The Hormuz Crisis

How the World's Largest Energy Disruption Is Reshaping Business in the GCC-Asia Corridor

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Three things are true simultaneously. Oil prices are at levels that would generate record fiscal surpluses for every Gulf producer. 6.7 million barrels per day of that oil cannot physically leave the region. And the futures market is pricing in resolution within weeks, while the military and diplomatic situation points to months. That gap—between what financial markets expect and what the ground reality suggests—is the central risk for every business with GCC operations or Asian supply chain exposure. [1]

The Strait of Hormuz has been selectively closed by Iran since March 2, creating the largest single supply disruption in recent energy history—6.7 million barrels per day shut in, surpassing the estimated production impact of the 1973 Arab oil embargo and the 1990 Iraq invasion. Seven hundred ships are trapped inside the Persian Gulf. Qatar's entire LNG complex—14% of global monthly supply—is offline. South Korea faces LNG exhaustion in approximately 30 days. Pakistan imposed its largest fuel price hike in history. The Philippines moved to a four-day government work week. The physical supply that would relieve these countries is sitting in tankers that cannot leave. [2]

Companies with GCC operations, Asian supply chains, or energy-cost exposure do not have the luxury of waiting for a scenario to materialize. The window to build buffers, reroute supply, and review contractual exposure is open now. It closes when the next escalation forces the decision.

What Happened and Where Things Stand

On February 28, 2026, the United States and Israel launched coordinated strikes on Iran under Operation Epic Fury, killing Supreme Leader Ali Khamenei and senior military leadership. Iran retaliated with over 500 ballistic missiles and 2,000 drones targeting US bases and civilian infrastructure across six Gulf states and Israel. The IRGC declared the Strait of Hormuz closed on March 2 and began attacking commercial vessels. [1]

Iran's new Supreme Leader, Mojtaba Khamenei—the slain leader's 56-year-old son—was installed on March 8 in a move orchestrated by the IRGC. He has not given a public address. His dependence on IRGC support for his installation suggests limited incentive to negotiate—a

dynamic several regional analysts have flagged as the primary obstacle to a near-term ceasefire. Iran's Foreign Minister stated on March 10 that Iran is prepared to fight "as long as needed." [3]

Official US communications have introduced their own volatility. On March 9, statements from the White House and the Pentagon directly contradicted each other on the state of the conflict—the same day. A government claim that the Navy had successfully escorted a tanker through Hormuz was retracted hours later. Each contradictory signal has generated $10–$15 per barrel price swings in either direction. Markets cannot price a conflict they cannot read, and unclear official communications are compounding the uncertainty. [4]

Diplomacy has stalled. The UN Security Council held an emergency session but passed no resolution after a US veto. China dispatched a mediator but has no leverage over either party. The Houthis have not yet resumed Red Sea attacks, but their leader warned that "our hands are on the trigger." Their entry would close both Middle Eastern chokepoints simultaneously for the first time in modern history. [5]

Callout Box: Duration is the variable that matters most. Iran's new hardline leadership, contradictory US signaling, and the absence of any diplomatic framework all point to a conflict measured in weeks, not days.

Energy Markets: Historic Volatility, Historic Intervention

Brent crude surged from approximately $67 per barrel before the conflict to an intraday peak of $119.50 on March 9, then crashed 11.3% on March 10 following official US statements suggesting the conflict was near resolution. It settled near $87–$88 on March 11. WTI posted its largest weekly gain in futures history—35.6%—for the week ending March 7. These swings are not trading noise. They reflect genuine uncertainty about a physical supply situation that has no near-term resolution. [6]

The futures curve tells the same story in reverse: prompt-month contracts carry a $14.20 premium over next month, and December 2026 futures trade near $69—the market is betting on rapid resolution. The EIA's March 10 outlook forecasts Brent above $95 for two months, declining to $70 by year-end, but explicitly notes the forecast is "highly dependent on conflict duration." Companies making capital or procurement decisions based on futures strip pricing should understand they are also making a bet on Iranian leadership behavior. [7]

On the supply side: Saudi Arabia shut multiple offshore fields as onshore storage filled. Iraq's southern output collapsed 70%. Kuwait declared force majeure. QatarEnergy halted its entire 77-million-tonne-per-year Ras Laffan LNG complex on March 4—removing approximately 14% of global monthly LNG supply in a single announcement. [8]

Callout Box: 6.7 million barrels per day of Gulf production shut in—the largest single supply disruption in recent energy history, surpassing the estimated production impact of the 1973 Arab oil embargo and the 1990 Iraq invasion.

