2026

eBOOK

# The Supply Chain Impacts of the Iran War

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Supply chain disruptions are certainly nothing new, as natural disasters, pandemics and geopolitical instability in recent years have resulted in a realization that resilience is just as important a strategy as planning. That being said, the eruption of new hostilities in the Middle East is testing the global supply chain at a scale rarely seen.

As the conflicts spread throughout the region, transportation networks, energy markets and suppliers of raw materials are being negatively impacted to the extent that logistics managers are scrambling to act now rather than wait for conditions to stabilize (and nobody can say how long the war might last).

This ebook, produced by the editors of several EndeavorB2B brands, offers a timely look at the supply chain impacts of the Middle East conflicts, particularly when it comes to considerations of how to move goods and services throughout a war-torn region. The most immediate pressure point is air cargo. Airspace closures and escalating security risks have forced carriers to cancel or reroute flights throughout the Middle East, greatly straining capacity from a region that serves as a critical bridge between Asia, Europe and Africa.

Ocean shipping is facing similar strains. Safety concerns and surging war-risk insurance premiums have prompted carriers to suspend or divert services away from the Strait of Hormuz, one of the world's most consequential maritime chokepoints. With roughly one-fifth of global oil shipments moving through that waterway, even partial disruption carries broad economic consequences, such as longer transit times, higher surcharges and tighter available capacity on affected trade lanes.

Oil and natural gas prices have spiked on fears of prolonged supply restrictions, resulting in higher fuel costs across all transportation modes, including trucking, aviation and maritime operations. And those costs will be landing on shippers, manufacturers and ultimately consumers. Supply chain leaders who haven't already stress-tested their Middle East exposure may want to start, with this ebook as a guide.

— David Blanchard,
*Head of Content, ehstoday.com*


Marcos Souza | Dreamstime.com

# In a Volatile Resin Market, Be Prepared but Disciplined, Expert Says

**Review your risk. Stay disciplined. Don't panic.**

**Karen Hanna**
Senior Staff Reporter, Plastics Machinery & Manufacturing

That's the advice from Michael Workman, director of business for research firm RTi International and director of growth for RTi subsidiary ResinSmart, 10 days after the start of a war that's raised fears about global markets — including resin prices.

"For purchasers and processors, preparation is less about panic buying and more about discipline. This is the time to validate supplier claims, review lead-time assumptions, identify any single-source exposure and understand which materials are globally exposed versus regionally buffered. Companies that know their contracts, alternatives and true market benchmarks will be in a much better position than those reacting to fear," Workman said.

> **PET is also worth watching because ethylene glycol and other feedstocks tied to global trade flows can be affected.**
> – Michael Workman

Workman provided the advice March 9, a little over a week after Israel and the U.S. first began air strikes against Iran, touching off a regional conflict that threatens to close off the vital Strait of Hormuz and puts at risk global supply chains and energy resources.

For resin buyers in the U.S., which has ample domestic naphtha-based production, the immediate risk is price increases related to shipping disruptions. But, if the war drags on, it could also affect availability of resins, especially PE and PP. According to Workman, 37 percent of globally traded PE and 28 percent of PP originate in the Middle East. A few years ago, Iran shipped more than 3.3 million tons of PE, mostly to China.

"PET is also worth watching because ethylene glycol and other feedstocks tied to global trade flows can be affected," Workman said.

Over time, because of less-direct supply and logistics pressures, "engineering resins could feel secondary impacts, as well," he said.

He said resin issues begin upstream, as prices for oil have spiked well over $100 a barrel since Feb. 28.

Workman noted that the resin market was already tumultuous, "with a fragile mix of uneven demand, margin pressure and cautious buying ...

"The war adds a new layer of risk, but in our view the first-order effect is more likely to be higher energy and logistics costs, plus more aggressive supplier pricing behavior — to capitalize on the pricing momentum tied to risk, than an immediate across-the-board resin shortage in North America."

He said resin purchasers might turn their business to other suppliers, moving from the Middle East to other regions, including North America, which could cause contraction in inventory from domestic sources.

Shipping disruptions in the Middle East will reverberate almost immediately, Workman said, "through delayed offers, withdrawn spot availability, higher surcharges and buyer hesitation." Losses to capacity won't be immediately felt, but could have more far-reaching consequences.

"Buyers should expect more volatility, less transparency in spot discussions, and a greater risk of opportunistic increase attempts tied to headlines rather than fully realized cost changes," he said.

He advised resin buyers to proceed carefully.

"It is a market where procurement teams should be skeptical, data-driven and careful not to confuse geopolitical premium with true resin fundamentals."


Menzies Aviation

# MIDDLE EAST CONFLICT DISRUPTS GLOBAL AIR CARGO NETWORKS AS CAPACITY DROPS AND RATES RISE

Military strikes involving the United States, Israel and Iran in recent days have triggered airspace closures and operational disruptions across parts of the Gulf region, grounding both passenger and freighter aircraft at key transit hubs.

**Jenny Lescohier**
Head of Content, Aviation Pros

> **The strikes and subsequent retaliation are driving significant logistics disruptions in the region which could start to be felt more broadly if the conflict stretches on.**
>
> – Judah Levine

Escalating conflict in the Middle East is sending ripples through global air cargo markets, grounding aircraft at major Gulf hubs and forcing airlines and freight forwarders to reroute shipments as capacity tightens and freight rates begin to climb.

