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Strategic Arteries and the Price of Conflict

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The Collapse of Maritime Energy Flows

The abrupt decline in vessel traffic through the Strait of Hormuz represents more than a logistical bottleneck; it constitutes a systemic shock to the foundations of global energy distribution. Maritime tracking data confirm that total daily transit has fallen from over 90 vessels in 2025 to an average of just 3 commercial vessels per day in March 2026, with oil and LNG tankers almost entirely absent. This dynamic makes the Strait of Hormuz no longer a viable commercial route.

This collapse has exposed a structural assumption embedded in decades of globalization that maritime corridors would remain perpetually open. The Hormuz crisis invalidates this assumption, forcing a rapid transition toward redundancy and diversification.

Crucially, the disruption is now entering a time-defined phase of material impact. Based on cargo tracking data, the final shipments that departed the Persian Gulf before the effective closure are expected to arrive according to a compressed global timeline. According to JP Morgan, deliveries to major Asian importers (including China, India, Japan, South Korea, and Southeast Asia) will cease as of April 1st, marking the first wave of supply shock. Europe is expected to follow with a 10 day delay, with North America impacted around 15 day later, and Australia and New Zealand by the end of April. Beyond this timeline, inflows from the Gulf drop sharply, effectively creating a gap between ongoing demand and available supply.

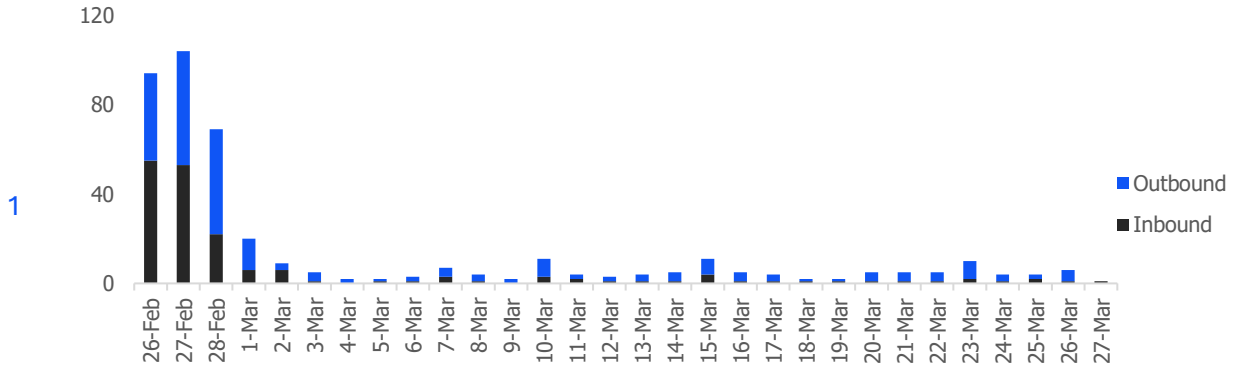

Figure 1 Number of vessels crossing the Strait of Hormuz, Bloomberg

This transition from flow disruption to physical availability constraints introduces a new phase of market stress. Countries will increasingly rely on strategic reserves, while competition for remaining seaborne cargoes intensifies across regions.

The scale of the disruption is further compounded by the structural characteristics of the global tanker fleet. Very Large Crude Carriers (VLCCs), which transport up to 2 million barrels per voyage, are particularly constrained due to draft limitations, forcing detours around the Cape of Good Hope when key passages become insecure. These reroutings add weeks to transit times and reduce effective fleet availability.

