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RESEARCH REPORT | MARCH 6, 2026

IRAN, THE STRAIT OF HORMUZ, AND THE GLOBAL OIL SHOCK:

OPERATION EPIC FURY, THE CLOSURE OF THE WORLD'S MOST CRITICAL OIL CHOKEPOINT, AND WHAT COMES NEXT

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A Nonpartisan Research Organization | Real-Time Data as of March 6, 2026

ABOUT THIS REPORT

This report provides a comprehensive, data-driven analysis of the Iran-U.S. conflict that began on February 28, 2026, its immediate and projected impact on the Strait of Hormuz, and the implications for global crude oil markets. It incorporates real-time AIS vessel tracking data, live commodity price feeds, and analysis from Kpler, Argus Media, Rystad Energy, Goldman Sachs, Barclays, UBS, and leading geopolitical institutions. The report is current as of market close, March 6, 2026, with WTI crude at $88.45 per barrel.

EXECUTIVE SUMMARY

THE CONFLICT

On February 28, 2026, the United States and Israel launched coordinated military strikes against Iran under Operation Epic Fury and Operation Roaring Lion, targeting nuclear facilities, missile sites, military command infrastructure, and senior leadership. Iranian Supreme Leader Ali Khamenei was killed in strikes on Tehran. Iran's defense minister, army chief of staff, and multiple IRGC commanders were also killed. In retaliation, Iran launched ballistic missiles and drones against U.S. military installations in Qatar, Kuwait, Bahrain, Jordan, and Saudi Arabia, and struck Israeli population centers. The conflict represents the most significant U.S. military engagement in the Middle East since the 2003 invasion of Iraq.

THE STRAIT OF HORMUZ

Iran's Revolutionary Guard formally declared the Strait of Hormuz closed on March 2, 2026. AIS vessel tracking data confirms a 94% collapse in tanker traffic — from a historical daily average of 138 ships to just 3–5 crossings per day as of March 5. The last VLCC to attempt full passage, the KHK Empress, reversed course mid-strait on February 28. Major carriers including Maersk, Hapag-Lloyd, CMA CGM, and MSC have suspended Gulf operations. War risk insurance has been withdrawn by all major underwriters, making transit economically unviable even for vessels not under direct threat. Qatar's Ras Laffan LNG facility — the world's largest — was struck by a drone on March 2 and has halted production.

OIL MARKETS — LIVE

WTI crude stands at $88.45 per barrel as of market close March 6, 2026 — a 32% surge since February 27. Brent broke $90.65 Friday after Trump demanded 'unconditional surrender' from Iran. Brent is up 36% year-to-date. Analysts at Goldman Sachs, Barclays, and UBS have all moved $100/bbl from a tail risk to a base case if the Strait remains blocked for five or more additional weeks. Qatar's energy minister has warned publicly that prices could reach $150/bbl and 'bring down the economies of the world.' OPEC+ announced an emergency production boost on March 2, but roughly half of Gulf spare capacity is physically trapped behind the closed Strait.

OUTLOOK

The trajectory of oil prices from here depends on three variables: the pace of military de-escalation, the restoration of tanker access through Hormuz, and the administration's ability to operationalize U.S. Navy escorts and political risk insurance before market confidence collapses further. A ceasefire within two weeks returns Brent to the $75–80 range. A six-week disruption pushes prices above $100. A scenario involving sustained damage to Saudi Arabian production infrastructure is the global economy's worst-case — Goldman Sachs and Wood Mackenzie both model $120–$150 under that outcome.

$88.45	94%	20%	$150	5
WTI crudeMarch 6, 2026(+32% in 6 days)	Collapse inHormuz tankertraffic since Feb 28	Share of globaloil supply thattransits Hormuz daily	Worst-case Brentestimate (Qatarenergy minister)	Tanker crossingsrecorded March 4(avg: 138/day)

SECTION 1

THE CONFLICT: HOW WE GOT HERE

FROM ESCALATION TO OPERATION EPIC FURY

The military confrontation of February 28, 2026 did not emerge suddenly. It was the culmination of a 14-month escalation cycle that began with Israeli strikes on Iranian nuclear facilities in June 2025, accelerated through a cascade of proxy engagements across the Middle East, and culminated in a U.S. military buildup that intelligence officials described as the largest in the region since the 2003 invasion of Iraq. By mid-February 2026, two U.S. carrier strike groups — the USS Abraham Lincoln and the USS Gerald R. Ford — were positioned in the region, alongside submarines, guided-missile destroyers, and HIMARS missile systems.

