GI

ENERGY MARKETS OUTLOOK ANNUAL REPORT

هيئة موانئ الفجيرة
Fujairah Ports Authority



Resilience & Optionality are Two Sides of same Public Private Partnership Coin

GI ANNUAL REPORT

ENERGY MARKETS OUTLOOK

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FOREWORD

Resilience & Optionality are Two Sides of same Public Private Partnership Coin



By Sean Evers, Founder and Managing Director, Gulf Intelligence

My main takeaway from 35 brainstorming sessions at the Fujairah Energy Markets Forum 2026 is that resilience and optionality are two sides of the same public private partnership coin. Bringing them together will be essential to making the redundancy required in a "just in case" world economically viable.

Governments need essential supplies to keep moving when established routes fail. Businesses need investments that generate sustainable returns across changing market conditions. The challenge is to build infrastructure that serves both objectives, even when its greatest strategic value emerges during disruptions that conventional investment models struggle to price.

An alternative pipeline, additional storage or spare terminal capacity can appear underutilised during normal conditions. During a crisis, that same asset can protect national revenues, sustain industrial activity and preserve access to customers. Its value extends beyond the income recorded by its operator.

This is where public private partnerships become critical. Governments can recognise the wider economic benefits of continuity and help establish the conditions for investment. Private partners bring capital, operational expertise and commercial networks that keep infrastructure productive between crises. Appropriate risk sharing, capacity commitments and dependable access arrangements can help turn a strategic requirement into an investable proposition.

Optionality strengthens that proposition. Infrastructure capable of serving different suppliers, destinations and products offers more opportunities to earn returns while retaining the capacity to respond when disruption strikes. Resilience protects continuity; optionality gives that protection commercial value.

Fujairah provides a compelling setting for this discussion. Its location outside the Strait of Hormuz and its connected energy infrastructure demonstrate why patient investment in alternative routes matters to producers and consumers alike.

The two chapters that follow explore the public policy priorities and industry opportunities emerging from this challenge. Together, they point towards a shared task: developing partnerships that make preparedness commercially sustainable and give economies workable alternatives when they need them most. ■



CHAPTER 1
RESILIENCE DEPENDS ON...?

Regional Connectivity Must Become Critical Infrastructure



H.E. Dr. Sheikh Abdullah bin Hamad Al Khalifa
Bahrain Minister of Transportation and Telecommunications

Resilience depends on the options available when normal supply routes fail. For Bahrain, an island economy, disruption to maritime access becomes a question of maintaining essential supplies. Our experience has reinforced the importance of preparing alternative routes and strengthening the relationships that make them usable.

The GCC's institutional bonds have helped us respond. Cooperation between transport ministries and port authorities, supported by established relationships with shipping lines, enabled supplies to move through alternative ports in the UAE, Saudi Arabia and Oman. Land transport through the King Fahd Causeway provided the connection into Bahrain.

These arrangements reflect years of cooperation. They cannot be created instantly under crisis conditions. Governments should therefore invest in the links between institutions, alongside the assets that carry goods.

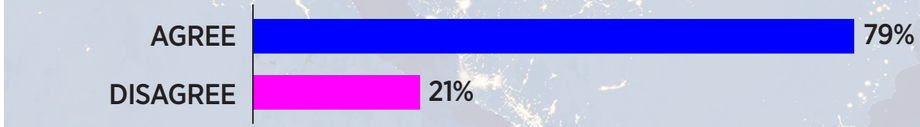
Redundancy requires a balance. We must remain internationally connected while developing national capacity in critical areas. Diversifying dependencies gives us alternatives without sacrificing the advantages of regional trade. The objective is to ensure that a disruption in one part of the network does not remove every available option.

Regional railway integration deserves greater urgency. Connecting the six GCC countries and linking railway infrastructure to ports would expand the routes available for essential supplies. Effective integration also requires a legislative and regulatory framework that allows these connections to function across borders.

Fujairah demonstrates the value of patient planning. Its infrastructure has supported the UAE and its neighbours during disruption. That benefit should inform how we assess future investment.

We should use this experience to advance transport integration before the next emergency. Alternative ports, land connections and railways need to operate as a coordinated regional system. Resilience will grow through preparation and institutions that can work together when their economies need them most. The work must continue between crises, when time allows us to build capacity and test practical arrangements. ■

The East of Suez Midstream Energy sector would benefit from much greater integration between the Arabian Peninsula and East Africa?



nb. Live Survey conducted with Forum's 300 Delegates on Oct. 6th-7th, 2026

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Ahmad bin Thalith
CEO, ADNOC Global Trading

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Open Shipping Lanes Require Shared Responsibility



Ang Wee Keong
Chief Executive of the Maritime and Port Authority of Singapore

Singapore's experience shows how quickly disruption in one shipping corridor can affect markets elsewhere. Maintaining reliable energy supplies requires cooperation across borders and preparation at home. No trading hub can secure continuity through its own efforts.

The Straits of Malacca and Singapore are international waterways. We have worked with Indonesia and Malaysia over many years through cooperative mechanisms involving countries and organisations that use these routes. Supporting aids to navigation and maintaining dialogue help keep the waterways safe and accessible.

International institutions also have a role. Singapore's initiative at the International Maritime Organization sought to reaffirm the importance of keeping vital shipping lanes free and open. Support from other countries, including the UAE, demonstrated the shared interest in protecting navigation.

Supply resilience requires similar cooperation. Agreements with Australia and New Zealand concerning essential supplies strengthened arrangements for maintaining flows during disruption. Regional work on electricity connectivity provides another example of countries improving security through collective action.

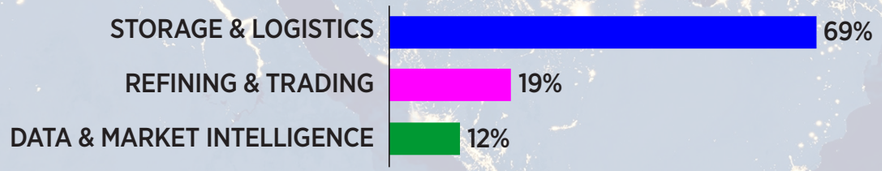
Infrastructure must support these relationships. Singapore faces land constraints, but underground hydrocarbon storage has provided capacity and a buffer against uncertainty. Developing that resource before the crisis gave us an option when supply conditions became more difficult.

We also maintain engagement with bunker suppliers. Encouraging diversified sourcing, monitoring future supply commitments and identifying concerns early help authorities and businesses respond before problems become more serious.

The practical task is to keep building these arrangements. Reliable navigation, diverse supply relationships and storage capacity reinforce one another. Each reduces a different vulnerability within an internationally connected energy system.

Countries benefiting from open shipping lanes should continue supporting their maintenance and protection. At the same time, domestic preparedness should give businesses the capacity to absorb disruption. Cooperation works best when it is sustained through normal conditions and remains dependable under pressure, when supply uncertainty spreads across borders. ■

Where will the greatest market opportunity from the shift to "Just-in-Case" emerge?



nb. Live Survey conducted with Forum's 300 Delegates on Oct. 6th-7th, 2026

Refinery Investment Must Build Market Flexibility



David Bird
Managing Director and CEO, Dangote Refinery

Africa should produce what it consumes. That principle underpins our refining investment and the industrialisation we want to support. Achieving it requires attention to the full supply chain, from manufacturing through to the infrastructure that delivers products to customers.

Commercial arrangements help establish markets, but physical distribution gives those relationships durability. Our approach includes strengthening truck distribution and developing tank farms and pipelines in target markets. These investments improve control over the routes connecting production with demand.

Disruption has also changed how infrastructure should be evaluated. Looking only at average margins through the cycle can discount the value of assets that perform strongly when supply chains are under pressure. Investment assessments should test severe volatility and recognise the value of remaining operational when other capacity becomes unavailable.

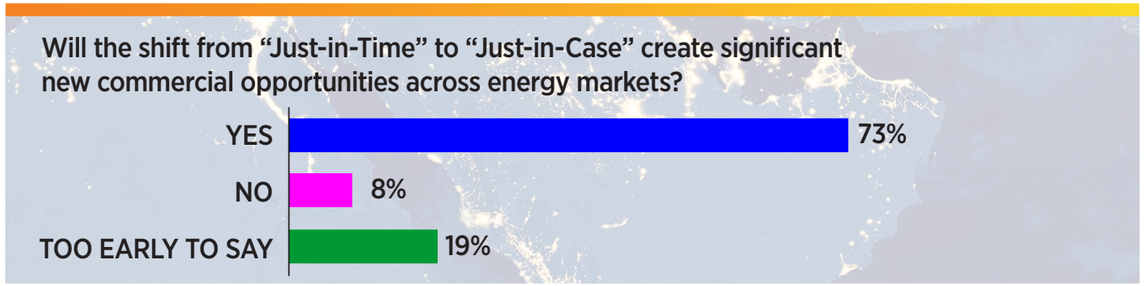
That reasoning extends to product flexibility. Our African markets remain central to our purpose, but refinery design should preserve the ability to supply international customers when conditions justify it. Meeting different specifications creates additional outlets without changing the regional objective.

Our diesel investment illustrates this approach. Adding dewaxing capability allows production that meets more demanding cold-weather requirements. Much of our diesel may continue serving tropical markets, yet the capability to supply winter-grade markets gives us an additional commercial option.

Jet fuel also offers intercontinental export opportunities. Designing logistics and product capabilities for different destinations strengthens the resilience of the overall business.

The lesson is to build flexibility into investment decisions early. Distribution infrastructure, suitable export facilities and adaptable product specifications are easier to incorporate during planning than after disruption exposes a weakness.

Africa's industrial development and international market access can reinforce each other. Facilities designed to meet regional needs while retaining export options can sustain production through changing conditions and support the long-term development of reliable African energy supply chains and distribution networks. ■



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Strategic Storage Must Match the Fuels Economies Need



Guy Moeyens
CEO, VTTI

Energy resilience depends on having supplies available where they are needed. Importing countries are reassessing both the size of their strategic inventories and their ability to access stocks. That reassessment creates opportunities to develop storage as part of a connected supply chain.

National oil companies seeking reliable outlets for their production have an interest in controlling more of the route to customers. Importing countries want security of supply. Partnerships between them can support infrastructure that meets both objectives, with storage operators contributing development and operational expertise.

The composition of inventories matters. In Europe, refinery closures are encouraging greater emphasis on finished products. Diesel, jet fuel and gasoline can serve demand directly, while crude stocks depend on available processing capacity. Strategic storage should therefore reflect the capabilities and requirements of each market.

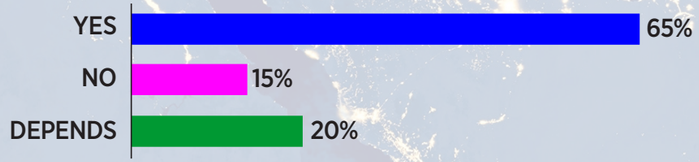
Elsewhere, countries may need both crude and product infrastructure. Financing remains a challenge, creating scope for cooperation with national oil companies and trading businesses. The aim should be physical capacity that countries can access when delivery conditions deteriorate.

Construction costs and resource requirements need management. Inflationary pressure is affecting tank development, but additional capacity remains feasible. Investment decisions should account for execution costs as well as the strategic benefit of greater inventory coverage.

LNG raises a related infrastructure question. Countries need adequate regasification capacity alongside access to cargoes. Changes in the origin of supply can support continuity, while sufficient terminal capacity allows those alternatives to reach consumers. Developments in Asian markets reflect this growing need.

We should assess storage and receiving facilities within the complete delivery chain. Inventory volumes alone cannot establish resilience if the products are unsuitable or access is constrained. Infrastructure becomes more useful when it connects available supplies to the needs of consumers and remains accessible through periods of disruption, market pressure and changing trade flows. ■

Will Governments Prioritize Strategic Resilience over Maximum Efficiency, even if it Increases costs?



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Energy Markets Need Resilience in Pricing as Well as Delivery



Richard Swann
Head of Market Reporting – Oil, Shipping and Chemicals, S&P Global Energy

Energy markets have adapted to disruption, but continued deliveries should not be treated as proof that stability has returned. The price signals reveal stress. Supplies that can reach customers through accessible routes command very different values from comparable barrels facing delivery constraints.

During the panel discussion, we estimated differences of up to approximately $37 per barrel for crude and around $38 for diesel between supplies outside and inside the Strait of Hormuz. Such gaps demonstrate the economic importance of infrastructure that preserves market access.

The Abu Dhabi pipeline to Fujairah is an example. Its value during this crisis is considerable. Yet investors cannot assume today's price differences will persist. That creates a difficulty for future projects whose strongest returns may arise during events nobody can predict with confidence.

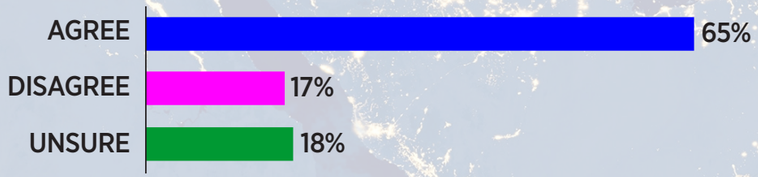
There is another challenge. Emergency supply chains often operate through arrangements that differ from normal commodity trading. Shuttle movements, ship-to-ship transfers and individual tenders help supplies move, but can make it harder to establish a transparent market price.

Benchmarks must reflect those changes. The Platts Dubai assessment previously represented a more interchangeable basket of regional crudes. Restricting it to loadings outside the Strait of Hormuz recognised that the market had divided. Accessible supplies from Oman and Fujairah continued to support trading, although the underlying market became narrower.

Whether that fragmentation proves temporary remains uncertain. Consumers are also asking broader questions about dependence on particular producing regions and energy sources.

Policy and investment decisions should recognise both dimensions of resilience. Infrastructure must sustain delivery, while market information must remain credible enough to guide transactions. Reliable pricing helps participants understand the value of accessible supplies and allocate capital. Preserving that clarity becomes especially important when the routes, trading practices and assumptions underpinning a benchmark change sharply during a period of sustained disruption and uncertainty. ■

Better market intelligence and transparency reduce the need for costly physical redundancy?



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Invest in Infrastructure That Works Beyond the Crisis



Tom Baker
Head of Middle East, Vitol

Disruption creates commercial opportunities, but infrastructure investment requires a longer view. A ship operating today can respond to current market conditions. A pipeline or refinery completed several years from now must have a purpose when those conditions change.

Investors need to distinguish these time horizons. Shipping utilisation, refining constraints and regional price differences can support returns from existing assets. New construction requires an assessment of the normal business case and the role the asset could play under alternative circumstances.

Some projects will be driven by national strategic needs. Others must stand on private commercial economics. Understanding that distinction helps determine how a project should be financed and what expectations should govern its operation.

