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Oil Prices Rise as U.S.-Iran Fighting Resumes, Renewing Pressure on USVI Fuel, Freight and Power Costs

Oil prices rose after renewed U.S. strikes on Iran and Iranian attacks on Gulf targets threatened the interim deal meant to calm the conflict, with the USVI exposed through imported fuel, shipping costs, gasoline prices and WAPA's fuel-dependent system.

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Oil prices climbed again this week after renewed U.S. strikes on Iran and Iranian retaliation against U.S. military targets in the Gulf threatened to collapse the fragile interim agreement that had recently eased pressure on global energy markets, raising fresh concerns for the U.S. Virgin Islands, where fuel, electricity, freight and food costs remain highly exposed to global oil volatility.

Brent crude rose to $79.28 per barrel and U.S. West Texas Intermediate reached $74.76 after the latest U.S. military action against Iran, with the market reacting to the renewed risk of disruption in the Persian Gulf and the Strait of Hormuz. President Donald Trump said the interim agreement with Iran was no longer valid, while U.S. Central Command described the strikes as aimed at keeping the Strait of Hormuz open.

The latest escalation followed a brief period of market relief after the United States and Iran signed an initial agreement in June that was intended to end the war, ease sanctions, reopen the Strait of Hormuz and restart nuclear talks. The White House said at the time that the agreement reopened the strait to free navigation, and included steps for Iran to dilute its stockpile of highly enriched uranium and allowed sanctions relief tied to Iranian oil sales.

That framework began to unravel after renewed attacks on shipping near the Strait of Hormuz. The United States struck Iran in response to an attack on a cargo ship traveling near Oman's coast, with Tehran asserting a right to control shipping through the strait and warning Gulf states not to side with Washington.

The latest round escalated further this week. Iran said it targeted U.S. military sites in Bahrain and Kuwait after U.S. forces struck Iranian targets in response to tanker attacks in the Strait of Hormuz. Crude oil prices jumped more than 5% during that flare-up, and President Trump said the interim accord was "over."

The United States launched new airstrikes against Iran on Thursday, while Tehran responded by hitting Bahrain, Kuwait and Qatar, again threatening the interim agreement. The attacks included sirens in Bahrain, home to the U.S. Navy's 5th Fleet headquarters, and missiles targeting Kuwait and Qatar.

Iran launched drone and missile attacks on U.S. military infrastructure in Qatar, Kuwait and Bahrain in response to U.S. airstrikes on Iranian targets, marking a sharp deterioration of the three-week-old ceasefire. The U.S. military said it struck about 90 Iranian sites, including missile depots and naval facilities, while President Trump downplayed the possibility of a broader war even as the ceasefire appeared effectively broken.

The reason oil markets reacted quickly is the Strait of Hormuz, the critical oil transit chokepoint that roughly one-fifth of global oil supplies previously moved through the strait. Any threat to tanker traffic can push prices higher even before a physical supply loss is confirmed, because traders, shippers and refiners begin pricing in risk.

The EIA's latest Short-Term Energy Outlook had projected Brent crude to average $74 per barrel in the third quarter of 2026 after prices eased in June, but that forecast was built during a period of improving oil-flow expectations through the strait. Renewed attacks and threats to shipping could test those assumptions if tanker operators, insurers or Gulf producers face added risk.

For the Virgin Islands, the impact of higher oil prices is rarely limited to the gas pump. The territory imports most of what residents consume, meaning higher fuel prices can push up shipping, trucking, marine transport, air travel, utility operations and the cost of food and retail goods. That pressure can arrive unevenly and with a delay, but it tends to move through the local economy because nearly every household and business depends on imported fuel or imported goods.

Local fuel prices were already elevated before the latest escalation. DLCA's territory-wide self-service fuel survey for the week of June 1, 2026 showed average regular gas at $4.946 on St.

Croix, $5.304 on St. Thomas and $5.344 on St. John. Diesel averaged $5.713 on St. Croix, $7.011 on St. Thomas and $6.509 on St. John. The report also showed SOL Petroleum wholesale rack rates for June 2–8 at $3.54 for regular, $3.78 for premium and $4.46 for diesel.

Higher crude prices also matter because fuel costs are a major driver of electricity expenses in island systems. WAPA's generation portfolio remains tied to imported fuels, including LPG supply arrangements for its Randolph Harley and Richmond power plants. The utility has previously described fuel initiatives as part of its effort to deliver more reliable and cost-effective service, underscoring how closely generation costs remain connected to global energy markets.

The effect can also reach public budgets. Government agencies, schools, hospitals, Waste Management, WAPA, ferry operators, trucking companies and private businesses all face higher operating costs when fuel rises. If those costs persist, they can show up in transportation rates, construction costs, utility bills, food prices and the cost of delivering public services.

The timing is particularly difficult for the territory because several public entities are already confronting financial strain. Hospitals have warned about uncompensated care and overdue government allotments; WAPA continues restructuring efforts; and VIWMA is moving toward solid-waste fees to strengthen revenue. A new fuel shock would add another layer of cost pressure across agencies and households.

Nationally, AP reported that renewed anxiety over the U.S.-Iran ceasefire has already revived concern over fuel prices, with U.S. gasoline prices rising and expectations that pump prices could move higher if crude continues climbing.

The path ahead remains uncertain. Some analysts see the latest escalation as part of a broader pattern of military pressure and bargaining, rather than a full return to all-out war. However, the same analysis warned that repeated rounds of attacks increase the risk of miscalculation and chronic instability in the Gulf.