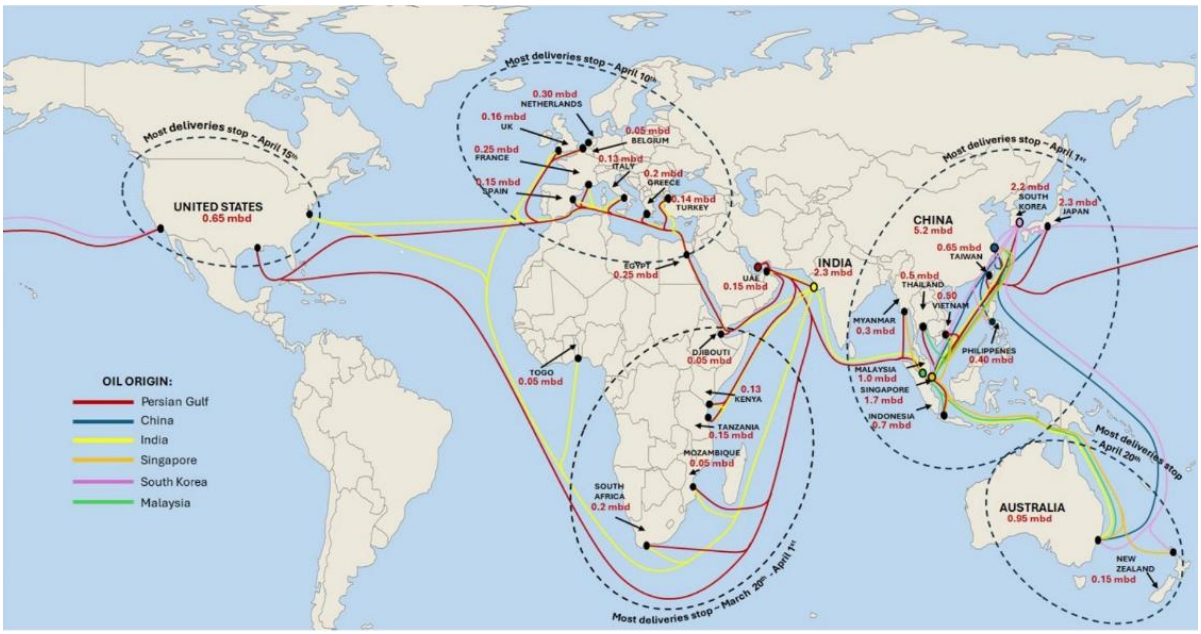

Figure 2 Oil flows from the Persian Guld and SE Asia, Source: J.P Morgan Commodities Research, Kepler

At the same time, the crisis is not purely logistical but deeply geopolitical. Iran has effectively asserted control over transit through the Strait, introducing new layers of uncertainty and cost into maritime operations. Insurance premiums for tanker transit have surged dramatically, in some cases reaching levels of up to $2 million per voyage, while informal transit fees and security risks further discourage navigation through the region.

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Parallel pressures are emerging in the Red Sea. Intensified attacks by Houthi forces have transformed the Bab el-Mandeb chokepoint into an active conflict zone, undermining the viability of the Suez Canal route. The result is a simultaneous disruption of both primary maritime corridors linking Asia and Europe, the Persian Gulf, Hormuz axis and the Red Sea–Suez route.

This dual chokepoint crisis represents a systemic breakdown in global maritime connectivity. Energy and trade flows are not simply rerouted; they are increasingly constrained across all major pathways. The global system, long optimized around a small number of critical maritime arteries, is now confronting the consequences of their simultaneous failure.

At the governmental level, countries are already deploying a combination of short-term stabilization measures. Strategic petroleum reserves are being drawn down across major importing regions to smooth immediate supply gaps, while coordinated stock releases are being considered to prevent panic-driven price spikes. At the same time, demand-side interventions are beginning to emerge, particularly in energy-intensive sectors, where rationing mechanisms and production curtailments are being implemented to preserve system stability. In parallel, an intensifying competition for non-Gulf LNG cargoes is unfolding between Europe and Asia, driving a rapid repricing of flexible supply and reinforcing the fragmentation of global gas markets.

Oil Market Adaptation and the Limits of Pipeline Substitution

As the maritime disruption transitions into a supply shock, the immediate response of importing regions has been to draw down strategic reserves and secure alternative cargoes, amplifying competition across global markets. The relative stability observed in oil prices reflects not equilibrium, but the temporary cushioning effect of these measures combined with partial rerouting.