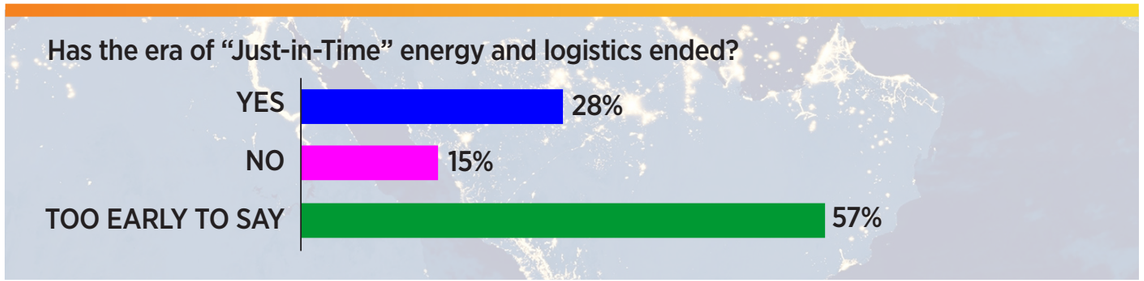
Vitol's development across trading and infrastructure reflects the importance of participation in the value chain. Refining, tankage and shipping provide more ways to respond when flows change. During disruption, output from European refineries has found markets further east, illustrating the flexibility that connected assets can provide.

Resilience also comes through interventions. Spare parts, additional tanks, terminal access and jetty capacity each address different constraints. Investment should respond to the vulnerability rather than assume that every problem requires a major new project.

East Africa demonstrates the opportunity. Growing economies and demand have put pressure on delivery infrastructure. Uganda's reliance on a heavily utilised pipeline system created exposure that alternative supply routes helped reduce. Developing access through Tanga can expand import options and address inland logistics constraints.

The Gulf and East Africa remain commercially connected. Strengthening those links requires infrastructure capable of serving demand reliably through changing conditions.

We should invest where additional capacity has a clear function, where operations can adapt, and where the economics remain understandable beyond the current crisis. Those principles help turn short-term opportunities into assets with lasting commercial relevance and dependable access to customers. ■



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LNG's New World Order: The US Wins, but Supply Security Remains at Risk



Dr. Fereidun Fesharaki
Chairman Emeritus, FGENexantECA

Can LNG become commercially viable in an environment of heightened supply security concern?

I have studied Alaska LNG repeatedly over the past 20 years, and my conclusion remains that the economics are difficult. Liquefaction costs could be around $5 per million British thermal units, making the project challenging to justify commercially. Political pressure may encourage Taiwan, Japan or South Korea to express interest, but that's not the same as commercially viable commitments. Buyers can obtain LNG from established Gulf Coast suppliers so why choose a more expensive project if cheaper alternatives are available.

It seems the US comes out as the winner?

US LNG is attractive because domestic gas prices are relatively low. However, the rapid expansion of data centres and electricity demand could change that equation. If gas prices rise substantially, electricity costs will increase, affecting households, industry and the competitiveness of data centres themselves. If domestic prices rise sufficiently, political pressure to restrict exports could become intense. Also, export contracts do not eliminate political risk. A future administration could invoke national security or other grounds to intervene in exports. A previous administration demonstrated that new LNG approvals could be paused. Buyers therefore cannot assume that US supply will always be available because of domestic circumstances.

Could the same political pressures undermine the broader LNG investment cycle?

Yes. If domestic gas prices rise sharply, projects that depend on cheap American gas may become uneconomic. Buyers signing long-term contracts today must consider what happens if US prices rise while international prices fall. My expectation is that oil-indexed LNG prices could become much more competitive over the next three or four years if the current crisis eases. That could leave some US LNG buyers paying more than the alternative market price.

How low must LNG prices fall to unlock the next wave of consumption, particularly in Asia, where coal remains a major competitor?

Coal is the key benchmark. In markets such as India and China, domestic coal can be extremely cheap. LNG must compete with that alternative, and I believe prices below approximately $8 per million British thermal units would support additional demand in many markets. South Asia is particularly price-sensitive. India, Pakistan and Bangladesh could absorb significant volumes when prices are sufficiently attractive, but demand can retreat quickly when prices rise. There is also substantial existing gas-fired power-generation capacity that is underused because gas is too expensive. If LNG prices fall, some of that capacity can operate without requiring major new investment. This is one reason I remain optimistic on long-term demand.

China, however, is a different story. I expect Chinese LNG imports to rise only moderately, potentially reaching 80–90 million tonnes rather than the 150 million tonnes previously anticipated. Beijing prioritises security of supply and remains cautious about becoming too dependent on Russian pipeline gas.

With US gas production relatively cheap, why are major international energy companies not investing more heavily in American liquefaction?

Because the returns are not necessarily attractive. Companies such as ExxonMobil and Chevron can buy US LNG rather than assume the construction and operational risks of building liquefaction facilities themselves. Their strengths lie in upstream production, integrated project management and global trading.

"When gas is sold at artificially low prices, consumption rises sharply, encouraging waste and leaving less gas available for exports. Iran could have developed major LNG projects, but its pricing system, investment constraints and political priorities have prevented that potential from being realised."



Liquefaction is capital-intensive, and the returns may not justify the risks for every company. In Canada and Australia, integrated projects can offer different commercial advantages, but each investment must be assessed on its own economics.

Qatar has traditionally insisted on long-term contracts, oil indexation and limited destination flexibility. Will the disruption force it to offer more flexible terms or discounts to secure customers?

There is no clear indication that Qatar intends to change its policy. It has maintained a disciplined approach to contracting, including long-term commitments and relatively firm commercial terms. That strategy has served Qatar well. However, if the disruption persists and buyers question the reliability of deliveries, the balance may change. If substantial new capacity enters the market towards the end of the decade, Qatar will also face a more competitive environment.

If the crisis eases and new LNG projects start up in 2028–2030, could the market become oversupplied, sending spot prices sharply lower?

I expect spot prices to fall substantially over the next two to three years if the crisis subsides and planned capacity comes online. Prices could move towards $6 per million British thermal units, although the outcome will depend on demand growth and the pace of new supply. Governments can tolerate unsold volumes more readily than private companies, which face shareholder pressure to earn returns. This creates different incentives for state-owned producers and commercial operators.

Does the crisis strengthen the case for regional gas pipelines as an alternative to LNG?

Pipelines can improve security by diversifying supply routes, but they create their own dependencies. Their viability depends on politics, pricing and the willingness of neighbouring countries to cooperate. Regional pipeline proposals have been discussed before, including projects that could connect gas producers with Gulf markets. Yet infrastructure requires long-term commitments, and countries may be reluctant to supply competitors with gas at prices that undermine their own energy industries. The crisis may encourage greater cooperation among Gulf states, but whether this translates into new pipeline projects remains uncertain.

What is the outlook for Iran's gas industry?

Iran has enormous gas resources but has undermined its commercial potential through domestic pricing policies. When gas is sold at artificially low prices, consumption rises sharply, encouraging waste and leaving less gas available for exports. Iran could have developed major LNG projects, but its pricing system, investment constraints and political priorities have prevented that potential from being realised. The country continues to face domestic shortages, particularly during winter, despite its vast resources. The lesson is straightforward: energy sold too cheaply can destroy the value of the resource. Without pricing reform, investment and a more commercially sustainable approach, Iran will struggle to become a major international gas supplier. ■

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TOP 20 LEADERSHIP INSIGHTS

1 Resilience must precede the crisis

Alternative infrastructure and institutional relationships take years to develop. Bahrain's response depended on established cooperation between transport ministries, ports and shipping operators. Contingency planning is most effective when the necessary relationships and routes already exist and can be activated under pressure.

2 Dependencies should be diversified

The objective is to remain globally connected while reducing exposure to individual suppliers and corridors. Targeted national capacity should complement regional and international partnerships. Maintaining several workable options provides a stronger response to disruption than relying on a single efficient supply chain.

3 Fujairah provides regional continuity

Fujairah's port and export infrastructure support resilience beyond the UAE. Bahrain's use of alternative UAE entry points showed how investment in one country can protect neighbouring economies. Infrastructure outside the Strait of Hormuz has particular value when access through the strait is restricted.

4 GCC railway integration is increasingly urgent

An integrated railway network linked to ports would strengthen alternatives to maritime routes. Completing the legislative and regulatory framework is essential to making cross-border connections effective. The discussion placed regional rail development within the broader task of maintaining essential supplies during disruption.

5 Navigation rights need practical cooperation

International legal protections require sustained operational and diplomatic support. Cooperation among Singapore, Malaysia and Indonesia includes navigation infrastructure and engagement with countries using the straits. International Maritime Organization initiatives reinforce the shared interest in keeping critical shipping lanes open.

6 Deliverable supplies command a substantial premium

The panel cited price differences of approximately $37 per barrel for crude and $38 for diesel between supplies outside and inside the Strait of Hormuz. These estimates demonstrate how location and delivery constraints can divide markets even when commodities remain physically available.

7 Strategic value exceeds normal investment calculations

The Abu Dhabi–Fujairah pipeline demonstrates the economic value of alternative export capacity during disruption. Private investors may struggle to justify comparable projects without knowing when another crisis will occur. Long-term public planning can support infrastructure whose benefits include wider economic protection.

8 Storage complements diversified sourcing

Singapore's underground storage provided contingency capacity developed before the crisis. Supplier diversification and regular monitoring of bunker supply commitments supported that physical buffer. Inventories create time to respond, while alternative sourcing helps maintain replenishment as trading conditions change.

9 Market fragmentation threatens price discovery

Emergency trading arrangements and individual tenders complicate established pricing practices. The panel described limiting the Platts Dubai benchmark to crude loading outside the Strait of Hormuz to reflect the accessible market. Whether previous market integration returns remained an open question.

10 Consumer responses could reshape energy demand

Importing countries are examining dependence on Middle Eastern supply and on oil more broadly. Diversifying producers addresses one vulnerability; diversifying energy sources addresses another. Persistent delivery uncertainty could therefore affect long-term purchasing strategies as well as the infrastructure serving those markets.

11 Supply chain control protects market access

Refining capacity needs reliable distribution to reach consumers. Investments in trucks, tank farms and pipelines strengthen the connection between production and sales. Taking greater control of these physical links reduces exposure to external bottlenecks and provides more dependable outlets during disruption.

12 Severe volatility belongs in investment assessments

Average margins across the business cycle can understate the value of contingency capacity. Stress testing should consider periods of major disruption and the returns available when flexible assets remain operational. This can change the assessment of investments previously dismissed under conventional assumptions.

13 Existing assets and new projects have different risks

Operating assets can capture current opportunities immediately. Construction projects may enter service after exceptional margins have disappeared. Investors therefore need to assess an asset's normal use, alternative applications and potential strategic role before committing capital to capacity with a long development timetable.

14 Integration increases commercial flexibility

Combining trading with access to refining, shipping and storage enables companies to redirect supplies across regions. Vitol's experience illustrated how European refinery output could reach eastern markets during disruption. A broader physical presence increases the choices available when established trade patterns change.

15 Targeted improvements can deliver resilience

Spare parts strategies, additional tank capacity and better jetty or terminal access can address particular vulnerabilities. These investments have different costs and development periods from major pipelines or refineries. Selecting the appropriate response requires identifying the actual constraint on reliable delivery.

16 Strategic stocks are becoming more local

Importers are seeking longer inventory coverage and physical stocks accessible within their own countries. The discussion cited moves towards 110 days of coverage in some cases. This creates opportunities for storage development supported by governments, national oil companies and trading businesses.

17 Finished fuels are gaining priority in Europe

Refinery closures increase the importance of holding usable products such as diesel, jet fuel and gasoline. Strategic crude stocks alone cannot replace lost processing capacity. Storage investment therefore needs to reflect the fuel requirements and refining capabilities of the market it serves.

18 Specifications expand export options

Dangote's investment in diesel dewaxing enables production for colder markets even though regional African demand remains the priority. Building international specifications into refinery design broadens potential outlets. Relatively targeted additions can increase the ability to serve different markets under changing commercial conditions.

19 East African delivery constraints invite investment

Growing inland demand is putting pressure on ports and pipelines. Alternative access through Tanga helped diversify supplies into Uganda. Developing additional routes and infrastructure can address bottlenecks, while emerging crude exports could deepen connections between East Africa, the Gulf and Asia.

20 LNG needs adequate receiving capacity

Diversified LNG supply requires sufficient terminal and regasification capacity to reach consumers. Changing cargo origins can support continuity, but physical import constraints still matter. Additional receiving infrastructure, particularly in growing Asian markets, offers opportunities to strengthen national energy resilience. ■



CHAPTER 2
“JUST IN TIME” NO MORE...?

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India and the East-of-Suez Energy System Must Build Optionality Beyond Strategic Inventories when "Just in Time" is No Longer Enough for Energy Security



Shrikant M. Vaidya
Former Chairman, Indian Oil Corporation

For India and the wider East-of-Suez energy system, resilience demands more than additional inventories. It requires diversified suppliers and shipping routes, strategic storage in the right geographies, greater shipping capabilities, flexible refining capacity, and deeper India–Gulf cooperation beyond the traditional buyer–seller relationship.

The world is rediscovering the value of "Just in Case".

For decades, the global energy industry pursued efficiency almost to perfection. Lean inventories, maximum utilisation, the cheapest shipping routes, minimum spare capacity and increasingly integrated supply chains delivered enormous economic value.

But recent geopolitical disruptions have exposed the vulnerability of an energy system optimised almost exclusively for efficiency. When shipping routes are constrained, insurance becomes prohibitively expensive, vessels are diverted and ports face operational restrictions, the economic benefits of lean supply chains can quickly disappear.

The fundamental lesson is that energy security is no longer simply about the availability of molecules. It is increasingly about their assured delivery.

Crude oil may be available somewhere in the world, but if vessels cannot sail, insurance is unavailable, maritime chokepoints are disrupted or refineries cannot process alternative grades, those barrels offer limited economic value to consumers.

The challenge is therefore not to abandon "Just in Time" efficiency in favour of "Just in Case" redundancy, but to establish the right balance between operational efficiency and strategic resilience.

India's Energy Security Requires Optionality Across the Entire Value Chain

India's exposure to global energy disruptions is particularly significant. The country imports approximately 88% of its crude oil requirements, while domestic consumption continues to expand.

Oil demand, currently around 5.6 million barrels per day, is expected to reach approximately 7.5 million barrels per day in the foreseeable future. This growth makes reliable access to international energy supplies an increasingly important national economic priority.

The recent crisis demonstrated that diversified sourcing can provide a powerful buffer against geopolitical disruption. India's substantial imports of Russian crude helped offset interruptions affecting supplies transiting the Strait of Hormuz.

India's ability to source crude from approximately 45–50 countries has also provided valuable flexibility, reducing dependence on individual suppliers and geographical corridors.

However, diversification alone is insufficient.

The crisis exposed a particularly acute vulnerability in liquefied petroleum gas. Approximately 60% of India's imported LPG passes through the Strait of Hormuz, while around 95% of imported LPG is used for domestic cooking.

Unlike crude oil, where alternative sourcing arrangements helped cushion the disruption, LPG supply constraints created immediate concerns for household energy security.

