

A looming oil price crisis

Published: January 15, 2026, 5:18 am

It's never the crisis you expect that gets you, precisely because they are anticipatable. It's the unexpected that always really impacts. And there may be one of those coming. As the Guardian reports in an email this morning there is a growing risk of Saudi Arabian retaliation to Western reaction over the disappearance, and suspected murder of journalist Jamal Khashoggi. As they note:

The kingdom is now weighing up 30 counter measures if penalties are imposed, including a possible oil production cut that could drive prices from around \$80 (£60) a barrel to more than \$400, more than double the all-time high of \$147.27 reached in 2008.

Of course, such a price may be appropriate: it may be what is needed to ensure oil does stay in the ground. But the transition to such a level may need to be more gradual than the Saudis are threatening, in which case chaos would be likely to ensue.

Is this possible? Given the rapid political isolation that Saudi is suffering for what looks to be an act of officially sanctioned murder of a journalist the risk of retaliation is significant. And Saudi clearly does hold an invaluable weapon for trade war. What is more they have little to lose from such a war, which would solve their own pressing internal budget difficulties that recent low oil prices created for them.

On balance, the shocking cost of fuel at the pump I used yesterday looks like it may well be something I fondly remember quite soon. The risk in this situation looks to be significant.