Oil

Oil prices rise above $100 a barrel for first time since July as Iran war escalates

Brent crude up by more than 3% after latest fire between US and Iran in Gulf and Houthi attacks on Saudi cities

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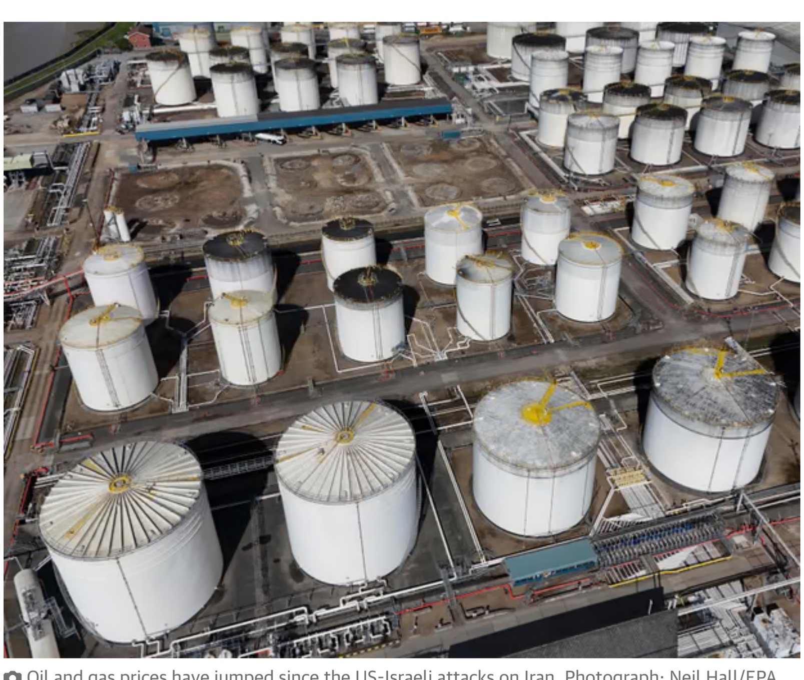


Oil and gas prices have jumped since the US-Israeli attacks on Iran. Photograph: Neil Hall/EPA

The price of oil has risen above $100 a barrel for the first time since July as the escalating conflict in the Middle East threatens further disruption to global supplies.

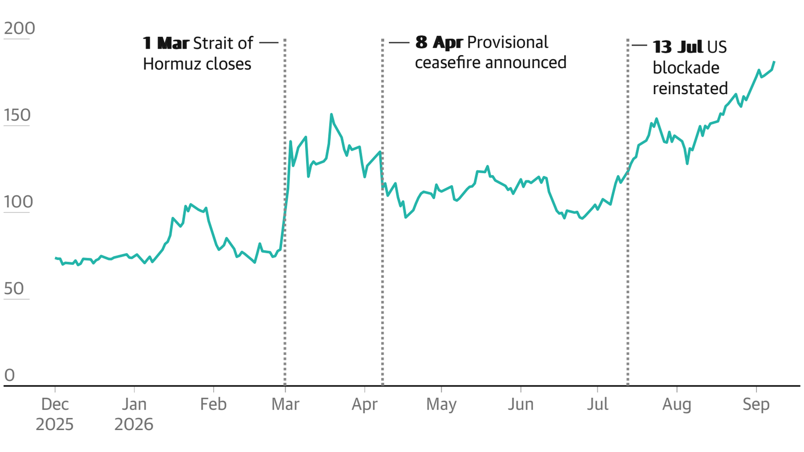
Brent crude, the international benchmark for oil prices, rose by more than 3% to top $101 after tensions increased in the Gulf amid the latest tit-for-tat exchange of fire between the US and Iran.

The US military said it had "destroyed" multiple Iranian tankers, after Tehran attempted to strike a US navy warship with ballistic missiles. The previous nighttime Iran-backed Houthis attacked four cities in Saudi Arabia, wounding more than 70 people and setting oil installations ablaze.

