MARCH 1, 2026

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The US-Iran conflict has put the Strait of Hormuz on a knife's edge. We break down what this supply disruption means for oil prices, jet fuel, LNG, and global energy flows - and what commodity market professionals need to know right now.

Current situation overview

The United States has struck Iran, killing the Supreme Leader and triggering an active military conflict now in its second day. Iran has retaliated beyond symbolic measures - striking Gulf neighbours including the UAE and Saudi Arabia, and threatening to close the Strait of Hormuz. What began as a potentially contained operation has rapidly broadened into a regional crisis with direct implications for global energy supply, freight markets, and commodity pricing.

This is no longer a geopolitical risk premium in the abstract. Supply is being disrupted in real time.

Market context: why the Strait of Hormuz is the epicentre

The Strait of Hormuz is the world's single most critical energy chokepoint. Any meaningful closure – or even a sustained de facto closure driven by insurance withdrawal – would trigger supply shocks across multiple commodity classes simultaneously.

Seaborne exports by destination (kbd)

	Asia	Americas	Europe	Africa	All Others	Total
Crude/Cond						
via [illegible]	11,910	516	567	177	199	13,370
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	43,511
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	30.7%
[illegible]						
via Strait	1,237	2	0	45	6	1,290
Total from World	4,198	1,726	926	940	293	8,082
% of Total via Strait	29.5%	0.1%	0.0%	4.8%	1.9%	16.0%
Gasoil/Diesel						
via Strait	99	32	193	377	16	716

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	Asia	Americas	Europe	Africa	All Others	Total
Total from World	1,199	1,303	2,168	1,608	661	6,939
% of Total via Strait	8.3%	2.4%	8.9%	23.4%	2.3%	10.3%
Jet/Kero						
via Strait	22	7	281	67	1	378
Total from World	521	373	723	165	164	1,946
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	19.4%

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Gulf of

- **Gasoil:** Another term for diesel fuel, used primarily in transportation and industrial applications
- **LPG (Liquefied Petroleum Gas):** A fuel consisting primarily of propane and butane, used for heating, cooking, and vehicles
- **LNG (Liquefied Natural Gas):** Natural gas cooled to liquid form for easier storage and transport

Volume dependencies at risk

Commodity	Key exposure	Primary affected markets
Crude oil	India and China are dominant buyers of Strait-transiting crude	Asian energy security
Jet fuel	25-30% of European supply originates from or transits via the Strait	European aviation
LPG	85% of India's supply passes through this waterway	Indian domestic energy
LNG	Qatar accounts for roughly 20% of global supply, all transiting the Strait	Global gas markets

The Strait is not formally closed. Kpler vessel tracking shows limited traffic continuing - primarily Iranian and Chinese-

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We monitor vessel movements and cargo flows to inform this assessment.

Iran's retaliation strategy: no limits on the table

Iran's response has departed sharply from the largely symbolic retaliation seen during the June 2025 conflict. Missile and drone strikes have hit UAE territory - including the Jebel Ali port, multiple five-star hotels, and Abu Dhabi port infrastructure - as well as targets in Saudi Arabia and Bahrain.

Iran had pre-positioned warheads near regional borders in anticipation of this scenario. This suggests the broader escalation was planned, not improvised.

Iran's strategic logic is clear:

- Iran cannot defeat the US militarily
- Iran can inflict economic pain by targeting oil prices
- Elevated energy costs undermine US consumer confidence
- Higher prices complicate the administration's economic narrative

With the leadership structure under sustained attack, Iranian decision-making has shifted from coercive signalling towards existential defence. All options - including infrastructure strikes and Strait interdiction - must now be treated as live risks.

Oil price outlook: Brent set for a sharp Monday open

Oil markets closed Friday with Brent at approximately $73/bbl. The consensus among analysts points to an open in ... tting the

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... reports indicate disruptions to Kurdish field output, with the Kormor field halting production as a precautionary measure.

3. **Iranian crude exports had already pre-surged.** Iran ramped exports to multi-year highs in February ahead of anticipated strikes. Those barrels have largely cleared physical storage, meaning any near-term production loss carries limited buffer.

By end of week, the majority of the market indicate that Brent will settle back into the $70-80 range - implying a spike-and-partial-recovery pattern. This assumption carries significant downside risk if Iranian retaliation escalates further.

On the WTI-Brent spread: We expect the spread to blow out, driven by two dynamics:

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- US producers will aggressively hedge by selling the back end of the WTI curve (Dec 26, Dec 27, Dec 28), compressing WTI relative to Brent
- Global refiners will bid up Brent to hedge refinery supply exposure, widening the front-month spread
- Freight rate escalation will sustain this dynamic

Product markets: gasoil first, jet to follow

Gasoil (diesel) faces the most acute physical pressure in the near term:

- It is the primary fuel for military logistics
- It is regionally concentrated in supply
- It is the hardest product to source alternative supply

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for weeks once a genuine supply shortage emerges.

Gasoline is relatively better insulated. Global supply is more distributed and the arbitrage network more flexible, though Asian turnaround season adds some vulnerability at the margin.

OPEC Plus: cautious incrementalism under pressure

OPEC Plus held its scheduled meeting and approved a modest production increase of 206,000 barrels per day – a figure that surprised analysts expecting a larger response given the conflict. The decision reflects deliberate risk management rather than market indifference.

Key OPEC Plus considerations:

- The group retains approximately 3.5 million barrels per day of spare capacity
- This capacity is concentrated in Saudi Arabia and the UAE – the same countries now absorbing Iranian missile strikes
- Releasing large volumes prematurely would leave the group with no buffer if the conflict worsens
- The strategy is to assess, hold reserves, and respond decisively once the scale of disruption becomes clearer

The next scheduled OPEC Plus meeting is 5 April, though the group can convene and adjust policy at any time.