Diplomatic efforts ran concurrently with the military buildup. Indirect nuclear talks were held in Oman on February 6 and in Geneva on February 17 and 26. The core impasse was irreconcilable: the United States demanded zero uranium enrichment and the complete dismantlement of Iran's enrichment infrastructure; Iran insisted on its 'inalienable right' to enrichment and pointed to its 460 kilograms of 60%-enriched uranium as leverage — material that, U.S. envoy Steve Witkoff noted publicly, was sufficient in theory to produce 11 nuclear weapons. A third round of Geneva talks on February 26 ended without agreement. On February 28, following Trump's self-imposed 10-day diplomatic deadline, strikes began.

The operation targeted three priority categories simultaneously: Iranian air defense systems (to suppress counterattack capability), nuclear and missile infrastructure, and the senior command structure of the Islamic Republic. Strikes hit Tehran, Isfahan, Qom, Karaj, and Kermanshah. Supreme Leader Khamenei — Iran's highest authority since 1989 — was killed in an airstrike on his compound in Tehran. Defense minister Aziz Nasirzadeh, army chief Abdolrahim Mousavi, and the head of IRGC proxy operations Mohammad Pakpour were also confirmed killed. Iranian state media declared 40 days of national mourning and a 7-day public holiday.

LIVE CONFLICT STATUS — MARCH 6, 2026

Operation Epic Fury remains active. Approximately 2,000 U.S.-Israeli strikes have been conducted as of March 1. Iran has responded with roughly 170 ballistic missiles and drone waves targeting Israel, Jordan, Kuwait, Qatar, Bahrain, Saudi Arabia, and UAE. A drone struck the UK's RAF Cyprus base. Iran's IRGC declared the Strait of Hormuz closed on March 2. Trump stated on March 6: 'UNCONDITIONAL SURRENDER' is the only acceptable outcome. Talks remain open — Trump told The Atlantic on March 2 that he has 'agreed to talk' with Iran.

IRAN'S PRE-WAR STRATEGIC POSITION

Understanding the oil market implications requires understanding the strategic context in which Iran entered this conflict. By early 2026, Iran's regional position had weakened considerably from its 2023 peak. Israel had systematically dismantled the Axis of Resistance proxy network — Hezbollah's operational capacity was severely degraded, Hamas had been significantly weakened, and Assad's Syria had fallen in December 2024. The June 2025 strikes on Iranian nuclear facilities, while not fully eliminating the program's scientific knowledge base or enriched uranium stockpile, delayed the nuclear timeline by what Israeli intelligence assessed as several years.

Domestically, Iran was in crisis. Inflation running above 60%, severe energy shortages, and collapsing pharmacy networks had sparked nationwide protests in all 31 provinces beginning December 28, 2025 — the most significant internal unrest since the 2022 Women, Life, Freedom movement. The protests were suppressed with force. This internal fragility, combined with the degradation of its proxy deterrence network, left Iran's leadership in a strategically weakened posture when U.S. strikes began on February 28.

Critically, Iran anticipated the strikes. Between February 15 and 20, the IRGC Navy conducted what it described as a military drill — temporarily closing portions of the strait — causing a 6% single-day oil price spike. More significantly, Iran ramped its oil exports to three times normal levels during that same window, aggressively drawing down storage and getting barrels to market before anticipated supply disruption. This pre-surge means that Iran entered the active conflict phase with minimal buffer inventory — any near-term production loss carries limited cushion.