Strategic Reserves: Time Buyer, Not Solution

The International Energy Agency has proposed releasing 300–400 million barrels from strategic reserves—more than double the 182 million barrels released after Russia's invasion of Ukraine. IEA members collectively hold 1.2 billion barrels. A G7 leaders' call was scheduled for March 11 to finalize the decision. Japan confirmed it will participate in what would be its first-ever national reserve release. [9]

Strategic reserves buy time—90 to 150 days for most IEA members. They cannot fill the 14.5–16.5 million barrel per day gap between available pipeline bypass capacity and normal Hormuz throughput. Every additional week of closure moves the global economy closer to demand-destruction price levels. The difference from 2022 is stark: in that energy crisis, the supply existed somewhere. Today, it is physically trapped inside a naval blockade.

LNG: The Crisis Within the Crisis

Asian spot LNG (JKM) spiked 68% in 24 hours to $35.40/MMBtu before retreating. European TTF gas peaked at €63.75/MWh—100% above pre-war levels. Goldman Sachs projects that a one-month Qatari halt could push TTF toward €74/MWh, the level that triggered demand destruction in 2022. [10]

Companies dependent on spot LNG face a constraint that a ceasefire announcement will not immediately resolve: industry estimates indicate Ras Laffan would require a minimum of two to four weeks to safely restart after any peace agreement. Even under a fast de-escalation scenario, LNG markets remain tight through April. The worst assumption a procurement team can make right now is that supply resumes the day a ceasefire is announced.

GCC Economies: Record Prices They Cannot Monetize

Every GCC state faces the same paradox: oil prices exceed fiscal breakeven levels, yet the inability to physically export renders those prices largely academic. Saudi Arabia's breakeven sits at $86–$96 per barrel. The UAE's is approximately $64. Kuwait's is approximately $83.50. All are comfortably exceeded by current spot prices—and all are irrelevant until export routes reopen. [11]

Bahrain is the exception in a different direction. With a breakeven of approximately $125 per barrel and the weakest sovereign credit ratings in the GCC (B2/B/B+), it faces the most precarious position of any Gulf state. The country intercepted 105 missiles and 176 drones in the first 12 days of the conflict. Its Bapco Sitra refinery—405,000 barrels per day—was struck twice and is under force majeure. Any company with Bahrain-specific exposure—personnel, counterparties, financial instruments—should treat this as the highest-risk jurisdiction in the region. [12]

Infrastructure Damage

Saudi Arabia's Ras Tanura refinery—550,000 barrels per day—is offline after two drone strikes. Dubai International Airport is operating at roughly 60% capacity after multiple closures, with over 12,300 flights cancelled across seven Gulf airports in the first four days. Jebel Ali port is technically operational but commercially isolated: MSC, Maersk, and Hapag-Lloyd have all suspended Gulf bookings, leaving approximately 450,000 TEU trapped inside the Gulf. [13]

Three AWS data centers in the UAE were damaged by Iranian strikes—the first wartime destruction of major cloud infrastructure. This is not an abstract risk. Any business relying on UAE-based cloud infrastructure for financial processing, logistics, or communications needs to verify backup systems now, not after the next strike. [14]

The Underreported Risk: Food and Remittances

The GCC imports 80–90% of the food consumed within the region, much of it via sea routes now disrupted. One-third of global fertilizer inputs—sulphur and ammonia—transit Hormuz. Shipping delays are already pushing up import costs for construction materials, consumer goods, and food staples. [15]

