

Situation Report:

March 19, 2026 | Day 20

Hormuz Crisis: Supply Chain Cascade | Chain Breach Analysis

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Hormuz Crisis: Supply Chain Cascade | Chain Breach Analysis

Situation Report: Mitigation And Forward Scenarios

● Executive Summary

\$103–120

Brent Crude \$/bbl
↑42% vs pre-war

3 of 8

Chains Breached
Crude / LNG / Naphtha

Day 41

Helium Breach P50
19–26 days away

Day 42

Cascade Inflection
58% paths ≥3 breaches

~10 mb/d

Gulf Output Lost
vs 20 mb/d pre-war

400 mb

IEA SPR Released
≈26 days coverage

- Three of eight tracked commodity chains are in confirmed breach at Day 19: **crude oil, LNG, and naphtha**.
- Iran has shifted from blanket denial to permission-based transit for Chinese, Indian, Pakistani, and Turkish vessels, but this concession is not a resolution.
- P&I clubs continue to refuse war-risk endorsements for Western-affiliated ships.
 - That insurance withdrawal, not military blockade, is the operative closure mechanism.
 - This drove 95%-plus traffic suppression within 72 hours of Day 1, and it remains fully intact.

The supply chain damage arrives in three overlapping waves.

- **Wave 1 is fully active:** crude, LNG, and shipping.
- **Wave 2 is building now:** helium distributor shortage arrives in 19 to 26 days, naphtha crackers across South Korea and Europe are entering feedstock distress, and urea at \$680 per tonne threatens spring planting window.
- **Wave 3 arrives most likely between weeks 6 and 12:** semiconductor fabs, food systems, automotive.

The April 10 inflection point (Day 42) is when 58% of simulation paths show three or more simultaneous EU critical infrastructure breaches interacting multiplicatively.

Every supply chain continuity plan built on a ceasefire-equals-resolution assumption is wrong by six to ten weeks: minesweeping (4–10 weeks), insurance normalisation (P50 thirteen days post-ceasefire), and carrier schedule recovery each add lag independently of any diplomatic outcome.

KEY JUDGEMENT: Median full commercial reopening: Day 140 (mid-July 2026). A ceasefire this week might not restore supply chains by April. The lag is structural.

Current Status at a Glance — Day 19

Dimension	Status	Key Fact	Direction / Trend
Hormuz Transit	PARTIAL	8 vessels Day 16 — nearly double recent days (Windward). 24 vessels anchored awaiting permission. All Western ships locked out. Operation Maritime Shield forming but fractured.	→ Selective access
Chains in Breach	3 of 8	Crude, LNG, Naphtha breached. Ras Laffan struck twice March 18 — LNG and helium recovery timelines now extend to Q3 2026 minimum. 4+ chains in structural breach.	↑ Worsening
Oil Price	\$103-120	Brent closed \$103.14 Friday. Peak \$126. IEA 400 mb SPR suppressing floor, not fixing supply.	~ Contained
Operative Mechanism	P&I OUT	P&I clubs refuse war-risk. Israel struck South Pars March 18. Iran hit Ras Laffan twice in retaliation. Saudi, UAE, Kuwait refineries attacked. Energy infrastructure war now active.	= Unchanged
Most Critical Risk	HELIUM D41	Ras Laffan struck twice March 18-19 - extensive damage confirmed. Qatar warned outage extends beyond May. Helium recovery Q3 2026 minimum. Scenario C active.	■ Act now
Planning Deadline	DAY 42	58% of simulation paths show ≥3 simultaneous breaches by April 10. Cascades multiply.	■ Critical
Fertiliser Risk	SPRING	Urea \$680/t (+43%). Ras Laffan damage extends Qatar nitrogen fertiliser production outage. Planting window April 15 now structurally unserviceable.	↑ Urgent

1. Commodity Chain Cascade: Breach Timing & Recovery

Weibull AFT ($k=1.50, \lambda=45.8d$) + S-curve ABM | 12,000 paths | Day 19 conditional

The cascade is eight commodity chains failing on different timelines, with different inventory buffers, different mitigation paths, and different recovery curves.

Three are already in breach on Day 19. Five more follow on deterministic schedules driven by inventory depletion, not diplomatic decision.

The table below maps each chain's approximate breach timing, buffer, mechanism, and mitigation status.

