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The Renewed Recognition of the Importance of Oil Amid the "Strait of Hormuz Crisis"

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The situation surrounding the Strait of Hormuz crisis remains tense and highly uncertain. Since the outbreak of the present conflict, a de facto blockade of the Strait has persisted. On May 4, the United States announced the commencement of "Project Freedom," an operation intended to assist the evacuation of vessels stranded in the Persian Gulf due to the blockade. According to U.S. authorities, two U.S.-flagged merchant vessels successfully transited the Strait of Hormuz. In response, Iran denied that any such passage had occurred.

On the same day, Iran claimed that it had attacked a U.S. naval vessel, successfully striking it with two missiles. However, the United States rejected this assertion, stating that no attack had occurred. Concurrently, reports emerged that a South Korean cargo vessel had been attacked in the Strait of Hormuz, resulting in fire and explosions. President Trump stated that the South Korean vessel had been operating independently at the time of the attack. Additionally, the United Arab Emirates accused Iran of launching an attack that triggered a fire at oil-related facilities in Fujairah, though Iran again denied involvement. Thus, a series of reports concerning attacks in and around the Strait of Hormuz has significantly heightened tensions. At the same time, the information environment is highly fragmented, making it difficult to ascertain the factual situation with precision. This reflects the characteristics of an "information war," in which each party seeks to position itself advantageously while undermining its opponent. Notably, President Trump has since announced a temporary suspension of "Project Freedom."

Under these strained conditions, with energy exports through the Strait of Hormuz effectively halted, ensuring a stable energy supply has become an urgent priority. In Japan, Prime Minister Takaichi visited Vietnam and Australia from May 1 to May 5, engaging in discussions with respective leaders on strengthening comprehensive and strategic cooperation, including energy collaboration. Foreign Minister Motegi visited Africa from April 29 to May 6, while Minister of Economy, Trade and Industry Akazawa visited Saudi Arabia and the UAE from May 4 to May 5, where extensive discussions on energy and economic security were conducted. In particular, concrete consultations on securing and reinforcing a stable oil supply were undertaken with Saudi Arabia and the UAE.

For Japan, which relies on the Middle East for over 90 percent of its crude oil imports, these intensified governmental efforts underscore the severity with which the current Hormuz crisis is

perceived. In this context, using Japan as a case study, it is instructive to examine why ensuring both quantitative and price stability in oil supply is regarded as so critically important. While the degree of importance varies depending on national circumstances, it is possible to extract common underlying factors that transcend such differences.

First, oil prices exert a significant influence on the macroeconomy. Rising crude oil prices act as a constraint on global economic growth. According to the latest IMF *World Economic Outlook*, an increase in oil prices has already resulted in a downward revision of global economic growth for 2026 by 0.2 percentage points. Further increases in oil prices would likely lead to additional reductions in economic growth. Oil-importing countries such as Japan face particularly severe consequences, including slowed economic growth and substantial outflows of national wealth. According to EI statistics, Japan's oil imports in 2024 stood at 3.1 million barrels per day. A $10 increase in oil prices would result in an annual wealth outflow of approximately 1.8 trillion yen (assuming an exchange rate of 157 yen per dollar). Rising oil prices also contribute to inflationary pressures. In extreme scenarios, the coexistence of inflation and economic stagnation—so-called stagflation—may emerge.

Furthermore, if markets interpret rising oil prices as a structural weakness of the Japanese economy, this may trigger yen depreciation. Such depreciation amplifies the domestic price of oil and other energy imports, which are denominated in U.S. dollars. Additionally, rising oil prices and supply uncertainties can deteriorate corporate performance, placing downward pressure on equity markets. In this manner, oil-related issues constitute a major macroeconomic risk for importing nations.

Second, the importance of oil derives from its deep and extensive integration into both daily life and economic activity. In fiscal year 2024, Japan's final consumption of petroleum products totaled approximately 128 million tons. This consumption was distributed across transportation (64.4 million tons), industry (43.2 million tons), and residential/commercial sectors (17.8 million tons).

Within transportation, roughly 60 percent is used for passenger mobility, with the remainder supporting freight. In the industry, approximately 60 percent is consumed by chemical manufacturing, including petrochemicals, while nearly 10 percent is used in agriculture, forestry, and fisheries. In the residential sector, about two-thirds is consumed by households. These figures illustrate that oil usage is intricately embedded across an exceptionally broad spectrum of economic and social activities.

From a product perspective, gasoline accounted for the largest share of fuel sales in 2024 at 32 percent, followed by naphtha (25 percent), diesel (22 percent), and heavy fuel oil (10 percent). Gasoline and diesel underpin mobility, supporting both private transportation and public transit systems, while also serving as essential fuels for logistics and freight transportation.

Petrochemical products derived from naphtha are equally indispensable in modern life. Naphtha is processed into basic chemicals such as ethylene and propylene, which in turn are used to produce polyethylene and polypropylene and other derivatives. These derivatives form the basis for a wide range of petrochemical products, including plastics, synthetic fibers, synthetic rubber, coatings, and detergents. These materials permeate everyday life to such an extent that it is virtually impossible to spend a day without encountering them.

Heavy fuel oil is also widely used in industrial applications. It serves as a key energy source for agriculture and forestry operations, and as fuel for fishing vessels in the fisheries sector. Through these roles, oil exerts a significant influence on food production systems, further underscoring its essential nature.

Given this extensive and deeply embedded usage, increases in oil prices have far-reaching consequences. Consumers are effectively forced to choose between reducing consumption and bearing higher costs. If the latter is chosen, disposable income declines, reducing spending capacity in other areas. This effect propagates across the entire economy. Rising logistics costs, increased agricultural production costs, and higher prices for petrochemical products all contribute to broader inflationary pressures.

In addition to price increases, shortages in physical supply would have even more severe consequences. Because oil is indispensable for both daily life and economic activity, any disruption in supply would have profound impacts. Moreover, perceived or actual shortages may trigger panic behavior, including hoarding. Once such behavior takes hold, markets can quickly descend into disorder, creating a vicious cycle that exacerbates the initial disruption. Preventing such outcomes is therefore of critical importance.

Oil serves as both an energy source and a raw material with a remarkably broad industrial base. Its supply depends on the functioning of a wide range of industries, including numerous small- and medium-sized enterprises involved in production and distribution. A stable oil supply is thus essential not only for consumers but also for maintaining corporate activity across the economy. The current crisis has once again brought into sharp relief the fundamental importance of oil in modern society.

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