India is consequently looking to expand LPG storage capacity at import terminals, refineries and other strategic locations, recognising that critical domestic fuels require additional protection against supply interruptions.

Strategic storage must nevertheless be considered alongside broader supply-chain flexibility. Building additional tanks without addressing shipping access, refining capability and product distribution would deliver only partial resilience.

The objective should be optionality across the entire energy value chain: from the source of supply to the final consumer.

Refining, Shipping and Strategic Geography Are the Foundations of Resilience

One of the most important lessons from India's experience is that refining capacity itself must be recognised as a strategic national energy security asset.

India currently possesses approximately 275 million metric tonnes of refining capacity, with expansion towards 310 million metric tonnes anticipated by 2030.

This substantial domestic refining capability has helped India maintain petroleum product availability despite major disruptions to international crude flows.

A flexible refinery provides multiple strategic advantages. It can process crude from different geographical sources, accommodate changes in available grades and produce the petroleum products required by domestic consumers.

It can also support regional product markets when other refining and distribution systems come under pressure.

Refining capacity therefore represents more than industrial infrastructure. It provides an operational buffer against supply disruptions and reduces the need to depend exclusively on large inventories of finished products.

Shipping represents another essential component of this resilience architecture.

India's government has announced plans to add 100 vessels to its merchant fleet over the next five to ten years, recognising that a major energy-importing economy must exercise greater control over how its supplies reach domestic markets.

Access to vessels, maritime insurance arrangements and emergency logistics capabilities are increasingly becoming matters of national energy policy rather than purely commercial considerations.

Strategic storage must also evolve beyond the traditional assumption that national reserves should necessarily be located within national borders.

India and the UAE have explored opportunities for additional strategic storage cooperation, including potential Indian storage arrangements in Fujairah.

This reflects an important principle: energy security depends not simply on how many barrels are held in reserve, but where those barrels are positioned and how reliably they can be accessed.

Fujairah provides a compelling example of geographic optionality.

Located outside the Strait of Hormuz, its established storage, port, bunkering and trading infrastructure offers strategic advantages that extend well beyond its physical size.

Infrastructure positioned outside vulnerable maritime chokepoints, supported by diversified transport routes and storage capabilities, can transform redundancy from an apparent commercial burden into a valuable strategic asset.

India–Gulf Cooperation Must Move Beyond the Buyer–Seller Model

The evolving energy security landscape presents an opportunity to redefine the relationship between India and the Gulf.

For decades, this relationship has largely operated through a straightforward commercial arrangement: the Gulf produces energy, and India consumes it.

That model remains important, but it is no longer sufficient to address the complexities of modern energy security.

India brings enormous and growing energy demand, extensive refining capacity, a major petroleum product market and increasingly sophisticated energy infrastructure.

The Gulf contributes substantial production capacity, strategic storage locations, shipping expertise, established trading capabilities and advantageous geography.

Together, these complementary strengths could support a more integrated resilience partnership.

Such cooperation should extend to strategic petroleum storage, emergency product supply arrangements, shipping partnerships, refining flexibility and more closely connected regional supply chains.

These initiatives would strengthen India's ability to withstand disruptions while creating new commercial opportunities for Gulf energy producers, terminal operators, shipping companies and infrastructure investors.

However, the transition towards greater resilience raises an unavoidable commercial question: who pays for it?

Spare capacity appears expensive when markets are functioning normally. Additional storage ties up capital, while alternative shipping routes and pipeline arrangements may seem inefficient compared with established transport corridors.

Yet during periods of disruption, these same assets can become extraordinarily valuable.

Governments and industry must therefore develop better ways to recognise, finance and reward the option value of resilience.

The objective should not be maximum redundancy at any cost. Excessive investment in underutilised infrastructure risks undermining the economic efficiency that has historically supported the global energy system.

Instead, investment decisions must identify which combinations of storage, shipping, refining flexibility, alternative routes and regional cooperation deliver the greatest security and commercial value.

Ultimately, the future of energy security is not a choice between "Just in Time" and "Just in Case".

India and the wider East-of-Suez energy system need both.

Preserving efficiency while building strategic optionality will ensure that one disrupted shipping route, one unavailable vessel, one constrained supplier or one vulnerable geographical chokepoint does not escalate into a national economic crisis.

Resilience carries a cost. But the more important question is how much vulnerability our economies can afford. ■

Fujairah's Strategic Connectivity Is Redefining Energy and Trade Resilience



Captain Mohamed Al Yahyaei
CEO, Fujairah Terminals

Recent regional developments have demonstrated that resilience depends not only on additional infrastructure, but also on the ability to activate alternative trade corridors, maximise existing capacity and maintain the efficient movement of cargo. Fujairah's strategic location outside the Strait of Hormuz continues to play an important role in supporting the UAE's supply chains.

Importantly, the UAE's response has been supported by established business continuity arrangements and alternative logistics corridors, enabling coordinated action as regional conditions evolved.

A central component of this approach has been strengthening connectivity between Fujairah and ports across the UAE, particularly Khalifa Port and Jebel Ali. Bonded transport corridors, supported by customs cooperation, road networks and Etihad Rail, facilitate cargo movement between emirates while helping to minimise regulatory delays and logistical bottlenecks.

These arrangements extend beyond conventional containers to include ISO tank containers, general cargo and breakbulk shipments. Cooperation among port operators, customs authorities and government stakeholders is essential to the efficient movement of goods. Rail connectivity is also becoming increasingly valuable, demonstrating how existing infrastructure can provide additional flexibility when trade flows are disrupted.

At Fujairah Terminals, our priority has been to maximise operational capacity while maintaining the efficient movement of cargo through the terminal. AD Ports Group's continued investment in cargo-handling equipment and supporting logistics infrastructure has strengthened operational flexibility and helped reduce congestion.

We have also strengthened operational planning and coordination with relevant stakeholders to support the efficient handling of essential supplies and materials for strategic national projects. These measures are not intended merely as short-term responses to regional developments. Strengthening connectivity between Fujairah and the UAE's wider port network creates lasting operational flexibility, regardless of how regional trade patterns evolve.

Ultimately, resilience requires infrastructure, coordinated planning and the flexibility to redirect trade when established routes become constrained. Fujairah demonstrates how strategic geography, multimodal connectivity and advance preparation can strengthen long-term supply chain resilience. ■

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FUJAIRAH'S NEXT INFRASTRUCTURE FRONTIER

Transforming Redundancy & Alternative Capacity into Strategic Assets

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Infrastructure resilience is no longer simply seen as a question of additional capacity, but of connectivity, operational flexibility, security and coordinated investment.

The 2026 disruption to energy flows through the Strait of Hormuz has fundamentally reshaped infrastructure investment priorities across the Gulf, elevating Fujairah's strategic importance as an alternative energy logistics hub. However, the next phase of development must move beyond conventional storage and terminal expansion towards an integrated regional infrastructure network capable of sustaining energy trade during prolonged geopolitical disruption.

Fujairah's existing network of terminals, pipelines, storage facilities and maritime infrastructure provides a strong foundation. Yet the unprecedented pressure on logistics, shipping movements and commodity handling has exposed limitations in infrastructure designed primarily for normal operating conditions. Greater coordination between port operators, terminal owners, logistics providers and government authorities will be essential to maximize available capacity and maintain operational continuity.

A critical investment priority is the development of alternative transportation and distribution infrastructure for refined products. While existing crude export infrastructure has provided some protection against Hormuz disruptions, diesel, jet fuel and other refined products remain particularly exposed. Dedicated product pipelines, additional processing capacity and diversified distribution routes could strengthen regional supply security and reduce dependence on vulnerable maritime corridors.

Fujairah's investment strategy must also evolve beyond traditional oil storage towards refining, blending, sustainable fuels and other value-added processing activities. These capabilities would strengthen domestic supply security, support emerging industrial demand and position the emirate to capture greater commercial value from regional energy flows.

Regional integration emerged as another defining requirement for long-term resilience. Fujairah cannot independently absorb all the logistics requirements of Gulf producers and consumers. Complementary infrastructure development across the UAE, Oman and Saudi Arabia, including alternative port access, interconnected pipelines and strategic storage facilities, could create a more diversified regional energy network.

However, physical infrastructure alone will not guarantee resilience. Clear commercial arrangements, coordinated contingency planning, capacity-sharing agreements and effective governance across jurisdictions will be necessary to ensure that alternative routes remain operational during crises.

Security considerations are equally reshaping investment economics. The vulnerability of terminals, pipelines and pumping stations to physical attacks has reinforced the importance of infrastructure protection, operational redundancy and credible security assurances for private investors.

Meanwhile, exceptional freight volatility and constrained tanker availability have strengthened the commercial rationale for greater shipping asset ownership, overseas storage diversification and more direct control over energy logistics.

Digitalization will also become central to future competitiveness. Real-time vessel tracking, shared capacity information and integrated operational platforms can improve efficiency, transparency and infrastructure utilization, provided they are supported by robust cybersecurity and system redundancy.

Ultimately, Fujairah's next competitive advantage will depend on transforming its role from a major storage and bunkering center into a strategically connected, secure and operationally flexible regional energy hub. Achieving this transformation will require coordinated public-private investment, regional collaboration and a fundamental shift towards treating infrastructure resilience as a long-term commercial asset rather than an emergency contingency.

Top 10 Strategic Recommendations

01 PRIORITIZE INFRASTRUCTURE INTEGRATION OVER STORAGE EXPANSION
Optimize existing terminals, pipelines, berths and storage through coordinated operations, real-time capacity visibility and stress-tested contingency plans before committing to further conventional storage expansion.

02 ACCELERATE REFINED-PRODUCT PIPELINE INVESTMENT
Develop alternative transportation infrastructure for diesel, jet fuel and other refined products, addressing critical supply vulnerabilities that existing crude export pipelines cannot resolve during prolonged maritime disruptions.

03 ESTABLISH AN INTEGRATED GCC ENERGY LOGISTICS NETWORK
Strengthen connectivity between Fujairah and complementary infrastructure in Oman and Saudi Arabia through coordinated port development, alternative export corridors, strategic storage and cross-border operational agreements.

04 EXPAND VALUE-ADDED PROCESSING AND REFINING CAPACITY
Redirect investment towards refining, blending, product processing and sustainable fuels infrastructure, enabling Fujairah to strengthen domestic supply security while capturing greater commercial value beyond conventional storage services.

05 EMBED PHYSICAL SECURITY INTO INFRASTRUCTURE INVESTMENT
Integrate stronger protection for terminals, pipelines and pumping stations into future development plans, supported by government-level security coordination, operational redundancy and credible assurances that strengthen private investor confidence.

06 DIVERSIFY SHIPPING ASSETS AND STRATEGIC OVERSEAS STORAGE
Encourage energy producers and trading companies to evaluate greater tanker ownership, long-term vessel access and overseas storage arrangements to mitigate freight volatility and maintain customer supply during disruptions.

07 INSTITUTIONALIZE REGIONAL CONTINGENCY PLANNING AND CAPACITY SHARING
Establish clear emergency operating protocols, commercial responsibilities and capacity-sharing mechanisms across port authorities, terminal operators and government agencies to enable faster responses when primary logistics routes become constrained.

08 PREPARE FLEXIBLE INFRASTRUCTURE FOR ALTERNATIVE MARINE FUELS
Incorporate LNG, biofuels and emerging marine fuel requirements into long-term bunkering and processing plans, ensuring infrastructure can accommodate changing demand without prematurely committing to a single fuel technology.

09 INVEST IN SHARED DIGITAL INFRASTRUCTURE AND CYBERSECURITY
Develop interoperable operational platforms providing real-time vessel movements, available capacity and logistics information while strengthening cybersecurity, backup systems and digital redundancy across critical energy infrastructure.

10 MAKE RESILIENCE A CORE CRITERION FOR INFRASTRUCTURE CAPITAL ALLOCATION
Evaluate future investments against their contribution to supply continuity, route diversification, operational flexibility and security, recognizing that strategic redundancy can deliver commercial value even when assets are underutilized. ■

THE ROAD AHEAD

Fujairah's next infrastructure investment cycle should be measured not simply by how much additional capacity it delivers, but by how effectively it strengthens regional energy security, diversifies market access and sustains commercial operations under disruption.



Fujairah's Strategic Expansion Strengthens UAE Energy Security and Maritime Resilience



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The prolonged disruption to the Strait of Hormuz has accelerated Fujairah's transformation into a critical energy, maritime, and logistics hub for the UAE. Rising cargo volumes, expanding port infrastructure, and growing demand for alternative trade routes reinforce its strategic importance. Continued investment in port capacity, rail connectivity, and industrial diversification will be essential to strengthening national supply chain resilience and supporting long-term economic growth.

Strategic Lifeline Beyond Hormuz

Fujairah's location outside the Strait of Hormuz has positioned its ports as essential gateways for maintaining UAE trade and energy flows during regional disruption. The Fujairah Ports Authority oversees three ports, including Fujairah, Dibba, and a third facility under development.

The crisis has accelerated efforts to reduce dependence on Hormuz, increasing demand for container handling, general cargo, and maritime services. However, infrastructure constraints remain significant, with dry bulk vessels facing waiting periods approaching two months and container vessels experiencing delays of approximately 10–14 days.

Despite some infrastructure constraints and operational pressures, Fujairah maintained port activities throughout the crisis, demonstrating its importance to national supply chain continuity.

Expansion and Growth Outlook

A 50-year concession arrangement with DP World is expected to support new container, general cargo, and roll-on/roll-off facilities, while further expansion with AD Ports remains under discussion.

Fujairah's oil terminal infrastructure normally handles approximately 70 million metric tons annually, with its master plan allowing potential expansion from nine existing berths to 22.

Etihad Rail's operational connection between Fujairah and Abu Dhabi has emerged as another critical logistics lifeline, helping relieve road congestion and supporting cargo movements across the UAE.

Maritime Congestion and Insurance Costs Challenges

Unprecedented maritime activity has placed substantial pressure on Fujairah's anchorage and marine services. Ship-to-ship transfers exceeded 120 operations in one month, while vessel numbers occasionally surpassed 170 at anchorage. Elevated war-risk insurance premiums continue to affect shipping and bunkering activity despite recovering operations. More differentiated maritime risk assessments could help restore commercial confidence and support recovery.

New Investment Opportunities

Limited available land is encouraging Fujairah to prioritize higher-value industrial activities rather than additional conventional oil storage. Potential opportunities include LNG infrastructure, sustainable aviation fuel production, renewable energy, and downstream processing, with several proposals remaining exploratory.

Ultimately, Fujairah's competitiveness will depend on balancing infrastructure expansion with operational efficiency, maritime security, and industrial diversification. Its evolving role as an alternative gateway demonstrates how strategic investment can strengthen national resilience against prolonged geopolitical disruption.

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THE NEW TRADERS' TOOLKIT
Trading Advantage Shifts Towards Supply Optionality & Geopolitical Preparedness

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The most successful trading organizations will be those capable of integrating geopolitical intelligence, operational flexibility and trusted commercial relationships into their decision-making frameworks.

