Winter energy crisis warning as Opec refuses to tame oil prices

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IL prices could rocket in the next few weeks exacerbating the fuel shortage and leading to a winter energy crisis, City analysts are warning.

That in turn will put intense pressure on central banks to shove up interest rates faster than they would like.

Crude is already at a seven-year high, after Opec refused last night to increase production levels in order to keep profits up.

Brent Crude today rose xx to xx and might surge to $100 or even $120 say some experts.

That would feed through to higher prices for home heating and at the pump. Gas and coal are already at the highest price on record.

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Bank of America said: “Like in the 1970s or in 2008, oil could once again become the destabilising factor that causes the next macro crisis."

It says $120 a barrel is possible. The government says the petrol crisis is easing as the army helps get fuel to forecourts, but problems remain, especially in London.

While the jump in oil is partly just a sign of economic recovery, it is feeding inflation which in turn could derail growth.

The Bank of England is still insisting that inflation will peak at 4% and then quickly fade. There is growing scepticism about this forecast.

Oanda's senior market analyst Jeffrey Halley said: "Assuming the energy squeeze is the new normal, it is hard to see transient inflation being as transient as the world's central bankers are forecasting/hoping it will be. The effect will be felt throughout the world's supply chains."

Deutsche Bank warned that the "**spike in energy prices has led to renewed fears about inflation accelerating even further than current forecasts are implying, with knock-on implications for central banks".**

Russ Mould at AJ Bell said: "A sustained spell of high energy prices could slow the recovery and check demand growth. That perhaps leaves consumers and companies and governments with an uncomfortable near-term choice between their desire for a greener, more renewable world and higher fuel bills."

The latest IHS Markit/CIPS PMIs, a measure of growth, came in at 54.9 for September, up slightly from August. But supply chain issues are clearly causing havoc and ramping up costs.

Tim Moore at IHS Markit said: "Tight constraints on business capacity and rampant supply chain uncertainty meant that service providers have become more willing to pass on higher costs to customers. The latest rise in average prices charged by UK service sector firms was the fastest in over 25 years of data collection, with many businesses reporting more frequent reviews of pricing due to escalating cost increases by suppliers."

Businesses are increasingly nervous.

Duncan Brock at CIPS said: "The chokehold on supply chain deliveries also made food, fuel and logistics much more expensive, which was a factor in dampening business optimism for activity in the next 12 months."