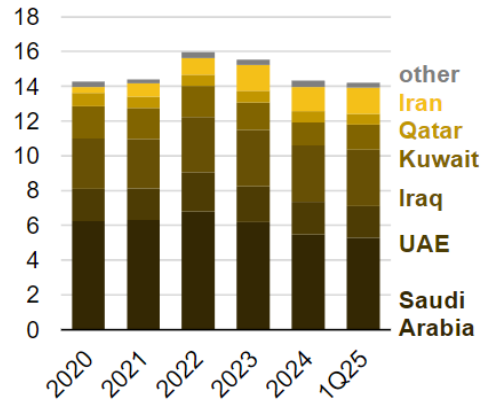
⁹ <https://www.eia.gov/todayinenergy/detail.php?id=65504>

¹⁰ <https://www.spglobal.com/commodity-insights/en/news-research/latest-news/shipping/061625-oil-markets-brace-for-sharply-higher-freight-insurance-costs-on-israel-iran-conflict>

Volume of crude oil and condensate transported through the Strait of Hormuz

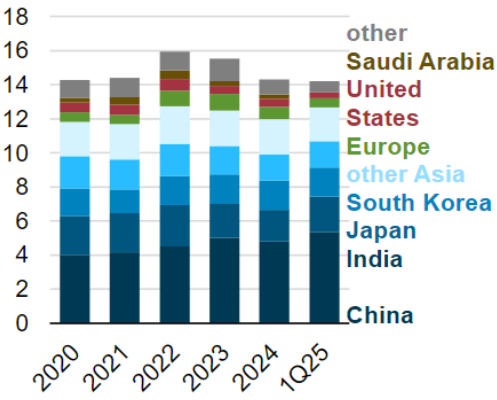
by origin

million barrels per day



by destination

million barrels per day



Data source: U.S. Energy Information Administration analysis based on Vortexa tanker tracking
Note: 1Q25=first quarter of 2025

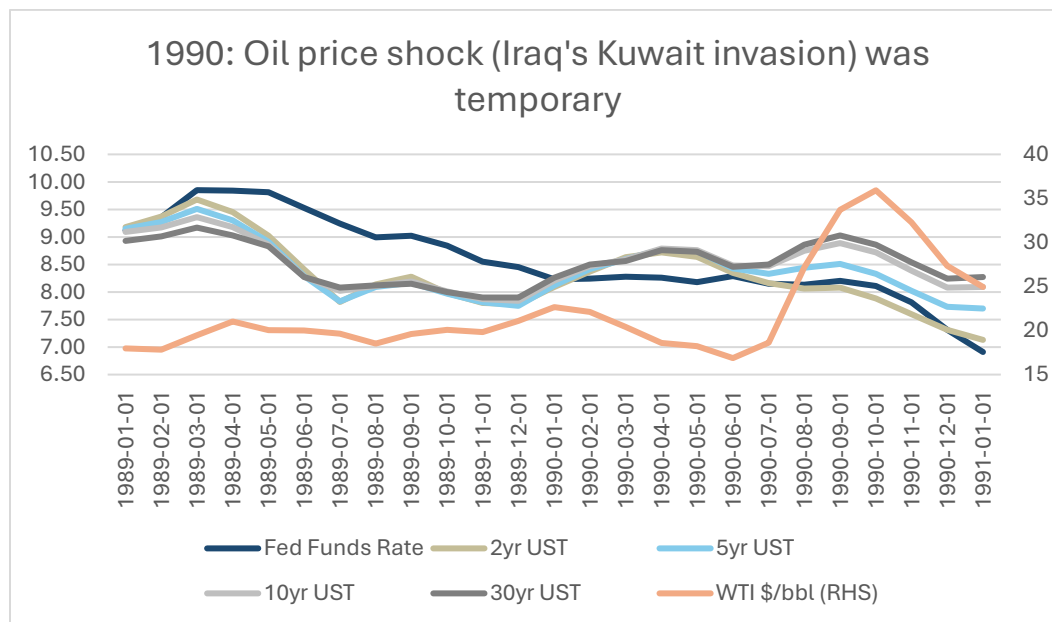
Iran's oil (green) and gas (red) fields are all located in the West and Southwest of the country



