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IENE Comment

As Market Pressures Mount, the Global Energy Map is Being Redrawn

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*By Costis Stambolis**

Two months into the escalating Middle East conflict, the global energy system is undergoing a profound and potentially lasting transformation. With President Donald Trump determined to maintain the US naval blockade of the Strait of Hormuz, pressure on Iran has intensified, but the consequences are being felt far beyond the Gulf. Oil prices have surged sharply, supply chains have been disrupted, and long-established trade routes are being fundamentally reshaped. What is unfolding is not merely a temporary market dislocation, but a structural redrawing of the global energy map.

At the heart of the crisis lies the near-total paralysis of maritime traffic through the Strait of Hormuz, one of the world's most critical energy arteries. Despite diplomatic overtures and intermittent signals of de-escalation, tanker traffic remains at a virtual standstill. This has removed a substantial volume of oil from global markets. According to the latest estimates, nearly 14 million barrels per day (mb/d), out of total global supply of around 105 mb/d, are currently missing. This represents an unprecedented supply shock in modern energy history, placing immense strain on both producers and consumers.

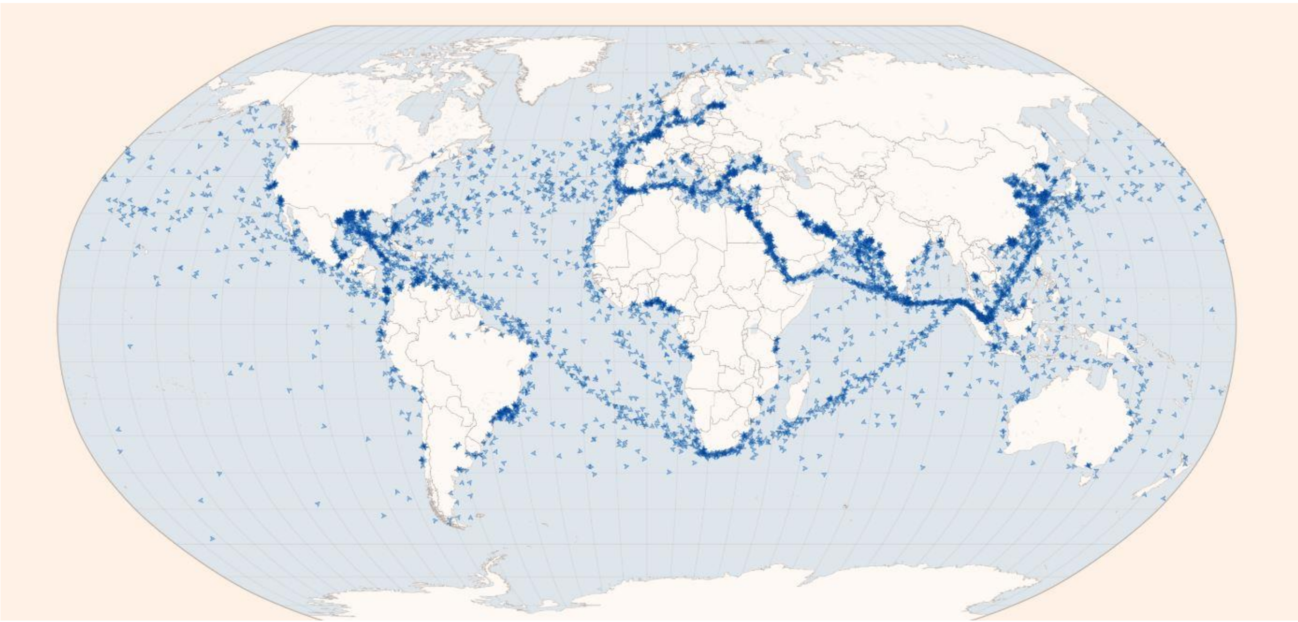
The price response has been swift and severe. Brent crude futures are now trading above $110 per barrel (while on April 30 they hit $125), while physical cargoes are changing hands at spot prices exceeding $130 per barrel. Such a divergence between futures and spot markets reflects not only tight supply but also deep uncertainty over near-term availability. In practical terms, refiners, particularly in Asia, where dependence on Gulf crude is highest, are scrambling to secure alternative supplies at almost any cost.

The broader macroeconomic implications are already becoming evident. The International Monetary Fund has revised its global growth forecast downward to 3.1% for 2026, while raising its inflation outlook to 4.4%. Some major US financial institutions paint an even bleaker picture, warning of growth slipping to 2.8% and inflation climbing to 5%. These figures underscore the central role energy plays in the global economy. When oil markets tighten to this degree, the ripple effects are felt across all sectors, from transport and manufacturing to food and consumer goods.

Even in a scenario where navigation through the Strait of Hormuz is partially restored, the outlook remains constrained. Years of underinvestment and, more recently, direct military damage to production facilities across the Gulf mean that output cannot simply rebound overnight. Analysts estimate that even under optimal conditions, the region would still be unable to replace at least 5 million barrels per day of lost supply. This creates a prolonged period of tight markets, with elevated prices likely to persist.

As traditional supply routes falter, global oil flows are being rerouted in real time. One of the most striking developments has been the surge in tanker traffic heading toward the United States. A record number of empty tankers, 65 at one point earlier this month, have been en route to US ports to load crude and refined products. This is more than double the typical weekly average and reflects the growing centrality of the US in global energy supply.