Chain	Breach P50	Status	Timeline (D0 → D112)
W1 Crude Oil	Day 1	BREACH ACTIVE	
W1 LNG	Day 1	BREACH ACTIVE	
W1 Naphtha	Day 11	BREACH ACTIVE	
W2 Helium	Day 41	Approaching	
W2 Methanol	Day 32	Approaching	
W2 Urea / Ammonia	Day 48	Future risk	
W3 Semiconductor	Day 64	Future risk	
W3 Sulphur	Day 67	Future risk	

Chain Breach Mechanics

Crude Oil & LNG — Breach: Day 1

Both chains breached on Day 1, not because Iran physically blocked tankers but because P&I clubs withdrew war-risk endorsements within 48 hours.

Without those endorsements, standard marine cargo policies are void and ships cannot move commercially. Saudi Arabia's Yanbu pipeline redirects up to 5 mb/d of crude to Red Sea export, bypassing Hormuz — but Yanbu capacity is already at ceiling and tankers exiting into the Red Sea face Houthi threat.

IEA's 400 mb SPR release is suppressing the price floor, not replacing supply. The operative mechanism is insurance, not guns.

Naphtha — Breach: Day 11

Naphtha runs just-in-time. EU crackers hold roughly 21 days of feedstock at current industrial burn. With Gulf cracker output offline, the European petrochemical complex is entering feedstock distress in real time. Chemical industry runs LNG for energy and naphtha for feedstock simultaneously, creating compounding exposure. Curtailment modelling shows 28% capacity reduction by Day 42, rising to 72% by Day 56.

Nobody tracks naphtha inventories the way they track crude — which means the window to act closes without visible warning.

Helium — Breach: Day 41 · 19–26 days away

Qatar's Ras Laffan accounts for 30–33% of global helium supply, produced as an LNG byproduct. Force majeure was declared Day 3. Distributor stock is at roughly 14 days.

No alternative source at comparable scale exists. Russia's East Helium is constrained, US BLM reserves are drawn down. The shortage arrives at medical imaging units and semiconductor fabs simultaneously.

Urea & Ammonia — Breach: Day 48

Qatar, Saudi SABIC, and UAE Fertigllobe have all declared force majeure. Spot urea is at \$680 per tonne, up 43% from the \$475 pre-war level. The planting window opens widely in April and requires urea delivery by mid-April.

Brazil's second-season soy closes in the same window. Rabobank and NDSU flag that every additional week of closure extends the food inflation shock into 2027.

Sulphur — 45% of global supply from the Gulf — is the compounding input: Morocco's OCP complex and copper acid-leach operations in the DRC and Zambia both depend on it.

2. Simultaneous Breach Simulation: When Cascades Interact

EU Infrastructure ABM | 100,000 paths | Day 19 conditional | Threshold: ≥3 simultaneous breaches = multiplicative interaction

When gas cost pressure hits at the same moment naphtha raises polymer costs and helium constrains semiconductor fabs, the effects are multiplicative.

Each disruption narrows the operational options available to cope with the next.

Calendar Date	Day	E[Breaches]	P(≥2 sectors)	P(≥3 sectors)	P(≥5 sectors)	Assessment / Key Events
18 Mar 2026	D19	1.1	9.9%	0%	0%	ACTIVE — Crude/LNG/Naphtha breached. Helium window 19d. SK LNG critically low.
27 Mar 2026	D28	1.3	28.8%	0%	0%	BUILDING — Pharma trigger 29%. BASF curtailment risk 4%. Helium shortage likely by week end.
4 Apr 2026	D35	1.7	59.4%	9.6%	0%	BUILDING — Naphtha EU breach majority of paths. Helium shortage active in 67% of paths.
10 Apr 2026	D42	2.7	91.8%	58.4%	0%	INFLECTION — 58% paths ≥3 breaches. Urea/spring collision. Helium 100%. Cascades multiply.
24 Apr 2026	D56	4.9	100%	100%	88%	CRITICAL — BASF curtailment 72%. API depletion clock started. All major chains breached.
8 May 2026	D70	5.0	100%	100%	95.9%	PEAK — API critical 30% paths. MRI helium 100% risk. BASF near-certain curtailment.
22 May 2026	D84	5.0	100%	100%	98.6%	STRUCTURAL — Full cascade. API critical 64% paths. All tracked sectors in distress.