One critical constraint: A significant portion of Gulf spare ... ormuz ... e ... e offer ... dah ... of ... ure.

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... e ... facing logistical disruption, both India and China face strong incentives to deepen reliance on Russian supply:

- **India** faces the most acute near-term exposure and is likely to pivot towards Russian crude immediately, given proximity and established logistics
- **China**, which has recently been moderating its intake of Russian crude, will likely abandon that restraint if the conflict extends beyond a few weeks

China also holds significant strategic crude reserves accumulated during the period of global oversupply. This provides a buffer in the short term but positions Beijing as a potential re-exporter to third markets if the supply crunch deepens.

LNG and natural gas: a quieter but real risk

The LNG impact has received less market attention but warrants monitoring:

- Israel has curtailed production from its own offshore fields
- Energy tankers are already disrupted in the Gulf
- Qatar's position as a transit-dependent LNG exporter - accounting for roughly 20% of global supply - creates structural vulnerability

The JKM-TTF spread (the Asia-Europe LNG price differential) is expected to widen as Asian buyers compete for alternative supply. US LNG export infrastructure is already operating

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			ude, re mited by ss)
Gasoil	Very high – cracks gap sharply	Medium – dependent on conflict duration	Limited near-term alternatives
Jet fuel	High – delayed but persistent	High – weeks of elevated cracks possible	Indian refinery exports (Jamnagar)
LPG	Critical for India (85% exposure)	High – no easy substitution	Very limited
LNG	Moderate – Qatar exposure	High if Strait closes fully	US LNG (capacity constrained)

Implications for traders and decision-makers

Key takeaways

Takeaway 1: The Strait of Hormuz is effectively closed for commercial shipping despite technically remaining open. Insurance withdrawal is doing the work that physical blockade has not - the outcome for cargo flow is largely the same.

Takeaway 2: This is a real supply disruption, not a risk premium event. Physical barrels are being affected across crude, products, LPG, and LNG simultaneously. Treat the price spike accordingly.

Takeaway 3: The WTI-Brent spread and the back end of the WTI curve represent the clearest near-term trading signal. Producer hedging pressure on the long end will drive spread widening independent of prompt fundamentals.

Guidance by market segment

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For product traders:

- Gasoil is the immediate trade
- Jet cracks will follow and likely persist longer
- Monitor Indian refinery export availability as the primary alternative supply source, given Jamnagar's established role in clearing EU jet demand

For shipping and freight professionals:

- Insurance premiums are already at multi-year highs
- Expect further escalation in war risk surcharges

- The effective closure creates rerouting demand on alternative long-haul routes
- Watch tanker availability and VLCC rates outside the Gulf

For LNG market participants:

- JKM will tighten
- US Henry Hub is unlikely to benefit materially given export terminal capacity constraints
- The JKM-TTF spread should widen as Asian demand competes for Atlantic Basin cargoes

Forward outlook: what to watch

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stakes for Gulf state decision-making. If critical export infrastructure - particularly Ras Tanura or Jebel Ali - sustains significant damage, the supply impact would be immediate and severe.

3. **The administration's economic pain threshold.** The administration has stated it is not concerned about oil prices. But sustained Brent above $90 for one to two weeks would represent a meaningful headwind to domestic economic messaging - the same pressure that prompted rapid tariff adjustments earlier this year. If that threshold is breached, expect a policy recalibration.

Base case: A conflict lasting at least one week, with partial de-escalation driven by coercive diplomacy rather than military resolution.

Tail risk: A sustained Strait closure with full Gulf infrastructure targeting remains low probability but would represent an unprecedented supply shock. No adequate offset exists from OPEC spare capacity, strategic reserves, or alternative routing combined.

Frequently asked questions

What are the immediate effects on oil prices?

We expect Brent crude to open Monday in the $85-90 range, up from Friday's close near $73/bbl. Some scenarios put the intraday high above $88. By week's end, the majority view points to Brent settling back into the $70-80 range, though this assumes no further escalation.

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companies, and insurers has created a de facto closure for most global shipping. Insurance premiums at six-year highs make transit economically unviable for most operators.

What can OPEC do to stabilise markets?

OPEC Plus retains approximately 3.5 million barrels per day of spare capacity, concentrated in Saudi Arabia and the UAE. However, a significant portion of this capacity cannot reach global markets if the Strait remains inaccessible. Alternative pipeline routes exist but cannot fully offset a Strait closure.

How long might this disruption last?

Our base case is a conflict lasting at least one week, with partial de-escalation through diplomacy. The tail risk scenario

- sustained Strait closure - remains low probability but would extend disruption significantly.

This analysis is based on Kpler market intelligence and expert commentary current as of the time of publication. For real-time data on Strait of Hormuz flows, tanker movements, and product crack spreads, request access to Kpler here.

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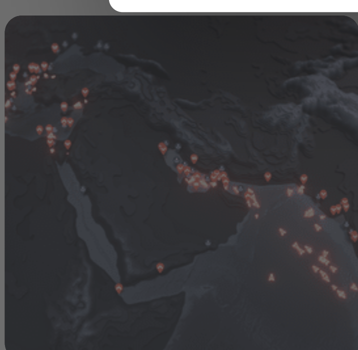

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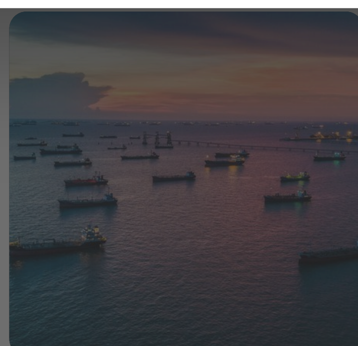

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