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MACRO PICTURE:

Chokepoint Chess: Energy Security in the Israel-Iran Flashpoint

How a Gulf Skirmish Reprices Oil, Reshapes Geopolitics and Tests Global Macro Stability

By

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Executive Summary

- Gulf chokepoints handle a third of oil and 20 % of LNG; any blockage could rocket Brent to $110–130, reigniting inflation and Europe-Asia gas bidding.
- Truce erased the war premium, yet grey-zone drones/mines have tripled war-risk insurance, boosted VLCC rates and re-activated the classic risk grid: oil ↑, gold ↑, equities ↓.
- Each $10 oil jump adds ≈0.4 pp to G-7 CPI, stalls rate-cut plans, widens importers' deficits and tightens petrodollar liquidity for emerging markets.
- US naval stretch, China bank-rolling bypass pipelines and revived Saudi-Emirati nuclear ambitions converge as Gulf cash positions the region to dominate blue-/green-hydrogen supply.

Key Picture: Oil Spikes After Israel Attacks Iran (13 June 2025)

Source: ICE Futures Europe on BLOOMBERG

1. The State of Play

The first missiles brought a jolt of adrenaline; the data now reveal how much is at stake should the Israel-Iran cease-fire unravel. S&P Global's latest data of Gulf energy infrastructure confirms what traders instinctively priced in June: the region pumps nearly 27 million barrels per day (b/d) of crude and condensate—roughly a third of global output—and funnels much of it through chokepoints small enough to close with a handful of mines or drones[1]. What looked like a fleeting market panic is, in truth, a warning flare for energy security, macro-stability and great-power politics.

2. Oil – The Premium that Vanished, the Risk that Lingers

Brent jumped seven per cent to the mid-USD 70s when Iranian exports (3.3 mb/d) and Gulf shipping seemed exposed; a US-brokered truce on 24 June knocked prices back to USD 67/bbl[2], erasing almost the whole war premium. Yet only 4 – 4.5 mb/d of spare capacity exists in the Gulf, most of it Saudi. Roughly 13.2 mb/d of oil plus a fifth of global LNG squeeze through the Strait of Hormuz[3], while bypass pipelines can move < 6 mb/d combined. Even a brief closure could catapult Brent towards USD 110-130, recreating 2022-style inflation headaches[4].

3. Gas – Europe's Soft Underbelly

Dutch TTF futures spiked from EUR 33 to EUR 41/MWh on rumours Qatari cargoes might be stranded[5], before settling in the mid-30s. Hormuz is the exit for Qatari LNG; a second chokepoint, Bab al-Mandab, handles nearly 3 mb/d of crude and an expanding trickle of LNG bound for Suez. Houthis have shown how cheaply that corridor can be harassed. European storage is 73 % full and Norwegian flows are healthy, yet another maritime disruption would again pit Asia and Europe in a bidding war for marginal molecules.

Refining and petrochemicals – hidden exposure

The wider Gulf hosts 12.9 mb/d of refining capacity—13 % of the global total. A missile strike on a coastal refinery or a run of tanker fires could tighten diesel and jet-fuel balances long before crude scarcity bites. Petrochemical hubs from Jubail to Mesaieed feed plastics, fertiliser and packaging chains from Detroit to Delhi; a Hormuz insurance squeeze or Iranian cyber intrusion would echo across retail shelves and farm fields within weeks.

4. Gold, Bonds and Equities – The Volatility Script

On 17 June spot gold punched a record USD 3 420/oz; it later eased to USD 3 320 as diplomacy gained traction. Ten-year US Treasuries rallied 12 bp, retracing half the move once calm returned. Global equities suffered a 2 % air-pocket—airlines and chemicals slumped while defence and tanker names rallied—before the S&P 500 reclaimed record territory on cheaper oil. If Hormuz wobbles again, expect a familiar grid: crude and gold up, equities and real yields down, the dollar firm.

5. Grey-Zone Reality: How Likely is a Strait Closure?

Iran has mined the Gulf before, but a formal blockade would also choke its own exports and invite overwhelming US naval retaliation. Markets therefore price higher odds of "grey-zone" harassment—drones, limpet mines, cyber interference—that inflates freight and insurance without triggering open war. War-risk premia on tankers have already tripled to ~0.5 % of hull value, lifting Very Large Crude Carrier (VLCC) earnings past USD 90 000/day[6]. Prediction[7] markets that briefly assigned a 50 % chance of closure now sit in the low 30s, yet every incident extracts a "geopolitical tax": higher fuel bills, wider bid-ask spreads, slower container speeds.