CRITICAL | DAY 42 IS THE PLANNING DEADLINE, NOT A MONITORING DATE:

Above three simultaneous breaches, cascades interact multiplicatively: gas cost pressure, polymer shortages from naphtha, and helium-constrained fab capacity compound.

All response protocols must activate before Day 42.

3. Country Reserve Depletion & Mitigation Assessment

ABM calibrated to IEA 2026, METI Japan, KOGAS Day 13, EIA, Oxford Economics | Day 19 status

Reserve depth varies enormously across Gulf-dependent importers.

In Bangladesh, the LNG buffer was exhausted on Day 4. Meanwhile, Japan holds roughly 254 days of combined government and private crude reserves.

Reserve depth alone does not determine crisis onset: the structure of exposure matters as much as the buffer. India holds 74 days of crude reserve yet faces an acute LPG crisis because 60% of its LPG comes directly from Gulf production with no viable feedstock alternative.

South Korea holds 210 days of crude but entered naphtha feedstock distress at week 3.

Reserve Depletion by Country

Country	Crude SPR	LNG Buffer	Crisis P50	Status	Key Risk / Active Disruptions
Bangladesh	5d	4d	Day 14	CRISIS	RMG sector on diesel generators. Fertiliser factories shut. Kharif planting without inputs.
Pakistan	20d	18d	Day 22	CRITICAL	4-day govt workweek. IMF consultation. Sialkot surgical cluster at RLNG/naphtha risk.
India	74d	12d	Day 55	ELEVATED	Crude adequate. LPG acute: 60% Gulf-sourced, rationing active, one fatality in queue.
South Korea	210d	32d	Day 62	FRAGILE	Crude well-buffered. Naphtha feedstock crisis week 3. Auto and semicon at risk.
Japan	254d	90d	Day 90+	BUFFERED	Most buffered importer. Nuclear ramp. JSR/Shin-Etsu helium near-monopoly is structural risk.
Taiwan	120d	60d	Day 70	MODERATE	Adequate buffers but semiconductor materials supply exposed via Japan helium chain.
China	108d	45d	Day 75+	RESILIENT	1.3bn bbl SPR. 166mn bbl Iranian floating storage. Diplomatically dominant. Strategic winner.
EU/Germany	90d	55d	Day 62	ELEVATED	Gas storage 30% (historic low). BASF dual LNG+naphtha exposure. Apr 1 LNG deadline critical.

Mitigation Effectiveness Matrix

CONFIRMED / ASSESSED / MODELLED by chain and country | Day 19 status

Chain	Japan	S. Korea	India	China	EU/Ger.	Pakistan	Bangladesh
Crude Oil	BUFFERED	BUFFERED	PARTIAL	BUFFERED	BUFFERED	PARTIAL	NONE
LNG	BUFFERED	NONE	PARTIAL	MANAGED	MANAGED	PARTIAL	NONE
Naphtha	PARTIAL	NONE	NONE	PARTIAL	PARTIAL	NONE	NONE
Helium	NONE	NONE	MANAGED	PARTIAL	PARTIAL	MANAGED	MANAGED
Urea/Fert.	BUFFERED	BUFFERED	NONE	MANAGED	MANAGED	NONE	NONE
Pharma API	MANAGED	MANAGED	PARTIAL	MANAGED	PARTIAL	NONE	NONE
Semiconductor	PARTIAL	NONE	MANAGED	MANAGED	MANAGED	BUFFERED	BUFFERED

Country Detail — Day 19

Bangladesh Day 14 ✓ Past **CRISIS**

Bangladesh's LNG buffer, four days at import rates, was exhausted on Day 4. All five major fertiliser factories have shut under force majeure. The garment sector, which accounts for 25–30% of EU and US fast-fashion supply volume, is running on diesel generators. Universities and schools closed Day 7 to reduce grid load. Emergency diesel is arriving from China and India at spot prices 35% above contract. Kharif planting — the primary food crop cycle — is operating without inputs. Harvest shortfall is now a confirmed probability, not a contingency.