The prolonged disruption of the Strait of Hormuz has fundamentally challenged traditional energy trading models, exposing the limitations of price-driven strategies, conventional risk assessments and established supply chain assumptions. The emerging competitive advantage for energy traders is no longer determined solely by market intelligence or financial optimizations, but increasingly by physical access to commodities, shipping availability, geopolitical foresight and the ability to execute transactions under exceptional uncertainty.

A defining market development has been the growing disconnect between physical and paper oil markets. While benchmark futures provide price signals, actual delivered costs increasingly reflect exceptional freight rates, insurance premiums, vessel scarcity and logistical constraints. Traders must therefore assess the complete economics of physical transactions rather than rely exclusively on screen prices or historical market relationships.

Physical optionality has consequently become a critical competitive differentiator. Access to vessels, alternative loading locations, storage facilities, financing and reliable counterparties can determine whether commercially attractive transactions are executable. The disruption has demonstrated that contractual supply commitments offer limited protection when physical delivery cannot be secured.

Energy security has also overtaken price optimizations as a primary customer consideration. Buyers increasingly prioritize reliable deliveries, adequate strategic inventories and suppliers capable of responding quickly to changing conditions. This places greater commercial value on long-term relationships, diversified sourcing arrangements and rapid decision-making capabilities.

Geopolitical foresight must now become an integral component of trading strategy rather than a peripheral risk assessment. Conventional scenarios underestimated the duration and consequences of Hormuz disruption, while simultaneous geopolitical pressures across other maritime corridors have compounded uncertainty. Trading organizations must incorporate prolonged disruption, shifting political incentives and evolving security threats into their commercial planning.

Despite unprecedented access to satellite tracking, vessel movements and market information, data availability alone does not create competitive advantage. The ability to verify information, interpret underlying physical flows and distinguish temporary market signals from structural developments remains essential. Experienced analysts, regional expertise and trusted industry networks are increasingly valuable in an environment of conflicting information.

Artificial intelligence and dynamic scenario modelling offer opportunities to accelerate analysis but cannot replace commercial judgement or specialist expertise. Equally, future trading professionals must understand shipping, insurance, trade finance, compliance and geopolitics alongside traditional market fundamentals.

The crisis has also reinforced the strategic importance of Fujairah and other alternative logistics hubs. Investment in outside-Hormuz infrastructure could create lasting opportunities, although excessive concentration of energy flows introduces additional physical and cybersecurity vulnerabilities.

Importantly, participants expressed differing expectations regarding the pace of recovery in Hormuz shipping activity, underscoring the need for flexible rather than fixed planning assumptions.

Ultimately, the next generation of successful energy traders will compete on their ability to secure supply, interpret uncertainty and convert physical optionality into reliable market access. Resilience, execution capability and geopolitical understanding are becoming enduring sources of commercial advantage in global energy trading.

Top 10 Strategic Recommendations

01 EMBED GEOPOLITICAL FORESIGHT INTO TRADING DECISIONS
Integrate geopolitical intelligence and evolving maritime security threats into trading strategies, replacing assumptions of short-lived disruptions with dynamic scenarios that account for prolonged instability and changing political incentives.

02 PRIORITIZE PHYSICAL OPTIONALITY AND GUARANTEED MARKET ACCESS
Secure diversified sourcing, alternative loading points, shipping arrangements and storage access to ensure trading commitments remain executable when traditional supply routes or counterparties become unavailable.

03 REASSESS PRICING MODELS AGAINST DELIVERED PHYSICAL COSTS
Incorporate freight volatility, war-risk insurance, vessel availability and delivery constraints into transaction pricing, recognizing that benchmark futures and official selling prices may not fully capture physical market conditions.

04 STRENGTHEN SHIPPING CONTROL AND LOGISTICS CAPABILITIES
Evaluate long-term vessel chartering, strategic shipping partnerships and selective fleet ownership to reduce exposure to extreme freight costs and secure transportation capacity during periods of market disruption.

05 TRANSFORM MARKET DATA INTO ACTIONABLE INTELLIGENCE
Establish stronger data verification processes combining satellite tracking, cargo ownership information, operational intelligence and trusted market contacts to identify emerging disruptions before they become widely reflected in prices.

06 MAKE SUPPLY SECURITY A CORE CUSTOMER VALUE PROPOSITION
Prioritize reliable deliveries, strategic inventory management and rapid commercial responses, recognizing that customers increasingly value supply assurance and dependable counterparties over marginal price advantages.

07 MODERNIZE TRADING RISK FRAMEWORKS FOR EXTREME DISRUPTIONS
Recalibrate risk matrices to account for prolonged chokepoint closures, simultaneous geopolitical crises, insurance constraints, regulatory restrictions and the possibility that alternative infrastructure may itself become vulnerable.

08 DEPLOY AI AND DYNAMIC MODELLING WITH HUMAN OVERSIGHT
Use artificial intelligence to accelerate market analysis, scenario testing and information processing while retaining experienced analysts and trading professionals as the final decision makers on commercial risk and execution.

09 DEVELOP MULTIDISCIPLINARY TRADING TALENT AND TRUSTED NETWORKS
Equip future traders with expertise spanning geopolitics, shipping, insurance, trade finance, compliance and physical operations, while strengthening relationships that enable rapid verification of information and transaction execution.

10 CAPITALIZE ON OUTSIDE-HORMUZ HUBS WITHOUT CONCENTRATING RISK
Explore trading and investment opportunities in Fujairah and complementary regional logistics hubs while diversifying infrastructure exposure and strengthening physical security, cybersecurity and contingency arrangements against future disruptions. ■

THE STRATEGIC IMPERATIVE

The post-Hormuz trading environment demands a fundamental shift from price optimization towards execution certainty, supply security and geopolitical adaptability. Trading organizations that combine reliable physical access, sophisticated market intelligence, trusted relationships and disciplined risk management will be best positioned to turn prolonged uncertainty into sustainable competitive advantage.

BEYOND CRUDE
The Great Rewiring of Global Energy Supply Chains

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The disruption of Gulf energy flows is exposing critical vulnerabilities in product-specific supply chains, accelerating competition for Asian markets and forcing a fundamental reassessment of storage, trading flexibility and infrastructure investment.

The disruption of energy flows through the Strait of Hormuz has exposed a critical weakness in conventional energy security strategies: protecting crude oil supply does not necessarily guarantee access to the fuels and feedstocks that economies depend upon. LPG, LNG, condensates, refined products and petrochemical inputs each face distinct vulnerabilities that cannot be resolved through crude inventories alone.

Energy security is shifting from securing sufficient resources towards ensuring that specific products can be delivered, processed and distributed when conventional supply routes fail.

India illustrates this distinction. Its extensive refining capacity and diversified crude sourcing have provided considerable protection against supply interruptions. However, LPG shortages have exposed a more immediate vulnerability because of its importance to household cooking. Expanding distributed LPG storage across bottling facilities, rather than relying exclusively on large coastal terminals, offers a practical means of improving supply continuity while reducing infrastructure concentration risk.

China has pursued a different strategy, prioritizing long-term inventory accumulation, diversified import corridors and integrated refining-petrochemical capacity. Its substantial crude reserves have provided flexibility, while alternative LPG sourcing and coal-based petrochemical production have helped offset feedstock disruptions. Domestic supply security continues to take precedence over export opportunities, even when international refining margins are attractive.

These developments carry significant commercial implications for Gulf producers. The prolonged loss of reliable access to Asian markets risks accelerating a structural shift in LPG and petrochemical trade towards alternative suppliers, particularly the United States. Restoring production and export capacity may therefore prove insufficient to recover market share if buyers establish durable alternative procurement arrangements.

Natural gas presents another challenge. Europe remains highly exposed to imported LNG, while uncertain renewable generation, declining storage inventories and competing energy policy priorities complicate its supply outlook. Additional LNG capacity expected later this decade could improve global availability, but near-term disruptions and project delays may sustain volatility. China's plans to strengthen gas security further suggest that future LNG demand will be shaped increasingly by strategic inventory requirements and purchasing flexibility.

For Gulf producers, the response requires more than expanding conventional export infrastructure. Product-specific pipelines, storage, fractionation facilities, reversible flow systems and regional trading partnerships could create alternative routes for monetizing gas liquids and condensates. The ability to switch infrastructure between import and export operations is particularly valuable when market conditions change abruptly.

However, alternative infrastructure does not eliminate geopolitical exposure. Pipelines remain vulnerable to attacks on pumping stations, control systems and other critical assets. Cybersecurity is emerging as an equally important consideration as increasingly digitalized energy networks create additional points of failure.

Investment discipline will be essential. Large-scale infrastructure expansion may deliver resilience during disruption but create underutilized assets when trade routes normalize. Modular storage, repurposed vessels, scalable LPG facilities and shared infrastructure offer potential alternatives to irreversible capital commitments.

The next phase of energy security will be defined by product-specific resilience, diversified trading relationships and infrastructure capable of adapting to changing supply conditions. The competitive advantage will increasingly belong to producers and consumers that combine long-term planning with operational flexibility, secure distribution networks and commercially sustainable investment.

Top 10 Strategic Recommendations

01 REDEFINE ENERGY SECURITY BEYOND CRUDE OIL INVENTORIES
Develop product-specific security strategies for LPG, LNG, condensates, refined fuels and petrochemical feedstocks, recognizing that crude reserves and refining capacity cannot independently resolve shortages across every energy supply chain.

02 PRIORITIZE DISTRIBUTED LPG STORAGE FOR SUPPLY SECURITY
Expand LPG inventories across bottling plants, inland distribution facilities and coastal terminals to protect household consumption, reduce dependence on vulnerable import points and improve emergency distribution flexibility.

03 DEFEND GULF MARKET SHARE THROUGH DIVERSIFIED PRODUCT EXPORTS
Accelerate alternative LPG and refined-product export arrangements to maintain relationships with Asian buyers increasingly sourcing from the United States and other suppliers, reducing the risk of permanent market displacement.

04 DEVELOP ALTERNATIVE EXPORT CORRIDORS FOR GAS LIQUIDS
Evaluate commercially viable LPG and condensate pipelines, storage and processing facilities outside vulnerable maritime corridors, supported by cross-border agreements and regional infrastructure partnerships.

05 BUILD REVERSIBLE INFRASTRUCTURE AND FLEXIBLE TRADING CAPACITY
Incorporate bidirectional pipeline flows, adaptable storage systems and flexible import-export operations into new energy developments, enabling producers and trading hubs to respond rapidly to changing regional supply conditions.

06 STRENGTHEN LNG PROCUREMENT AND STRATEGIC GAS INVENTORIES
Diversify LNG supply contracts, develop gas storage strategies and balance long-term procurement with spot-market flexibility, particularly where seasonal demand and intermittent renewable generation increase exposure to supply shocks.



Feras Besher, Engineering Manager & Acting HSE Manager, Sharjah National Oil Corporation

07 ACCELERATE INTEGRATED REFINING AND PETROCHEMICAL FLEXIBILITY
Invest in integrated production systems capable of adjusting feedstock requirements and product output, reducing dependence on individual imported commodities and strengthening competitiveness during prolonged supply disruptions.

08 PROTECT ENERGY INFRASTRUCTURE AGAINST PHYSICAL AND CYBER THREATS
Strengthening security around pipelines, pumping stations, storage facilities and digital control networks through independent risk assessments, cybersecurity safeguards, physical protection and emergency operating capabilities.

09 AVOID STRANDED ASSETS THROUGH MODULAR RESILIENCE INVESTMENT
Prioritize scalable storage, repurposed vessels, shared infrastructure and phased capacity expansion where commercially feasible, balancing immediate security requirements against the risk of prolonged underutilization after disruptions ease.

10 INSTITUTIONALIZE LONG-TERM PRODUCT SECURITY PLANNING
Extend contingency planning beyond conventional 20–30-day assumptions, stress-test single points of failure and coordinate regional trading, storage and infrastructure investment to strengthen resilience against prolonged disruptions.

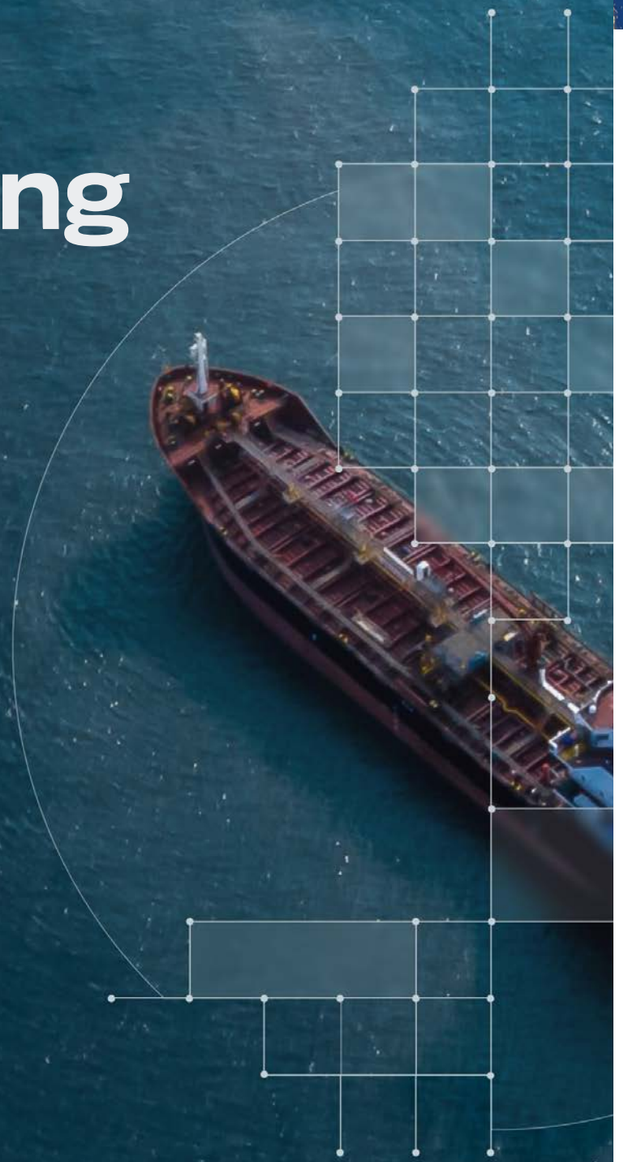
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Gulf Oil Flows Enter a New Era of Disruption, Diversification and Energy Security



Varaleka Pant
Senior Market Analyst, Vortexa

Gulf oil markets are undergoing a structural transformation as prolonged disruptions to the Strait of Hormuz reshape global trade flows, shipping economics and energy security strategies. While crude exports have partially recovered, elevated transportation costs, infrastructure vulnerabilities and changing buyer behavior are challenging traditional supplier relationships and accelerating investment in alternative routes, strategic reserves and international partnerships.

