

The Complex and Multifaceted Impacts of the “Strait of Hormuz Crisis” on the World

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The war involving Iran and the broader Middle East, which began on February 28, has now continued for nearly a month, with fierce exchanges of attacks between the United States–Israel and Iran showing no signs of abating. According to recent media reports, the United States has proposed a fifteen-point ceasefire plan to Iran, including (1) dismantling Iran’s existing nuclear development capabilities, (2) shutting down and destroying nuclear-related facilities such as Natanz, and (3) reopening the Strait of Hormuz. Iran, however, rejected these conditions and, on the 25th, countered with its own five-point proposal calling for (1) the cessation of invasion and assassinations, (2) compensation payments, (3) recognition of Iran’s sovereignty over the Strait of Hormuz and others.

Given that neither side’s demands are easily acceptable to the other, the outlook for ceasefire negotiations remains highly uncertain. The gulf between their respective positions is simply too wide to expect swift compromise or agreement. Meanwhile, the tense situation persists, and disruptions to energy flows from the Middle East are likely to continue. Reports indicate that the United States is preparing to deploy several thousand elite troops to the region, suggesting further intensification of military pressure. At the same time, with midterm elections approaching, rising gasoline prices—driven by soaring crude oil prices—may further erode public support for President Trump, complicating his administration’s ability to steer the conflict with Iran.

International energy markets continue to be shaken by the rapidly unfolding events of this war, by reports on these developments, and by speculation arising from circulating information. The volatile movements of crude oil prices exemplify this trend. Prices surged following President Trump’s “48-hour ultimatum,” only to plunge upon reports of a “five-day grace period.” Such dramatic fluctuations underscore the extent to which geopolitical risks have become decisive factors in shaping crude oil prices. Beyond the volatility itself, it is also clear that crude prices remain at elevated levels. With WTI crude predominantly trading in the 90-dollar range, the current situation can appropriately be characterized as one of “high oil prices period.”

This situation is, fundamentally, the direct consequence of the current Middle Eastern war, which has triggered a truly large-scale disruption in energy supplies—one that remains unresolved and has persisted for nearly a month. The de facto blockade of the Strait of Hormuz continues, and major energy

infrastructure belonging to the Gulf oil-producing states has sustained damage from repeated attacks. In the long history of international energy markets, few, if any, disruptions of this magnitude can be found, and the impact of such an unprecedented supply shock is extraordinarily significant. As long as these extensive disruptions persist, elevated energy prices will remain the baseline, and beyond that lies the very real prospect of severe supply insecurity, in which the physical procurement of energy itself becomes increasingly difficult.

There is no doubt that such massive and prolonged disruptions constitute a major risk factor for the world as a whole. If conditions persist or deteriorate further, the global economy could slow dramatically, and widespread inflationary pressures could emerge. It is also important to recognize that the effects of these disruptions are producing increasingly complex and diverse problems across the world. For example, although crude oil prices remain elevated globally, significant disparities have emerged among benchmark crudes. WTI, frequently cited in recent reporting, reflects a U.S. market where domestic oil production is largely self-sufficient and where strategic petroleum reserve releases are under consideration. As a result, WTI prices have predominantly remained in the 90-dollar range. In contrast, Brent crude—more significant for European markets with higher import dependence on Middle Eastern supply—has traded more than 10 dollars above WTI and has recently remained above 100 dollars. Meanwhile, Dubai crude, a representative benchmark for the Middle East where supply disruptions are concentrated, has traded around 150 dollars. Such unusually wide price differentials among benchmark crudes underscore the varied degrees to which markets are being impacted by the disruptions in the Middle East.

Differences in commodity characteristics, logistical constraints, and the specific nature of infrastructure damage have produced diverse effects across markets for petroleum products and LNG. Under normal conditions, approximately 5 million barrels per day of petroleum products—including naphtha, LNG, and middle distillates—are exported through the Strait of Hormuz. These shipments have been halted. Unlike crude oil, petroleum products lack alternative pipeline routes bypassing the Strait, meaning global supply has fallen directly, with even more pronounced impacts than in the crude oil market. Consequently, price spikes and supply concerns in petroleum product markets have become even more acute. As for LNG, major Qatari infrastructure has been damaged, resulting in the loss of an estimated 17 percent of total LNG export capacity in Qatar for a certain period. Because consuming countries do not have deep, oil-like inventories of LNG, spot market prices—determined by immediate supply-demand conditions—have surged sharply, in some cases approaching the crude-equivalent of 150 dollars. Thus, although the disruptions are severe across crude oil, petroleum products, and LNG, the impacts manifest in distinct ways across each market.

The effects of surging energy prices and supply insecurity also differ among consuming and

importing nations. As noted earlier, the United States—being largely self-sufficient in oil and gas—is relatively insulated from supply shortages. However, rising gasoline prices carry serious social, economic, and political implications, making them a critical issue domestically. Nevertheless, the most severe negative impacts are being felt by countries that exhibit high levels of “vulnerability.” Such vulnerability is determined by factors such as general income levels (with lower-income developing countries suffering more acutely), dependence on Middle Eastern or Hormuz-transited energy supplies (higher dependence means greater vulnerability), and the availability and size of strategic reserves (limited reserves heighten vulnerability).

In recent weeks, the situation has begun to attract significant media attention, as fuel shortages and soaring prices in Southeast and South Asia have developed into serious social issues. In Sri Lanka, for example, the introduction of a three-day weekend reflects the extent to which these shortages are now affecting daily life and economic activity. In the Philippines, where more than 90 percent of crude oil imports originate from the Middle East, the government declared a “National Energy Emergency” on March 24 and has begun turning to Russian crude in an effort to secure essential fuel supplies. Similar developments are emerging elsewhere, with some countries suspending crude oil exports to prioritize domestic refinery needs, as well as halting exports of petroleum products. These measures reflect the desperate efforts of highly vulnerable nations to protect their own energy security under increasingly adverse conditions. Taiwan, heavily reliant on Qatar for LNG imports and dependent on gas-fired power generation, is similarly struggling to secure adequate LNG supplies.

Meanwhile, Russia—an important producer of oil and natural gas—has drawn attention for the potential economic benefits it may gain from the supply disruptions and surging global energy prices. Although the country has faced extensive sanctions following its military invasion of Ukraine, a trend toward “sanctions easing” has emerged since March, and interest in procuring Russian crude has increased in parts of Asia. Higher global oil prices have also boosted Russia’s export revenues, potentially supporting an economy weakened by sanctions. This situation may, in turn, influence the trajectory of the war in Ukraine in various ways.

In this way, the ongoing Middle East conflict and the resulting energy supply disruptions are exerting profound, far-reaching, and diverse impacts across the globe. As long as these disruptions continue, the international energy landscape will remain heavily affected, and consuming and importing nations will continue to bear negative consequences commensurate with their respective vulnerabilities.

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