



richardheinberg.com

MuseLetter #397 / April 2026 by Richard Heinberg

The 2026 Energy Crisis and Our Wile E. Coyote Moment

Pop culture has long memorialized the Warner Brothers cartoon gag in which Wile E. Coyote, lured by his nemesis, the Roadrunner, races off a cliff. Instead of immediately falling, Coyote keeps running, then looks down and realizes there's nothing beneath him but empty space. His expression turns from anger to panic, whereupon he plummets. Coyote's belated moment of realization is a trendy metaphor for our response to inevitable, though not yet fully realized, consequences of foolish behavior.

For the past couple of decades, we at [Post Carbon Institute](#) have been pointing out that energy is the basis of the economy, that oil is our foremost energy source, and that a transition to alternative energy sources will necessarily be slow and incomplete. Given that oil is a depleting, polluting, non-renewable resource, industrial society is due for a reckoning at some point. We are all in an extended Wile E. Coyote moment.

But now, as the United States' war on Iran has set off a global energy crisis, humanity has arrived at a more immediate and critical Coyote moment. The International Monetary Fund (IMF) has issued a [report](#) suggesting that continued oil shortages could reduce global economic growth by 2 percent and raise inflation by 2.3 percent. Some analysts say the IMF warning is far too weak and that the crisis could trigger a [global recession](#) or worse.

Oil is a key ingredient [in most consumer products](#) and their packaging; expensive oil, therefore, translates to price hikes for [toys, car parts, electronics, clothing](#), and more. It powers or is a critical input into essential elements of industrial society, including the [food system](#). And oil *moves* everything: global supply chains depend on transportation by truck, rail, ship, and air, and [over 90 percent](#) of transport energy is oil-based. That means an extended crisis would likely lead to stagflation, in which the economy is hobbled simultaneously by inflation and slow growth or economic contraction. When prices for food and medicines are eventually impacted, no one will remain unaffected.

However, for the moment, the stock market is hardly signaling imminent economic peril; instead, the Dow Jones is near peak levels. Further, the US, which started the war, seems somewhat spared from its consequences when compared to many other countries. And oil prices, while higher than before the hostilities, are nowhere near inflation-adjusted historic peaks.

What's keeping Coyote airborne?

American Oil Un-exceptionalism

Myanmar, Bangladesh, Slovenia, Sri Lanka, Cambodia, and Vietnam are [rationing or restricting the purchasing of fuel](#). Germany's Lufthansa airline has [cut 20,000 summer flights](#) due to rising fuel costs. The examples could be multiplied: countries in Asia, Europe, and Africa are already experiencing symptoms of energy scarcity, while Australia faces [dire impacts to its agriculture](#).

But in America, the worst fallout so far is expensive gasoline. Before the first attacks on Tehran in late February, the average price of gas in the US was \$2.98 a gallon. It's now [above \\$4](#)—a political worry for the president and other Republicans, but a price that's not quite as high as [ones motorists faced in the 1970s](#). US airlines have [raised their checked baggage fees](#) in response to higher fuel costs. Yet, otherwise, business hums along more or less as usual. Why have Americans seen so few repercussions?

Two reasons are widely cited. The first is that the US is currently the world's biggest oil producer and is therefore far less vulnerable to shortages than nations that import most, or all, of their fuel. The second is that the US has the world's second-largest strategic petroleum reserve (after China), which, in an emergency, can be brought to market to lower prices and avert scarcity.

However, these two pillars of US energy resilience are shaky. First: Even though the United States produces over 13 million barrels of oil per day, it uses [almost 20 million barrels](#). Further, the kinds of oil extracted from American wells are not always the kinds that the nation's refineries are set up to use. So, oil companies export light crude and import heavier crude to produce the blends of gasoline, diesel, and jet fuel that the US market demands. The result: America is the world's [second-largest oil importer](#), even though its politicians love to brag about “energy independence.”