TABLE 1: IRAN CONFLICT TIMELINE – KEY ESCALATION EVENTS

Date	Event	Oil Price Response
Jun 2025	US-Israel strike Iranian nuclear facilities (Phase 1)	Brent +12% on day; retreated on ceasefire
Dec 28, 2025	Nationwide protests begin in all 31 Iranian provinces	Minimal — viewed as internal instability
Jan 23, 2026	Trump announces 'armada' heading to Middle East (USS Abraham Lincoln + escorts)	Brent +4–5% risk premium builds
Feb 3, 2026	IRGC gunboats attempt to seize US tanker in Strait; F-35 shoots down Shahed drone	WTI +3%
Feb 5, 2026	IRGC seizes two foreign oil tankers near Farsi Island	WTI +4%
Feb 13, 2026	Trump: USS Gerald R. Ford deployed to Middle East	Brent +5%; risk premium elevated
Feb 15–20	Iran triples oil export rate; draws down storage pre-emptively	Muted — market reads as de-escalation signal
Feb 15–20	IRGC Navy closes portions of Strait for 'military drill'	Brent +6% over 3 days
Feb 24, 2026	Trump SOTU: Iran pursuing nuclear weapons, US 'prepared to act'	WTI +3%
Feb 28, 2026	Operation Epic Fury begins; Khamenei killed	WTI +8.6% → $72.79; Brent +9% → $79.45
Mar 1, 2026	Iran declares Strait of Hormuz closed; IRGC fires on tankers	WTI extended hours +further 4–5%
Mar 3, 2026	WTI tops $80; Brent $85.41; Trump offers naval escorts/insurance	WTI briefly eases; closed +2%
Mar 4, 2026	5 Hormuz crossings total; Brent $82.76; Ras Laffan LNG offline	Brent +1.6%; WTI $75.48

Date	Event	Oil Price Response
Mar 5, 2026	WTI $81.01 (largest single-day gain since May 2020); gas +27¢/gal	WTI +8.51%; Brent +4.93%
Mar 6, 2026	Brent $90.65; WTI $88.45; Trump demands 'unconditional surrender'	WTI +8.76%; Brent +6.14%

Sources: CNBC, Reuters, Kpler, Argus Media, CME Group. All prices as of market close or most recent available, March 6, 2026.

SECTION 2

THE STRAIT OF HORMUZ: GEOGRAPHY, STAKES, AND LIVE DATA

WHY HORMUZ IS THE WORLD'S MOST CRITICAL OIL CHOKEPOINT

The Strait of Hormuz is a 21-mile-wide waterway connecting the Persian Gulf to the Gulf of Oman and the Arabian Sea. It sits between Iran to the north and Oman and the United Arab Emirates to the south. The navigable shipping channel within the strait is only about 2 miles wide in each direction — an extraordinarily narrow passage given the volume of global commerce that depends on it. The U.S. Energy Information Administration designates Hormuz as a 'critical oil chokepoint,' and by virtually any measure it is the most consequential maritime bottleneck in the world.

In 2025, an average of 14–20 million barrels of crude oil per day transited the Strait — representing approximately 20% of global oil consumption and roughly one-third of total seaborne crude exports worldwide. About three-quarters of those exports are destined for Asian economies: China, India, Japan, and South Korea are the Strait's primary downstream customers, collectively dependent on Persian Gulf crude for a substantial share of their total energy consumption. The Gulf exporters whose production depends on Strait access — Saudi Arabia, Iran, Iraq, Kuwait, the UAE, and Qatar — collectively represent one of the largest concentrations of energy production infrastructure on the planet.

Qatar's relevance extends beyond crude oil. The Ras Laffan facility in Qatar is the world's largest single LNG production complex, responsible for approximately 77 million tonnes of LNG exports per year — a significant share of global LNG supply. Qatar supplies roughly 15–20% of Europe's LNG imports and is the primary LNG source for several Asian economies. A prolonged Strait closure does not merely threaten oil markets; it simultaneously threatens global natural gas supply chains that billions of people depend on for heating, electricity generation, and industrial production.

TABLE 2: STRAIT OF HORMUZ — KEY METRICS AND STAKES

Metric	Data	Implication
Width of navigable channel	~2 miles (each direction)	Extremely vulnerable to blockade or interdiction
Average daily vessel transits (historical)	~138 vessels/day	Baseline for measuring current disruption
Daily crude oil throughput	14–20 million barrels/day	~20% of global oil consumption
Share of global seaborne crude exports	~33%	No single chokepoint carries more oil globally

Metric	Data	Implication
Primary destination	China, India, Japan, S. Korea	Asian energy security most exposed
LNG throughput	Qatar: 77mn t/yr via Hormuz	Ras Laffan offline as of March 2; force majeure imminent
Key alternative routes	Saudi Arabia East-West Pipeline (7mb/d cap); UAE Fujairah Pipeline	Only partial bypass — Jeddah terminal limits flow
OPEC+ spare capacity	~3.5 mb/d (Saudi Arabia + UAE)	Largely inaccessible if Strait remains closed

Sources: U.S. EIA, Kpler, Argus Media, IEA, 2025–2026.