Millions of South and Southeast Asian workers depend on GCC employment. The Philippines alone receives approximately $9 billion annually from Gulf-based workers. Any contraction in Gulf economic activity directly reduces remittance flows to the Philippines, Pakistan, India, and Bangladesh—reducing consumer spending in markets that many companies outside the region depend on. The crisis is not contained to the Gulf and Asia. It is moving through the global economy one supply chain and one remittance transfer at a time. [16]

Asia: The World's Most Exposed Energy Importers

Asian economies import 70–95% of their oil via the Gulf and account for 83% of Gulf LNG exports. The shock is hitting hardest where reserves are thinnest and governments have the least fiscal capacity to absorb it. South Korea faces LNG exhaustion in approximately 30 days.

Pakistan's monthly oil import bill could reach $600 million. Taiwan's semiconductor fabs—which require uninterrupted gas supply—have roughly 40 days of LNG buffer. [17]

Country	Key Exposure	Currency Impact	Reserve Buffer	Govt Response	Business Impact
India	90% crude imported; 85% LPG from Gulf	Rupee at all-time low: 92.02/USD	~40–45 days crude	RBI spent $18–20B in forex; emergency LPG production	Every $10/bbl adds $13–14B to import bill
S. Korea	3rd largest LNG importer globally	Won breached 1,498/USD	208 days crude; ~30 days LNG	100 trillion won ($68B) stabilization; fuel price caps	Semis, steel, petrochem face rationing in 4–8 weeks
Japan	95% crude from Middle East; 70% via Hormuz	Yen past 158.5/USD	~350M bbls (~150 days)	First-ever national reserve release planned	Bloomberg warns of mounting stagflation risk
China	40–50% seaborne oil via Hormuz	Minimal—better positioned	~1.2B bbls (~108–130 days)	Banned refined fuel exports; receiving Iranian oil	Selective Hormuz access via Iran is a strategic advantage
Philippines	High oil import dependence	Peso weakened 2–3%	Limited	Four-day govt work week; fuel up 13–55¢/liter	President: "victims of a war not of our choosing"
Pakistan	99% LNG from Qatar/UAE	Under severe pressure	Days, not weeks	Largest fuel hike in history (20%); schools closed	Monthly oil import bill could reach $600M
Taiwan	4th largest LNG importer; 97% energy imported	TWD weakened modestly	~40 days LNG; 90+ days crude	Accelerating US LNG spot purchases	Semiconductor fabs require uninterrupted gas supply
Vietnam	Growing dependence on Middle East crude	Dong weakened	Limited	Removed fuel import tariffs; tapped stabilization fund	Gasoline +32%, diesel +56%, kerosene +80%

The China Angle

Iran is selectively allowing Chinese-flagged vessels through the Strait. At least 11.7 million barrels of Iranian crude have reached Chinese-bound ships since the war began. This is almost certainly strategic rather than charitable: China is Iran's largest trading partner and a potential diplomatic shield, giving Iran clear incentive to maintain the relationship at a moment when it needs all the international cover it can find. The selective blockade creates a two-tier maritime system in which Chinese importers have preferential access that no other nation can replicate through political maneuvering. [18]

CSIS data shows overall Chinese tanker transits have still "all but ceased," and at least one vessel falsely claiming Chinese identity was attacked. But the structural implication remains: companies and governments that built supply chains assuming neutral Hormuz access are discovering those assumptions were wrong. Energy alliances are not neutral infrastructure—they are geopolitical instruments. [18]

Maritime and Supply Chain Paralysis

The shipping crisis dwarfs the 2024 Red Sea disruption. Hormuz traffic has collapsed from approximately 153 daily transits to near zero for non-Iranian vessels. Combined with Houthi threats that already reduced Suez traffic 60% below 2023 levels, both of the Middle East's critical maritime chokepoints are compromised simultaneously—a situation with no clear modern precedent. [19]

> **Callout Box:** 600–700% increase in supertanker charter rates—from approximately $63,000 per day in December 2025 to $424,000–$486,000 per day now.