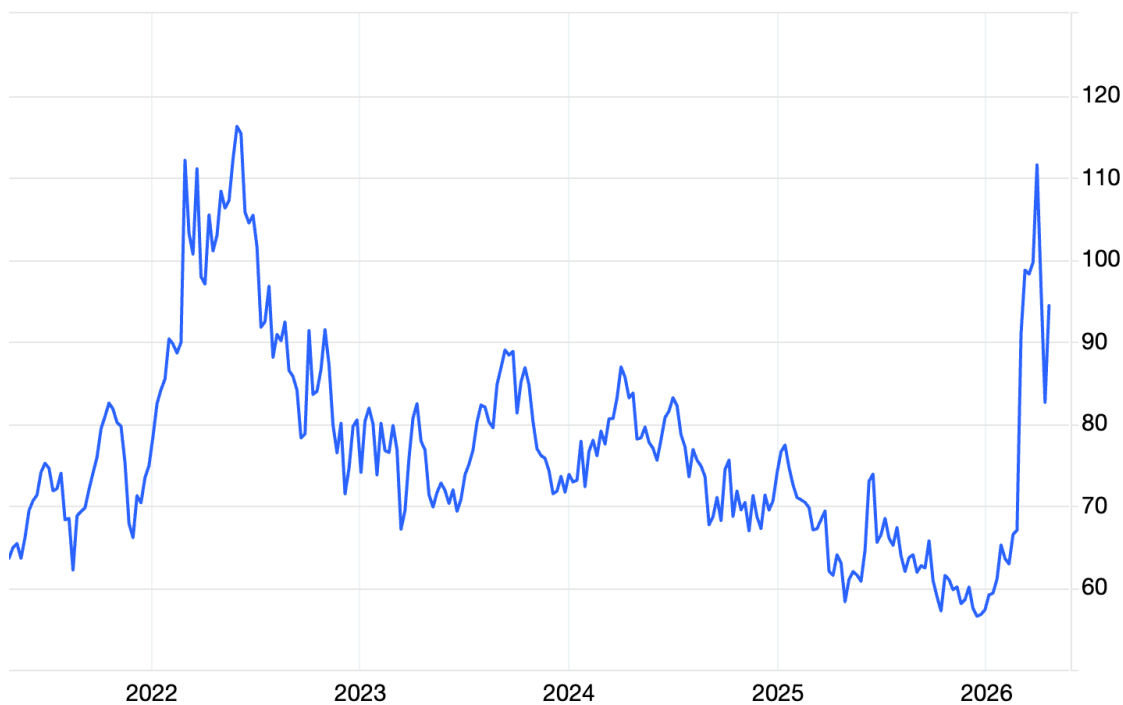
Second: Strategic petroleum reserves are only meant to last a relatively brief time. Currently, the US has about 400 million barrels of oil stored in four underground salt caverns along the Gulf of Mexico. That's 20 days' worth of total American consumption at current rates. Therefore, the government has limited ability to influence oil prices during a months-long supply crunch.

America's status as oil-production king and its cushion of reserves have indeed helped it weather the early stages of the crisis. But the nation [won't be insulated](#) from serious economic damage for long.

Oil-Price Roulette

Oil has been trading at roughly \$100 a barrel since the start of hostilities, a price somewhat lower than ones seen in June/July 2022 when Russia invaded Ukraine. The closure of the Strait of Hormuz would intuitively seem a much graver threat to world oil supplies. Given that a fifth of the world's petroleum flow is now unavailable, why haven't prices shot even higher?

Crude Oil WTI



source: tradingeconomics.com

One factor is the so-called [TACO trade](#). Donald Trump has repeatedly shown the tendency to make threats and then back away; hence the meme “Trump Always Chickens Out” (TACO). The term “TACO trade” gained currency during 2025, when the president announced steep tariffs, then canceled or moderated them, ostensibly to leave time for negotiations but also perhaps in response to negative impacts those announcements had on stock prices (stock market activity appears to influence Donald Trump’s behavior more than most other factors). Savvy stock traders learned that if, instead of taking Trump’s most belligerent threats seriously, they bet against price dips, they could make more money.

The TACO trade has also followed Trump’s recent statements about the Iran war. When he said, in a late-night Truth Social post, that “a whole civilization will die tonight, never to be brought back again” if a deal to reopen the Strait of Hormuz was not immediately reached, many oil traders sat tight, assuming Trump would renege on his threat. [He did](#). If Trump’s backdowns happen on a Tuesday, as on [April 21st](#), the internet explodes with “TACO Tuesday” comments.