Military strikes involving the United States, Israel and Iran in recent days have triggered airspace closures and operational disruptions across parts of the Gulf region, grounding both passenger and freighter aircraft at key transit hubs including Dubai, Doha and Abu Dhabi. The disruption is significant because Middle Eastern carriers such as Emirates SkyCargo, Qatar Airways Cargo and Etihad Cargo play a central role in connecting global trade lanes between Asia, Europe and Africa.

Together, Gulf-based airlines account for roughly 13 percent of global air cargo capacity, making the region one of the most important transit corridors in international freight networks. With several airports and airspace corridors temporarily restricted, the effects are already spreading across global supply chains.

According to aviation analytics data cited by logistics analysts, global air cargo capacity fell about 22 percent between Feb. 28 and early March as airlines suspended flights or rerouted aircraft to avoid the conflict zone. The corridor linking Asia, the Middle East and Europe has been particularly affected, with cargo capacity on that route declining about 39 percent since the start of the disruption.

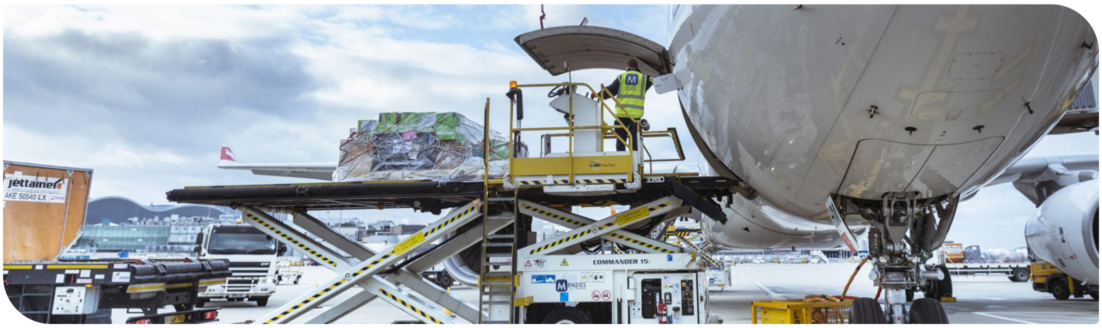
Because Gulf hubs function as major intercontinental transfer points, the impact extends well beyond cargo moving to or from the Middle East itself. Large volumes of freight moving between Asia and Europe, as well as shipments connecting Asia with Africa and parts of the Americas, typically transit through the region's airports.

With flights cancelled and transit hubs disrupted, airlines and freight forwarders are rapidly adjusting network strategies to maintain cargo flows. Some carriers have begun increasing direct flights between Asia and Europe to bypass Gulf hubs, while forwarders are securing additional charter capacity to move high-value or time-sensitive goods.

Judah Levine, head of research at Freightos, said the conflict is already creating logistical challenges that could expand if the disruption continues.

"The strikes and subsequent retaliation are driving significant logistics disruptions in the region which could start to be felt more broadly if the conflict stretches on," Levine said.

Kuehne+Nagel has warned that cargo backlogs could begin building in Southeast Asia and China within days as shipments bound for Europe and the United States struggle to secure available air capacity. Air freight plays a critical role in global trade, moving about one-third of global commerce by value, including electronics, pharmaceuticals, aerospace components and perishable goods.




The tightening supply of aircraft capacity is already being reflected in freight pricing. Data from the Freightos Air Index shows rates on several major trade lanes rising since the conflict escalated. Prices from Southeast Asia to Europe have climbed more than 6 percent to about $3.82 per kilogram, while rates from South Asia to Europe have increased roughly 3 percent.

Transpacific routes are also seeing upward pressure. Rates from China to the United States have risen about 15 percent to $6.90 per kilogram, though analysts note that part of that increase may also reflect seasonal demand following the Lunar New Year period.

Industry analysts say the disruption could intensify if the conflict persists or expands further. Some experts warn that air freight rates on the most heavily affected corridors could potentially double or even triple if capacity constraints continue and airlines remain unable to operate through the region.

The conflict is also affecting ocean shipping, compounding pressure on global supply chains. Iranian attacks on vessels near the Strait of Hormuz have led several major container shipping lines to suspend bookings to Gulf ports, creating additional uncertainty for freight flows that typically move between sea and air transport.

At the same time, rising crude oil prices are adding another layer of cost pressure for airlines. Brent crude has surpassed $100 per barrel in recent days, raising the likelihood that jet fuel costs and air cargo fuel surcharges could increase in the coming weeks.

Despite the disruption, logistics analysts note that the air cargo industry has historically adapted quickly to crises by rerouting networks and shifting capacity. However, maintaining supply chain continuity during the current disruption will likely come at a higher cost for shippers as the market adjusts to reduced capacity and longer routing options.

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# SHIPPING AND OTHER SUPPLY CHAIN WOES FROM WAR IN IRAN

**The impact of disruptions across all logistics sectors is yet to be determined.**

**Adrienne Selko**
Senior Lead Reporter, mhlnews.com

Daily shipping disruptions due to the ongoing conflict in the Middle East have companies scrambling to find workarounds for the current situation and to figure out the longer-term supply chain implications.

