

WHEN THE WORLD'S OIL ARTERY CHOKED

How a disruption in Hormuz triggered a scramble for alternative routes—and made oil more expensive for everyone.



The traditional route
is **disrupted** and
more expensive.



The alternative route
is becoming more
competitive and
less available.



The result:
higher costs,
greater uncertainty,
global impact.



A **significant share**
of the world's oil
trade depends on
one narrow passage.



When that passage
becomes **unreliable**,
the question is not just
whether oil can still move.



It's whether
the Gulf has
another
way out.



For decades, the **Strait of Hormuz** has been the Gulf's gateway to the world.



A **narrow stretch of water** between Iran and Oman, Hormuz connects the oil-producing countries of the Persian Gulf to global markets.



For countries like Saudi Arabia, Iraq, Kuwait, the UAE and Qatar, it has been the primary route through which their energy reaches Asia and the rest of the world.



At its normal scale, **nearly 20 million barrels of oil and petroleum products** move through the Strait every day.



A **significant share** of the world's oil trade depends on one narrow passage.



And when that passage becomes **unreliable**, the question is not just whether oil can still move.



It's whether the Gulf has **another way out.**

THE DISRUPTION

IN 2026, THAT RISK BECAME REALITY.

Persian Gulf liquids reaching
global markets fell from:

15.8 mbpd
before the disruption

to just:
~9–10 mbpd
at the height of the disruption.



The issue was not a lack of oil.
The Gulf could still produce it.
The problem was getting it out.



And with Hormuz under pressure,
Gulf producers had to find
another way to reach global
markets.



DISRUPTION
sends volumes
down



ROUTES
become
riskier



COSTS
go up for
everyone



THE GULF ALREADY HAD A FEW WAYS **AROUND** HORMUZ.



SAUDI ARABIA

redirected crude through its East–West Pipeline, transporting oil to **Yanbu** on the Red Sea.



THE UAE

increased exports through **Fujairah**, allowing crude to reach the open sea without crossing Hormuz.



Together, these alternative routes helped reroute:

**~4 MILLION
BARRELS PER DAY**



BUT THE NUMBERS REVEALED A MUCH BIGGER PROBLEM.



HORMUZ ONCE CARRIED
~15.8 mbpd



THE ALTERNATIVES
WERE **KEEPING
OIL MOVING.**

THEY **WEREN'T REPLACING** THE ROUTE THAT HAD BEEN LOST.

The cost of disruption.

When routes become risky,
the cost of moving oil **explodes**.



War-risk insurance



Before the escalation:

~0.25%

of vessel value



After the Gulf conflict widened:

Up to 3%

of vessel value

12x

A 12x increase



For a \$250 million tanker:

\$625,000 → \$7.5 million



CASE STUDY

INDIA'S RUSSIAN OIL BUFFER IS UNDER PRESSURE

When Middle Eastern supply was disrupted, India turned even more towards Russia.



India is heavily dependent on imported crude, making **diversification critical** when Middle Eastern flows are disrupted.



Russian crude became **that buffer**.

INDIA'S RUSSIAN CRUDE IMPORTS

Pre-Iran war average:

1.21
mbpd

June 2026:

2.73
mbpd

July 2026:

2.79
mbpd

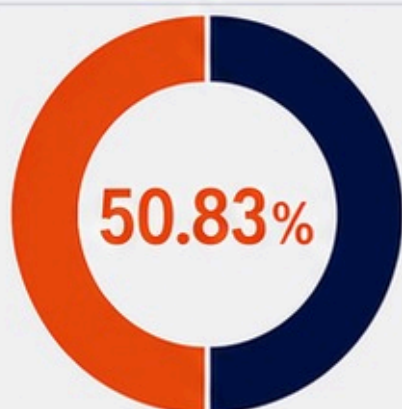


That's more than

2x

the pre-war average.

BUT THE STRATEGY CREATED A **NEW DEPENDENCY**.



Russia accounted for
50.83%
of India's crude imports
in July.



So just as India was using Russian oil to protect itself from Middle Eastern disruption, **half of its crude imports were coming from a single alternative supplier.**

THE COMPETITION

THEN CHINA STARTED COMPETING FOR THE SAME BARRELS.

India's alternative is now becoming harder to secure.



China also needed to replace disrupted Middle Eastern supply—particularly Iranian crude. Its imports of Iranian oil fell from around:

1.14

mbpd

in March

to just:



~340,000

bpd

in August



To fill that gap, Chinese refiners increased purchases of Russian crude.

CHINA'S SEABORNE RUSSIAN CRUDE IMPORTS

July:

1.423

mbpd

August:

1.25

mbpd



But the more important shift was where China was sourcing that oil from. The share of China's Russian seaborne crude coming from European ports rose to:

31%

in August



Those are the same supply routes India relies on for most of its Russian crude.



Meanwhile, India's Russian imports fell:

2.79

mbpd



1.87

mbpd



And India's imports specifically from Russia's European ports fell by almost:

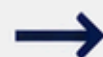
770,000 bpd

in just one month

2.59

mbpd

in July



1.82

mbpd

in August

THE CLOSING INSIGHT

THE REAL ISSUE IS THE DOUBLE SQUEEZE.

This makes the ending much sharper than simply saying “India faces higher oil costs.”



1 INDIA'S ORIGINAL PROBLEM

Middle Eastern crude became **riskier and more expensive** to transport.



2 INDIA'S RESPONSE

Buy more **discounted Russian crude**.



3 THE NEW PROBLEM

China also needs an alternative to disrupted Middle Eastern and Iranian supply—and is increasingly **competing for Russian barrels**.

SO INDIA IS NOW CAUGHT
BETWEEN **TWO PRESSURES:**

THE TRADITIONAL ROUTE

is **disrupted**
and more
expensive.

THE ALTERNATIVE ROUTE

is becoming more
competitive and
less available.



That is the real

DOUBLE SQUEEZE.