Pakistan Day 22 ■ Near **CRITICAL**

Pakistan has twenty days of crude reserve and eighteen days of LNG remaining. The cabinet has moved to a four-day government workweek. Schools are closed. The IMF is in active emergency balance-of-payments consultation. Crude is arriving via Saudi Yanbu pipeline rerouting and one confirmed petrol cargo through a bilateral SWIFT exemption on Iranian transit. The Sialkot surgical instrument cluster — roughly 80% of global surgical instrument volume by unit count — runs on RLNG and naphtha feedstock. Both are entering distress simultaneously.

India Day 55 (revised) **ELEVATED**

India's situation is structurally split. Crude is adequately covered: 74 days of combined ISPRL strategic reserve and OMC commercial stock, with 70% of crude now sourced outside Hormuz routing. The government is not releasing ISPRL reserves (confirmed Bloomberg, 9 March). LPG is the acute crisis: 60% of Indian LPG comes from Gulf refining, the Essential Commodities Act has been invoked for rationing, and one fatality has been confirmed in an LPG queue. India has secured a bilateral Iranian transit exemption for two LPG cargoes and is now acting as a regional fuel hub, re-exporting refined product to Bangladesh and Sri Lanka.

South Korea Day 62 (revised) **FRAGILE**

South Korea holds the fifth-largest crude reserve globally — approximately 210 days. That buffer is not the problem. The problem is naphtha. Yeochun NCC and LG Chem declared force majeure. HMM halted Gulf bookings entirely. The naphtha-dependent petrochemical complex is entering week 3 of feedstock distress, and the downstream consequence — polymer shortages in auto and semiconductor packaging — is arriving now. The government activated its first fuel price cap in 30 years and committed a 100 trillion won (\$68 billion) fund. Neither measure addresses naphtha.

Japan Day 90+ **BUFFERED**

Japan is the most buffered major importer: approximately 254 days of combined government and private crude SPR, 90 days of LNG buffer. The Kashiwazaki-Kariwa Unit 6 nuclear reactor (1,356 MW) came online during the crisis. IEA released 80 million barrels of Japan's contribution on Days 14–16.

No petrochemical production cuts have been announced on Day 19. The structural risk is not reserves — it is the Japanese semiconductor materials sector. JSR, Shin-Etsu Chemical, Mitsubishi Gas Chemical, TOK, and Ajinomoto Fine-Techno hold near-monopoly positions in photoresists and specialty gases. These companies source helium as an LNG byproduct from the same Qatari streams now under force majeure.

China Day 75+ RESILIENT

China is the strategic winner of this standoff. It holds 1.2–1.3 billion barrels of SPR — approximately 108 days of import cover — plus 166 million barrels of Iranian crude in floating storage in East Asian waters (Kpler). SOE tankers are transiting under informal bilateral permission.

A fuel export ban is protecting domestic supply. Chinese EV penetration is already reducing Hormuz sensitivity structurally. Iran is consolidating a parallel geopolitical supply architecture specifically through access decisions for China, India, Pakistan, and Turkey — countries outside US secondary sanctions architecture. The long-term consequence extends well beyond this crisis.

EU / Germany Day 62 (revised) ELEVATED

EU gas storage entered the crisis at 30% fill — a historic March low. The injection season begins April 1. If Qatar's Ras Laffan remains offline through summer, EU storage cannot reach 90% fill by November 1 without emergency demand reduction and premium spot cargoes. Germany has released 19.5 million barrels of IEA crude. ENI has ramped emergency Algerian gas. Nordic and US LNG forward contracts must be locked before April 1 or EU operators will compete for spot cargoes at peak Asian summer demand — paying €15–25/MWh premium all summer. BASF Ludwigshafen has dual exposure to LNG and naphtha: curtailment modelling shows 28% at Day 42 and 72% at Day 56. EU pharma chains source 19% of generic drug APIs from India. India's gas rationing order, when it comes, will trigger that exposure.

4. Forward Scenarios: Supply Chain Resolution Timelines

Weibull AFT | Bayesian posteriors Day 19 | Median full commercial reopening: Day 140 (mid-July 2026)

The following three scenarios are differentiated by which supply chains resolve and when. The critical structural finding from the insurance normalisation model: a ceasefire does not equal reopening.

Minesweeping (P50 four to ten weeks), insurance normalisation (Weibull P50 thirteen days post-ceasefire, calibrated to June 2025 precedent), and carrier schedule recovery (six to ten weeks) each add lag independently of any diplomatic announcement.

The median full commercial reopening across all three scenarios is Day 140.

