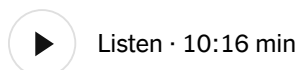


Hoarding Is Driving Energy Prices Higher Everywhere

As wealthy nations scramble to secure stocks of oil, the result is higher prices for all and shortages in vulnerable countries.



By Peter S. Goodman

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In economics textbooks, higher energy prices from the war in the Middle East display the power of the markets to efficiently decide who gets what. Yet in the real world, a cruder sort of power appears at work.

The conflict has severely constricted the supply of oil from the Persian Gulf. Countries with the financial means — China, Japan, Europe, the United States — are securing much of what they need, paying whatever it takes. Some are restricting exports to hold on to what they have.

That has pushed prices higher everywhere. At the same time, shortages threaten less affluent nations in Asia, sub-Saharan Africa and Latin America.

Some economists are describing this as hoarding.

“The market is not some harmonious allocating mechanism, but ends up being the law of the jungle,” said Isabella Weber, an economist at the University of Massachusetts, Amherst. “Rationing by price explosion ends up being fundamentally unjust.”

Not for the first time, the world is reckoning with the reality that fear of scarcity can become self-fulfilling. Increased prices for critical commodities like oil and natural gas are amplified by a feedback loop of alarm and feverish buying. As national governments understandably seek to protect their economies from running out of vital goods, their purchasing affirms the impetus for others to lock up supply.

This truth has been illustrated over decades by shocks to the world’s food supply. A similar story played out during the Covid-19 pandemic as nations banned exports of protective gear and competed for limited doses of lifesaving vaccines. Now, the same dynamic appears to be driving up prices for energy around the globe, yielding shortages of cooking gas in India and jet fuel in Southeast Asia.



A petroleum processing facility in California. Mario Tama/Getty Images

“Once again, a large unanticipated shock hits the world economy and it’s every country for itself,” said Eswar Prasad, an international trade expert at Cornell University. “This is not the world in it together and trying to sort out the problem jointly. Every country is going into survival mode.”

Last week, the International Monetary Fund, the World Bank and the International Energy Agency jointly exhorted countries not to hoard stocks of energy or ban exports, warning that such measures would worsen the situation for the globe.

“Do no harm,” urged the I.M.F.’s managing director, Kristalina Georgieva, as her institution downgraded its forecast for global economic growth.

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That admonition came after China and Thailand halted exports of jet fuel, seeking to ensure adequate stocks at home.

For Thailand, any trouble for aviation poses danger for its enormous tourism industry. And worries about running out of energy had already gotten real. After the government capped the rising price of diesel, drivers massed at gas stations in a surge of panic buying. Then the authorities got ready to ration fuel.

But the impact of banning exports of jet fuel spread the pain elsewhere through the region, causing shortages in importing countries like Vietnam, Myanmar and Pakistan.

Major airlines in Europe have warned about the risk of running low on fuel. Lufthansa Group cited the doubling of prices and said on Tuesday that it would cut 20,000 flights through October.

Europe depends on Persian Gulf suppliers for three-fourths of its jet fuel, with the bulk moving through the Strait of Hormuz, the narrow channel at the center of hostilities between the United States and Iran.

The Chinese government, long concerned about reliance on energy from the Middle East, has in recent years added to its vast stockpiles of oil and natural gas. China has also become the world's leader in drawing electricity from renewable sources of energy like solar and wind power. Still, China buys some 13 percent of its oil from Iran, making the war a source of grave concern in Beijing.

Since the United States and Israel launched the war at the end of February, China has sought to replace oil shipments blocked by the conflict with increased purchases from Russia and Brazil.

That is no simple exercise. Overall, China's crude oil imports have dipped about 10 percent this year compared with 2025. But China's unrivaled capacity to store oil greatly diminishes the threat of running out.

Smaller economies lack such capacity, putting them at a pronounced disadvantage.

The Philippines, which imports 90 percent of its oil from the Persian Gulf, last month declared a national emergency in the face of spiking gasoline prices. President Ferdinand Marcos Jr. has sought to ease the strain by handing out subsidies to drivers of motorized tricycles and jeepneys, a popular form of transportation. But that has not assuaged the anger of drivers, who have staged strikes. The government has also halted collections of fuel taxes on liquefied petroleum gas — a major source of cooking fuel in urban areas.

In India, which also relies heavily on liquefied petroleum gas for cooking, authorities have been raiding businesses accused of hoarding canisters, exacerbating shortages.

