

## Supply Chain News: What Would Happen to Oil Prices if Israel Does Attack Nuclear Capabilities in Iran?

### Sky is the Limit, Says Stephen Schork of the Schork Report; "We Know We can Get to \$147," he Tells SCDigest

#### SCDigest Editorial Staff

While world oil prices continue to be on a roller coaster, up now sharply from Q1 lows but still less than half of the July 2008 highs, there is one worrisome wild card businesses around the world need to consider: that before long, Israel will decide to attack Iran in an attempt to destroy its nuclear weapon ambitions.

What would such an attack do to oil prices?

"It's difficult to say for sure, but I think we would see an absolutely knee jerk rise in oil prices," says **Stephen Schork**, a widely respected oil industry analyst and editor of The Schork Report, a newsletter that tracks the oil market for businesses and investors. "I can't say how high for sure," he told SCDigest in an interview last week, "But we know we can get to \$147, and it's quite possible we could go higher than that."

The potential isn't idle speculation. In 1981, Israel launched a pre-emptive attack on a facility in Iraq thought to be building nuclear weapon capabilities for Saddam Hussein.

Could history repeat itself?

Just this month, some observers believe both Saudi Arabia and US Vice President Joe Biden gave a "green light" of sorts to such an attack.

On June 5, the head of Israel's intelligence organization Mossad was reported to have told Prime Minister Benjamin Netanyahu that Saudi Arabia would turn a blind eye to Israeli jets flying over the kingdom dur-

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ing any future raid on Iran's nuclear sites, based on secret talks the two countries had earlier in the year.

Two days later, Biden said on an interview program that "Israel can determine for itself - it's a sovereign nation - what's in their interest and what they decide to do relative to Iran and anyone else." He added that this was the case, "whether we agree or not" with the Israeli view.

When asked more pointedly about whether the US would try to prevent such an attack, Biden said, "We cannot dictate to another sovereign nation what they can and cannot do."

Though the White House later denied that this was a back channel way of giving Israel a "go ahead" of sorts from the US, some observers suggested this might be the case. Others say it was simply another case of Biden speaking unwisely off the cuff.

Nevertheless, the two reports coming so close together, as Iran apparently continues to make pro-

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gress towards acquiring a bomb, has some wondering whether an attack might just come.

### Short Term Spike or Long Term Impact?

Schork says that while oil and diesel prices would soar in the short term, how long the prices stay elevated depends on two key factors: the Iranian response and whether any of this actually impacts the flow of oil.

"I can guarantee that Israel won't be attacking any of Iran's oil production capabilities," Schork says. "But does it lead to war in the Middle East? That's a wild card."

Schork also believes the US and Iran's Middle East neighbors would not tolerate Iran retaliating by say trying to shut down the Suez Canal, through which much oil flows.

"There's not a lot of love lost between the Arabs

and the Persians [Iranians]," Schork notes. "Many of the Arab countries would be privately quite happy to see Israel eliminate Iran's nuclear capabilities."

But he notes that in an ironic way, if that were to happen in a way that didn't lead to escalating military actions and other turmoil, while the impact on prices may be extreme in the short term, in the longer term it might actually lead to lower prices as an element of risk in the region is removed from the equation.

"No one can tell you how high we can go, but what I can tell you with confidence we can go to \$147," Schork says. "No telling how high we can go. But we can go high in the short term, and maybe longer."