The new oil tanker routes



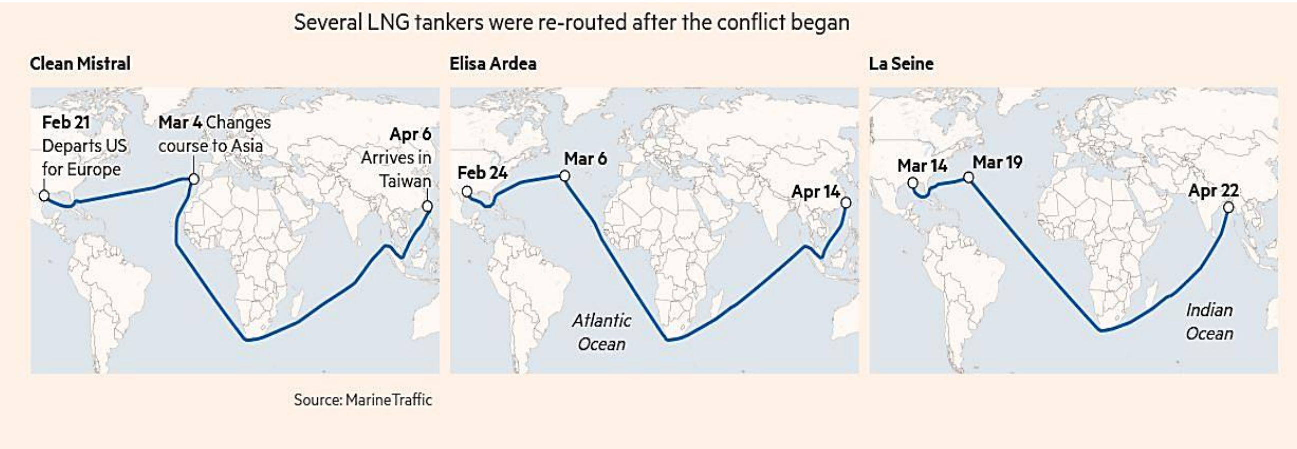
Source: Financial Times

The United States, already the world's largest oil and gas producer, is emerging as the primary beneficiary of this disruption. Its ability to ramp up exports and redirect flows toward Europe and Asia is reshaping trade dynamics. Europe, in particular, is becoming increasingly dependent on US supply. In April alone, more than one-third of Europe's jet fuel imports are expected to originate from US refineries, roughly double the level seen just a few months earlier.

According to latest available data from the IEA total US oil supply is set to increase by 480 kn/d this year to a record 21.6 mb/d, catapulting USA in the number one position as the world's biggest oil producer. Clearly taking advantage of the current Middle East conflict US oil exports surged to a record 5.2 mb/d in the first half of April, up by 1million barrels from the previous month. The US also exported about 7.5 million barrels of refined products, including gasoline and fuel oils, as overseas customers hunted for alternative suppliers amid worsening global shortages.

A similar trend is visible in the LNG market. Since the onset of the Iran conflict, multiple LNG cargoes originally destined for Europe have been diverted to Asia, where buyers are willing to pay a premium amid tightening supply. Much of this LNG originates from the United States, further reinforcing its position as a global swing supplier. While this flexibility has helped prevent an outright supply collapse, it also raises concerns about overdependence on a single provider.

Russia, too, is quietly reaping the benefits of the shifting landscape. With traditional Gulf supplies constrained, Russian crude exports to countries such as India, China, and Turkey have increased. At the same time, LNG shipments from projects in the Arctic and Far East are finding new markets in both Europe and Asia. Despite ongoing sanctions and geopolitical tensions, Russia remains an indispensable player in global energy markets, an uncomfortable reality for many Western policymakers.



The institutional architecture of the energy world is also beginning to shift. The departure of the OPEC member United Arab Emirates (UAE) marks a significant turning point. After six decades as a core member of the cartel, the UAE's decision to pursue a more independent production strategy reflects both the pressures of war and a broader desire for economic autonomy, aiming at much higher income in order to alleviate war inflicted damages and also help strengthen its battered economy. This move weakens OPEC's cohesion at a time when coordinated action is most needed, raising questions about the cartel's future relevance.

For Europe and Asia, the redrawing of the energy map presents a complex set of challenges. On the one hand, diversification away from the Gulf may enhance resilience in the long term. On the other, increased reliance on distant suppliers such as the United States introduces new vulnerabilities, including higher transport costs and exposure to transatlantic political dynamics.

Ultimately, what we are witnessing is a fundamental reconfiguration of global energy flows driven by geopolitical conflict. The traditional model, centred on stable Gulf exports feeding global markets, is being replaced by a more fragmented and fluid system. In this new landscape, flexibility, diversification, and strategic reserves will be critical. Yet. the transition is unlikely to be smooth. As long as the conflict in the Middle East persists and key chokepoints remain contested, markets will remain volatile and prices elevated. The global energy system is adapting, but at a significant economic cost. The question is not whether the map is being redrawn, it clearly is, but whether the new configuration will prove more stable or simply more fragile in the face of future shocks.

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