SCENARIO A 25%

RAPID RESOLUTION

Ceasefire Day 30–35 · Full commercial reopening Day 90–100

A ceasefire by Day 30–35 is the optimistic path. Full commercial reopening follows at Days 90–100 after minesweeping and insurance normalisation. Crude and LNG restore within three weeks of reopening; Qatar Ras Laffan has a two-week restart procedure. Helium shortage is largely avoided if the ceasefire comes before Day 35. US Midwest spring planting is partially rescued if transit resumes before mid-April. No semiconductor fab breach occurs if helium supplies before the Day 41 threshold.

Watch signal: Oman backchannel confirmed + daily non-US transits above 30 for five consecutive days + Lloyd's war-risk premium below 300% of pre-war baseline.

SCENARIO B 50%

MANAGED STANDOFF — BASE CASE

Selective transit norm 60–120 days · Full commercial Day 140 · EU inflection Day 42 arrives

The base case at 50% probability. Permission-based transit becomes normalised for non-Western vessels over 60–120 days. Western ships remain locked out. EU petrochemical cascade peaks at weeks 4–6: BASF curtailment at 72% probability by Day 56. Helium distributor shortage arrives Day 38–45; MRI rationing by Day 62. US Midwest and Brazil are under-fertilised for the 2026 planting season. Semiconductor fab breach at 20% probability (Day 64 P50).

Watch signal: greater than 30 daily non-US transits sustained five days, OR new Gulf infrastructure strike.

SCENARIO C 25%

ESCALATION / INFRASTRUCTURE WAR

Kharg Island struck · Saudi-UAE infrastructure targeted · Brent \$150–200

Kharg Island handles roughly 90% of Iranian crude export. A confirmed strike adds 2–4 mb/d of permanent loss. Qatar Ras Laffan structural damage pushes helium recovery to 2027. Polymer shortage becomes structural across automotive, pharma packaging, and electronics. Sub-Saharan Africa 2026 harvest failure crosses the WFP emergency tier threshold. Semiconductor fab breach is certain at Day 64, with disruption through Q4 2026 and into 2027.

Watch signal: Trump administration threatens Kharg Island publicly, OR new IRGC offensive against Saudi/UAE energy infrastructure.

Supply Chain Resolution Timeline: What Reopens, When?

Chain	Scenario A (ceasefire D30–35)	Scenario B (standoff D60–120)	Scenario C (escalation)	Recovery Mechanism
Crude Oil	Restores D48–55 (insurance + escort)	Partial D70+ (permission-based)	Degraded through Q3 2026	Insurance normalisation Weibull P50=13d post-ceasefire, then carrier return
LNG / Qatar	Qatar restart D49–55 (2-wk plant restart)	Restart D75+. P(miss EU Nov 90%)=65%	Structural damage → 2027 EU winter risk	Ras Laffan 2-week restart after safe passage; helium recovery follows
Naphtha	Cracker restart 6wks post-reopening ~D77	EU cascade peaks D56; recovery D80+	Production halts EU/SK; shortage Q3	Cracker restart is not a switch — 2-week heat-up; feedstock security first
Helium	Shortage avoided if ceasefire before D35	Distrib. shortage D38–45; MRI D62; 10-week recovery	Fab breach certain D64; recovery Q4 2026	Ras Laffan restart → helium production → distributor build → 10 weeks
Urea	Spring planting partially rescued if D45	US/Brazil under-fertilised; SSA shortfall	SSA harvest failure; WFP emergency tier	Gulf plants restart within 2wks of safe passage; N. American offset partial
Semiconductor	No fab breach if helium secured in Scenario A	Breach P50 Day 64; 12-week recovery Q4	Certain breach; disruption through 2027	Helium → specialty chem → fab restart; slowest chain. Dual-sourcing 3-mo lead.

Supply Chain Resolution Timeline: What Reopens, When?