LIVE AIS VESSEL TRACKING DATA — MARCH 5-6, 2026

LIVE MARITIME INTELLIGENCE

The following data is drawn from AIS (Automatic Identification System) vessel tracking intelligence published by Kpler, Argus Media, Windward Maritime AI, and the Worldwide AIS Network between March 4–6, 2026. AIS is the international standard for vessel identification and tracking; all commercial vessels above 300 gross tonnes are required to broadcast. Note that some vessels are transiting without AIS broadcast (dark shipping) for safety reasons, meaning actual traffic may be marginally higher than reported figures. Even accounting for dark transits, the effective closure of the Strait for commercial purposes is confirmed across all independent data sources.

The Worldwide AIS Network captured 104,523 individual AIS transmissions from 1,471 unique vessels in the Strait of Hormuz region between February 25 and March 4, 2026. The data tells a story of progressive maritime collapse. On February 28 — the day strikes began — 50 tankers attempted transit. By March 2, that number had effectively reached zero for meaningful commercial traffic. The last VLCC (Very Large Crude Carrier) to attempt a full passage was the KHK Empress, which entered the Strait westbound on February 28 traveling at 14 knots, then executed a sudden U-turn and retreated east at speeds of up to 16.7 knots — a dramatic real-time signal of the deteriorating security environment.

Argus Media's Joint Maritime Information Centre (JMIC) data confirms that tanker transits fell 94% from February 28 to early March — from 50 tankers on the day of the strikes to fewer than 3 on March 4. Cargo ship transits collapsed from 98 to 18 over the same period. The March 5 Windward Maritime Intelligence Daily recorded only 5 vessel crossings on March 4, against a historical daily average of 138 ships. The intelligence platform also detected 44 AIS signal injection zones and 92 AIS denial areas across the Gulf — indicating coordinated electronic warfare activity intended to disrupt maritime navigation and intelligence gathering.

The tanker destination analysis from the Worldwide AIS Network reveals the asymmetric exposure of Asian economies. Of 85 laden tankers tracked in the region during the study window, 71 were headed to Asian destinations versus 14 to European ports — a 5-to-1 ratio. China alone accounted for 21 tankers, including 12 fully loaded VLCCs at draughts exceeding 20 meters (carrying approximately 2 million barrels each). Named vessels include the VESUVIO (bound for Zhoushan), UNIVERSAL CREATOR (Ningbo), and XIN YONG YANG (Jieyang). India registered 22 tankers, including three Indian-flagged VLCCs — DESH VAIBHAV, DESH VIRAAT, and DESH VISHAL — likely carrying some of the last crude loaded before the effective closure.

TABLE 3: LIVE AIS VESSEL TRAFFIC DATA — STRAIT OF HORMUZ (FEB 25 – MAR 6, 2026)

Date	Tanker Crossings	Cargo Ship Crossings	Key Event / AIS Notable
Feb 25–27 (avg)	~48–50/day	~90–100/day	Pre-strike baseline; slightly elevated risk premium
Feb 28	50 (declining)	~80	Strikes begin; KHK Empress reverses mid-strait at 16.7 knots
Mar 1	~15	~40	Iran IRGC VHF Channel 16 warnings issued; insurance withdrawal begins
Mar 2	~5	~20	IRGC formally declares Strait closed; Maersk/MSC/CMA CGM suspend ops
Mar 3	~4	~19	IRGC missile strikes tanker near Kuwait; British Navy reports explosion
Mar 4	5	~18	44 AIS spoofing zones; 92 AIS denial areas detected; Ras Laffan offline
Mar 5	~3–5	~15	Bab el-Mandeb traffic +950% as diversions begin; Cape of Good Hope rerouting elevated
Mar 6 (live)	<5 estimated	<15 estimated	No IEA strategic reserve release announced; $88.45 WTI; $90.65 Brent

Sources: Argus Media JMIC; Windward Maritime AI; Kpler AIS Intelligence; Worldwide AIS Network. March 6, 2026.