Figure 3 Pipelines bypassing the Straight of Hormuz, Source: CIA, US Department of Energy

Saudi Arabia's East–West Pipeline and the UAE's Habshan–Fujairah pipeline have become the backbone of this adaptation, providing a limited bypass to the Strait of Hormuz and the Red-Seaoffering a comparatively secure export route. Yet its capacity of approximately 1.5 million barrels per day limits its systemic impact. It functions less as a solution and more as a secure outlet for a fraction of regional production.

Beneath this apparent stability, significant distortions are emerging within the logistics chain. Under normal conditions, freight costs account for only a small fraction of the final price of oil. In the current environment, this relationship has shifted dramatically. The diversion of vessels, combined with extended transit times (often increasing journeys by 15–30 days) has effectively reduced the availability of the global tanker fleet. Ships are not removed from the system, but they are occupied for longer periods, tightening supply.

This "hidden contraction" in shipping capacity has driven freight rates sharply higher, adding an additional layer of cost that is not always visible in benchmark crude prices. As a result, the true economic impact of the crisis is being absorbed unevenly across the supply chain, with transportation costs playing an increasingly influential role in shaping end-user prices.

This constraint becomes clearer when viewed against the scale of the global tanker fleet. As of March 2026, more than 12,000 oil tankers operate worldwide, with a combined carrying capacity of approximately 670 million tonnes. Against this backdrop, the capacity of emerging land-based corridors appears modest. Even large-scale projects such as the Zangezur Corridor, with an anticipated annual throughput of around 15 million tonnes, represent only a fraction of maritime capacity

This disparity underscores a key limitation: while strategically significant, overland routes are inherently supplementary. They cannot replicate the scale, flexibility, or cost-efficiency of maritime transport in the near term, reinforcing the structural gap between available supply and global demand. What emerges is a picture of constrained resilience.

An additional layer of rigidity is imposed by environmental regulation, which limits the ability of maritime transport to adapt dynamically to longer routes. International Maritime Organization frameworks, including the Energy Efficiency Design Index and the Energy Efficiency Existing Ship Index, have effectively institutionalized slower sailing speeds across the global fleet to reduce emissions. While these measures support long-term decarbonization objectives, they also constrain operational flexibility in times of crisis.

The Gas Market Crisis

If the oil market illustrates partial adaptability, the natural gas sector reveals its limits in stark terms. The closure of the Strait of Hormuz has effectively severed access to Qatari LNG exports, which account for 10% of the total LNG imports in Europe, and 20% for Asia. Unlike oil, LNG lacks alternative transport routes capable of replicating maritime scale.

The absence of transcontinental gas pipelines linking the Gulf to major consuming regions means that stranded LNG volumes cannot be rerouted. Existing infrastructure, such as the Dolphin Gas Pipeline[1], is regional in scope and insufficient in capacity.

The consequences are evident in market dynamics. European gas prices, as reflected in the TTF index, have surged to levels exceeding €100/MWh under prolonged disruption scenarios. This volatility is not only a function of supply scarcity but also of systemic rigidity. Without alternative pathways, the market cannot rebalance through rerouting; it can only adjust through demand destruction.