Signal	Trigger Condition	Supply Chain Implication
■ RESOLUTION	Oman backchannel confirmed + daily non-US transits above 30 for 5 days + Lloyd's war-risk premium below 300% of normal.	Begin naphtha and LNG resupply contracts. Helium procurement race can be delayed. Spring planting partially rescuable.
■ STANDOFF DEEPENS	>30 daily transits sustained OR permission architecture formalised into bilateral framework. Brent \$95–110.	Lock all alternative sourcing immediately. Standoff timeline 60–120 days confirmed. All Wave 2 breaches incoming.
■ ESCALATION IMMINENT	Trump administration threatens Kharg Island publicly OR new IRGC offensive on Saudi/UAE energy facilities OR EU naval escort deployed.	Kharg strike = +2–4 mb/d permanent loss. Fujairah fully invalidated. Brent above \$150. All chains breach.
■ SYSTEMIC CRISIS	Kharg Island struck AND Houthis reactivate Red Sea simultaneously AND US naval vessel struck.	No viable bypass. Insurance market collapse. Semiconductor, food, and pharma chain breach certain through 2027.

5. Day 20 Intelligence Updates — 19 March 2026

ENERGY WAR NOW ACTIVE · South Pars struck / Ras Laffan struck twice / Gulf-wide retaliation · Scenario C revised to 65%

The situation changed fundamentally overnight March 18–19. This is no longer a standoff with escalation risk. This is an active energy infrastructure war. Every supply chain cascade timing table must be read with this structural shift as the baseline.

5.1 South Pars Struck / Ras Laffan Hit Twice — Energy War Confirmed

CONFIRMED · SCENARIO C ACTIVE

Israel struck South Pars / Asaluyeh facilities on March 18. South Pars is the world's largest natural gas field — shared with Qatar's North Dome, 1,800 trillion cubic feet, supplying ~5.6% of global gas reserves and underpinning Ras Laffan's LNG and helium production. Iran retaliated the same day with two ballistic missile strikes on Ras Laffan Industrial City. QatarEnergy confirmed 'extensive damage' after the first strike, then 'sizable fires and extensive further damage' after the second. Qatar expelled Iran's military attachés. Qatar warned the outage may extend beyond May.

Cascade consequence: this converts a supply disruption into physical infrastructure damage. Supply disruptions resolve when shipping resumes. Infrastructure damage requires physical reconstruction — weeks to months for LNG trains at minimum, longer for structural damage to helium separation units. Ras Laffan produces ~20% of global LNG and 30–33% of global helium. Both recovery timelines now extend to Q3 2026 at the earliest. The helium distributor shortage — modelled at Day 38–45 in the Day 19 SITREP — is now a confirmed structural shortage with no viable recovery timeline before the semiconductor and medical imaging breach dates.

Iran also issued explicit named strike warnings for: Saudi Arabia's SAMREF refinery and Jubail Petrochemical Complex; UAE's Al Hosn Gas Field; Qatar's Mesaieed Petrochemical Complex. All ordered evacuated. Kuwait's refinery confirmed struck by Iranian drone. UKMTO reported a vessel hit by unknown projectile off UAE Khor Fakkan coast in the early hours of March 19. This is execution against a named target list, not signalling.

5.2 Trump South Pars Ultimatum — Counter-Escalation Ladder Loaded

CONFIRMED · MAXIMUM ESCALATION RISK

Trump posted on Truth Social overnight: 'The United States of America, with or without the help or consent of Israel, will massively blow up the entirety of the South Pars Gas Field at an amount of strength and power that Iran has never seen or witnessed before' if Qatar's LNG is attacked again. He confirmed Israel struck South Pars out of 'anger' and stated Iran did not know the US was not behind it — framing it as an Iranian intelligence failure that drove the Ras Laffan retaliation. He declared Israel 'will not attack the gas field again unless Iran strikes an innocent party.'

Framework consequence: the South Pars ultimatum is the highest-stakes coercive threat of the conflict. South Pars / Qatar's North Dome together contain the world's largest gas reserves. A US strike destroying South Pars would: permanently eliminate ~5.6% of global gas reserves; eliminate ~20% of global LNG supply (the Qatari share); permanently destroy the helium separation infrastructure; trigger Iranian maximum retaliation across all named Gulf infrastructure targets. Goldman Sachs projects that war stretching 5–6 weeks could produce a 14% GDP contraction in Qatar and GCC states. Destruction of South Pars would not be a 5–6 week scenario. Simultaneously, the US dropped 5,000-lb bunker-buster bombs on hardened Iranian missile sites along the Hormuz coastline (CENTCOM, March 19) — described by analysts as possibly the opening salvo of a 3-week campaign to clear the strait for escort operations.