THE INSURANCE SHUTDOWN: THE REAL MECHANISM OF CLOSURE

> The Strait of Hormuz is not physically blocked in the traditional sense. Iran does not have the naval capacity to physically seal 21 miles of ocean. What has effectively closed the Strait is the complete withdrawal of war risk insurance coverage by the global marine insurance market — making transit economically unviable for virtually all commercial operators, regardless of their assessment of actual physical risk.

This is a crucial distinction for understanding the oil market dynamics. A physical naval blockade could potentially be cleared by U.S. naval assets. An insurance market collapse is a more distributed, harder-to-reverse phenomenon. War risk insurance premiums in the Persian Gulf have reached six-year highs — in some reports described as effectively uninsurable at any commercially viable rate. Major oil companies, which have legal and fiduciary obligations around insured transit, cannot instruct their chartered vessels into uninsured war zones regardless of their individual risk assessment. Until insurance markets resume covering Gulf transit, the Strait remains functionally closed for most commercial purposes even if the physical security environment improves.

Kpler's analysis notes that the insurance shutdown has simultaneously affected crude, petroleum products, LPG, and LNG supply chains — making this a simultaneous multi-commodity supply disruption of unusual breadth. The analogy to a traditional physical blockade significantly understates the scope of the problem; it is more accurate to describe the current situation as a comprehensive commercial maritime shutdown across all Gulf energy export categories.

ALTERNATIVE EXPORT ROUTES: CAPACITY AND CONSTRAINTS

The most frequently cited bypass option for Gulf crude exports is Saudi Arabia's East-West Pipeline (EWP), which runs from the Eastern Province oil fields across the Arabian Peninsula to the Red Sea port of Yanbu. The pipeline has a nameplate capacity of approximately 7 million barrels per day — theoretically substantial. However, Jeddah's terminal infrastructure significantly limits actual throughput to far below that headline figure, and the pipeline was not designed to serve as a primary export artery for Saudi Arabia's full production capacity simultaneously with the needs of other Gulf producers.

The UAE's Habshan-Fujairah pipeline offers a second bypass, running crude from Abu Dhabi's onshore fields directly to the Port of Fujairah on the Gulf of Oman — bypassing the Strait entirely. Fujairah is the world's fourth-largest bunkering center and has genuine export capacity. But again, the pipeline's capacity is sufficient only for a portion of UAE's export requirements, and the broader Gulf complex — Iraq, Kuwait, Qatar — has no equivalent bypass infrastructure. Kpler estimates that the Saudi and UAE pipelines together could sustain perhaps 20–30% of normal Gulf export volumes. They could not replace a full Strait closure.

A third possibility is diversion around the Cape of Good Hope — the long route used by tankers that previously bypassed the Suez Canal during the Red Sea Houthi crisis of 2023–2024. AIS data confirms this diversion has already begun at scale: Cape of Good Hope transit traffic remains elevated as of March 6. However, the Cape route adds approximately 10–14 days of sailing time from the Gulf to European ports and 6–8 days to East African ports, imposing substantial additional cost and effectively reducing the tanker fleet's carrying capacity by absorbing vessels on longer routes.

TABLE 4: ALTERNATIVE EXPORT ROUTE CAPACITY ASSESSMENT

Route	Daily Capacity	Current Status	Key Limitation
Saudi East-West Pipeline (→ Yanbu/Red Sea)	Up to 7 mb/d theoretical	Active but constrained	Jeddah terminal limits actual throughput; Saudi-only
UAE Habshan-Fujairah Pipeline (→ Gulf of Oman)	Approx. 1.5 mb/d	Active	UAE-only; partial bypass for one country's exports
Cape of Good Hope diversion (→ Europe/Asia)	Fleet-dependent	Elevated (AIS confirmed)	+10–14 days transit; reduces effective tanker fleet capacity
Bab el-Mandeb / Red Sea (for Red Sea-origin cargo)	N/A — destination route	Traffic up 950% Mar 4	Not applicable to Gulf crude; indirect route only
Combined realistic bypass capacity	~20–30% of normal Gulf flow	Insufficient	Cannot replace 14–20 mb/d Hormuz throughput

Sources: Kpler; Argus Media; U.S. EIA; Saudi Aramco corporate disclosures. March 2026.

