



Airlines Warn of Rising Fares Amid Jet Fuel Surge

Description

Airlines face significant challenges as they navigate the implications of higher jet fuel prices, a situation exacerbated by the ongoing conflict involving Iran. This geopolitical turmoil has forced many airlines to alter their flight paths to avoid certain airspaces in the Middle East, causing disruptions to their operations. With rising uncertainty, some travellers are postponing their trips.

The rise in jet fuel prices is particularly pressing. Recent data from the Argus US Jet Fuel Index indicates that prices surged from just over \$2 per gallon to approximately \$4 per gallon. This substantial increase has serious ramifications for airlines, as fuel represents their second-largest expense after labour costs. Historically, US airlines engaged in fuel hedging to mitigate the risks associated with volatile prices; however, this strategy has fallen out of favour due to its prohibitive costs and unpredictability.

To illustrate the financial stakes, United Airlines reported a revenue of \$59 billion in 2025, with jet fuel expenses exceeding \$11 billion. Consequently, a 25% increase in oil prices could significantly erode United's profits. Reports suggest that even a minor one-cent rise in fuel costs could impose additional annual expenses of \$22 million on Southwest, \$40 million on Delta, and \$50 million on American.

United's CEO, Scott Kirby, has acknowledged the significant impact these rising fuel prices will have on profitability and anticipates that airfare adjustments are likely to occur swiftly. Stock performance has already reflected investor concerns, with American's shares dropping over 27% and United's by over 21% in recent weeks.

The duration of the current conflict and its effect on oil prices remains uncertain. If elevated jet fuel prices persist, airlines will face profound difficulties, threatening the profitability of even the most successful companies. The industry's fragile state may prompt airline executives to raise ticket prices; however, these decisions must align with consumer willingness to pay, as filling seats remains a key priority. Lastly, airlines must also contend with broader economic factors that could diminish disposable income and hence, decrease demand for air travel.

Vocabulary List:

1. **exacerbated** /ɪg'zæsərbeɪtɪd/ (verb (past participle)): Made a problem or situation worse; intensified existing negative effects.
2. **geopolitical** /,dʒi:.oʊpə'li:tɪkəl/ (adjective): Relating to the political relationships and effects between countries or regions.
3. **airspace** /'eə(r)speɪsɪz/ (noun (plural)): Areas of the sky or regions of controlled air where aircraft fly and which may be restricted or regulated.
4. **ramifications** /,ræmɪfɪ'keɪʃənz/ (noun (plural)): Consequences or complex results that follow from an action or decision.



5. **hedging** /'hɛdʒɪŋ/ (noun / verb (gerund)): A financial strategy used to reduce or manage the risk of price changes (e.g. buying contracts to protect against rising fuel costs).
6. **profitability** /,prɔːfɪtə'bɪləti/ (noun): The ability of a business to earn money and make a profit after costs are accounted for.

Comprehension Questions

Multiple Choice

1. What has exacerbated the challenges airlines face regarding jet fuel prices?
Option: Conflict in Ukraine
Option: Ongoing conflict involving Iran
Option: Increase in passenger numbers
Option: New environmental regulations
2. According to the Argus US Jet Fuel Index, what was the price increase from per gallon?
Option: From \$1 to \$3
Option: From \$2 to \$4
Option: From \$3 to \$5
Option: From \$4 to \$6
3. What percentage increase in oil prices could significantly erode United's profits?
Option: 10%
Option: 15%
Option: 20%
Option: 25%
4. How much did American's shares drop by in recent weeks?
Option: Over 10%
Option: Over 20%
Option: Over 27%
Option: Over 30%
5. What is considered the second-largest expense for airlines?
Option: Maintenance costs
Option: Labour costs
Option: Fuel expenses



Option: Marketing costs

6. What was United Airlines' reported revenue in 2025?

- Option: \$50 billion
- Option: \$55 billion
- Option: \$59 billion
- Option: \$62 billion

True-False

- 7. Airlines are currently benefiting from lower jet fuel prices.
- 8. Fuel hedging has become a popular strategy for airlines in response to rising fuel costs.
- 9. United Airlines' jet fuel expenses exceeded \$11 billion.
- 10. Scott Kirby is the CEO of Delta Airlines.
- 11. Some travelers are postponing their trips due to rising uncertainty.
- 12. Airlines are not affected by broader economic factors.

Gap-Fill

- 13. Airlines face challenges due to higher jet fuel prices and the ongoing conflict involving _____.
- 14. Fuel is the second-largest expense for airlines after _____.
- 16. United Airlines reported a revenue of \$59 billion in _____.
- 17. If elevated jet fuel prices persist, airlines will face profound _____.
- 18. The industry's fragile state may prompt airline executives to raise _____ prices.

Answer

Multiple Choice: 1. Ongoing conflict involving Iran 2. From \$2 to \$4 3. 25% 4. Over 27% 5. Fuel expenses 6. \$59 billion



True-False: 7. False 8. False 9. True 10. False 11. True 12. False
Gap-Fill: 13. Iran 14. labour costs 16. 2025 17. difficulties 18. ticket

Answer

CATEGORY

1. Business - LEVEL6

POST TAG

1. airlines
2. ESL learning
3. esl news
4. higher fares
5. jet fuel costs
6. Level 6

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