Here is a roundup of some analysis:

**Shipping Delays** — On March 2nd, major shipping companies have either restricted or halted bookings, as reported by NBC. Companies include Maersk, MSC Group, CMA CGM, Hapag-Lloyd, COSCO and Emirates SkyCargo.

**Transportation and Warehousing Effect** — On March 5, the Institute for Supply Management (ISM) offered an analysis of the disruptions, noting that the disruption will depend on where their primary ocean routes are.

"Those not in the affected regions will have similar pricing opportunities that they implemented during the coronavirus pandemic, with container prices escalating significantly," says Steve Miller, CPSM, CSCP, chair of the ISM Services Business Survey Committee.

"Those with assets in the region will have the additional costs to move those assets, as well as the additional time and cost impacts for having to run alternative routes." Due to longer transit times, more assets will be required to move the same freight — assets likely priced at a premium — and additional security costs.

**Insurance Cancelled** — Several leading mutual marine insurers, including Norway's Gard and Skuld, the UK's NorthStandard and the London P&I Club, and the New York-based American Club, said they were cancelling war risk cover for ships operating in the region. This is according to The Guardian.

### President Orders Insurance Coverage

On 5 March, various members of the London-based International Group of Protection and Indemnity Clubs will automatically terminate war-risk cover if vessels enter the Persian Gulf, as reported by Yahoo Finance.

These moves have caused President Trump to call for US-backed insurance to provide political risk insurance to all shipping lines. CBS News is reporting that the administration has asked the U.S. International Development Finance Corporation, or DFC, to provide this coverage.

### UPS, DHS Using Contingency Plans

As reported by CEP-Research, UPS confirmed to CEP-Research that it is rerouting flights and making network changes to keep shipments moving, minimizing customer impacts. "Our priority is the safety of our people. We are closely monitoring the evolving situation and have activated established contingency plans to manage our operations safely and efficiently," the carrier said in a statement.

The integrator has not detailed specific country suspensions but acknowledged that service guarantees do not apply to shipments affected by the disruption. Customers have been directed to track packages online for the most up-to-date status information.

For UPS, whose air operations rely on overflight rights and hub connectivity across the Gulf, the closure of multiple airspaces presents operational complexity. Aircraft are being rerouted along longer corridors, increasing block times and fuel burn.

DHL has similarly activated contingency plans as air and maritime restrictions intensify. In a statement to CEP-Research, DHL said: "We are monitoring developments in Iran and the region very closely. The safety of our employees is our highest priority. Several airspaces in the region are currently closed, and maritime traffic through the Strait of Hormuz has been temporarily suspended. We have experience with dynamic and rapidly changing scenarios and can adjust routing or offer alternative transport solutions for our customers accordingly, even on short notice."

### Higher Consumer Prices Due to Disruption

With cargo ships stuck in the Gulf, and planes grounded, the result will be higher prices for consumers, as reported on March 5 by the Associated Press.

"This is really causing some major impacts within the global supply chain," said Patrick Penfield, professor of supply chain practice at Syracuse University. "As this conflict keeps progressing, you'll start to see some shortages, you'll see some major price increases."

> **Those with assets in the region will have the additional costs to move those assets, as well as the additional time and cost impacts for having to run alternative routes.**
>
> – Steve Miller, CPSM, CSCP

The news agency referenced a survey from Clarksons Research, which tracks shipping data, which "estimates that about 3,200 ships, or about 4% of global ship tonnage, are idle inside the Persian Gulf, but that includes about 1,231 that likely only operate within the Gulf. About 500 ships, or 1% of global tonnage, are currently "waiting" outside the Gulf in ports off the coast of the United Arab Emirates and Oman."

## Container Impact

Freightos offered this analysis:

*Container impacts remain mostly local for now, with gulf-bound cargo piling up and threatening yard congestion in India; diverted in-transit containers will start being offloaded at Singapore, Malaysia and Sri Lanka transhipment hubs, though lower volumes and greater port capacity than in early 2024 should limit congestion severity compared to the start of the Red Sea crisis.*

*The disruptions have not impacted rates on the main east-west trades, where prices have remained unchanged since last week. But for directly impacted containers rates are climbing: CMA CGM has introduced a $3,000/FEU emergency surcharge for Gulf-bound cargo and Freightos Terminal Shanghai-Jebel Ali rates doubled to over $4,000/FEU by Tuesday; climbing fuel costs combined with capacity and equipment constraints could extend rate hikes to non-Gulf lanes if the conflict stretches on.*

## Air Cargo

Freightos offered this analysis:

*Air cargo faces more immediate and significant disruption: Gulf carrier hubs in Dubai, Abu Dhabi, Bahrain and Kuwait have been struck and airports remain closed, grounding aircraft from Emirates SkyCargo and Qatar Airways — two of the three largest cargo carriers by capacity — which together with Etihad represent about 13% of global air cargo capacity. These carriers' hubs are a major connection point for a lot of global east-west cargo, and provide roughly a quarter of all China-Europe capacity.*