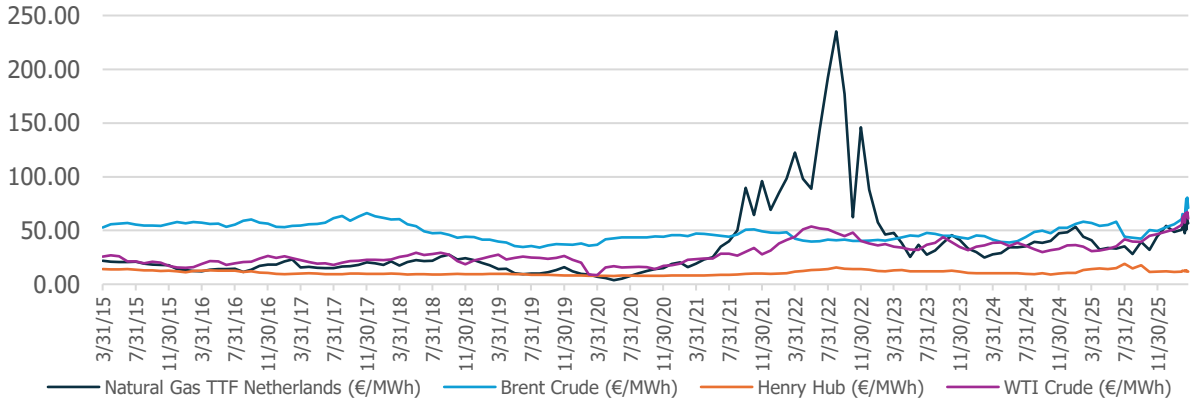

Figure 4 Commodity prices as of March 23rd, 2026 (€/MWh)

[1] Subsea pipeline transporting natural gas from Qatar's North Field to the United Arab Emirates (UAE) and Oman

This adjustment is already underway. Industrial consumers in Europe are scaling back operations, while major importers in Asia are reducing purchases due to cost constraints. The result is a contraction in demand that, in some cases, exceeds the supply shock itself.

Beyond immediate price dynamics, the crisis raises a critical forward-looking constraint related to storage replenishment. The European gas system is now entering the injection season under significantly weaker starting conditions compared to previous years, increasing its dependence on sustained inflows over the coming months. Under normal circumstances, seasonal demand during the April–October injection period is balanced through a combination of pipeline imports, domestic production, and LNG deliveries. In 2026, while pipeline flows from Norway and North Africa are expected to remain broadly stable, and domestic production shows limited upside, the system becomes structurally more reliant on incremental LNG imports to rebuild storage levels.

This dependence introduces a critical vulnerability. If disruptions to Gulf exports persist, and LNG availability tightens due to global competition, Europe may be unable to secure the volumes required to reach adequate storage levels ahead of winter. In this scenario, the adjustment mechanism shifts decisively toward the demand side. Fuel switching, including gas-to-coal substitution, may provide partial relief, but is unlikely to fully offset the imbalance. The system would therefore rely increasingly on price-induced demand destruction to restore equilibrium, reinforcing the procyclical relationship between supply scarcity and economic contraction.

In this context, the 2026 crisis can be understood fundamentally as a gas crisis. Oil markets may dominate headlines, but the inability to move natural gas is driving the deepest economic consequences.

Overland Corridors and the Reconfiguration of Eurasian Trade

5 As maritime routes falter, overland corridors are assuming unprecedented strategic importance. Among these, the Zangezur Corridor stands out as a transformative development. By linking Azerbaijan to Turkey through Armenia's southern region, it creates the shortest continuous land route between Asia and Europe.

Figure 5 Overland transit corridors, Source TRTWORLDs

Parallel to this is Iraq's Development Road, an ambitious project designed to connect the Persian Gulf to Europe via a multimodal land bridge. Its acceleration reflects a growing recognition that future energy security will depend on integrated transport systems capable of bypassing maritime chokepoints.

Central to both corridors is Turkey, positioned to become the principal gateway for energy flows into Europe. This enhances its geopolitical leverage while reshaping the regional balance of power. However, this emerging centrality is neither unconstrained nor guaranteed. Physical capacity limitations across pipeline networks, port infrastructure, and interconnection points impose hard ceilings on throughput expansion in the near term. At the same time, the concentration of transit flows introduces new layers of geopolitical and regulatory risk, as dependence shifts from maritime chokepoints to land-based corridors exposed to regional instability and political leverage. Infrastructure bottlenecks, particularly at border crossings and multimodal transfer nodes, further constrain scalability, suggesting that Turkey's role, while strategically elevated, remains structurally bounded.