UK and mainland Europe gas prices also soared on Wednesday. The benchmark Dutch gas contract rose by almost 4% to €78.73 a megawatt hour, the highest since January 2023. Meanwhile, the British contract rose by 7.77p to 196.57p a therm, the highest since December 2022.

Natural gas price in the UK

Pence per therm



Guardian graphic. Source: LSEG

On Tuesday, the Bank of England governor, Andrew Bailey, said the latest rise in oil prices was putting pressure on inflation and interest rates. "The risks, I'm afraid, are on the upside," he told MPs. "And that's really the risks coming from energy prices."

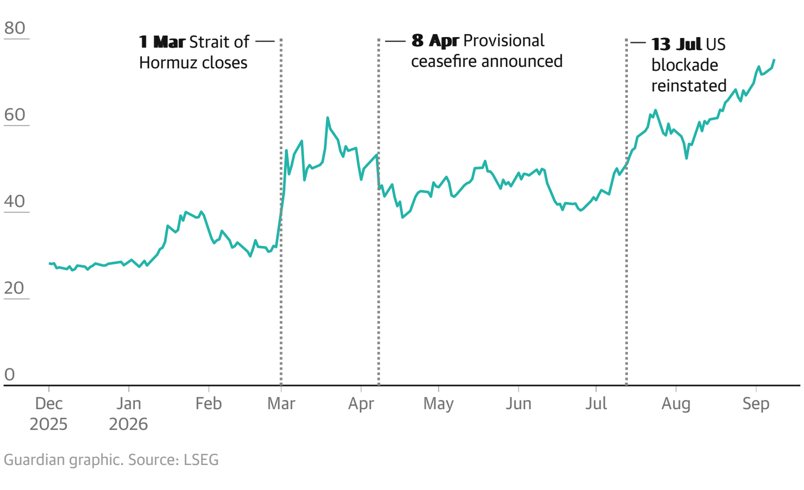
The oil price has jumped by a quarter since early August as hopes for a permanent resolution to the six-month-old war faded.

The climb in costs has hit UK motorists, with petrol at the pump reaching an average of 166.2p a litre on Tuesday, the highest level in four years, according to the motoring body the AA.

The AA said diesel hit an average of 187.7p, a price it last reached in May. Prices for a litre of petrol have risen 4.4p since the August bank holiday, with diesel up 4.1p.

Natural gas price in the EU

Euros per MWh



Guardian graphic. Source: LSEG

Households will face further pressure on their bills when Ofgem's energy price cap rises by 4% in October. Andrew Goodwin, the chief UK economist at the consultancy Oxford Economics, has predicted that the cap could now rise by a further 13% in January.

"Wholesale prices are currently well above the level of the previous observation window, and our commodities team expect them to remain high in the near term," he said.

The energy companies BP, Shell and the British Gas owner, Centrica, were among the top performers across the FTSE 100 on Wednesday morning, with their shares rising by at least 1% on the back of the higher oil price. The index was down by 0.5% overall.

Brent is up more than 60% this year, and has risen above the $100 mark for three periods so far in 2026.

China, the world's largest importer of crude, has increased purchases in recent days, after a hiatus that had been a factor keeping oil prices somewhat in check in the early part of the conflict.

Giovanni Staunovo, a commodity analyst at UBS Global Wealth Management, said: "For the direction of crude prices, we are also monitoring Chinese crude imports as a key indicator.

"Chinese crude imports recovered to nearly 9m barrels per day in August, up from the June low of 7.15m, but still lower compared to the [pre-conflict] February imports of 12.6m. It looks like the recovery trend could continue."

Oil prices have fluctuated in the six months since the start of Tehran's block on the strait of Hormuz prompted what many feared would be the greatest energy supply disruption in history.

In the first weeks after the first US-Israeli attacks on Iran in late February, oil prices soared past $100 a barrel. The oil price peaked at $126 in April but later fell back amid hopes of a ceasefire. The price then began to climb again after the memorandum of understanding between the US and Iran fell apart and hostilities restarted.

The rise in energy prices has stoked fears about inflation and the prospect of higher interest rates this year. In the US, economists are expecting at least one interest rate rise from the Federal Reserve by the end of the year.

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