Per-barrel shipping cost from the Middle East Gulf to China hit $15.32, representing 20% of FOB crude value—a cost layer that did not exist two weeks ago. Container surcharges from all major carriers now run $1,500–$4,000 per TEU in war risk charges. War risk insurance premiums surged from 0.125% to over 3% of hull value per transit: for a $200 million tanker, a single passage now costs $4–$6 million in insurance versus approximately $375,000 before the conflict. [20]

The US Development Finance Corporation's $20 billion reinsurance program has provided little relief. JPMorgan estimates the 329 vessels currently in the Gulf require approximately $352 billion in coverage—far exceeding the DFC's statutory limit. Coverage gaps are real. Companies with vessels or cargo in the Gulf need to verify their insurance exposure now. [21]

Bypass Infrastructure: Partial Relief Only

Saudi Aramco is ramping its East-West pipeline to Yanbu on the Red Sea. Theoretical capacity is 7 million barrels per day; industry estimates put realistic operational throughput at 3–5 million barrels per day given logistics constraints and decades of underutilization. The UAE's Habshan-Fujairah pipeline adds approximately 700,000 barrels per day. Combined practical bypass: 3.5–5.5 million barrels per day against normal Hormuz throughput of 20 million barrels per day. [22]

The gap—roughly 14.5–16.5 million barrels per day—has no solution. Iraq, Kuwait, Qatar, and Bahrain have zero bypass capability. Oman is the structural winner: its ports at Salalah, Sohar, and Duqm sit outside the conflict zone and are handling diverted cargo for overland transport into the UAE and broader GCC. Companies rerouting supply chains should start there.

What Comes Next: Three Scenarios

JPMorgan warns that Gulf states will exhaust storage and shut down production entirely within three weeks of the conflict start—placing a hard deadline around March 21. Futures markets are betting on Scenario 1. Military and diplomatic fundamentals point toward Scenario 2. The distance between those two readings is where business risk lives. [23]

The probability ranges below reflect analytical judgment based on available military, diplomatic, and market indicators as of March 11. They are not model outputs. They should be read as directional assessments, not forecasts.

Scenario 1: De-Escalation (2–4 Weeks)—40% Probability

Diplomatic engagement produces a ceasefire framework by late March. Brent returns to $70–$80 by Q3 2026. LNG production requires a minimum of 2–4 weeks to restart even after any peace agreement, so LNG markets remain tight through April regardless. GCC GDP growth reduces 0.5–1.0 percentage points for 2026. This is the scenario currently priced by December 2026 futures near $69.

Scenario 2: Protracted Disruption (5–8 Weeks)—35% Probability

Hormuz remains closed through mid-April. Brent sustains $100–$120 per barrel. Gulf storage exhausts, forcing complete production shutdowns exceeding 4 million barrels per day. European TTF gas approaches €74–€100/MWh—the demand-destruction range. India and Pakistan face energy rationing. GCC sovereign ratings go on negative watch. Global growth reduces 0.3–0.5 percentage points.

Scenario 3: Full Escalation (2+ Months)—25% Probability

The Houthis join the conflict, closing both Hormuz and Bab el-Mandeb simultaneously. Iran's mine-laying program succeeds. Production losses reach 6+ million barrels per day. Brent surges to $140–$150+. Global recession probability rises sharply. Asian economies face stagflation: central banks forced into rate hikes against slowing growth—the worst monetary policy position a central bank can be in.

Callout Box: Plan for Scenario 2. Hope for Scenario 1. The businesses that navigate this crisis most effectively will not be those that waited to see which scenario materialized.

Strategic Takeaways

For Companies with GCC Operations

Activate business continuity plans now. Assume a minimum 4–6 week disruption window. Assess all contracts for force majeure provisions immediately—Gulf counterparties are invoking them now, and companies that wait to review their own exposure are creating avoidable legal and financial risk.

Reroute through Oman. Salalah, Sohar, and Duqm are the only functioning commercial routing in the region. UAE Gulf of Oman ports at Fujairah and Khor Fakkan offer secondary options. Every other major Gulf port is either offline or commercially isolated.