However, the longer the crisis drags on, the harder real shortages will bite oil-importing economies worldwide. And there are reasons to expect the impasse between the US and Iran to continue. Trump’s instinct is to bully and bluster, but every time he attacks Iran or threatens to do so, oil prices rise (despite the muting effect of the TACO trade) and the stock market dips. Both trends are political kryptonite. However, it would be even worse politically for Trump if he were to accede to a long-term Iranian peace deal that looks like a defeat for America. So, the standoff persists, with the Strait of Hormuz blocked, 20 percent of world oil supplies offline, and the global economy held hostage.

The Strait has been closed for over two months. Analysts say that if it remains shut to tanker traffic for months longer, oil prices could soar to [\\$200](#), which would almost surely [send the global economy into contraction](#).

Dow Derangement Syndrome

An acute Wile E. Coyote moment is also happening in global stock markets. Many people (including most investors) tend to think of stock prices as a barometer of the overall soundness of the economy. [Others disagree](#), pointing out that stock prices just measure future profit expectations of listed companies, not current employment or wages, much less the health of the biosphere. Further, stock ownership is highly concentrated, so market booms often benefit only the wealthy. Nevertheless, the opinions of the rich tend to be amplified throughout society, so even many non-investors watch the Dow Jones and S&P 500. And, despite the Iran war and resulting higher oil prices, and despite warnings from experts about rising fertilizer costs and the possibility of [global food shortages](#), the Dow seems to be doing just fine. The major market indexes dipped significantly between late February and late March but have recovered since then and are once again near record highs.

The market's resilience is puzzling for another reason as well. Most investment action during the past couple of years has centered on artificial intelligence (AI). Nvidia, which makes computer chips for AI, is now the world's most valuable company by market capitalization, even though the AI industry is [struggling to be profitable](#). Many analysts say that AI is a [classic financial bubble](#)—and a historically big one.

So, are investors stupid, or what? A more nuanced take might be that they exhibit herd mentality, and that they tend to chase short-term profits, hoping to sell shares just before prices plunge.

Here's another factor. According to [some analysts](#), the markets are simply high on cash. Governments created enormous amounts of money to stanch problems created by the Global Financial Crisis of 2008 and the COVID epidemic, and much of that money eventually found its way to investors. When the US federal government racks up giant fiscal deficits, it is creating new money, much of which winds up inflating bubbles.

In short, the market runs on investor sentiment, which is now [detached from both consumer sentiment and business prospects](#)—as well as from long-term biophysical reality.

But sooner or later, reality imposes itself.

Look Down

In the cartoon, it's not until Coyote looks down that he realizes his predicament. This sudden awareness triggers his fall.

Of course, in the real world, temporary ignorance can't cancel gravity. Actual coyotes don't hover until they glance groundward. However, the human economy *can* do something like that—because it's a hybrid of a real-world component comprised of energy and material flows (which ultimately depend on nature), and an imaginary-world component comprised of money, prices, hype, and speculation. This hybrid semi-reality can run up [ecological deficits](#) and undermine the conditions of life for future generations while still maintaining affluence and entertainment for hundreds of millions of mostly clueless people. For now.

It's our bigger, longer-playing Coyote moments to which we should be paying most attention—climate change, resource depletion, chemical pollution, and the disappearance of wild nature. Markets and prices are of little help in shifting our awareness in that direction: cutting down an old-growth forest for timber can result in corporate profits and a bump in GDP, but the human and environmental impacts that will linger for generations don't figure into this quarter's P&L reports.

We're all dancing somewhere off the end of history's biggest cliff, sensing that something isn't quite right but blaming that sensation on people whose politics we disagree with. We do anything we can to avoid looking down.

Returning to the main subject of this article: Will oil prices skyrocket? Will Trump continue to TACO? Will the economy crater? Or will the US and Iran reach a deal and open the Strait, so that normalcy can resume? Your guess is as good as anyone's. But if you're starting to have nagging worries, you're not crazy and you're not alone. Do something. Plant a vegetable garden. Talk to your neighbors about sharing tools and skills. Examine your oil dependency and see how you can reduce it. Imagine how your life might look if the economy were smaller, not bigger, and start making adjustments. Most of all, focus on building community with those around you.