

What if the oil price goes to \$150 a barrel?

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The [World Bank has suggested](#) that in the worst-case scenario, the conflict between Israel and Gaza could increase global oil prices by such a significant amount that oil might trade at a record \$150 per barrel.

This might, of course, simply be scaremongering on the Bank's part. But, if this were to happen then there can be no doubt that the UK would, as oil importers, be importing inflation into this country, yet again.

The question arises as to what the appropriate response to this inflation might be. Unfortunately, it is very hard to imagine the Bank of England suggesting anything but its standard knee-jerk reaction in response, meaning that it would seek to increase interest rates yet again with the supposed aim of reducing demand within the economy. This policy would, however, be as inappropriate as the same policy has been since 2021. An increase in oil prices as a result of war does not indicate the presence of either excess incomes or demand within the UK economy; it instead suggests the failure of the global body politic to address or manage a situation that should have been on its agenda for resolution for a long time, and which it has ducked.

In that case, what else should be done?

Any politicians suggesting that there might be little that we could do except accept our fate would be very wrong.

Any politician also suggesting that the only appropriate response is for the UK to increase its oil production would be just as wrong: we can have almost no impact on the global oil price for the foreseeable future as a consequence, meaning that this would be an irrelevant argument.

Instead, the required responses have to build resilience in quite different ways. One way to do this would be to provide the support that this inflation would demand for those who are most likely to be impacted by it, who are those on relatively low incomes. So, pensions and benefits would have to be increased in line with inflation,

and employers, including those linked to the government, must similarly be expected to deliver pay increases that would deal with any resulting price hikes. We cannot live through another cost-of-living crisis. That mistake cannot be repeated.

But more would be required from the government than that. It would have to signal that in a period when inflation is clearly beyond its ability to control that it would instead develop the competence to manage it and its consequences. The measures noted in the previous paragraph would be part of that process, but much more would be required.

There would be a need to stop the pretence that this is the most important economic issue within any economy, when it clearly is not. Maintaining economic activity is.

And there would be the need to avoid debt crises - meaning that managing the economy without hiking interest rates would need to be the required art so that the massive problems now arising in the UK as a result of increasing interest rates could be avoided if inflation emerges again.

Then there would be the need to focus on new narratives. The focus would not be on debt, which has the sole intention of limiting action on the part of government, which narrative would be replaced by a focus on what the government can do - including its extraordinary and unique ability to create the money needed to save the day when crisis hits - which does, however, need to be matched by taxation of wealth as it can otherwise lead to asset price inflation.

Finally, the focus must be on protection. In other words, the focus must not be on ending inflation but on making sure that those who have suffered because of it can recover from it and restore the position they were in before it. The need to do this is being totally ignored at present in the UK, and we will pay a heavy price for having done that.

It goes without saying, of course, that none of this can be done by a supposedly independent Bank of England.

The biggest question of all is whether anyone is contingency planning for this right now? I strongly suspect that they are not. And that worries me, a lot.