Gulf Oil Flows Remain Vulnerable

Crude exports through the Strait of Hormuz averaged approximately 8.6 million barrels per day in September, representing 54% of pre-war levels of nearly 16 million barrels per day. This recovery depends heavily on US military protection, Gulf national oil companies absorbing transportation risks and expanded ship-to-ship transfers.

Alternative export infrastructure, including Saudi Arabia's East-West pipeline and the UAE's Fujairah route, has helped sustain supplies. However, attacks on export terminals, maritime congestion and persistent security threats continue to undermine operational reliability.

Freight Cost Challenges

Disruptions have fundamentally altered tanker economics, with some high-risk crude shipments generating freight earnings approaching $1 million daily. Extended shipping routes and ship-to-ship transfers can add approximately one month to delivery schedules, increasing costs for Asian importers.

Congestion around Fujairah and Sohar has pushed additional transfer operations toward India and Sri Lanka. These arrangements provide temporary relief but remain financially and operationally unsustainable without improved maritime security.

Asian Buyers' Supply Diversification

Asian consumers are increasingly prioritizing strategic reserves, alternative suppliers and greater energy flexibility. China retains approximately 1.1 billion barrels of reserves, enabling it to reduce imports during periods of elevated prices.

Japan faces historically low inventories, while South Korea has increased purchases from the United States and UAE. India is considering additional strategic storage capacity as governments seek to reduce dependence on vulnerable supply routes.

Gulf Producers Prioritize Market Share

Gulf producers are offering competitive pricing and absorbing additional shipping risks to retain Asian customers. Saudi Arabia and Iraq have introduced substantial discounts, although sustained price reductions could undermine government revenues. Longer-term strategies increasingly emphasize expanded pipeline capacity, overseas storage partnerships and investments in customer-market infrastructure.

Regional Cooperation and Diplomacy Remain Essential

Potential energy corridors through Syria could diversify Iraqi exports toward the Mediterranean, although financing, infrastructure limitations and security risks remain significant obstacles. Ultimately, Gulf energy resilience will depend on diversified infrastructure, strategic international partnerships and sustained investment in operational independence. However, diplomatic resolution remains essential to restoring reliable energy flows and reducing the escalating costs of regional insecurity.

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BEYOND CREDIT RISK
Financing Resilience in an Era of Geopolitical Uncertainty

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As geopolitical instability reshapes commodity flows, shipping costs and liquidity requirements, banks face a new challenge: financing energy trade through prolonged uncertainty without undermining commercial activity or financial stability.

Geopolitical disruption is fundamentally changing the relationship between energy trading, risk management and access to capital. Traditional trade finance models have focused on borrower creditworthiness, counterparty exposure, cargo values and commodity price volatility. Increasingly, however, financing decisions must also account for shipping routes, insurance availability, delivery delays and the working capital required to sustain transactions when physical trade is disrupted.

The central challenge is not simply how banks should charge more for geopolitical risk, but how they can distinguish between transactions that remain commercially viable under disruption and those whose risks can rapidly exceed available liquidity.

The most immediate consequence has been rising demand for working capital. Higher commodity prices, extended shipping schedules and additional insurance and logistics costs increase the amount of financing required to complete transactions. A trade originally structured around a predictable delivery period may require significantly more liquidity when vessels are delayed or alternative routes become necessary.

Banks have continued supporting established commodity trading clients, with additional liquidity requirements emerging as a primary concern. This highlights the importance of specialist banking relationships, detailed knowledge of physical commodity flows and continuous engagement between lenders and trading companies.

Risk pricing must increasingly distinguish between the underlying trade structures rather than treating all energy transactions as equally exposed. A transaction involving limited transportation responsibility carries a fundamentally different risk profile from one requiring the trader to arrange freight, insurance and final delivery. Financing terms should reflect these differences, particularly when shipping disruptions can substantially increase costs and delay repayment.

For trading companies, disciplined risk management remains essential. Volatility can create profitable opportunities, but only when exposure remains within clearly defined risk appetites and adequate liquidity is available. Moving transactions between exchange-traded and over-the-counter markets may reduce immediate liquidity pressures while increasing counterparty credit exposure, demonstrating how one category of risk can transform into another.

Geopolitical risk itself remains difficult to quantify precisely. Political stability, regulatory exposure, sanctions and security conditions can be assessed through structured models, but sudden escalation and unexpected policy changes cannot be fully predicted. Scenario analysis therefore provides a more practical foundation for financing decisions than reliance on a single geopolitical risk premium.

Compliance and reputational exposure are equally consequential. Sanctions restrictions, opaque ownership structures and uncertain vessel histories can threaten banking relationships even when a transaction appears commercially attractive. Stronger counterparty due diligence, vessel screening and anti-money-laundering controls are becoming integral to trade finance resilience.

The wider financial environment introduces additional uncertainty. Changes in funding costs, capital market liquidity and credit conditions can amplify geopolitical shocks, potentially transmitting stress from financial institutions to commodity traders and the broader economy.

Nevertheless, indiscriminate credit tightening could deepen supply disruptions by restricting financing precisely when working capital requirements are highest. The strategic priority is to develop more differentiated, transaction-specific financing models supported by stronger liquidity planning, rigorous compliance and closer lender-client cooperation. Banks capable of understanding the physical realities of energy trade will be better positioned to manage risk while sustaining essential commodity flows.

Top 10 Strategic Recommendations

01 PRICE RISK ACCORDING TO TRANSACTION STRUCTURE
Differentiate financing terms according to cargo ownership, delivery obligations, freight exposure, insurance responsibilities and repayment timelines, recognizing that physical trading structures determine the true scale of geopolitical risk.

02 EXPAND CONTINGENCY LIQUIDITY FOR DISRUPTED ENERGY TRADE
Structure credit facilities and working capital buffers to accommodate commodity price spikes, extended voyages, delayed settlements and higher insurance costs without forcing otherwise viable trading operations into financial distress.

03 INTEGRATE GEOPOLITICAL SCENARIOS INTO CREDIT ASSESSMENTS
Combine country-risk analysis, regulatory developments, sanctions exposure and maritime security scenarios with conventional credit models, recognizing that geopolitical shocks cannot be captured through fixed risk premiums alone.

04 STRENGTHEN DIRECT ENGAGEMENT BETWEEN BANKS AND TRADERS
Maintain continuous dialogue on cargo movements, counterparties, financing requirements and emerging disruptions, enabling lenders to respond quickly while supporting commercially viable transactions through periods of exceptional uncertainty.

05 MONITOR HOW LIQUIDITY RISK BECOMES CREDIT EXPOSURE
Assess how exchange margin requirements, over-the-counter transactions, delayed cargo settlements and changing counterparty obligations can transform immediate funding pressures into broader credit, solvency and reputational risks.

06 EMBED SANCTIONS COMPLIANCE INTO FINANCING DECISIONS
Strengthen counterparty screening, beneficial ownership verification, vessel-history assessments and anti-money-laundering controls to prevent commercially attractive transactions from creating unacceptable regulatory, reputational or banking exposure.



Daniel Garcia Iglesias, Sr., Senior Relationship Manager, Energy & Marine, National Bank Of Fujairah

07 REWARD OPERATIONAL FLEXIBILITY WITH DIFFERENTIATED FINANCING TERMS
Consider whether traders with diversified shipping routes, alternative ports, strong counterparties and credible contingency plans warrant more favorable financing structures than those dependent on vulnerable logistics arrangements.

08 STRESS-TEST CREDIT PORTFOLIOS AGAINST COMPOUND MARKET SHOCKS
Model simultaneous increases in commodity prices, freight rates, insurance premiums and funding costs, alongside prolonged delivery delays, to identify liquidity shortfalls and potential concentrations of counterparty exposure.

09 PRESERVE CREDIT AVAILABILITY DURING GEOPOLITICAL DISRUPTIONS
Maintain financing support for fundamentally sound commodity traders through appropriate liquidity facilities and regulatory coordination, avoiding indiscriminate credit restrictions that could further disrupt essential energy supply chains.

10 BUILD SPECIALIST EXPERTISE IN PHYSICAL COMMODITY FINANCE
Invest in banking teams capable of understanding trading contracts, vessel movements, cargo logistics, hedging structures and geopolitical exposure, ensuring financing decisions reflect commercial realities rather than credit metrics alone.

Petrochemical Market Disruptions, Energy Security and the Future of Middle East Downstream Integration



Claudio Brandao, Head of Consulting, Middle East, Dow Jones Energy &
Adrian Calcaneo, Vice President, Energy & Feedstocks, Dow Jones Energy



The global petrochemical industry faces structural transformation driven by persistent overcapacity, geopolitical disruptions and changing oil demand patterns. China's expanding production capacity, declining operating rates and growing demand for chemical feedstocks are reshaping international trade flows. Middle East producers face mounting pressure to diversify export routes, strengthen downstream integration and capture greater value from crude oil.

Global Petrochemical Overcapacity Threatens Market Recovery

The petrochemical industry entered the current geopolitical crisis amid an unprecedented downturn, characterized by excessive production capacity and weaker-than-expected demand growth. China's pursuit of self-sufficiency has accelerated capacity additions, placing significant pressure on global operating rates and forcing rationalization across less competitive markets, particularly Europe.

Market conditions are unlikely to improve substantially before 2030. Approximately 14 million metric tons of additional ethylene capacity are expected in 2027, compared with demand growth of six to seven million metric tons. Operating rates could consequently decline toward 78%, significantly below the 86–88% levels considered necessary to support reinvestment.

Strait of Hormuz Disruptions Accelerate Supply Chain Diversification

The Middle East accounts for approximately 20% of global oil supply and 13% of petrochemical production, exposing international markets to significant disruption risks around the Strait of Hormuz. Asia remains particularly vulnerable because of its dependence on regional feedstocks and petroleum products.

Recent disruptions have accelerated diversification toward alternative suppliers, including the United States and Latin America. India's increasing reliance on US LPG illustrates how geopolitical instability is reshaping established commercial relationships. These changes could prove lasting, encouraging new government-to-government partnerships and strengthening the strategic importance of export infrastructure outside vulnerable maritime chokepoints.

Crude-to-Chemicals Integration Reshapes Long-Term Oil Demand

The transition from transportation fuels toward petrochemical feedstocks represents a fundamental shift in refinery economics. The presentation projected approximately 2% growth in fuel demand over the next 25 years, compared with a 60% increase in chemical demand, highlighting petrochemicals' growing importance in future oil consumption.

Crude-to-chemicals conversion is expected to play an increasingly important role in meeting future chemical demand, with the presentation projecting a contribution of approximately 20% by 2050. Middle East producers are increasingly pursuing downstream integration to improve competitiveness, optimize feedstock utilization and expand exports of higher-value chemical products.

Ultimately, petrochemical resilience will depend on diversified supply chains, competitive production economics and sustained downstream investment, positioning the Middle East to capture emerging opportunities in global chemical demand.

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THE NEW GEOGRAPHY OF ENERGY TRADE
Can Gulf Producers Win Back Markets Already Moving Elsewhere?

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Fujairah's next competitive advantage will depend on evolving from a conventional storage and bunkering hub into an integrated regional energy gateway capable of supporting diversified export routes, product flows and strategic supply security.

The prolonged disruption of the Strait of Hormuz has exposed a structural vulnerability in Gulf energy trade that cannot be resolved simply by restoring shipping movements. While crude exports have demonstrated considerable resilience, refined-product flows, bunkering activity and regional logistics remain significantly constrained. The emerging challenge is no longer solely how to reopen maritime corridors, but how to redesign the region's energy infrastructure and commercial relationships to withstand future disruptions.

A critical distinction has emerged between crude and refined-product recovery. Crude movements across major regional export corridors have approached historical levels, while refined-product exports remain substantially below pre-disruption volumes. This imbalance has intensified pressure on diesel and other middle-distillate markets, elevated refining margins and exposed the limitations of infrastructure primarily designed around crude transportation.

The disruption has also challenged Fujairah's established bunkering model. Although vessel movements have continued, bunkering demand has weakened considerably as shipowners reassess insurance costs, security exposure and the economics of remaining in regional waters. Restoring competitiveness will therefore require more than available fuel supplies. Confidence among shipowners, insurers and trading companies must be rebuilt through credible security assurances and improved commercial conditions.

Regional infrastructure integration represents the most significant long-term opportunity. Pipeline connections linking Gulf producers to Fujairah, Oman's Indian Ocean ports and Saudi Arabia's Red Sea terminals could provide multiple export alternatives while reducing dependence on a single maritime chokepoint. Such projects, however, require political coordination and strategic capital allocation that extend beyond conventional commercial return calculations.

Complementarity between regional ports will be equally important. Fujairah, Duqm, Ras Markaz and other alternative gateways can collectively provide storage, processing, export and maritime services. Developing an interconnected network would strengthen regional resilience more effectively than competing investments in isolated infrastructure.

Yet infrastructure expansion alone will not guarantee market competitiveness. Gulf producers face growing competition from alternative suppliers, particularly the United States, as Asian customers diversify crude and refined-product sourcing. Supply disruptions have accelerated new trading relationships that may persist even after Hormuz reopens, creating the risk of permanent market-share erosion for Middle Eastern exporters.

The recovery of Gulf energy trade will also depend on restoring confidence in shipping security. Even if maritime access normalizes, elevated insurance premiums and changing vessel deployment patterns could delay the return of traditional trading activity.

Investment decisions must consequently balance immediate operational requirements against longer-term uncertainty. Large pipelines and terminals require substantial capital and extended development periods, making government-backed strategic investment and coordinated regional planning increasingly important.

Diplomatic efforts to restore reliable passage through Hormuz remain essential. Alternative infrastructure should complement, rather than substitute for, a secure and commercially accessible Strait.

Ultimately, Fujairah's future will be defined by its ability to combine infrastructure optionality, regional integration, maritime confidence and market responsiveness. The strongest strategy is not simply to restore its pre-disruption business model, but to establish multiple pathways for sustaining energy trade in an increasingly unpredictable global market.

Top 10 Strategic Recommendations

01 PRIORITIZE REFINED-PRODUCT EXPORT INFRASTRUCTURE
Accelerate investment assessments for diesel, jet fuel and other refined-product transportation routes, addressing export bottlenecks that persist despite improvements in crude flows and continue to constrain regional refinery operations.

02 DEVELOP AN INTEGRATED GCC ENERGY CORRIDOR NETWORK
Advance cross-border pipeline and logistics connections linking Gulf producers with Fujairah, Oman's Indian Ocean ports and Saudi Arabia's Red Sea terminals, creating diversified export pathways and reducing dependence on Hormuz.

03 REBUILD SHIPOWNER AND MARINE INSURANCE CONFIDENCE
Strengthen engagement between port authorities, insurers, shipowners and energy traders to address security concerns, elevated war-risk premiums and commercial barriers preventing the recovery of bunkering and maritime services.

04 SHIFT REGIONAL PORT DEVELOPMENT TOWARDS COLLABORATION
Establish complementary roles for Fujairah, Duqm, Ras Markaz and other regional gateways, prioritising shared infrastructure, coordinated investment and operational connectivity over duplication and competition between neighbouring energy hubs.

