Israel's Attacks on Iran's Nuclear Facilities and Geopolitical Tensions in the Middle East

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On June 13, Israeli forces carried out missile and other attacks on numerous Iranian targets such as nuclear facilities. The attacks targeted more than 100 sites across Iran, including core facilities for a nuclear development program, such as a uranium enrichment facility in Natanz. The Israeli attacks on Iran's nuclear facilities came amid ongoing nuclear talks between the United States and Iran, sending shockwaves through the world. Iran launched retaliatory attacks, indicating that the two countries have entered a belligerent situation, suddenly boosting tensions in the Middle East. Crude oil prices reacted immediately to the Israeli attacks, recording an increase of more than 10% at one point. The Middle East situation and the international oil market are dominated by great uncertainties and concerns.

In fact, the possibility of military attacks on Iran had continued to be pointed out even amid the continued nuclear talks between the United States and Iran. Even U.S. President Donald Trump himself had made statements suggesting the possibility. However, many observers had thought that the United States had been very cautious about using military force against Iran and that Israel, rather than the United States, might do so. Before the Israeli attacks, the U.S.-Iran nuclear talks had been ongoing, with the next meeting expected to take place as early as June 15. Therefore, the Israeli attacks on June 13 came as a great shock to the world.

As mentioned above, the Israeli attacks were extremely large-scale. Although the details are unknown, it is suspected that considerable damage has been caused to nuclear and other Iranian facilities. The Israeli attacks hit key Iranian personnel related to nuclear development and military capabilities, as well as nuclear and other physical facilities, reportedly killing top military officials, such as Iranian Revolutionary Guard Corps commander Hossein Salami, and several nuclear scientists involved in Iran's nuclear program. In this way, the Israeli attacks had apparently been planned deliberately to inflict significant damage on Iran's nuclear development capabilities. Furthermore, the Israeli side has expressed its intention to continue military attacks in order to strike a blow to Iran's entire nuclear and missile development capabilities. In fact, Israel has continued to inflict heavy attacks on various parts of Iran since June 13.

The Iranian side naturally reacted extremely violently to the Israeli attacks. Iran's supreme leader Ayatollah Khamenei declared retaliation, saying that Israel should be punished. Iran immediately launched drone and missile strikes against Israel. Many of the Iranian drones and missiles were intercepted by Israeli forces, but some landed, causing human and physical casualties to Israel. As of June 15, Iranian reports put the death toll in Iran at 224. Israeli reports said that 24 people were killed in Israel. Damage has continued to grow in the two countries. On June 16, Israel attacked Iran's state broadcaster. In response, Iran's Revolutionary Guard Corps said that Iran was ready for a full-scale war. Israel and Iran are in an extremely serious situation where their exchange of attacks remains uninterrupted.

While the two warring countries' actions hold the key to the future of the Iranian situation, U.S. actions are extremely important. The United States had maintained a neutral stance while its nuclear talks with Iran had continued. Since Israel actually launched attacks on Iran, however, the United States has announced that it is not involved in the Israeli attacks but supports Israel's defense. "Iran must make a deal, before there is nothing left," President Trump said, enhancing his pro-Israel stance. He also warned Iran not to attack U.S. military facilities.

Experts have cited various reasons why Israel decided to attack Iranian sites, including nuclear facilities. One is Israel's strategic judgment that Iran's possession of nuclear weapons could not have been prevented without immediate strikes. Other reasons include Israeli Prime Minister Benjamin Netanyahu's intent to tighten domestic control and secure support, as well as the Israeli aim of leading the United States to become involved in the Israel-Iran confrontation. These reasons have a certain amount of credibility. Whatever the reasons are, however, the Israeli attacks opened a Pandora's box, leading the situation surrounding Iran to grow tense. The turmoil in the Middle East is in full swing, igniting concerns that the entire international situation will become chaotic.

The international oil market and crude oil prices reacted violently to the development. On June 13, the front-month futures contract for the benchmark West Texas Intermediate crude briefly shot up by 14% from the previous day, exceeding $77 per barrel. It closed the day at $72.98/bbl, up $4.94/bbl from the previous day. Such contract for the other benchmark crude, the Brent, finished at $74.23/bbl, up $4.87/bbl. This price surge indicated that market participants became keenly aware of the Middle East turmoil and factored in the possibility of future oil supply instability and disruptions. While the war situation had no particular impact on oil supply in the Middle East then, market participants stepped up buying in anticipation of potential oil supply disruptions. On the first day of the next week, in fact, the WTI fell by $1.21/bbl to $71.77/bbl and the Brent by $1.00/bbl to $73.23/bbl. Although the outlook was extremely uncertain, with supply concerns lingering, the prices dropped slightly as market players confirmed that Israeli and Iranian military attacks had not affected oil supply.

However, it should be noted that the military conflict and the subsequent possibility of a disturbance in the Middle East have changed the international oil market trend that had continued since April. Since U.S. President Trump's announcement of reciprocal tariffs on April 2, heightened global economic uncertainties became the central factor for the market, making it easier for downward pressure on crude oil prices to work. Furthermore, market players anticipated that the OPEC-plus group of oil-producing countries might increase oil production and tolerate low oil prices, prompting crude oil prices to slip below $60/bbl. Despite the continued downward pressure on the market, the significant geopolitical risk has brought oil prices back above $70/bbl. When anticipating crude oil prices in the future, we cannot ignore the fact that global economic uncertainties remain. How the situation in the Middle East will develop amid the uncertainties will have a significant impact on crude oil prices for the time being.

The key point is whether military attacks between Israel and Iran will actually affect oil supply in Iran and the rest of the Middle East. The main focus will be on whether Israel will attack Iran's oil production and export facilities, whether such attacks will affect Iran's oil exports, and whether Iran's counterattack will disrupt oil supply in the Middle East. While many experts assume that these risks are low, even the low risks form a tail risk that exerts a great impact. In this regard, we must pay attention to the worst-case scenario in which oil exports via the Strait of Hormuz, which account for 20% of global oil supply, will be disrupted in some way. If this huge oil flow is affected, the international oil market will face severe destabilization, which could have serious consequences

for Japan, which relies on Middle Eastern crude oil for 95% of its oil supply. The situation surrounding Iran in the future cannot be overlooked by Japan or any other country.