6. Beyond the Trading Screens: Strategic Knock-on Effects

Energy-Security Rewiring

Pipeline politics. Riyadh and Abu Dhabi will accelerate twin and hardening projects on the East-West and Habshan-Fujairah lines. Beijing, the biggest incremental buyer of Gulf barrels, is likely to co-finance capacity in return for priority throughput—quietly diluting Western leverage over Middle-East flows.

Stockpile doctrine. OECD importers will treat June's scare as a fire drill. Expect renewed calls to widen strategic reserves to cover refined products and, in Asia, LNG. Japan and South Korea are already lobbying the G-7 to badge floating LNG storage as critical infrastructure.

Gas diversification. Brussels will push harder for EastMed and North-African pipelines and extend charter contracts for floating storage and regas units in the Adriatic and Baltic as emergency buffers.

7. Great-Power Alignment

Finite US naval bandwidth means Washington cannot simultaneously police Hormuz, Bab al-Mandab and the South China Sea. Expect the Indian Ocean to evolve into a quasi-Quad security sphere as Japan, India and Australia shoulder escort duties.

China's silent leverage. By underwriting pipeline redundancy and extending credit to Tehran, Beijing gains de facto veto power over any snap-back sanctions, all without risking troops.

Russia's calculus. Higher oil prices finance its Ukraine campaign and a distracted US Navy eases pressure in the Black Sea. In return, Moscow may drip strategic-grade air defences and cyber tools to Iran, keeping Tehran in play without formal alliance.

8. Proliferation Risk & Supply-Chain Friction

The June exchange resurrects Saudi fears of an Iranian breakout. Riyadh may speed its "civilian" nuclear programme, nudging Pakistan to position a latent weapon on Saudi soil. The UAE, already running Barakah reactors, will press Washington for a looser 123-agreement. Ankara, wary of Iranian reach and tempted by Gulf capital, might revisit talk of its own deterrent—unravelling decades of non-proliferation gains.

Bab al-Mandab and Suez together carry ~10 % of global container traffic. Even failed drone strikes divert vessels round the Cape, adding ten days and nearly USD 1 million in bunkers to an Asia–Europe round trip. Insurers are expanding "breach" clauses that force charterers to share the pain. Fertiliser from Qatar and Oman underpins Asian agriculture; any sustained disruption could replay 2022's price spike, fanning food-price protests from Cairo to Colombo.

Every sustained USD 10 rise in Brent adds about 0.4 pp to G-7 headline CPI[8]. Should crude revisit USD 100, central banks would almost certainly pause easing cycles, lifting real rates just as sovereigns refinance record-size maturities. A stronger petrodollar tightens global liquidity and strains emerging-market borrowers with dollar liabilities. The IMF's fire-power may need topping up before year-end.

9. The Energy-Transition Paradox

European and East-Asian leaders will amplify rhetoric on hydrogen backbones and heat-pump roll-outs, yet higher rates and supply-chain inflation raise renewable costs. Paradoxically, Gulf producers—flush with windfalls and cheap labour—could emerge as low-cost exporters of blue, then green, hydrogen, locking their relevance into the next energy era.

With Brent in the high-60s the Bank of England and ECB can press ahead with gentle cuts; at USD 100 they would freeze and lean on treasuries. Fiscal space is limited: the EU already spent EUR 770 billion on 2022-23 energy shields. The UK has green-lit two North Sea oilfields and a floating LNG terminal at Teesside, while Brussels dusts off hydrogen-backbone projects and mulls extending price caps on gas and power.

10. A Tentative Conclusion

Financial markets presently treat the Israel-Iran clash as a violent skirmish, not a systemic supply shock. The S&P Global data—and the strategic layers above—remind us that this judgement rests on three narrow waterways, modest spare capacity and an assumption of rational restraint. Until diplomacy becomes durable, and pipelines or alternative fuels dilute the Gulf's centrality, every drone hit, missile test or cyber probe is a spark in a crowded tinderbox. Governments, boards and investors would be wise to keep hedges close and contingency plans closer.

NOTES

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[3] https://www.eia.gov/international/analysis/special-topics/World_Oil_Transit_Chokepoints

[4] https://www.iea.org/reports/oil-market-report-june-2025

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[6] https://www.lloydslist.com/LL1153969/Gulf-war-risk-premiums-double-but-softening-now-expected

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[8] https://www.imf.org/en/Publications/WEO/Issues/2025/04/22/world-economic-outlook-april-2025

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