05 TREAT STRATEGIC REDUNDANCY AS ENERGY SECURITY INVESTMENT
Evaluate major pipeline, storage and export infrastructure against national supply-security objectives rather than conventional commercial returns alone, recognising that alternative capacity delivers value during prolonged geopolitical disruptions.

06 PROTECT GULF MARKET SHARE THROUGH SUPPLY RELIABILITY
Strengthen long-term customer commitments and alternative delivery arrangements, particularly in Asia, to counter growing competition from American and other suppliers as buyers diversify sourcing after prolonged Gulf disruptions.



Matt Stanley, Head of Market Engagement, EMEA & APAC, Kpler

07 OPTIMIZE EXISTING FUJAIRAH INFRASTRUCTURE BEFORE EXPANDING
Maximize the commercial value of existing terminals, storage, pipelines and marine facilities through operational improvements and flexible cargo handling, while carefully assessing demand and financing risks before committing to major expansions.

08 ACCELERATE GOVERNMENT-LED REGIONAL INFRASTRUCTURE COORDINATION
Establish strategic mechanisms for evaluating cross-border energy projects, aligning national priorities, financing requirements and long-term resilience objectives to overcome political and commercial obstacles that previously delayed regional integration.

09 MAINTAIN DIPLOMATIC RESTORATION OF HORMUZ AS A PRIORITY
Support coordinated regional and international efforts to restore secure, predictable maritime passage, recognizing that alternative infrastructure requires years to develop and cannot fully replace the Strait's export capacity.

10 REDESIGN FUJAIRAH'S LONG-TERM ENERGY HUB STRATEGY
Develop a diversified commercial model integrating storage, product logistics, regional connectivity and maritime services, supported by contingency plans that accommodate changing shipping patterns, customer relationships and global energy demand.



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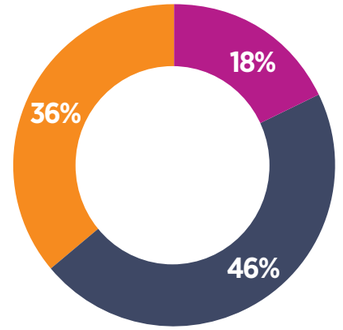
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OIL MARKETS OUTLOOK SURVEY

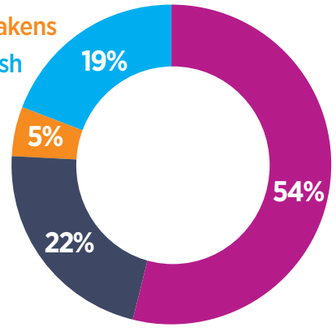
What impact would an "AI" investor pullback correction have on oil markets?

- Bullish
- Bearish
- Little impact



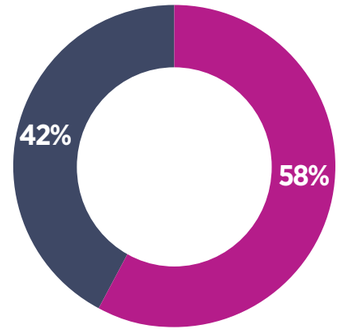
What impact would an "AI" investor pullback correction have on oil markets?

- Renewed Military Conflict
- Hormuz Stalemate
- Asian Buyer Trust Weakens
- Western Financial Crash

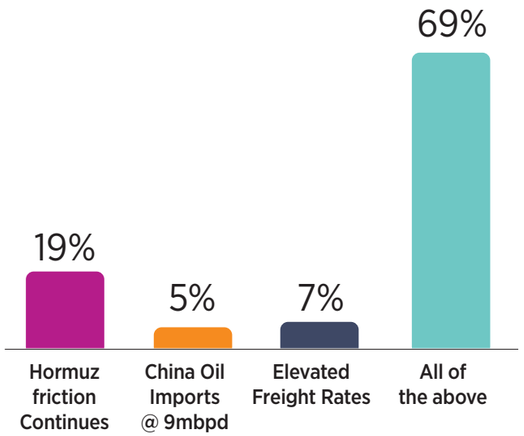


What is Brent crude oil likely to hit first?

- $130
- $100



What should oil markets plan for as the most likely New Normal in 2027?



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WHEN MARKETS GO DARK
The New Era of Energy Price Discovery

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As geopolitical disruptions undermine vessel tracking, challenge established pricing mechanisms and increase the cost of physical energy delivery, verified market intelligence is becoming essential to trading competitiveness, investment confidence and supply security.

The disruption of global energy trade has exposed a fundamental weakness in market transparency: information traditionally used to price commodities, track shipments, and assess supply availability, can no longer be assumed to reflect physical market conditions. As vessels disappear from conventional tracking systems, established pricing mechanisms face unprecedented logistical constraints and heightened uncertainty weighs on market expectations, reliable intelligence is becoming a strategic commercial asset.

The next frontier of energy market resilience will depend not simply on access to more data, but on the ability to verify physical flows, establish credible prices and translate market intelligence into executable trading decisions. Maritime visibility represents an immediate challenge. Automatic

Identification System (AIS) tracking, historically central to vessel monitoring, has become increasingly unreliable in conflict-affected waterways. Ships operating without conventional tracking signals for legitimate security reasons create substantial gaps in reported trade flows, complicating assessments of cargo availability, vessel movements and export volumes.

Commercial satellite imagery, vessel identification technologies and proprietary maritime intelligence offer alternative ways to reconstruct physical movements. These capabilities may make access to and interpretation of verified intelligence an increasingly important differentiator for market participants.

Disrupted physical trade increases the importance of understanding the relationship between benchmark prices and delivery economics, including freight, insurance, logistics and timing. For Asian refiners heavily dependent on Middle Eastern supply, actual landed costs increasingly reflect exceptional freight premiums, war-risk insurance, ship-to-ship transfers, alternative loading arrangements and extended delivery schedules.

National oil companies are adapting through alternative cargo tenders, revised loading arrangements and more flexible commercial practices. These developments highlight the importance of benchmarks continuing to reflect evolving physical trading practices.

Freight costs have become particularly consequential. Exceptional shipping premiums can offset substantial crude discounts, transforming apparently attractive purchases into complex calculations involving vessel availability, security exposure, delivery timing and refinery requirements. Market participants consider benchmark prices alongside delivery reliability, timing, freight, insurance and other procurement costs.

The implications extend beyond oil. Natural gas and electricity markets frequently face even greater information gaps, particularly where reporting about pipeline flows, domestic production and power generation varies across markets. For import-dependent economies, incomplete information about gas demand, LNG availability and infrastructure disruptions can undermine procurement decisions and increase exposure to sudden supply shocks.

Transparency also directly influences capital allocation. Investors financing pipelines, storage, LNG infrastructure and emerging energy technologies require credible information on demand, pricing, utilization and future revenues. Without reliable data, uncertainty raises financing risks and delays strategically important investment.

Artificial intelligence and advanced analytics can strengthen forecasting and independent verification, but their effectiveness depends on trustworthy underlying information and informed human interpretation.

Ultimately, market transparency must evolve beyond passive reporting towards an integrated system of verified intelligence, credible pricing and commercially actionable information.

The markets that successfully balance security requirements, information access and physical price discovery will be better positioned to sustain liquidity, attract investment and navigate prolonged disruption.

KEY THEMES AND CONSIDERATIONS

01 REBUILD MARKET TRANSPARENCY BEYOND CONVENTIONAL VESSEL TRACKING
Integrate satellite imagery, proprietary maritime intelligence and independently verified shipping information to address AIS visibility gaps and improve assessments of actual energy flows through conflict-affected maritime corridors.

02 KEEP PRICING GROUNDED IN TRANSACTABLE MARKET VALUE
Keep pricing grounded in repeatable, transactable market value under defined specifications, with relevant freight, logistics and delivery differences considered according to the applicable methodology.

03 BALANCE MARKET TRANSPARENCY WITH NATIONAL SECURITY REQUIREMENTS
Develop information-sharing frameworks that protect sensitive vessel movements and critical infrastructure while preserving sufficient aggregated market data to support credible pricing, commercial confidence and informed investment decisions.

04 STRENGTHEN VERIFICATION OF PHYSICAL ENERGY FLOWS
Cross-check available information to reduce double counting, identify gaps and distinguish verified supply developments from unverified market information.

05 EXPAND TRANSPARENCY ACROSS GAS AND ELECTRICITY MARKETS
Improve reporting of pipeline flows, LNG infrastructure utilization, power generation and domestic demand to strengthen forecasting, particularly in import-dependent economies exposed to infrastructure disruptions and seasonal consumption fluctuations.

06 MONITOR EVOLVING PHYSICAL TRADING PRACTICES
Benchmark methodologies can be reviewed through established consultation processes, while producers separately review their commercial pricing and marketing arrangements.



Wesley Monteiro, Middle East Market Engagement Lead, Platts, S&P Global Energy

07 MAKE VERIFIED MARKET DATA CENTRAL TO INVESTMENT DECISIONS
Improve access to credible pricing, demand, utilization and infrastructure information to reduce investor uncertainty, strengthen financing assessments and accelerate capital deployment into strategically important energy projects.

08 DEPLOY AI TO STRENGTHEN MARKET INTELLIGENCE VERIFICATION
Apply artificial intelligence to satellite analysis, fragmented shipping records, anomaly detection and demand forecasting, supported by human expertise to validate outputs and prevent unreliable information from influencing commercial decisions.

09 INTEGRATE LOGISTICS UNCERTAINTY INTO TRADING RISK MODELS
Incorporate vessel availability, delayed cargo nominations, insurance exposure, alternative routing costs and uncertain delivery schedules into procurement decisions, refinery economics and counterparty risk assessments.

10 SUPPORT CONSISTENT AND TRANSPARENT MARKET INFORMATION
Encourage consistent, transparent and verifiable market information through stakeholder dialogue, while preserving the independence of price-reporting agencies and their methodologies.

Middle East Crude Benchmarks Adapt to Hormuz Disruptions and Changing Global Oil Trade



Daniel Colover
Global Director – Oil & LNG, Strategic Engagements and Intelligence, S&P Global Energy

The prolonged disruption to the Strait of Hormuz has fundamentally altered Middle East crude trading, challenging established pricing mechanisms, maritime logistics and regional export strategies. Swift adjustments to the Platts Dubai benchmark have preserved market functionality, while rising freight costs and changing trade flows highlight the importance of transparent pricing, diversified infrastructure and long-term energy security.

Adapting to Strait of Hormuz Disruptions

The Platts Dubai benchmark, established in 1984, remains a critical pricing reference for Middle Eastern crude exports and oil consumed across Asia. Its evolution through alternative delivery grades has strengthened liquidity and supported reliable price assessments. Following disruptions to Strait of Hormuz shipping, Platts part of S&P Global Energy, on March 2, suspended nominations of crude grades dependent on passage through the Strait. Oman and Murban exported through Fujairah became the remaining deliverable grades, providing approximately three million barrels per day of combined supply.

Murban's inclusion in 2016 proved particularly important, while the Habshan–Fujairah pipeline demonstrated its strategic value in maintaining crude exports and benchmark continuity. The reintroduction of excluded grades would be considered through Platts' standard market consultation process, alongside the recovery of vessel traffic and insurance availability.

Maritime Disruptions Challenge Crude Pricing

Traditional crude export patterns have shifted towards ship-to-ship transfers outside the Strait of Hormuz, with volumes reportedly exceeding five million barrels per day. However, irregular scheduling, private negotiations and limited transparency complicate their suitability for established benchmark mechanisms.

National oil companies have increasingly assumed responsibility for securing vessels and managing shuttle operations. Higher insurance premiums and operational challenges have substantially increased transportation costs.

Freight costs were reported to range between $10 and $40 per barrel, significantly affecting delivered crude prices and refinery economics. Higher freight costs have added pressure on delivered crude economics across the region, even as market structures have strengthened.

Regional Pricing Strategies Evolve

Middle East producers continue adapting pricing strategies to changing market conditions. ADNOC's decision to return to Platts Dubai from ICE Murban, effective November 1, 2026, reflects its stated preference for closer alignment between crude loading periods and prevailing market prices. The benchmark's partials methodology sees daily activity in the Platts Market On Close assessment process, with approximately 60–70% of traded partials historically resulting in physical cargo convergence.

Ultimately, recent disruption underscores that credible benchmarks, flexible pricing structures and alternative export infrastructure are essential to maintaining regional competitiveness. Sustained market transparency, operational resilience and diversified export routes will remain critical to preserving Middle East energy through a continued period of market uncertainty.

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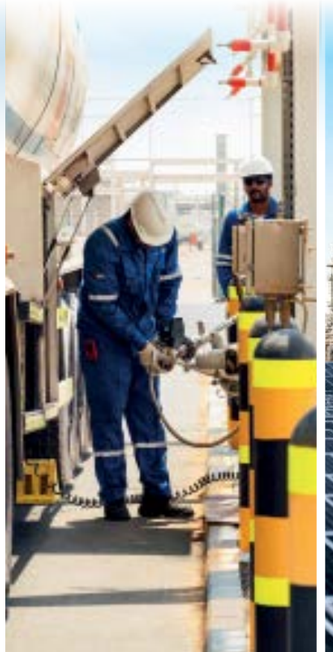
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CHAPTER 3
UNTYING GORDIAN KNOTS...?

"What will it Take to Untie the Strait of Hormuz Gordian Knot?"

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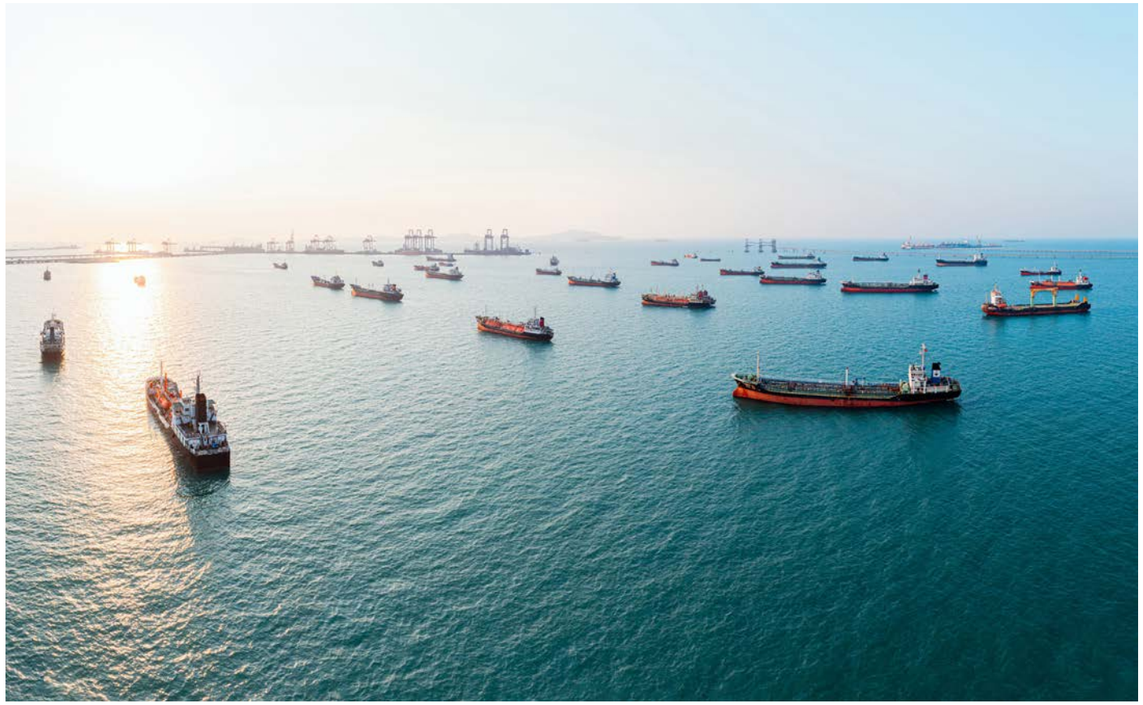
The Strait of Hormuz crisis has exposed a fundamental weakness in the global energy system: the movement of oil and gas depends not only on production capacity, but on secure shipping, affordable insurance and confidence in maritime access. As disruption continues, the challenge facing Gulf producers is no longer simply how to keep exports moving, but how to build an energy-trading system resilient enough to withstand recurring geopolitical shocks.