*Forwarders are already chartering direct Far East-West flights to compensate for lost capacity, with Kuehne + Nagel warning that backlogs of Europe and US-bound cargo in Asia could begin stacking up by end of the week; Freightos Air Index shows SEA-Europe rates up more than 6% to $3.82/kg since Friday, South Asia rates up 3% to Europe and 5% to the US, Middle East-Europe up 8% to $1.62/kg, and China-US up 15% to $6.90/kg, though some of the transpacific increase may reflect the post-LNY rebound rather than war disruptions alone.*

Sven Hansche | Dreamstime.com

# POTENTIAL SUPPLY CHAIN IMPLICATIONS OF THE IRAN CONFLICT

**Exploring the immediate and long-term implications of the Middle East conflict on the world's supply chains**

**Avery Larkin**
Contributing Editor, Supply Chain Connect

Major geopolitical events almost always ripple through global supply networks, and the escalating conflict involving Iran is already raising concerns across multiple fronts. From potential disruptions to shipping routes in the Strait of Hormuz to tighter airspace restrictions and rising energy prices, the U.S. and Israel's attack on Iran could affect transportation, manufacturing and procurement channels worldwide.

The situation remains fluid and the long-term implications are still unclear. In the meantime, supply chain teams are already looking for pressure points that could emerge if the conflict expands or drags on. Here are several areas companies should be paying attention to.

## Shipping Disruptions Ripple Outward

According to *AP*, the conflict is slowing and/or halting vessel movement in the Strait of Hormuz, an important artery for global trade. Some cargo ships are stuck inside the Persian Gulf and others are diverting around the southern tip of Africa, adding time and cost to the total travel route.

Clarksons Research estimates that about 3,200 ships, or roughly 4% of global ship tonnage, are currently idle inside the Gulf, while another 500 vessels are waiting outside regional ports, *AP* reports. The disruption could potentially affect global logistics systems.

"The supply chain is kind of like a long train with many cars and each car represents, let's say, a port in the world," Michael Goldman, general manager North America at CARU Containers, told AP. "If one car gets derailed, it can very often have a domino effect."

> **The Strait of Hormuz coming to a standstill has caused a tidal wave of disruption for global logistics operations, forcing shippers to re-route vessels and suspend bookings.**
>
> *– AP*

## Longer Routes Could Lead to Higher Shipping Costs

*AP* also says some carriers are already rerouting vessels away from the region as tensions rise. Maersk said it is diverting certain ships around the Cape of Good Hope instead of sending them through the Red Sea and Suez Canal, a move other shipping companies are making to avoid the region.

That detour can add 10 to 14 days to a voyage and roughly $1 million in additional fuel costs per ship, according to Syracuse University supply chain professor Patrick Penfield. Higher fuel costs, longer routes and increased risk in the region are also prompting some carriers to introduce fuel and war-risk surcharges.

"As this conflict keeps progressing, you'll start to see some shortages, you'll see some major price increases," Penfield told *AP*.

## Auto Supply Chains May Feel It First

The automotive supply chain may be among the first to feel the impacts if the conflict expands. The Middle East sits at the crossroads of major Asia-Europe trade routes and hosts several key logistics hubs that handle the movement of vehicles, components and raw materials.

*Automotive Logistics* reports that vessel traffic through the Strait of Hormuz fell by roughly 70% within hours of the initial military strikes. The waterway typically facilitates about 11% of global maritime trade and sits near more than 30 million TEUs of containerized port activity.

It says several major shipping lines have already issued operational updates tied to the situation. Carriers including MSC, Maersk, CMA CGM, COSCO Shipping and Hapag-Lloyd have instructed vessels to move to safer waters, paused certain bookings and introduced temporary surcharges while they assess conditions in the region.

"The Strait of Hormuz coming to a standstill has caused a tidal wave of disruption for global logistics operations, forcing shippers to re-route vessels and suspend bookings," the publication says, "with limited access to the strait also causing spikes in oil and gas prices."

## Air Cargo Networks Under Pressure

Freight forwarders are warning customers to expect delays, irregular schedules and rising rates as airlines suspend or reroute Middle East operations, according to *Air Cargo News*. It says aircraft redeployments and route changes are already tightening available capacity on several international trade lanes.

For example, global freight forwarder DSV told shippers to prepare for extended transit times and possible schedule changes as airlines adjust their flight networks in response to the strikes and resulting airspace restrictions. The forwarder also warned that space constraints and short-notice rate adjustments could emerge as capacity tightens.

Airlines and logistics providers are also preparing for higher operating costs. Air Cargo News says carriers may introduce war-risk surcharges and higher fuel charges for shipments routed through or near affected regions, which could push airfreight rates higher if disruptions persist.


Mariusz Bugno | Dreamstime.com

# HOW IRAN CONFLICT COULD IMPACT CARRIERS THIS WEEK AND BEYOND

**Carriers' cash flow will be challenged: Retail diesel prices are up 25% in one week.**

**Jeremy Wolfe**
Senior Staff Writer, fleetowner.com

Diesel prices are skyrocketing. The current average retail diesel price is **$4.656 per gallon**, according to AAA's daily estimate—**up 25% from a week ago**. Conflict in the Middle East brought a historic disruption to oil distribution, marking the second major spike in diesel prices this decade.

