

The Countdown to a Major Oil Price Surge Has Begun

By [Kurt Cobb](#) - Jun 08, 2026, 11:00 AM CDT

- **Commercial oil inventories are being drawn down at an unusually rapid pace to compensate for supply losses linked to the closure of the Strait of Hormuz.**
- **The world could soon approach operational inventory thresholds where supply chains become stressed, volatility rises, and fuel shortages emerge.**
- **Markets remain overly optimistic about a quick resolution, leaving oil prices vulnerable to a sharp upward repricing.**

In the coming weeks, readers will increasingly see two rarely used phrases in stories covering our dwindling worldwide oil inventories: "operational minimum" and "tank bottoms." The phrases more or less signify the same thing, though the former is more abstract and precise, while the latter is more visual. They signify rapid depletion of existing oil inventories and presage price spikes to come due to the loss of oil supplies from the Persian Gulf because of Iran's closure of the Strait of Hormuz, the maritime artery through which 20 percent of the world's oil previously flowed.

Think of it this way: Let's say you are currently spending your entire weekly salary on living expenses. Then, you suddenly have your salary cut by 20 percent. Believing that the cut is temporary, you dip into your savings account to make up for the loss of income. At the current rate of withdrawal, your savings will last four months. As the weeks go by, your savings account balance dwindles as you continue to live in the style to which you were accustomed before the salary cut. Your boss tells you (frequently!) that your full salary will soon be restored. So rather than cut back on your expenses, you keep spending down your savings, believing that all will return to normal before you exhaust your bank account. That's what is happening in the global economy, which had about four months of buffer stocks - essentially, an "oil savings account" - to draw from at the beginning of March. We are getting closer and closer to using up those savings, which are in the form of commercial inventories. We are rapidly drawing down those inventories to make up for the loss of oil and oil products from the Persian Gulf.

In fact, [a recent analysis](#) suggests that the world oil system will start to experience "operational stress" sometime in June. Operational stress "is the point at which the system begins to experience significant functional strain: price volatility becomes extreme, rationing of refined products begins in the most exposed markets, and the margin for error in supply chain management drops to near zero." This analysis takes into account ongoing strategic petroleum reserve releases around the globe and states that "[e]ven full deployment of strategic reserves buys weeks, not months, at current drawdown rates." [Another prominent analyst believes we have a few more weeks before that stress kicks in.](#) A senior executive at ExxonMobil, the second largest oil company in the world, [told](#)

[investors and analysts at a recent conference](#): "We're approaching unheard of inventory levels." [Oil executives have shared their concerns](#) with the Trump administration, with one telling *Politico*, "We have shared those concerns at the highest levels of government about what's coming in mid-to-late June. ... I hope they are paying attention to inventories right now. You're hitting tank bottom."

High oil prices usually destroy demand, i.e., some people and companies buy less gasoline, diesel, and other oil products because those buyers are unable to afford as much as they did before. However, ["government fuel subsidies in several countries are artificially shielding consumers from the price shock, weakening this automatic balancing mechanism."](#) In addition, considerable jawboning by the Trump administration promising [on a weekly and even daily basis that the war with Iran will soon be over](#) has kept participants in the oil futures markets from bidding up the price of future supplies. So confident are oil market traders that oil markets will return to normal that [the price for delivery of West Texas Intermediate crude oil, a world benchmark, for a year from now is around \\$75 per barrel](#), only about \$8 above [where the price stood on February 27](#), the day before the Iran war began.

To understand why the world economy is about to hit a wall with regard to oil supplies, you need to understand exactly what "operational minimum" means. While there appear to be many billions of barrels of oil inventories left as of now, most of those barrels are what is known as "system fill." They fill pipelines, refineries, oil tankers, rail tank cars, and tanker trucks. It is not feasible to operate a pipeline without any product moving through it. It is not feasible to operate refineries without any feedstock in them. It is impossible to operate a seaborne or land fleet of tankers without having some of that fleet actually carrying oil and/or oil products to their destination, products which are unavailable for use while in transit.

The absolute operational minimum floor for the global oil system is estimated to be about 6.8 billion barrels. Below that, the system will simply not function. [On our current trajectory](#), the world will reach that point in September, if not before. It turns out there really weren't 8.5 billion barrels of available oil inventories across the world at the beginning of the war, only 8.5 billion minus 6.8 billion, or 1.7 billion. Big difference! The moment we reach "tank bottoms" actually comes before we reach operational minimum. Technically, ["tank bottoms"](#) refers to the sludge that builds up on the bottoms of storage tanks, which must be periodically cleaned out and disposed of or processed to extract valuable products. In this context, this moment is when practical commercial storage runs very low, so as not to be a reliable buffer between current supply and demand. That's when a bidding war will begin, and oil prices are likely to spike to \$150 a barrel or higher, oil industry executives say. That moment is not far away, even as the world sleepwalks through the greatest oil crisis in history. And, the evidence that we are sleepwalking comes from the oil futures market, where West Texas Intermediate oil (mentioned above) that must be delivered no later than July 31 settled at just \$90.54 a barrel on Friday. July 31 is well after the expected arrival of "tank bottoms." An agreement to end the Iran war within the next few days would not change the outcome [because it would take at least three months to normalize traffic through the Strait](#)

[of Hormuz under the absolute best of circumstances](#). And, I don't think we'll see anything like the absolute best of circumstances arise anytime soon or [probably ever again](#). That means that if the closure of the Strait of Hormuz continues for a few more months, as I expect it will, the price estimate of \$150 a barrel will likely be a conservative one.