Audit cloud and digital infrastructure. The AWS data center damage raises immediate questions for any company with Gulf-hosted services. Verify backup systems and regional failover capacity before a second strike forces the question.

Prepare contingency plans for expatriate personnel. Bahrain presents the highest risk: weakest fiscal position in the GCC, most active missile and drone targeting, and refinery operations under force majeure. Kuwait and Qatar warrant close monitoring.

For Companies with Asian Supply Chain Exposure

Diversify energy procurement immediately. Indian firms should accelerate Russian crude purchases. East Asian firms should pursue US, Australian, and West African LNG spot cargoes despite premium pricing. The premium paid now is smaller than the operational cost of energy rationing in four to eight weeks.

Build 30–60 day inventory buffers for petrochemical feedstocks. Over 60% of Asian naphtha supply originates in the Middle East. Companies in semiconductors, packaging, and chemicals that have not assessed feedstock exposure should treat this as an immediate priority.

Evaluate air freight for high-value components. Middle Eastern airspace restrictions affect cargo routing. For high-value, low-weight components, air freight may be the only viable path to maintaining production schedules in the next 30 days.

For Institutional Investors

Reduce exposure to GCC cyclical sectors—real estate, banking, and high-yield Bahrain credits—until the conflict trajectory clarifies. Morgan Stanley has upgraded Saudi Arabia to Overweight as an energy beneficiary while downgrading the UAE and Egypt. No rating agency has yet downgraded any GCC sovereign, but all three major agencies are treating a conflict lasting less than one month as their baseline. Downgrades follow if that assumption breaks. [24]

The futures curve's steep backwardation offers favorable long-dated energy pricing if the market's resolution expectations prove correct: December 2026 Brent near $69 versus prompt at approximately $90. The spread represents the market's confidence in rapid resolution. Investors who disagree with that confidence should position accordingly.

Regional PE and M&A deal flow has effectively frozen. Firms with active Gulf or Asian pipeline should assume 60–90 day delays on transactions in progress. Force majeure declarations, currency moves, and operational disruptions are altering deal economics in real time.

What to Watch This Week (March 12–18)

IEA Reserve Release Decision: If approved at 300–400 million barrels, expect Brent to stabilize in the $80–$90 range for weeks. If delayed or smaller, expect a return toward $100+. The G7 call scheduled for March 11 is the immediate catalyst.

US Navy Convoy Operations: No confirmed escorted commercial transit through Hormuz has been verified as of March 11, despite official statements suggesting otherwise. A successful escorted passage would be the strongest available de-escalation signal. Continued absence of verified transits reinforces the Scenario 2 timeline.

Iran's Mine-Laying Progress: If Iran successfully mines the strait, reopening becomes a months-long demining operation regardless of ceasefire timing—transforming any Scenario 1 into a prolonged partial disruption.

Gulf State Storage Capacity: JPMorgan's approximately March 21 deadline for full production shutdowns is the hard constraint. Additional force majeure declarations from Saudi Arabia and Iraq would signal the market has moved past the buffer period.

Conclusion

The argument that this resolves quickly rests on three assumptions: that Iran's new leadership will compromise, that US diplomatic signaling becomes consistent and credible, and that no new party enters the conflict. All three are uncertain. The argument for a protracted disruption rests

on observable facts: a Supreme Leader installed by the IRGC with no public statements, official communications from Washington that have moved markets in both directions on the same day, and a Houthi leader with his hand on the trigger.

The IEA's reserve release, if approved, buys 90 to 150 days for most member countries. It cannot fill the 14.5–16.5 million barrel per day gap between pipeline bypass capacity and normal Hormuz throughput. The supply trapped inside the Gulf cannot be replaced by any combination of reserve releases, rerouting, and demand reduction in the near term.

Futures markets are pricing Scenario 1. Military and diplomatic fundamentals are pointing toward Scenario 2. Companies that treat this as a short-term disruption to manage around until normalcy returns are making a bet—implicitly—that the market is right and the ground is wrong. The window to make different decisions is open now. It closes when the next escalation forces the question.

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