Unless something changes very soon, Neil Atkinson, former head of oil at the International Energy Agency, warned CNBC of a "potentially game-changing and unprecedented energy crisis."

For fleets, the diesel price spike is a sudden change to freight market dynamics. The cost to move hauls increased drastically over a few short days.

"The last time small-fleet operating costs were this high was in 2022, after Russia invaded Ukraine and diesel spiked to $5.82 per gallon," Dean Croke, principal industry analyst for DAT Freight & Analytics, told FleetOwner. "Whether you're applying a fuel surcharge or not, when fuel prices increase, the cash-flow hit is immediate: The carrier absorbs the higher pump price before any rate adjustments work their way through the system."

The rapid price change will likely hurt carriers' access to cash, raise spot rates, and further limit the number of profitable hauls available to fleets.


Oleksandra Maltseva | Dreamstime.com

## The Iran war is raising oil prices

Wars involving the oil supply chain raise crude prices. The only time oil prices made a similar surge in recent history was Russia's invasion of Ukraine in 2022. This latest conflict, however, involves one of the most important regions for oil distribution: the Strait of Hormuz.

The strait is a narrow body of water running between the Persian Gulf and the open ocean. About 20% of the world's liquid natural gas and 25% of the world's oil pass through the strait. Iran has regularly threatened to close the Strait of Hormuz if attacked since at least 2008. In late February this year, for the first time, Iran truly closed off the passage.

The closure is now blocking roughly 15 million barrels per day. Producers in the Middle East are also shutting production because there is nowhere to put the oil.

Distribution is not the only problem; the conflict is also affecting energy production across the Middle East. Qatar halted production of LNG, a drone struck a Saudi Arabian oil company's refinery, major Israeli gas fields have shut down, and Iraqi Kurdistan halted most of its oil production. The shutdowns are temporary, precautionary measures, but still plenty disruptive.

### How bad is it for carriers?

The price spike is a tough blow to many carriers' available cash and credit lines—but it could also maintain upward pressure on spot rates.

Fuel surcharges may provide some slight relief to contracted hauls later this week. Many weekly fuel surcharges adjust automatically after the Energy Information Administration publishes its weekly average prices. Some carriers may be able to quickly negotiate more accurate/frequent surcharge benchmarks with their customers.

However, the surcharge only covers a portion of rising prices—and only for contract freight. The spot market will be in for a price hike, and private fleets may feel some strain.

"It's worth remembering that, unlike most contract freight, spot rates don't include a separate fuel surcharge," DAT's Croke said. "Because spot loads are booked close to the pickup date, the rate negotiated between the carrier and freight broker is expected to already reflect current diesel prices. That puts an extra burden on carriers to push for a spot rate that takes fuel prices into account, to control their running costs as much as possible, and to be strategic about where they fill up."

The diesel price hike could also significantly reduce for-hire capacity, further increasing spot market pricing. As Croke observes, reduced capacity is a key reason that current spot market rates are recovering.

"With fuel accounting for roughly one-third of truck operating costs, some carriers will park their rigs rather than run at a loss. That reduces capacity, and reduced capacity is what's driving spot market pricing right now," Croke said. "Carriers that stay in the market will have better pricing power, but they're going to need it in order to cover higher operating costs."

Carriers with existing fuel hedging contracts stand to benefit, effectively capping their diesel costs for a time. Carriers that purchased fuel in bulk right before this are probably feeling good this week. But much of the diesel cost will eventually fall on shippers and, later, consumers. In the long run, the oil spike is essentially inflationary for all other operating expenses. If the Iran war continues to disrupt oil distribution, other petroleum producers will increase their prices as well.

Rising fuel prices also tend to weaken consumer and business appetite for spending, reducing overall freight demand. With an already historically weak consumer today, drawn-out fuel price hikes could be even worse for freight demand.

"Rising oil prices hit motor carriers in several ways," Bob Costello, the American Trucking Associations' chief economist, said. "There is a direct impact through higher diesel prices, which is the trucking industry's second largest expense. Most carriers have fuel surcharges in place that allow them to recoup much of those added costs from their customers, though

> **The last time small-fleet operating costs were this high was in 2022, after Russia invaded Ukraine and diesel spiked to $5.82 per gallon.**
>
> – Dean Croke

typically not all of them, especially in the short term. There is also an indirect impact on demand. When consumers pay more at the pump to gas up their cars, it leaves less room in their household budgets for other purchases. That means fewer goods that travel by truck, from retail products to building materials, which puts downward pressure on freight demand."

## How will diesel stop rising?

The price of diesel is vaguely tied to crude oil futures. While it is hard for diesel prices to go down, stability in oil production and distribution would at least help stop the rise in pump prices.

### Global coordination could stabilize prices

The G7 economies are holding an emergency meeting this week to discuss a coordinated effort. The nations expressed readiness to support global energy supply but had not yet agreed to release their strategic crude reserves.

### Iran could cease its closure of the strait

Allowing ships to move across the Strait of Hormuz will remove the greatest reason for the rise in crude prices. There are three scenarios for that: Iran could willingly give up its closure while under fire, the attacking countries could cease their hostilities, or the attacking countries could successfully halt Iran's closure.