Source: https://en.wikipedia.org/wiki/Oil_reserves_in_Iran#/media/File:Iran_Oil_and_Gas_Fields.png

TACO is Dead

“Trump always chickens out” became the meme during the latest tariff discussions. Israel’s attack on Iran has now eliminated TACO and gave Trump back his negotiation power, as it was a surprise attack, of which Trump was aware, but managed to lower fears. The war in Iran could also be a booster for Ukraine, as Iran is supplying Russia with 600 – 3,000 drones¹¹ (maybe not anymore). Recently, Trump also raised his frustration once again with Powell on lower interest rates¹². Importantly, he mentioned that in a worst-case scenario he will shift US Treasury issuance to one year and then extend maturities after Powell is replaced, whilst also stating he might need to “do something about Powell”. Either case might end up depreciating the USD further, leading to higher oil prices – although the former might happen only from next year. Trump will also push against attacking Iranian energy infrastructure, but as we have seen in recent days, Israel has already started attacking oil and gas depots¹³. In conclusion, I believe there is a somewhat elevated probability that we will face a 1990 scenario, when the yield curve came out of inversion and then Iraq’s Kuwait invasion led to a spike in oil prices, which ultimately toppled the economy but was short-term.

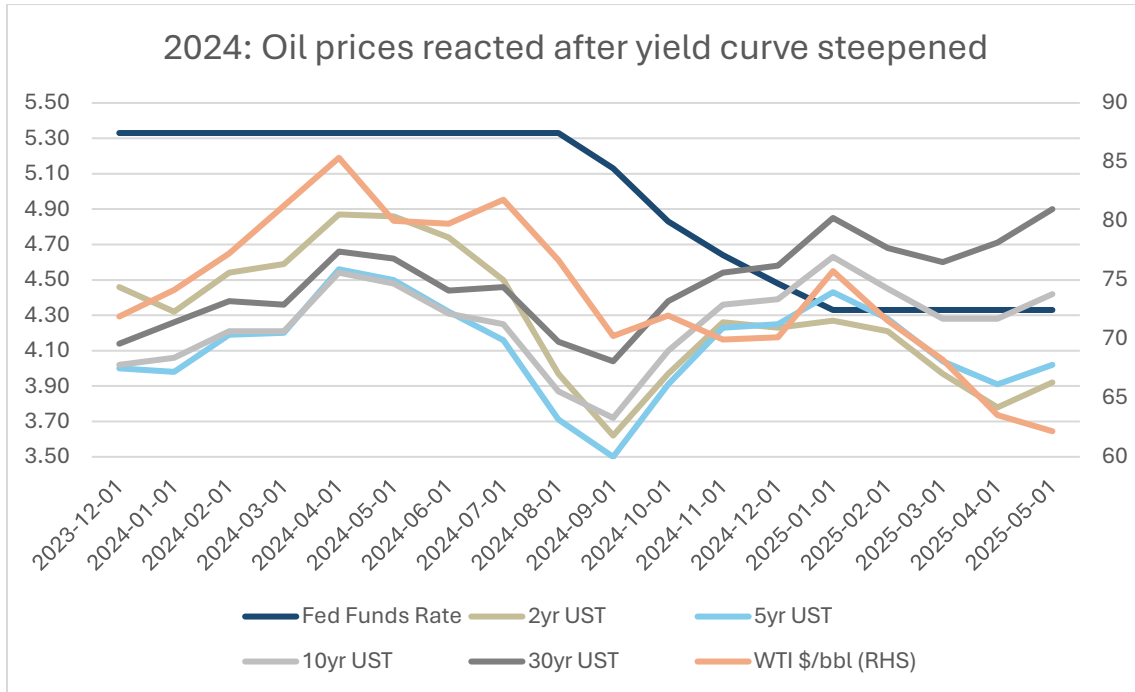


Source: <https://www.aozorastep.com/US%20yield%20curve%20history.pdf>

¹¹ <https://www.iranintl.com/en/202411197064>

¹² <https://www.youtube.com/watch?v=dUbFmJk9zdY> minutes 5-10

¹³ <https://www.timesofisrael.com/a-look-at-irans-oil-and-gas-facilities-including-those-targeted-by-israel/>



Source: <https://www.aozorastep.com/US%20yield%20curve%20history.pdf>



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