5.3 Market Shock — Brent \$111, Nikkei -2.7%, Energy Infrastructure War Priced In

CONFIRMED · SCENARIO C PRICING

Brent crude surged to \$111.23 per barrel on the Ras Laffan/South Pars news — a 7% single-day move, up from \$103 the prior day. WTI crossed \$100. Asian equity markets opened sharply lower: Nikkei -2.7%, Kospi -2.6%, Hang Seng -1.4%, Taiwan TaieX -1.4%. Oil is now up 54–57% from the pre-war level of approximately \$72. The market is pricing Scenario C — not a managed standoff. The previous SITREP Brent range of \$103–120 is now the floor, not the range.

Diplomacy status: Iran FM Araghchi confirmed March 16 that Tehran has 'never asked for a ceasefire, never asked for negotiation.' The South Pars / Ras Laffan exchange has ended any near-term diplomatic off-ramp. Qatar expelled Iran's military attachés — eliminating a quiet Gulf backchannel. France's Macron called for a 'moratorium on strikes targeting civilian infrastructure' and spoke with Trump and the Qatari emir; Trump has not endorsed this. Scenario A probability: 5%. Scenario B: 30%. Scenario C: 65%.

5.4 US Bunker Busters on Hormuz Missile Sites — Escort Campaign Beginning

CONFIRMED · MILITARY CAMPAIGN INTENSIFYING

CENTCOM announced overnight that US forces dropped multiple 5,000-lb deep-penetrator munitions on hardened Iranian missile sites along the Hormuz coastline. Analysts described this as a possible opening salvo of a 3-week campaign to suppress Iranian anti-ship capabilities sufficiently to enable tanker escort operations. Secretary Hegseth: Iranian ballistic missile attacks on US forces are down 90% since the conflict began. Iranian one-way UAV attacks also down significantly. The military attrition campaign against Iranian offensive capability is showing results.

Coalition status unchanged: Germany, Greece, Japan, Australia, South Korea have all declined participation. Trump threatened NATO's future on March 16. UAE signalled openness to helping (CNN, March 19) — the first Gulf state to do so. Even if the escort campaign begins end of March, Lloyd's estimates only 10% of pre-war volumes can be restored via convoy. The escort option addresses physical security for ships that volunteer to transit; it does not address P&I insurance withdrawal for Western vessels, which remains the operative closure mechanism.

5.5 Transit Trickling — Still Running Despite Energy War Escalation

CONFIRMED · SCENARIO B INDICATOR

Windward maritime intelligence confirmed 8 non-Iranian vessels transiting on March 16, 'nearly double recent days.' Confirmed crossings: Pakistani Aframax tanker Karachi (Abu Dhabi crude, March 16 — first non-Iranian cargo vessel to transit while broadcasting AIS); two Indian LPG carriers under Shipping Corp. of India; one Turkish vessel following bilateral permission from Tehran. 22 additional vessels remain anchored awaiting confirmation. 11 China-linked vessels transited March 1–15 (Lloyd's List Intelligence), mostly general cargo.

Pattern analysis: Iran is running a bilateral permission architecture. Crossings require advance coordination with IRGC, flag-state diplomatic relationship, and cargo type approval. This is not generosity — it is leverage maintenance. Iran keeps the strait nominally 'open but closed to enemies' (Araghchi, March 16) while selectively rewarding neutrality. Every day this continues, the Russia-China-India-Turkey alternative supply corridor becomes more embedded. The transit trickle confirms Scenario B trajectory, not resolution.

5.6 Oman Bypass Fully Invalidated / Russian Waiver Convergence

NEW RISK · NOT IN ORIGINAL FRAMEWORK

Oman bypass: drone strikes on Duqm and Salalah (fuel storage confirmed damaged) and Sohar now inside war-risk zone. Bypass capacity estimated at 5–8% of normal Hormuz flow in Day 19 SITREP — now effectively zero given insurance withdrawal on Oman port access. All bypass pathways closed.

Russian crude waiver: US suspended sanctions on 30 Russian-connected tankers (19 million barrels) until April 11. With Brent now at \$111 and energy infrastructure war active, US faces pressure to extend the waiver — but extension legitimises Russian oil revenue at scale. April 11 also falls near Day 42 cascade inflection. If not extended, approximately 19 million barrels of substitute crude is removed from circulation at the worst possible moment. This was not in the original model.