The U.S.'s participation in the war likely has a time limit. In one scenario, the massive military superiority of the U.S. and Israel could simply eliminate Iran's missile capabilities within weeks. Because Congress did not authorize these hostilities, President Donald Trump's military orders against Iran are also only legally valid for 60-90 days, under the War Powers Resolution of 1973.

However, that time limit is not guaranteed. Regime-change wars in the Middle East have a poor track record, regardless of military superiority. Congress could (though it is very unlikely) formally permit indefinite military action in Iran. The president could otherwise ignore the War Powers Resolution, or simply reframe U.S. involvement to merely support for Israel's own operations. Under these scenarios, the war could be fought "forever."

### Fuel price recovery not so quick

While diesel prices can rise rapidly, their walk down is much slower. Diesel retailers will not simply lower prices if the Iran war ends.

Resuming oil production after the disruptions will also be slow work, as Jim Burkhard, VP and global head of crude oil research at S&P Global Energy, explains. "The first week, the crisis was a transportation issue, which could conceivably be resolved quickly. But it is turning into a producibility concern as well due to storage constraints. Restarting field production of this scale will be a massive technical exercise that could last weeks or more to fully restore output," he said. "Downstream and other oil infrastructure damage could potentially limit the pace of recovery of oil flows also, including refined products."


Robert Hale | Dreamstime.com

# THE SKY'S THE LIMIT FOR CRUDE PRICES

**When the market opened after the initial strike on Iran, oil prices traded at $75/bbl, a $7/bbl jump from the previous session's High indicating a higher risk premium as the market hadn't considered Iran attacking its neighboring oil-producing states.**

**Tom Seng**
Assistant Professor of Professional Practice in Energy, Ralph Lowe Energy Institute, for the Oil & Gas Journal

## Oil, fundamental analysis

There aren't enough superlatives to describe this week's price action for crude oil after last weekend's initial attack on Iran. Feb. 27's High for WTI pushed the $68/bbl level, which supposedly included a $3-5/bbl "risk premium" should the US attack Iran.

The general sentiment was that any attack could potentially take Iran's 3.0 million b/d of production off the market. And there was some concern about the Strait of Hormuz.

However, when the market opened on the evening of Mar. 1, prices immediately traded at $75/bbl, a $7/bbl jump from the previous trading day's High, indicating a risk premium more like $10–12/bbl as the market hadn't considered Iran attacking its neighboring, oil-producing states.

Oil prices have been running higher ever since while seeking a top. WTI's High thus far has been Mar. 6's $92.60/bbl, a $25 increase from the previous Friday, while the Low was Mar. 2's $69.20. Mar. 6's Hi/Lo range alone was over $14/bbl. The US grade has not traded that high since September 2023 when OPEC+ announced their new output cuts. Brent hit $94.65/bbl Mar. 6 with a Low of $75.75 on Mar. 2.

Both grades are substantially higher than last week and the spread has tightened to ($2.20), the narrowest in years as WTI's value increased as a result of the closure of the Strait of Hormuz. All other events took a back seat to the war the week of Mar. 2. Even the Energy Information Administration's (EIA) weekly report indicating a 3.5 million bbl inventory gain was a non-event.

During a press event Feb. 27, President Trump expressed disappointment with the lack of progress in the US talks with Iran but said he would "give them some more time." The next day, the US and Israel attacked Iran which, in turn, unleased on neighboring petro-states seen as being friendly to the US.

The Strait of Hormuz has been effectively blocked due to threats made by the IRGC. This has backed-up oil and LNG tankers upstream of the Strait in some cases leading to the halt of oil and LNG production given the lack of takeaway and declining storage capacity.

As the markets look for relief from the bottleneck halting about 20 million b/d, all avenues are being addressed. The Joint Maritime Information Center (JMIC) reported that only two commercial ships have passed through the Strait in the last 24 hours and those were carrying cargo. The US has now pledged US Navy escorts for ships wishing to traverse the Strait while also providing marine insurance (JP Morgan indicated that the Development Finance Corporation doesn't have enough funding to cover all the ships that are backlogged).

OPEC+ last Sunday indicated they could provide about 250,000 b/d more in output while Saudi Arabia works to divert shipments via pipeline to its Red Sea ports. Venezuela has been increasing its exports also, but there are still not enough solutions in total to offset the volumes laying idle in the Strait let alone future exports.

The US has granted India temporary permission to resume buying crude from Russia as it has been impacted by the US' demand to cut off Urals. Other Asian countries — China, Japan, and South Korea — are being hurt as well. China has contacted Iran requesting they allow oil and LNG coming from Qatar to pass the Strait. China, however, has been stockpiling crude reserves for the past year and has continued the practice into 2026.

In the US, shale producers can't ramp up much in the near-term. However, there are about 1,400 oil wells which have been drilled but not yet completed. The current prices could provide incentive to complete these in the next few months provided there are enough completion crews available.

And the Trump administration has thus far chosen not to draw from the Strategic Petroleum Reserve (SPR). Deliverability from the SPR would be limited to about 1.0 million b/d.

The EIA Weekly Petroleum Status Report indicated that commercial crude oil inventories for last week increased while production remained the same. The SPR held at 415 million bbl.