What distinguishes these routes is not only their capacity but their strategic intent: to introduce optionality into a system historically defined by concentration and vulnerability.

For Greece, the effect of the Iran-US-Israeli conflict and the Hormuz disruption is less about the immediate physical supply security, but mostly a growing exposure to a price- vulnerable and driven LNG system. In 2025, total natural gas demand reached 78.75 TWh, with imports rising to 78.88 TWh, while LNG volumes, through Revithoussa, surpassed 30 TWh, underscoring a sharp year-on-year growth. This growing reliance on LNG, largely sourced from the United States, places Greece within the same competitive framework observed at the European level, where cargo allocation follows netbacks, arbitrage signals, shipping-logistics economics and geopolitical developments.

At the same time, Greece has started shifting from a domestic end-market to a regional balancing hub. Exports surged by nearly 200% in 2025, while Alexandroupolis FSRU has expanded the country's regasification capacity and reinforced its ability to channel LNG flows toward Southeast Europe. This dual role amplifies vulnerability under stress: in a constrained market, Greece must compete both to secure volumes for domestic consumption, and to sustain transit flows to neighboring markets, effectively importing system-wide volatility. Recent developments confirm this dynamic. As it was reported by Reuters, Ukraine is actively seeking increased LNG inflows via Greek terminals and the Vertical Corridor, while EU-backed tariff adjustments, expected to take effect from October 2026, aim to enhance the competitiveness of northbound flows. This further positions Greece within a regional redistribution ecosystem, where LNG volumes are directed by the needs of the wider pan European system.

This tension becomes particularly acute when viewed from a system flexibility perspective. In contrast to many European countries, Greece lacks underground gas storage, as the South Kavala UGS project remains in primary-research not even in a pilot-stage, increasing its exposure to continuous LNG inflows and short-term market access. In a tightening LNG market scenario, whether due to reduced Gulf exports or diversion of cargoes toward higher-priced Asian markets, the adjustment mechanism mirrors that of the broader European system: prices rise until demand contracts.

While renewables provide a partial buffer of 26.2 TWh in 2025 and assisting moderate wholesale electricity prices, they do not eliminate structural exposure. Given that gas continues to account for a substantial share of power generation, including over 1.6 TWh in February 2026 alone, price shocks in LNG markets are likely to be transmitted to electricity costs, industrial competitiveness, and most importantly to increasing household and end-users' energy bills.

Strategic Outlook: Toward a New Energy Geography

The long-term implications of the Strait of Hormuz closure extend well beyond the immediate crisis.

What begins as a regional disruption quickly becomes a systemic LNG shock, forcing adjustment through prices rather than volumes. In Europe, this translates into direct competition for marginal cargoes especially with Asia as a competitor.

Under this content, the characterization of the crisis by the International Energy Agency, the International Monetary Fund, and the World Bank, through their Joint Statement, as a major and asymmetric supply shock, proves its systemic nature and its international expansion, affecting not a single market segment, but different energy-importing economies, bringing to light structural weaknesses in gas-dependent markets. The necessary policy response can be found in coordination, financial support, and risk mitigation, as the main constraint of the existing systems is not resource availability, but the reliability and flexibility of the networks that trade and transport energy.

The estimated $25 billion required to repair damaged infrastructure suggests that even a rapid geopolitical resolution would not restore pre-crisis conditions.

A defining feature of this emerging landscape is the redistribution of geopolitical influence. Transit states, rather than producers alone, are becoming central to global energy systems. At the same time, chokepoint dynamics persist in new forms, shifting risk rather than eliminating it.

Perhaps the most enduring lesson lies in the divergence between oil and gas. The relative adaptability of oil markets contrasts sharply with the rigidity of LNG systems, highlighting the need for diversified gas infrastructure, including pipelines, storage, and alternative supply chains.

Ultimately, the global energy system is transitioning from a model defined by efficiency toward one characterized by resilience and redundancy.

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