Transportation workers in Manila demonstrating in late March. The Philippines imports 90 percent of its oil from the Persian Gulf. Ezra Acayan/Getty Images

In the United States, President Trump has sought to limit economic disruptions from his war by releasing millions of barrels from the Strategic Petroleum Reserve. Japan has pursued a similar approach.

European importers of energy, especially vulnerable to turmoil in the Persian Gulf, have been pushing world prices higher by outbidding distressed rivals in Asia for jet fuel and other products.

Some see the skewed availability of energy as a rebuke of economic dogma that has propelled globalization since the end of World War II: the idea that greater trade yields stability by expanding access to vital goods.

“The post-World War II framework was based on this idea that boundaries don’t matter,” said Joseph Stiglitz, a Nobel laureate economist at Columbia University. “There’s a global price for everything. But once you have national hoarding,

that's no longer true. Borders matter.”

This is hardly the first incidence of shortages arising from a multinational free-for-all.

More than half a century ago, in 1972, drought ravaged rice crops in much of Southeast Asia, threatening a staple food for tens of millions of people. The next year, Thailand — the world's largest exporter of rice — banned foreign sales to ensure adequate stocks at home. By early 1974, rice prices had risen fourfold on world markets, according to an analysis by C. Peter Timmer, a development expert at Harvard.

Wealthy importers like Japan and Britain paid more for rice. China cut back its exports to prioritize its own people. But Bangladesh and India — both dependent on imports, and both lacking in foreign exchange reserves — struggled to feed their populations.

In 2007, rising prices for wheat and corn prompted concern about the global food supply. Less developed countries that were heavily dependent on rice sought to amass holdings of that staple crop. Buyers in the Philippines sharply increased rice imports. India and Vietnam restricted exports.

By early 2008, rice prices had more than doubled, forcing ordinary households in much of Asia to limit their caloric intake and sending nearly a billion people into poverty, according to an analysis by the Asian Development Bank.

The pandemic delivered another lesson about the perils of national rivalry for goods absent international coordination. During the first months, 76 countries imposed restrictions on the export of critical medical supplies, according to a compilation by Simon J. Evenett, a trade expert at the IMD Business School in Switzerland.

National authorities were eager to prioritize the welfare of their own people in the face of a global disaster. But the net effect was to limit the availability of components for the manufacturing of ventilators and other equipment needed to treat Covid patients.

China's restrictions on shipments of protective gear were especially potent given that its factories were the source of more than 40 percent of many such products, according to research by Chad Bown, a trade expert at the Peterson Institute for International Economics. Prices for protective gear multiplied around the globe.

Even in wealthy countries in North America and Europe, federal governments competed with local authorities for access to medical goods. The ability to pay trumped considerations of collective protection.

“Even the chemicals that went into the vaccines they hoarded,” said Mr. Stiglitz, the economist. “That interrupted the supply chain and made it more difficult to produce some of the vaccines. It was destructive, but everybody said, ‘We don’t know what we’re going to need.’”

Protective equipment, in a facility in Atlanta, during the pandemic in 2020. Pool photo by Curtis Compton

A similar dynamic determined which countries gained access to Covid vaccines. By the middle of 2021, three-fourths of the people who had received the vaccines lived in just 10 countries, among them the United States, Britain, Germany and France, according to research published in a scientific journal. Only 5 percent of the human population had received a single dose of vaccine.

Pfizer, the American pharmaceutical giant, developed a leading Covid vaccine. The company promised to contribute 40 million doses at not-for-profit prices to Covax, an initiative aimed at ensuring that poor countries would gain protection. That volume was less than 1 percent of the 11 billion doses that were estimated to be needed to ensure that 70 percent of the world's population was covered. And by the middle of 2021, as Pfizer logged big profits for its sale of vaccines to the highest bidder, the company had delivered only 1.25 million doses to Covax — less than it produced in a single day.

The consequences of leaving much of the world beyond reach of vaccines represented a collective vulnerability.

The energy shocks are similarly universal: Hoarding lifts market prices everywhere. Yet which countries manage to secure ample stocks is a tale of inequality.

“Rich countries outbid poor countries,” said Ms. Weber, the University of Massachusetts economist. “Rich people ensure their luxury consumption while the majority of people gets squeezed.”

Peter S. Goodman is a reporter who covers the global economy. He writes about the intersection of economics and geopolitics, with particular emphasis on the consequences for people and their lives and livelihoods.

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