The US lost 92,000 jobs in February as the mass layoffs announced in January started to take effect and after a better report that month. WSJ analysts had forecasted a gain of 50,000 positions, which would have been a paltry amount anyhow. Unemployment moved higher to 4.4%. The US has experienced negative hiring numbers in 3 out of the last 6 months. The Institute for Supply Management (ISM) reported good news for the manufacturing sector last month as business activity grew to 59.9 from 57.4, services increased to 56.1 from 53.8, and new orders increased to 58.6 from 53.1. All three major US stock markets are lower on the week due to the war. The USD is down as well, which is supportive of oil prices. Gold remains well above the $5,000/oz. mark.

## Oil, technical analysis

CME Group

April 2026 WTI NYMEX futures shot through the Upper-Bollinger Band Limit on last Sunday evening's opening trades and have stayed there. Prices far exceed the 8-, 13, and 21-day Moving Averages. Volume is a new record for this contract at 916,000. The Relative Strength Indicator (RSI), a momentum indicator, is in significantly overbought territory at 89. Resistance is now pegged at $95.00 while near-term Support is $91.00.

### Looking ahead

Several things have to occur for any price reversal for crude to take place. The Strait of Hormuz needs to be unblocked. If China successfully convinced Iran to allow Qatari tankers to pass, that alleviates some of the pent-up supply and markets would take that as a positive sign. If the US is successful in escorting ships through the Strait and can provide insurance coverage, so much the better.

For oil markets to calm, there must to be a ceasefire and a restart of negotiations between the US and Iran, if possible. Should there be a halt in attacks by all sides, a total damage assessment will have to be made to determine whether there will be longer-term supply disruption both for crude and LNG.

However, the US is calling for total capitulation while the Iranian government believes it can outlast the US.

## Natural gas, fundamental analysis

April NYMEX natural gas futures rose the week of Mar. 2, but not on the scale seen with oil. Global LNG prices jumped with the Qatari output halted but mild weather forecasts for the US have capped any larger gains. Additionally, US LNG exporters are tapped out with the exception of Venture Global, which indicated it had some spot cargoes to sell.

A larger-than-forecasted storage withdrawal also added some bullishness to prices. The week's High was Mar. 6's $3.30/MMbtu while the Low was Mar. 2's $2.90. Natural gas demand this week is estimated at 112 bcfd, while production is thought to be 110 bcfd. LNG exports held at 18.0 bcfd.

In the UK, natural gas prices at the NBP were most recently $18.05/MMbtu, while Dutch TTF futures were $18.20. Asia's JKM was quoted at $15.70/MMbtu. The EIA's Weekly Natural Gas Storage Report indicated a withdrawal of 132 bcf vs. a forecast of -122 bcf.

Total gas in storage is now 1.886 tcf, 6.5% above last year and 2.2% below the 5-year average.

