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Supply-Chain Situation Report:

Israel–Iran Escalation

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The 13 June air-strike exchange has inserted a major conflict directly across two sea-lanes that handle ≈20% of all internationally traded oil and 10–12% of world merchandise.

Markets priced that risk immediately. Brent surged 9%, safe-haven currencies firmed, and war-risk insurance for ships using the Red Sea or Gulf rose from ~0.7% to as much as 2% of hull value.

With 470 container ships already diverting around the Cape since late 2023, each new incident compounds delays, locks working capital in transit, and raises freight premiums. Analysts see a limited exchange as plausible. However, the baseline is a drawn-out proxy conflict that cements higher energy, insurance and logistics costs into 2026.

1. Current Operational Picture

1.1 Events

- 11 Jun – U.S. State Department orders for non-essential staff to depart Iraq, Bahrain and Kuwait.
- 13 Jun, 02:15 Local Time – Israel opens Operation Rising Lion, striking Iranian nuclear, missile and command sites and warning of a "prolonged operation".
- 13 June – Iranian response, Supreme Leader Khamenei vows "harsh punishment".

1.2 Immediate Market Reaction

- Brent crude up >9% intraday, largest one-day rise since 2022.
- Global risk-off – equities down; gold & CHF bid.
- War-risk premia for U.S./UK-linked ships through Red Sea 25–50% higher, translating to ~1% of hull value (~US $1 m on a Very Large Crude Carrier/VLCC).

2. Strategic Choke-Points

Corridor	Share of Global Flow	Principal Cargoes	Redundancy & Risk
Strait of Hormuz	≈21% of seaborne petroleum liquids (18–20 mb/d).	Crude, condensate, Qatari LNG	Two bypass pipelines carry <15% of normal exports. Every week of shutdown withdraws ~5 days of global supply.
Bab al-Mandeb / Red Sea / Suez	10–12% of world trade.	Containers, grains, crude	Cape detour adds 9-17 days and 30-40% bunker fuel per Asia–EU voyage.

Operational signals: >100 Houthi missile/drone incidents logged Nov-23 → May-25; wheat tonnage via Suez fell ≈40% in January 2024.

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3. Country-Level Exposure

3.1 Energy Importers

- **Japan** – >95% of crude from Gulf; a prolonged Hormuz closure would “gravely affect volume and price”.
- S. Korea / Taiwan / India / China – Each draws ≥50% of crude or LNG from Gulf suppliers, with 60–90 days reserve cover.
- **Europe** – ≈7–8% of imports from Iraq, 7% from Saudi; exposure is chiefly price transmission as 95% of EU oil is imported.

3.2 Energy Exporters

Saudi, UAE, Kuwait, Qatar, Iraq – Hormuz still carries 100% of Kuwaiti & Qatari barrels and >60% of Saudi/UAE exports even after pipeline maximisation.

3.3 Manufacturing & Retail

470 vessels have already switched to the Cape since Nov 2023; each extra Asia–EU round-trip ties up ~1–2% more working capital for just-in-time importers.

4. Scenario Analysis (outlook)

Scenario	Probability*	Logistics Consequences	Cost / Timing Impact
Limited Exchange (days)	Medium	No sustained chokepoint closure. Insurers keep cover with surcharges.	One-off premium in fuel & freight, normalises within weeks
Protracted Proxy War (months)	High	Recurrent missile/drone risk in Red Sea & Gulf. Sporadic tanker detentions.	Ocean freight +20–30% Schedule reliability <50% on Asia–EU lanes
Full Regional War (Hormuz Closed)	Low, high-impact	20% of oil & 8% of LNG stranded. Suez traffic collapses.	Brent $120–130 /bbl (JPMorgan model). Global recession risk

5. Strategic Ports at Risk

Hub	2024 Through-put	Function	Primary Threat
Ras Tanura (SA)	5.5–6 mb/d load-cap, world’s largest crude terminal.	1 in 7 traded barrels	Missile/drone strike; insurer pull-back
Ras Laffan (QA)	77 mt LNG ≈19% global.	Pillar of EU/Asia spot LNG	Closure of Hormuz; cyber intrusion
Basra Oil Terminal (IQ)	1.8 mb/d.	85% of Iraq exports	Proxy rockets; SPM sabotage
Jebel Ali (UAE)	15.5 m TEU.	Gulf trans-shipment node	Spill-over drone / GPS spoofing
Fujairah (UAE)	7.6 mt bunkers yearly.	Refuels 4k deep-sea ships/yr	Mine or fast-boat attacks in Gulf of Oman
Yanbu (SA)	3.1 mb/d East-West pipeline outlet.	Key Hormuz bypass	Houthi ASBM reach via Bab al-Mandeb
Jeddah Islamic (SA)	6.2 m TEU cap.	65% of KSA imports	Drone strikes; Red Sea risk premiums
Salalah (OM)	≈3.3 m TEU & 18.5 mt bulk.	Alternative relay outside Red Sea	Congestion as volumes reroute
Haifa / Ashdod (IL)	Fertiliser, potash, tech exports.	Israel’s trade lifeline	Hezbollah precision missiles

Port redundancy is limited. Simultaneous downtime at any two Gulf crude hubs erases ≥10% of seaborne supply; Jebel Ali-plus-Jeddah outage would push Asia–EU schedule reliability below 40%.

6. Management Priorities – 72 h

1. **Stand-up war-room** (vigilance mode if exposed)
2. **Routing audit:** flag cargoes scheduled via Hormuz/Bab al-Mandeb/Israeli ports within 30 days; assign alternates.
3. **Pre-contract Cape capacity for critical Asia–EU flows:** spot rates can jump 50% as risk hardens.
4. **Validate risk clauses:** ensure war-risk surcharges/force-majeure cascade through contracts.
5. **Liquidity stress-test:** Brent at US $120 + container spot at US $6 k/FEU (2021 analogue).
6. **Government liaison:** convoy registration, strategic stock access for fuel/food.

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7. Key Metrics at a Glance

- 21% – World oil through Hormuz.
- 12% – World trade via Red Sea/Suez.
- 470 – Container ships already on the Cape route since Nov 2023.
- 0.7 → ~1%+ – Red Sea war-risk premium jump in 2024, peaking at 2% for U.S./UK ships.
- ≈40% – January 2024 drop in Suez wheat tonnage.
- >95% – Japan's crude dependence on the Middle East.

Closing Note

The world cannot quickly substitute one-fifth of its seaborne energy or one-tenth of its merchandise throughput.

The most probable outcome, a protracted proxy conflict, locks a security premium into oil, insurance and freight markets for the next 12–18 months.

Boards should act now: diversify routing, secure risk cover, raise inventory buffers and pre-hedge fuel. Those steps, taken before underwriters, navies and charter markets fully tighten, will preserve optionality and protect enterprise value.