6. Structural Analytical Conclusions

Insurance is the operative mechanism

P&I clubs stopped issuing war-risk endorsements within 48 hours of Day 1 strikes. Without those endorsements, standard marine cargo policies are void — owners cannot move commercially regardless of whether an IRGC gun is pointing at them. Traffic suppression above 95% followed within 72 hours. The implication for resolution planning is direct: any framework that restores diplomatic relations but leaves insurer confidence unaddressed does not reopen the strait commercially. The P&I clubs — Lloyd's, the International Group of P&I Clubs — must independently assess that war risk is materially reduced before they reinstate endorsements. That assessment is not automatic upon ceasefire announcement.

Naphtha and helium are the hidden crises

Crude oil: IEA members hold 60–200 days of reserve. LNG: national buffers exist (Japan 90 days, EU 55 days). Naphtha: zero. Helium: zero. These run just-in-time. EU naphtha holds approximately 21 days at current industrial burn. BASF's curtailment probability goes from 4% at Day 28 to 72% at Day 56. Nobody publicly tracks naphtha inventories the way they track crude oil — which is exactly why the window to act will close without visible warning. Qatar's share of global helium is 30–33%, produced as an LNG byproduct, with no large-scale alternative at comparable cost or lead time. Distributor stock at 14 days means the shortage arrives simultaneously at medical imaging units and semiconductor fabs.

Day 42 is the planning deadline, not a monitoring date

In 58% of simulation paths, three or more EU critical infrastructure sectors breach simultaneously by April 10. Above three simultaneous breaches, cascades interact multiplicatively rather than additively. Gas cost pressure, polymer shortages from naphtha distress, and helium-constrained fab capacity do not add to each other — they compound. Each disruption narrows the options available to cope with the next. All crisis response protocols must be structured to act before Day 42. Protocol activation on April 10 is too late by definition.

Permission-based transit is Iran's leverage instrument

China, India, Pakistan, and Turkey receive permission-based transit access because they sit outside the US secondary sanctions architecture and are not party to SWIFT restrictions on Iran. This is not generosity — it is payment for neutrality. Iran is using the transit permission system to consolidate a parallel geopolitical supply architecture. Every day the standoff continues, the Russia-China-India alternative supply corridor becomes more structurally embedded and harder to dissolve after a ceasefire. The long-term consequence of Scenario B's 60 to 120-day standoff is not a delayed return to the pre-war equilibrium — it is a reconfigured global energy flow map with fewer Western nodes.

The fertiliser window is closing

US Midwest corn and soy planting requires urea delivery by mid-April. Brazil's second-season soy window closes in the same timeframe. Rabobank and NDSU both project that every additional week of Gulf ammonia and urea offline pushes 2026 food inflation into 2027, because the harvest shortfall accumulates over the growing season rather than being recoverable by price signals. EU operators under NIS-2 and the Critical Entities Resilience Directive should treat fertiliser supply disruption as a reportable systemic risk event today. The regulatory obligation is not triggered at harvest failure — it is triggered at the point where a reasonable operator can identify that critical infrastructure is at significant risk.

Methodology & Sources

Chain breach timing: Weibull AFT ($k=1.50$, $\lambda=45.8d$, left-truncated Day 19) + S-curve logistic breach probability calibrated to inventory depletion rates. Simultaneous breach: EU infrastructure ABM, 100,000 paths (Day 19). Commodity prices: Merton jump-diffusion + OU mean-reversion, 12,000 paths, 7-commodity Cholesky correlation. Insurance normalisation: Weibull($k=2.0$, $\lambda=16d$) post-ceasefire, June 2025 precedent. Country reserves: IEA 2026, METI Japan, KOGAS Day 13, EIA. Falsification: Scenario B revised if daily non-US transits above 30 for 5 consecutive days, Oman backchannel formally confirmed, or Kharg Island struck.

Sources: Kpler · Argus · ICIS · Windward · Lloyd's List · UKMTO · Goldman Sachs · Capital Economics · Oxford Economics · Chatham House · WEF · Kornbluth Helium Consulting · GIE AGSI+ · QatarEnergy · CENTCOM · Rabobank · NDSU · AFBF · Fertilizer Institute · S&P Global · Rystad Energy · FAO · WFP

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