Shipping has demonstrated considerable adaptability. Military-assisted transits, ship-to-ship transfers and alternative arrangements have helped sustain oil flows, while sovereign insurance and government support have enabled some vessels to continue operating. Yet this resilience comes at a steep price. Chartering costs for very large crude carriers have reportedly reached $1.3 million a day in some cases, while inefficient routing and prolonged voyages tie up tankers that would otherwise serve other markets. LNG shipments have been particularly difficult to restore because of the specialised vessels involved and the risks to crews and cargoes.

The consequences extend beyond crude oil. Refined petroleum products, petrochemicals and LNG are essential components of global supply chains, each with distinct transportation requirements. Kuwait's experience highlights how export disruption can affect refining operations and product availability even when crude production itself remains possible. The wider lesson is that energy security must be assessed across the entire value chain, from production and processing to storage, shipping and final delivery.

"Looking ahead, the Strait's future will depend on whether regional governments can move beyond crisis management towards a broader security and cooperation framework."

For the Gulf, this strengthens the case for investment in alternative export routes, additional pipeline capacity and ports with access to the Indian Ocean. Fujairah and Oman's ports offer strategic options that reduce dependence on passage through Hormuz. However, such infrastructure cannot eliminate risk. Pipelines remain vulnerable to local instability and attack, while ports, storage facilities and shipping lanes require effective security arrangements. The most valuable investments will be those that provide flexibility across different market conditions, rather than assets justified solely by the continuation of the current crisis.



Maritime transparency presents another challenge. Tracking systems are vital to efficient trade, regulatory oversight and risk assessment, yet broadcasting a vessel's position during conflict can expose it to attack. Meanwhile, the growth of opaque shipping practices complicates the work of insurers, traders and authorities. The priority is to preserve reliable information and regulatory accountability while protecting vessels and crews from unnecessary exposure.

Diplomacy remains the central obstacle to a durable solution. Proposals for transit fees or tolls raise complex questions about international maritime rules, sanctions, payment mechanisms and who can credibly guarantee safe passage. Even a formal arrangement would struggle to restore confidence unless shipowners believed that their vessels could transit reliably and without fear of attack. Oman's mediation efforts underline the importance of dialogue, but any lasting framework must involve the wider parties whose security and economic interests are affected.

Looking ahead, the Strait's future will depend on whether regional governments can move beyond crisis management towards a broader security and cooperation framework. That should encompass freedom of navigation, energy infrastructure, environmental protection and contingency planning. The strategic objective is not to abandon Hormuz, nor to assume that alternative routes can replace it entirely. It is to reduce dependence on any single chokepoint while making disruption less costly.

Ultimately, the Gordian Knot cannot be untied through infrastructure alone. Resilient shipping and diversified export routes can buy time, but only credible security arrangements and sustained diplomacy can restore the confidence required for normal commercial trade.■

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TOP 9 INSIGHTS: *Maritime Disruptions, Shadow Tankers & Global Energy Shipping Risks*



Michelle Bockmann
Senior Maritime Intelligence Analyst, Windward

1. VLCC Freight Rates Reach Approximately $1.3 Million Daily Amid Hormuz Disruptions
Daily charter rates for very large crude carriers were reported at approximately $1.3 million on benchmark Middle East–Asia routes. Transportation costs now represent an unusually large share of delivered crude prices, significantly increasing the cost of international oil trade.

2. Global Tanker Freight Costs Could Remain Elevated Into 2027
High freight rates could persist for at least another year because of structural shipping inefficiencies and limited vessel availability. Even improved maritime security may not immediately normalize markets, as restocking requirements could sustain tanker demand.

3. Hormuz Shipping Restrictions Create Significant Inefficiencies in Global Oil Trade
Limited willingness among tanker operators to transit the Strait of Hormuz has encouraged inefficient shuttle operations. These arrangements restrict effective shipping capacity, increase transportation costs, and disrupt established international crude trading routes.

4. Shadow Tankers Represent Approximately 25% of the Vessel Categories Discussed
Approximately 25% of tankers across vessel categories ranging from LR1s to VLCCs were described as operating outside the conventional international rules-based shipping system. Sanctions-related trading arrangements contribute to operational inefficiencies and constrain effective vessel availability.

5. Elevated VLCC Freight Rates Spread Across Smaller Tankers and International Routes
Elevated VLCC freight costs are increasingly affecting smaller tanker categories and alternative trading routes. Shipping crude from West Africa to China was cited at approximately $500,000–$600,000 daily, demonstrating the wider impact of maritime disruptions.

6. Russian Shadow Fleet Restructuring Shifts Tanker Ownership Toward China and Hong Kong
The Russian shadow fleet is undergoing significant restructuring, with growing Chinese and Hong Kong ownership and management involvement. Additional vessels are shifting to Russian registration, complicating transparency and identification of ultimate beneficial owners.

7. Iranian Shadow Tankers Pose Growing Environmental and Maritime Safety Risks
Iranian-linked vessels operating outside conventional maritime regulations create significant safety concerns. Fraudulent vessel registrations, uncertain insurance arrangements, and opaque ownership structures increase environmental and operational risks along major Asian shipping routes.

8. Europe Faces a Potential LNG Supply Shock Amid Russian Sanctions and Shipping Constraints
Additional restrictions on Russian LNG, combined with disrupted Middle East shipping, could tighten European gas supplies. Uncertainty over future LNG flows and the availability of reasonably priced cargoes raises the possibility of renewed energy security challenges.

9. Sanctions Expansion Could Accelerate Maritime Trade Fragmentation and Circumvention
Growing resistance to Western sanctions among some Asian maritime stakeholders could encourage further sanctions circumvention. Increasing reliance on alternative ownership, registration, and trading arrangements may deepen fragmentation across global energy shipping markets. ■

How has 8 months of the Iran conflict reshaped the Gulf economy?

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The conflict in the Gulf has fundamentally altered the region's economic outlook, exposing vulnerabilities in its traditional energy-export model while accelerating the need for infrastructure investment, economic diversification and strategic resilience. As the region looks towards 2027, the central question is no longer simply when shipping through the Strait of Hormuz will return to normal, but how Gulf economies should prepare for a prolonged period of geopolitical uncertainty.

The conflict has demonstrated that established trade routes, energy infrastructure and security arrangements cannot be taken for granted. Investments by Saudi Arabia and the UAE in alternative pipelines, ports, railways and export routes are becoming increasingly strategic. Fujairah, with its access to the Indian Ocean, stands to benefit from this shift, potentially strengthening its position as a regional energy and logistics hub. However, existing infrastructure on the Gulf coast, including Jebel Ali, cannot simply be replaced. The future will require a more integrated network of established and alternative routes.

This creates a difficult investment dilemma. New pipelines, storage facilities and export terminals could prove essential if disruption persists, yet expensive, dedicated infrastructure risks becoming underutilised if peace returns quickly. The strongest investments will be those that remain commercially viable across multiple scenarios. Ports, storage facilities and transport networks with diverse uses may offer greater long-term resilience than assets designed solely to bypass a particular chokepoint.

Security risks will also increasingly shape investment decisions. The growing effectiveness of drones and precision weapons has exposed the vulnerability of refineries, pipelines, ports and military installations once considered relatively secure. Alternative routes are valuable, but their strategic worth ultimately depends on their ability to remain operational under attack. Meanwhile, uncertainty over the future of US security commitments raises broader questions about regional defence spending, fiscal sustainability and the cost of protecting critical infrastructure.

The oil market presents a second structural challenge. Although the conflict has disrupted supply, it has not eliminated the prospect of rising production from the Americas and other regions, or the longer-term implications of slowing Chinese transport-fuel demand and electric-vehicle adoption. If supply growth eventually coincides with weaker demand, competition for market share could intensify. Any weakening of coordinated production management would increase the risk of price volatility.

For Gulf governments, the distinction between oil prices and export revenues will be critical. Higher prices do not necessarily translate into stronger public finances if export volumes fall. Security expenditure, ambitious development programmes and continued investment commitments could compound fiscal pressures, forcing governments to reconsider project sequencing and capital allocation. Saudi Vision 2030 and the UAE's diversification agenda are therefore likely to evolve towards greater prioritisation, rather than simply proceeding according to their original timetables.



"The UAE could respond by diversifying how it monetises gas, including through domestic power generation, electricity exports, chemicals, fertilisers and energy-intensive digital infrastructure."

Gas exporters face similar questions. LNG shipping risks, competition from alternative suppliers and uncertainty over future demand complicate expansion plans. The UAE could respond by diversifying how it monetises gas, including through domestic power generation, electricity exports, chemicals, fertilisers and energy-intensive digital infrastructure. Renewables, nuclear power and lower-carbon marine fuels could further broaden the region's economic opportunities, particularly around established logistics hubs such as Fujairah.

The defining test for 2027 will be whether the Gulf can turn resilience into a durable economic advantage. That means investing selectively, protecting critical infrastructure, diversifying export channels and preparing for both renewed escalation and an eventual peace. The region's long-term competitiveness will depend not on predicting when the crisis ends, but on building economies capable of performing under either outcome. ■

TOP 9 INSIGHTS: *Global Financial Markets, Credit Risks and the AI Investment Outlook*



Matein Khalid
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1. US Treasury Yields Could Reach 6.25% as a New Tightening Cycle Emerges
Persistent inflation and rising borrowing costs signal a potential new monetary tightening cycle. US 10-year Treasury yields could reach 6.25%, placing additional pressure on global capital markets, sovereign borrowing, and highly leveraged investments.

2. Artificial Intelligence Valuations Face a Potential Market Correction
Elevated AI valuations could become unsustainable as financing costs rise. Major AI companies may struggle to attract investors at current valuations, potentially triggering substantial losses across the technology investment ecosystem.

3. Gulf Sovereign Wealth Funds Face Growing Exposure to AI Market Corrections
Gulf sovereign investors face potential losses from corrections in AI-related assets, although earlier investment entry points could provide some protection. A significant repricing of technology investments could affect regional portfolios and financing conditions.

4. Saudi Arabia's Rising Debt Increases Vulnerability to Higher Borrowing Costs
Saudi Arabia's debt-to-GDP ratio has risen substantially over the past decade, reflecting expanding investment commitments. Higher global interest rates could increase financing costs and place additional pressure on government borrowing requirements.

5. US Residential Property Faces Growing Pressure From Elevated Mortgage Rates
US residential real estate, estimated at approximately $50 trillion, faces mounting pressure from elevated mortgage rates. Declining new home sales could accelerate, potentially contributing to a broader correction in property valuations.

6. Private Credit Markets Could Face Significant Valuation Pressure
Higher interest rates threaten private credit investments and projected returns. Major investment firms with substantial Gulf partnerships could face declining valuations, potentially affecting regional infrastructure investments and institutional portfolios.

7. Global Debt Refinancing Risks Could Trigger a Severe Banking Crisis
Large US debt refinancing requirements and tighter credit conditions could create financial instability potentially exceeding previous crises. A severe credit contraction could threaten the survival of numerous banks worldwide as borrowing costs rise and liquidity becomes increasingly constrained.

8. AI Technology Will Survive Even if Current Business Models Collapse
Artificial intelligence is expected to continue evolving despite potential financial losses among early investors. Lower-cost open-source and Chinese AI models could challenge the commercial sustainability of expensive proprietary systems.

9. Elevated Diesel Prices Highlight Inflationary Pressures Beyond Crude Oil Benchmarks
High diesel and refined product prices directly affect transportation, aviation, and consumer costs. These pressures highlight the importance of looking beyond Brent crude when assessing energy costs and their impact on the broader economy. ■



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How should Arab Gulf countries navigate the apparent end of the Western Security guarantee?

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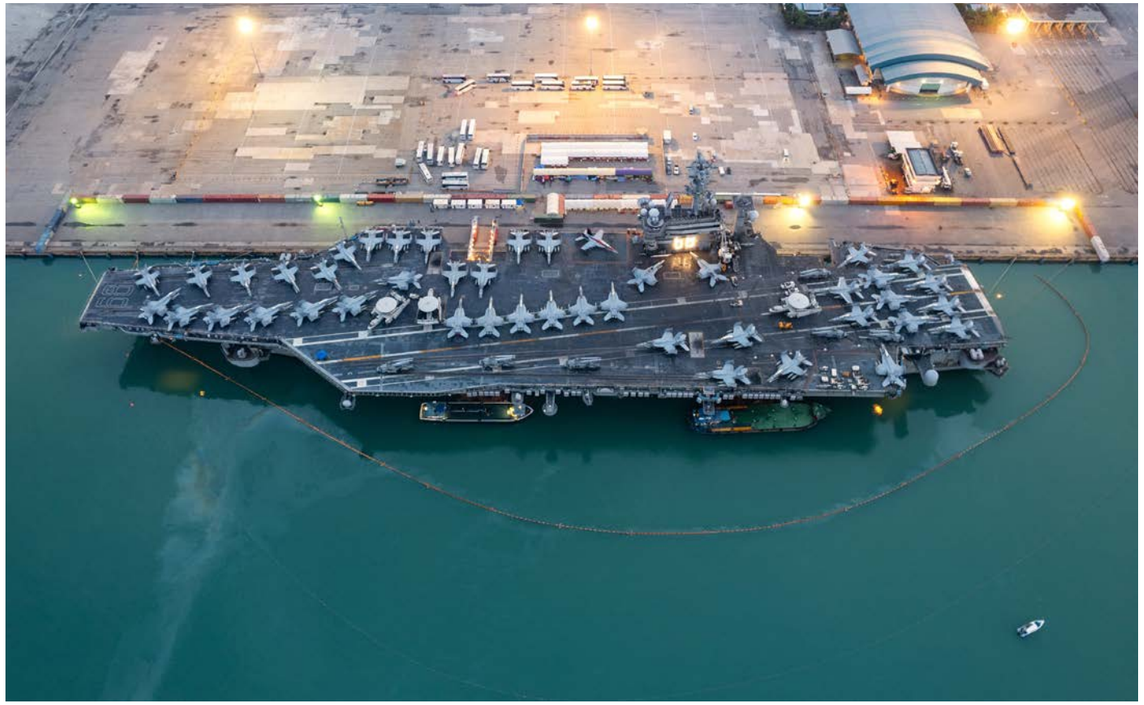
The conflict with Iran has exposed a fundamental shift in the Gulf's security outlook: the United States remains the region's dominant external military power, but its willingness to protect allies can no longer be assumed. For Gulf governments, the challenge is not simply to replace American protection, but to build greater strategic independence while preserving partnerships that remain essential to regional stability.