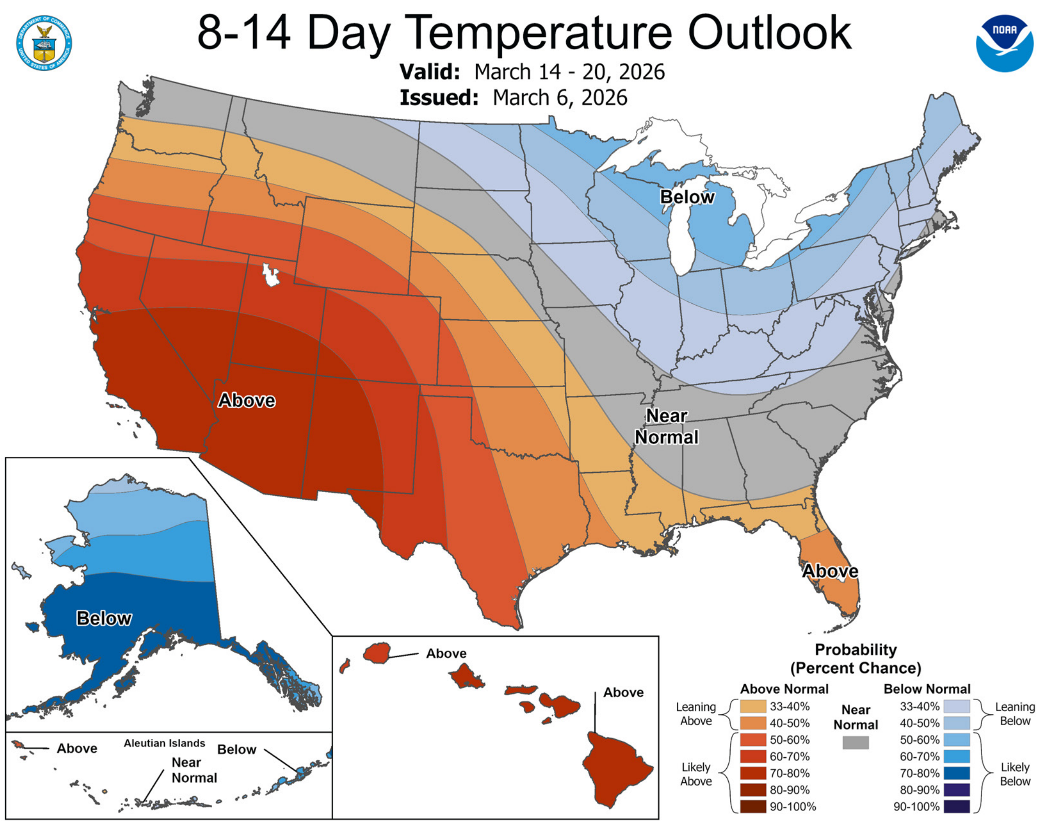
## Natural gas, technical analysis


CME Group

April 2026 NYMEX Henry Hub Natural Gas futures have risen to above the 8-, 13- & 20-day Moving Averages while piercing the Upper-Bollinger Band Limit. Volume was around the recent average at 182,000. The RSI is now neutral at 55. Support is $3.00 with key Resistance at $3.30.

**Looking ahead**

With US LNG exporters maxed-out, the rising global LNG prices won't move Henry Hub futures very much. Next week's temperatures are seasonally mild but mid-March shows potential for some areas of demand. April26/Jan27 spreads are over $2.00/MMbtu currently, which will encourage buying April for storage.

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# OFFSHORE RIGS: THE MISSING PIECE IN THE MIDDLE EAST RISK NARRATIVE

Escalating conflicts involving Iran, Israel and the US have heightened risks for offshore drilling in the Middle East, disrupting logistics, increasing costs and delaying projects amid rising geopolitical tensions.

**Sofia Forestieri**
Senior Analyst, Esgian, for Offshore

Since Feb. 28, 2026, escalating military tensions involving Iran, Israel and the US have injected fresh volatility into global energy markets. Oil prices have surged, key energy facilities have been attacked, and shipping through the Strait of Hormuz, which handles roughly 20% of global oil consumption and about 20% of global LNG trade, has slowed sharply as insurers, shipowners and operators reassess risk. Brent crude has responded accordingly.

On Feb. 27, Brent settled around $72.5/bbl. As of March 3, Brent is trading near $81/bbl, a gain of more than $8/bbl, or roughly 11%, in just two trading sessions as geopolitical risk has been rapidly repriced.

While much of the market focus has centered on oil prices and LNG disruptions, offshore drilling activity across the Middle East and Eastern Mediterranean is emerging as a key but under-examined, exposure point.

The Middle East remains the largest jackup rig market globally. According to Esgian, there are currently 177 drilling jackups in the region (~36% of the global supply), of which 138 are actively drilling. This high utilization reflects more than just legacy activity. Offshore demand had been recovering across multiple countries, supported not only by Saudi Aramco's latest multi-rig jackup tender, but also by ongoing and upcoming rig requirements in Kuwait, the UAE, Saudi Arabia beyond Aramco, and Oman.


Courtesy Esgian

This concentration of activity also shapes how exposed offshore operations are to disruption. Offshore rigs are not standalone assets. Their ability to drill safely and continuously depends on a functioning logistics chain that includes platform supply vessels (PSVs), anchor-handling tug supply vessels (AHTS), crew boats and helicopter services.

Since Feb. 28, this logistics ecosystem has come under increasing strain. War-risk insurers have repriced or temporarily withdrawn coverage for vessels operating in the Arabian Gulf, with reported premium increases in the 25%-50% range, depending on vessel profile and exposure. In some cases, vessels have struggled to obtain coverage altogether.

The resulting pressure points include missed or delayed rig resupply windows, reduced flexibility in crew rotations, increased reliance on minimum-manning and contingency planning. Importantly, these risks exist even where offshore rigs have not been physically damaged.

Beyond the Arabian Gulf, offshore activity in Israel and neighboring countries in the Eastern Mediterranean introduces another layer of uncertainty, and now beyond the jackup market. There are seven rigs across Israel, Egypt and Libya. The *Santorini* drillship is scheduled to commence a contract offshore Israel in mid-April 2026, while several additional rig requirements in the region are expected to happen from mid-2026 onward. Continued regional escalation or prolonged security concerns could delay contract startups, push future rig requirements into 2027, and increase operational, insurance and mobilization costs.

The Middle East conflict is no longer only a story about crude prices, shipping lanes or isolated infrastructure strikes. It is increasingly an offshore operations and execution story, unfolding in a region that was already moving into a modest but broad-based offshore recovery.

With 177 jackups currently positioned in the Middle East and 138 actively drilling, offshore activity is highly concentrated and operating with limited slack. At the same time, multiple rig requirements across Saudi Arabia, Kuwait, the UAE, Oman and Eastern Mediterranean were beginning to take shape, suggesting that offshore demand was set to increase beyond a single national oil company or tender cycle.

So far, offshore markets have absorbed the shock without a visible repricing of rig values or dayrates. But the balance of risks has shifted. Execution risk, logistics reliability and timing uncertainty are now central variables, particularly if regional tensions persist or maritime disruption becomes prolonged.

In that context, offshore outcomes may diverge. Some projects could be delayed, while others, especially rigs already operating in-region, could see their strategic value increased by constrained mobility and tightening availability. Whether the current disruption proves temporary or structural, offshore drilling in the Middle East now sits squarely on the geopolitical fault line, just as activity had begun to recover.

# RESOURCES

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