

Our View

This Crisis Is Not Different

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There are many ways to compare oil market disruptions. Perhaps the most consistent one is to look at changes in prices and the loss of supply.

On March 1, I posted a table comparing just the price impacts of 22 oil market disruptions. The table showed the percentage change at 30, 60, 90, and 120 days after the event began. We have updated the table with the current Iran war disruption and included it here. Thirty days after the conflict's February 28 beginning, Brent has increased by 79% percent.

Price Impacts of 22 Oil Market Disruptions 30, 60, and 90 Days after the Precipitating Event					
Disruption	Disruption Start	Price at Start (\$/bbl)	% Price Change 30 Days Later	% Price 60 Days Later	% Price 90 Days Later
1973 Embargo	Oct 1973	6.71	71.8	188.4	231.6
Iran I	Oct 1978	15.36	12.8	9.6	15.1
Iran II	Late Jan 1979	19.09	64.5	31.2	36.2
Iran III	5/15/1979	28.09	22.7	23.6	30.7
Iran IV	Nov 1979	32.27	14.9	16.5	17.8
Iran-Iraq War	Oct 1980	29.70	28.7	20.7	31.3
Kuwait Invasion	Aug 1990	19.44	47.1	117.5	77.5
OPEC 1999	Jan 1999	10.73	9.3	26.6	58.4
Venezuela Oil Strike	Nov 2002	23.02	27.7	39.7	43.5
Katrina/Rita*	Late Aug 2005	57.63	11.2	9.0	1.7
2008 Nigeria	Jan 2007	58.92	-6.9	1.5	18.8
2008 China	Feb 2008	88.46	11.6	17.4	31.1
2008 EU	Apr 2008	99.15	8.3	36.5	45.2
Libya I	Feb 2011	99.15	13.5	27.7	17.0
Libya II	Jul 2013	99.73	10.5	15.8	9.3
OPEC Collapse	Nov 2014	78.89	-20.7	-39.3	-26.5
OPEC 2017	Jan 2017	52.12	7.8	6.0	-9.8
Harvey*	Sep 2017	48.48	6.5	15.9	18.3
Venezuela I	Nov 2017	60.47	4.7	12.7	10.4
Saudi Arabia	Sep 2019	61.08	-2.7	2.1	12.1
Price War	Apr 2020	20.00	70.0	90.0	114.0
Ukraine War	Feb 2022	99.24	21.2	6.4	20.6
Iran War	Mar 2026	70.83	79.4		

Source: PKVerleger LLC.

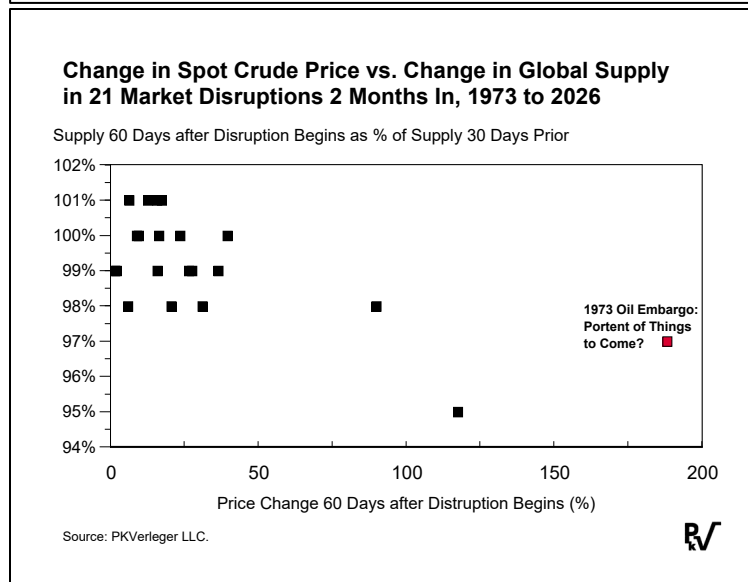
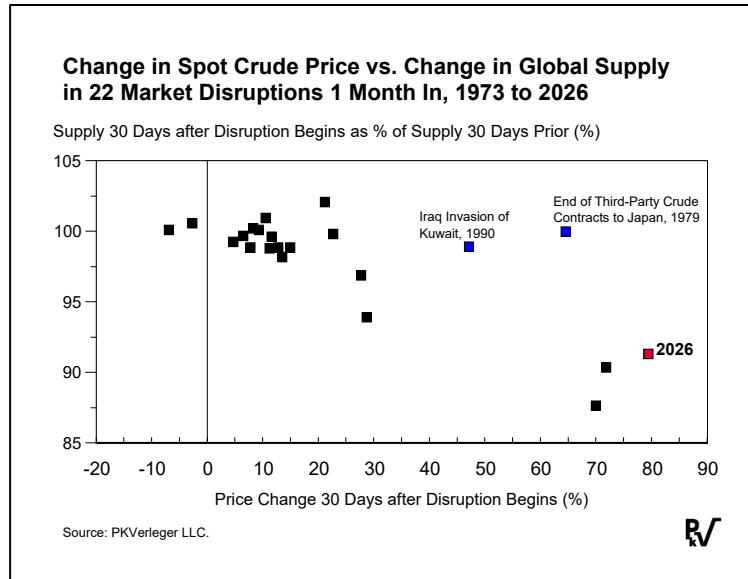
Here, I compare the price change to the loss in supply. Reuters has just released the initial preliminary data on the loss. The data indicate that production within OPEC dropped by around 8 million barrels per day. Using this loss, which represents around 9% of global supply, I compared the percentage change in prices to the supply loss for the 22 disruptions (see the figure below).

The graph compares the percentage change in supply—from 30 days before the disruption to 30 days after it began—to the percentage change in crude prices.

Note the rough uniformity. The Brent price change is consistent with the increase that followed the 1973 oil embargo shock and the increase that occurred in 2020 when OPEC+ cut production during the Covid crisis.

There are two outliers in the graph. The first is associated with Iraq’s 1990 invasion of Kuwait. Prices rose after the attack, but production did not fall immediately because other OPEC nations, especially Saudi Arabia, boosted their output.

The second outlier relates to one of the four disruptions I associate with the Iranian government’s collapse and its consequences between 1978 and 1980. This particular episode occurred when major oil companies announced they were discontinuing long-term contracts to supply Japanese oil companies, contracts that had been in effect for almost 30 years. The Japanese oil companies immediately turned to spot markets, bidding prices up daily.



The data in the graph speak for themselves. I note that further price increases should be expected in April if production remains at current levels. As the second graph illustrates, the pattern from the prior 21 episodes suggests Dated Brent may trade for \$170 to \$200 per barrel by the end of May if the pre-war supply is not restored.

One hopes that production is restored or that, breaking with history, **this time proves different.**