This transition predates the current conflict. Successive US administrations have encouraged allies to assume greater responsibility for their own defence, reflecting Washington's competing global priorities and changing energy interests. The attacks on Saudi Arabia's Abqaiq and Khurais facilities in 2019 already raised questions about the limits of American support. The latest crisis has sharpened them, demonstrating that military capability does not necessarily translate into political commitment.

For the Gulf, the implications extend beyond defence spending. The region's economic model depends on secure shipping routes, reliable energy exports and international confidence in its infrastructure. Disruption to the Strait of Hormuz has challenged these assumptions, reinforcing the need for alternative pipelines, ports, strategic reserves and stronger domestic crisis-management capabilities. Yet infrastructure alone cannot guarantee security. Drones, precision weapons and asymmetric warfare have exposed the vulnerabilities of even sophisticated military systems, making technological adaptation and protection of critical assets increasingly important.

> ***"Looking towards 2027, the Gulf's strategic objective should be neither complete reliance on Washington nor the assumption that it can manage every threat alone."***

Greater independence will also require a more diversified network of international partnerships. China and Russia are unlikely to replace the United States as the Gulf's principal external security guarantor, while European governments remain preoccupied with their own security challenges, particularly the war in Ukraine. Gulf states must therefore balance continued cooperation with Washington against stronger regional defence capabilities, intelligence-sharing and relationships with other partners. The difficulty is that much of their existing military equipment remains dependent on American technology, limiting how quickly they can operate independently.



Regional coordination will be equally important. The six Gulf Cooperation Council members have not always shared identical views on Iran, Israel or the appropriate response to regional conflict. Nevertheless, the crisis may create incentives for closer cooperation on maritime security, missile defence and diplomacy. Oman's role in facilitating dialogue with Iran illustrates the potential value of regional mediation, although any lasting settlement will require clear commitments and participation by the wider parties concerned.

The greatest uncertainty remains Iran's long-term strategy. Even if immediate hostilities subside, Tehran may retain the capacity to threaten shipping and energy infrastructure. The growing effectiveness of relatively inexpensive drones and decentralised military networks means that conventional military superiority alone may not deliver a durable resolution. Renewed escalation therefore remains a risk that governments and investors must incorporate into their planning.

Looking towards 2027, the Gulf's strategic objective should be neither complete reliance on Washington nor the assumption that it can manage every threat alone. It should be a more resilient security architecture combining credible domestic capabilities, diversified partnerships, protected infrastructure and sustained diplomacy. The American guarantee may not have disappeared, but its terms are increasingly uncertain. The countries best positioned to navigate this transition will be those that prepare for a range of outcomes rather than depend on a single ally, military system or diplomatic arrangement. ■

TOP 9 INSIGHTS: *Kuwait's Energy Resilience, Iraq's Production Ambitions & Regional Energy Cooperation*



Sara Akbar
Chairperson and CEO, OiLSERV Kuwait

1. Kuwait's Oil Production Recovers to Two Million Barrels Daily Despite Export Disruptions
Kuwait has restored production to approximately two million barrels per day following three months without oil exports. Output remains below its approximately 2.6 million barrel-per-day OPEC quota because of continued shipping constraints through the Strait of Hormuz.

2. Kuwait Maintains Long-Term Energy Investment Despite Regional Instability
Kuwait continues implementing its long-term oil and gas development plans despite recent disruptions. Approximately 230 drilling rigs remain operational, reflecting a strategy of maintaining investment and production capacity through geopolitical and market cycles.

3. Kuwait's Pipeline Transaction Signals Opportunities for International Investment
Kuwait's pipeline infrastructure transaction, described as worth approximately $6.5 billion and involving BlackRock and other investors, reflects efforts to attract international capital into the energy sector. The Shaheen project was presented as a significant development in Kuwait's infrastructure investment strategy.

4. Three Offshore Discoveries Could Strengthen Kuwait's Future Production Capacity
Three offshore oil discoveries offer opportunities to expand Kuwait's resource base. Technical modeling and development preparations are underway to support potential international partnerships and future offshore production.

5. Iraq Could Expand Oil Production Toward Seven Million Barrels Daily
Iraq possesses substantial undeveloped oil resources and significant production growth potential. Expanding international investment and continued field development could support output of approximately seven million barrels per day, with seven to eight million barrels viewed as a potential upper range under favorable conditions.

6. Iraq's Production Ambitions Could Challenge Its Continued Membership in OPEC
Iraq's ambitions to expand production beyond existing quotas could create tensions within OPEC. Failure to secure greater production flexibility could potentially prompt Iraq to reconsider its membership, although no formal decision to withdraw was identified.

7. Iraq–Turkey Pipeline Expansion Could Increase Export Capacity to 1.5 Million Barrels Daily
Renewed negotiations over the Iraq–Turkey pipeline could restore capacity to approximately 1.5 million barrels per day. Proposed take-or-pay arrangements covering 750,000 barrels daily could encourage additional field development and greater pipeline utilization.

8. Iraq–Syria Energy Cooperation Could Create New Export Routes and Support Reconstruction
Proposed pipeline connections between Iraq and Syria, alongside existing fuel oil and crude transportation, could strengthen regional energy integration. Expanding cooperation offers opportunities to diversify export routes and support Syria's economic recovery.

9. OPEC Must Reinvent Itself as Regional Producers Pursue Higher Output
OPEC faces growing pressure to adapt its production management framework as Iraq and other producers pursue expansion. Despite these challenges, the organization remains an important platform for dialogue among major energy-producing countries and for supporting long-term energy security. ■

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What will dictate the Future of Mediterranean Energy Flows?

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The future of Mediterranean energy flows will be dictated less by resource potential alone than by three interdependent factors: where infrastructure connects supply to markets, who is prepared to invest, and when political and commercial conditions allow projects to proceed. The closure of the Strait of Hormuz has reinforced the strategic value of diversification, creating renewed opportunities for the Eastern Mediterranean and North Africa to support European energy security. Yet the region's ability to capitalise on this shift will depend on resolving longstanding infrastructure, investment and domestic supply constraints.

Egypt is positioned to become the Mediterranean's principal gas gateway, but not necessarily a major net exporter in the near term. Its LNG facilities and pipeline connections provide an established route to market for gas from Israel and, increasingly, Cyprus. However, declining domestic production, population growth and electricity demand rising by around 5% annually are absorbing available supplies. Over the next five years, Egypt's priority will be balancing domestic requirements with its ambitions as a regional hub. New exploration, improved investment terms and accelerated renewable deployment will determine whether it can eventually restore export capacity.

Cyprus offers the clearest near-term opportunity for new Eastern Mediterranean gas flows. The Kronos project is expected to begin production in 2028, with gas destined largely for Egypt's Damietta liquefaction plant and onward exports to Europe. Aphrodite could follow around 2031, while ExxonMobil's Pegasus and Glaucus discoveries offer longer-term potential. These developments could make Cyprus an increasingly important supplier, although future volumes will depend on commercial decisions, additional discoveries and access to Egyptian infrastructure.

The companies shaping this future are already identifiable. Chevron is expanding its position in Israel, where gas exports to Egypt could reach approximately 20 billion cubic metres annually by 2029. ExxonMobil is pursuing exploration opportunities across Egypt and Cyprus, while Qatar Energy is partnering with international companies in the region. Their investment decisions will depend on credible contractual arrangements, infrastructure access and returns rather than strategic ambition alone.

Libya presents a different opportunity: immediate oil potential, but a more uncertain gas outlook. Production of around 1.3–1.4 million barrels per day could rise towards 1.5–1.6 million over the next 12 months and potentially 1.8 million over a longer horizon if investment and political conditions hold. Reactivating shut-in wells could support growth, but payment uncertainty, corruption and project execution remain obstacles. Meanwhile, unreliable electricity supplies and domestic gas demand may limit exports through the Greenstream pipeline to Italy. Reducing flaring could release additional volumes, but gas infrastructure will require sustained investment.



"By 2031, the Mediterranean is unlikely to replace Gulf energy flows. Its strategic value will instead lie in providing additional supply, flexible infrastructure and alternative routes."

Beyond hydrocarbons, renewables and electricity interconnectors will increasingly shape the region's energy geography. Egypt's solar and wind resources could reduce gas consumption and eventually support electricity, hydrogen or ammonia exports. Connections linking Egypt, Cyprus, Greece and Europe could diversify supply further, provided grid capacity and financing keep pace.

Turkey remains pivotal because of its pipeline network and geographical position, but maritime disputes involving Cyprus and Greece continue to complicate integration. The East Mediterranean Gas Forum and improving commercial relations offer avenues for cooperation without requiring complete political alignment.

By 2031, the Mediterranean is unlikely to replace Gulf energy flows. Its strategic value will instead lie in providing additional supply, flexible infrastructure and alternative routes. Whether that potential becomes reality will be determined by investment decisions over the next several years—and by whether regional governments can turn commercial interdependence into durable energy cooperation. ■

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China's Energy Transition is Redrawing the Map for Gulf Producers



Liao Na
Founder and Chief Consultant of GF Consulting

The biggest shock of the past decade was not the recent price spike, but the realisation that China's oil-demand peak was approaching. These changes began years ago, with strategic infrastructure investments including the first oil pipeline in 2004 and strategic petroleum reserves in 2006. China's refining throughput has peaked, breaking the traditional relationship between capacity growth and crude-import growth. We forecast that Chinese crude imports could fall by around 6% this year, while gasoline and diesel demand face substantial declines over the next five years. The recent supply disruption has accelerated an existing transition. China is adapting because it has spent years preparing for greater energy security and reduced dependence on imported oil.

How has China weathered the recent supply disruption?

The commonly cited estimate of China's oil inventory covers around 120 days of consumption, but this may not capture the full picture. China's state-owned companies, strategic reserves and commercial inventories need to be considered together. Based on our calculation of cumulative supply balances since 2006, China's total inventory could cover more than 200 days of consumption. This helps explain its ability to withstand a major supply disruption. China has also used fuel-export policy as a management tool, suspending exports when disruption intensified and subsequently reopening them before imposing restrictions again. Despite substantial refining capacity, state-owned refiners have not simply maximised production to capture attractive international margins. Energy security takes precedence over short-term profit.

How will China's economic transition reshape energy demand?

China is moving from growth 1.0 to growth 2.0. The first phase followed its entry into the World Trade Organization and emergence as the world's manufacturing centre. The next emphasises advanced manufacturing, high technology, artificial intelligence and domestic consumption. This changes the composition of energy demand. AI and high-tech industries require more electricity, not necessarily more oil or gas. Electrification is central to China's strategy. Renewable-energy installations have grown rapidly, supported by investment in storage and electricity transmission. The next stage is to electrify more industrial processes and develop technologies that turn renewable electricity into exportable products, including green hydrogen, ammonia and methanol. Through 2030, China's priorities will extend beyond headline GDP growth to industrial restructuring, energy security and technological competitiveness.

> ***"Electrification is central to China's strategy. Renewable-energy installations have grown rapidly, supported by investment in storage and electricity transmission."***

Is China's green transition primarily about energy security?

Energy security is a central driver. China imports a substantial proportion of its crude oil and natural gas, leaving it exposed to supply disruptions and vulnerable transport routes, particularly the Strait of Malacca. Diversification has been a priority for more than a decade. China has developed pipelines connecting it with Russia, Central Asia and Myanmar, even where projects have not initially been commercially attractive. The government evaluates these investments strategically rather than solely on profitability. The Green Transition reinforces this approach.

China has considerable manufacturing capacity in solar, wind and battery technologies. What began partly as a response to European carbon policies has become an opportunity to build competitive industries and reduce reliance on imported fuels. Security, economic growth and decarbonisation are increasingly interconnected.

Will Gulf producers regain their lost share of China's crude imports?

Gulf producers accounted for approximately 56.6% of China's crude imports in 2024, but their share fell to around 36% in the first eight months of this year. Brazil and Russia have gained ground, with Brazil becoming one of China's three largest suppliers. Some of this change reflects immediate disruption, but not all the lost market share will return when shipping flows normalise. China has been diversifying its sources of supply for years, and that process is now more advanced. The Gulf will nevertheless remain important. Chinese refineries are configured to process Middle Eastern crude grades, and Gulf supplies remain economically competitive. However, producers should not expect a return to previous levels of dependence. China wants a diversified portfolio of suppliers, and energy security will continue to shape its purchasing decisions.

Can petrochemicals offset declining transport-fuel demand?

The direction is towards less oil-product consumption and a greater emphasis on petrochemicals and other higher-value products. Electric vehicles are a major factor in declining gasoline demand. In China, the lifetime cost of operating an electric vehicle can be substantially lower than that of a conventional vehicle. Refineries will need to adjust their product mix. China is likely to require less gasoline and diesel, while lighter feedstocks, including naphtha, will become more important in selected applications. However, petrochemicals cannot immediately compensate for declining transport-fuel demand. Although some refining margins remain attractive, downstream chemical producers face weak profitability. Domestic consumption remains subdued, and the petrochemical sector could remain near the bottom of its cycle for another two to three years.

Where do Gulf investors still have opportunities in China?

Gulf producers should focus on building long-term strategic relationships rather than simply selling crude cargoes. Integrated investments can secure supply, establish commercial partnerships and provide a more durable position in the Chinese market. Saudi Arabia has pursued this approach through major integrated projects in China. Such partnerships can secure



outlets for Gulf crude while giving Chinese refiners greater supply certainty. They can also strengthen relationships with state-owned companies and policymakers. However, investors must understand the changing economics of the market. Opportunities are increasingly linked to chemical value chains, integration and long-term resource partnerships, rather than simply supplying fuel-oriented refining capacity. China's demand is changing, not disappearing. The challenge for Gulf producers is to adapt to the pace and composition of that change.

At what price will China rebuild its oil inventories?

Historically, around $60 a barrel has been a comfortable level for China to accumulate crude inventories. Under current circumstances, the calculation is different because some inventories have fallen significantly, creating a need to replenish stocks. However, the need to rebuild inventories does not mean China will buy aggressively at any price. Even when prices are elevated, Chinese companies can continue trading according to market conditions rather than purchasing solely to increase stocks. ■

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