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MONDAY MORNING QUARTERBACK

ENERGY MARKETS WEEKLY BRIEFING NOTE

"Shipping, Insurance and Capacity Constraints are Keeping the Oil Crisis Alive"

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ENERGY MARKETS WEEKLY BRIEFING NOTE – Nov. 2nd

"Shipping, Insurance and Capacity Constraints are Keeping the Oil Crisis Alive"

By Sean Evers, Managing Partner, Gulf Intelligence

A barrel of oil is only as useful as the system that delivers it. That principle now defines an energy crisis in which recovering crude flows offer limited reassurance to consumers facing expensive fuel, depleted inventories and persistent uncertainty. Production matters, but the ability to refine, insure, transport and deliver energy increasingly determines its economic value.

The change is substantial. Shipping and logistics represented less than 5% of the cost of a barrel before the disruption of the Strait of Hormuz. Today, their share exceeds 30%. The implications reach beyond tanker owners and oil traders, affecting industrial competitiveness, food prices and household purchasing power.

The market's most pressing challenge is making recovered flows dependable and affordable. More tankers moving through a waterway do not automatically restore confidence, reduce insurance premiums or rebuild the capacity to withstand another interruption. The recovery remains vulnerable because the infrastructure supporting delivery is operating under sustained pressure.

Delivery has Become the Defining Constraint

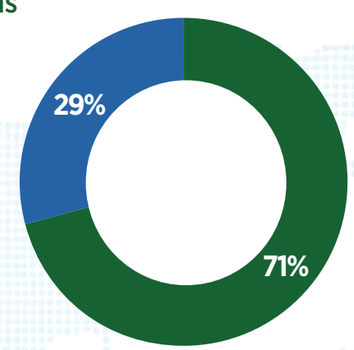
Alternative export arrangements have demonstrated the industry's adaptability. Pipeline bypasses, Fujairah loadings, shuttle operations and ship-to-ship transfers have helped maintain supplies through extraordinary disruption. These arrangements deserve recognition, but they carry costs and operational limits.

Additional handling, longer voyages and more complicated vessel movements consume shipping capacity. A tanker taking longer to complete a delivery cannot immediately serve another customer. Effective transport availability can therefore tighten even without a corresponding reduction in the number of vessels.

What election result over next week will have a greater impact on the direction of oil prices through end of the year?

Answer:

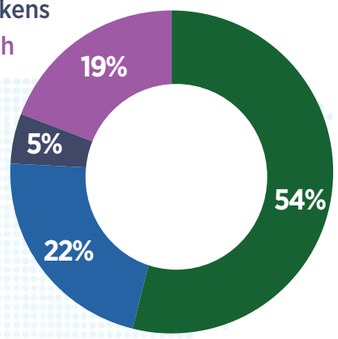
- US Midterms
- Israel



What is the biggest threat to energy markets over the rest of this year?

Answer:

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



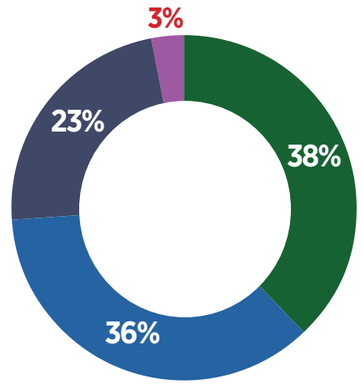
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ENERGY MARKETS WEEKLY BRIEFING NOTE – Nov. 2nd

What impact would a US return to war on Iran after Midterm elections have on oil prices?

Answer:

- Jump $20+
- Jump $10+
- Jump $5+
- little change



Insecurity across the Gulf, Red Sea and Black Sea compounds the problem. Redirecting cargoes offers less protection when several routes face simultaneous risks. The value of an alternative depends on whether it remains accessible when the primary route becomes unreliable. Insurance is central to this calculation. Expensive cover raises delivered costs; unavailable cover can prevent a voyage altogether. Energy security consequently depends on the interaction between physical infrastructure, financial capacity and confidence in safe passage.

The pressure is especially pronounced in refined products. Recovering crude exports have outpaced the restoration of diesel and other essential fuels. Damaged refineries, constrained product shipments and limited alternative processing capacity separate crude availability from usable energy. Diesel stocks in some markets have reached their lowest seasonal level in 35 years, underlining that vulnerability. A refinery needs suitable crude, functioning equipment and reliable logistics. Consumers need the resulting fuel delivered affordably.

