

Iran war fuel shock claims first airline casualty

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Dhaka: Bankrupt U.S. ultra-low-cost carrier Spirit Airlines has ceased operations, becoming the first airline casualty linked to the ongoing Iran war after failing to secure creditor support for a government bailout plan.

The shutdown follows a dramatic doubling of jet fuel prices over the two months since the conflict began. Spirit's restructuring plan had assumed jet fuel costs of around USD 2.24 per gallon in 2026, but prices climbed to approximately USD 4.51 per gallon by the end of April, making survival without fresh financing impossible.

A Spirit board meeting ended on May 1 without a rescue agreement. The airline subsequently announced an "orderly wind-down of operations," canceling all flights and asking passengers not to go to the airport.

Spirit had 4,119 domestic flights scheduled between May 1 and May 15, offering 809,638 seats, according to aviation analytics firm Cirium.

The collapse will cost thousands of jobs and deals a blow to President Donald Trump, who had proposed USD 500 million in financing in exchange for warrants equivalent to 90% of Spirit's equity. The proposal faced opposition from some of his closest advisers and many Republican lawmakers.

Transportation Secretary Sean Duffy said he had tried to find buyers for the airline but found no takers.

Spirit had once accounted for 5% of all U.S. flights, making it the largest U.S. carrier to liquidate in two decades. The airline built its brand around ultra-low fares for budget-conscious travelers, but that model struggled after the COVID-19 pandemic as passengers shifted toward comfort-oriented travel.

The airline flew approximately 1.7 million domestic passengers in February, holding a 3.9% market share, down from 5.1% the previous year.

Spirit's shutdown is expected to benefit rivals, including JetBlue Airways and Frontier Airlines. Frontier's stock rose 10% and JetBlue gained 4% on May 1, while Spirit's over-the-counter shares plunged 25%.

Following the announcement, major U.S. carriers introduced rescue fares for affected passengers. Frontier announced systemwide discounts and plans to add summer routes, JetBlue offered USD 99 fares, Southwest introduced special fares, United capped one-way ticket prices, and American added rescue fares while reviewing capacity increases on key routes.

The development underscores the broader vulnerability of financially weaker airlines to the Iran war's fuel-price shock, with global carriers continuing to grapple with surging costs from disruptions to traffic through the Strait of Hormuz.