This explains why Brent alone provides an incomplete account of the crisis. Freight, insurance, physical differentials and refining margins distribute the premium across the supply chain. Consumers experience the combined cost, regardless of where individual businesses capture it.

Depleted Buffers Make the Next Shock More Dangerous

Nearly one billion barrels have been drawn from global inventories since Hormuz was disrupted. Those stocks have cushioned interrupted supply and helped economies continue functioning. Their depletion also leaves less protection against another shock.

The consequences of renewed disruption depend heavily on that starting position. An interruption that substantial inventories could once absorb becomes more dangerous after months of withdrawals. A market can appear stable while steadily consuming the resources that make stability possible. China's management of purchases and inventories has helped moderate immediate pressure. Deferred buying and stock drawdowns reduce competition for available cargoes. But those decisions postpone demand rather than eliminate every future requirement.

If prices decline sufficiently, reserve replenishment could bring buyers back into the market, supporting purchases and limiting the durability of a downturn. Inventory rebuilding therefore represents a potential source of demand that conventional consumption forecasts can overlook. Weak economic activity complicates the picture. High energy costs constrain industrial production, transport and household spending, reducing consumption. Yet demand destruction is an expensive balancing mechanism. Businesses curtailing activity because fuel is unaffordable hardly constitute a healthy market adjustment.

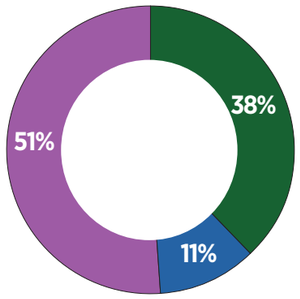
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What impact will no winner in Israeli elections have on oil prices through rest of 2026?

Answer:

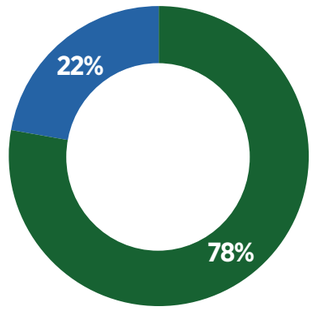
- Bullish
- Bearish
- Little impact



Do you expect US & Israel to restart war on Iran after the Midterm elections?

Answer:

- Yes
- No



Geopolitics remains the greatest immediate uncertainty. Renewed military escalation could interrupt shipping arrangements and damage infrastructure already operating under pressure. However, the likely price response remains contested.

One interpretation holds that futures underestimate the danger. Another suggests that a limited campaign is partly anticipated and could produce a smaller reaction than feared. Duration, retaliation and the assets affected will determine the outcome more decisively than the initial headline. Direct regional diplomacy therefore carries substantial economic value. A durable understanding could improve confidence in shipping and investment. Announcements alone, however, cannot repair refineries, restore vessel availability or replenish depleted stocks.

Resilience Needs a Commercial Model

Lasting relief requires investment across the entire delivery system. Expanded strategic storage, larger product inventories, flexible refining capacity and alternative routes can reduce exposure to individual failures. Their value becomes most visible when normal operations break down.

That creates a financing problem. Spare capacity can appear inefficient during stable periods because its contribution lies partly in losses avoided during disruption. Investment models focused narrowly on utilisation and immediate returns often struggle to recognise that protection.

Governments, producers and consumers need arrangements that reward availability and continuity. Capacity payments, long-term commitments and shared investment can make strategically valuable infrastructure commercially viable. Clear policy and dependable insurance can strengthen the confidence required to commit capital.

Alternative supplies will help, but expectations must remain realistic. Additional Russian product exports, increased Asian diesel production and Venezuelan recovery each face operational constraints. Removing one obstacle can simply expose another elsewhere in the chain. High profits also do not guarantee rapid investment. Uncertain policy, volatile prices and long project timelines complicate decisions whose returns depend on conditions several years ahead. Meanwhile, consumers continue paying the cost of constrained capacity.

Those costs spread gradually. Expensive diesel, bunker fuel and freight feed into farming, manufacturing and retail prices, extending the inflationary impact beyond the original disruption. Resilience must become an explicit investment priority. The economic bill already exists in expensive delivery, interrupted activity and depleted reserves. Building dependable routes, accessible stocks and flexible processing capacity offers a way to reduce that bill before another crisis makes the decision more costly.

*(*nb. Polling conducted October 26th- Nov. 2nd with 100+ Energy Market Stakeholders)*

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