SECTION 4

OIL MARKET IMPACT: PRICE ACTION, ANALYST FORECASTS, AND SCENARIOS

CURRENT PRICE ACTION

As of market close on March 6, 2026, WTI crude trades at $88.45 per barrel — up approximately 32% from its pre-strike close of approximately $66.90 on February 27. Brent crude, the global benchmark, has broken $90.65 — up 36% year-to-date according to LSEG data. Both benchmarks are at their highest levels since early 2025. Retail gasoline in the United States has jumped nearly 27 cents per gallon in a single week, reaching $3.25 per gallon on average according to AAA — the sharpest weekly increase since Russia invaded Ukraine in March 2022.

The price surge has not been linear. It has followed a pattern of spike-and-partial-recovery corresponding to specific military and diplomatic developments: an initial 8–9% jump on the day of strikes, a partial retracement when Trump announced naval escort and insurance offers on March 3, a renewed surge on March 5 as the WTI single-day gain of 8.51% represented the largest since May 2020, and a further escalation on March 6 following Trump's demand for 'unconditional surrender.' This volatility pattern is consistent with markets pricing a range of scenarios rather than a single outcome — a risk distribution that will remain wide until the military and diplomatic trajectory becomes clearer.

TABLE 5: OIL PRICE ANALYST FORECAST MATRIX — MARCH 2026

Institution	Base Case Q2 2026	Escalation Scenario	Worst Case	Key Assumption
Goldman Sachs	$76/bbl Brent	$100 (5-week disruption)	Not modeled separately	Hormuz flows remain flat 5 additional weeks → $100
Barclays	$85–90	$100	$120+	Prolonged disruption; Saudi infrastructure at risk
UBS	$85–90 range	Above $88 intraday	$120 material risk	Pace of Hormuz rebound is key variable
Bank of America	>$100 if extended	EU natural gas >€60/MWh	Not specified	Six-week Strait closure; Asian inflation +0.7 ppts
Rystad Energy	Significant repricing	$100+ if no de-escalation	Not specified	'Hardest to overstate' market impact
Qatar energy min.	Not forecast	Not forecast	$150 ('bring down world economies')	All Gulf exporters declare force majeure
Wood Mackenzie	Comparison to Russia/Ukraine	$100+ plausible	$120–150 (Saudi infra hit)	Parallel to Russia 2022 supply fear dynamics
Yale Budget Lab / Kpler	$70–80 end of week	Depends on Hormuz speed	Not specified	Spike-and-partial-recovery if de-escalation emerges

Sources: Goldman Sachs client notes; Barclays analyst Amarpreet Singh; UBS analyst Henri Patricot; Bank of America; Rystad Energy; Kpler; Wood Mackenzie. March 2026.

THE OPEC+ RESPONSE: PARTIAL RELIEF, STRUCTURAL CONSTRAINT

Eight OPEC+ member countries announced an emergency production increase on March 2, 2026, the day after strikes began. This was a significant signal of willingness to stabilize markets — but the structural reality is that the announcement provides limited practical relief. OPEC+ retains an estimated 3.5 million barrels per day of spare capacity, concentrated in Saudi Arabia and the UAE. The problem is that a significant portion of that capacity cannot reach global markets as long as the Strait of Hormuz remains inaccessible.

Saudi Arabia's East-West pipeline and UAE's Fujairah pipeline can move some additional volume around the bottleneck. But the math does not close: a full Strait closure removes 14–20 million barrels per day of potential flow, and the bypass infrastructure can at best handle 20–30% of that volume. The IEA announced on March 6 that it has no current plans for a collective release of strategic petroleum reserves — a notable absence given the scale of the disruption. If the IEA does eventually authorize an SPR release, it could add additional short-term supply buffer, but strategic reserves are a demand-side tool, not a production replacement.

For U.S. domestic consumers, the direct exposure is more buffered than it appears from global price headlines. U.S. tight oil production — which does not transit Hormuz — continues uninterrupted, and the United States is now a net exporter of crude oil. The domestic price impact operates primarily through the global benchmark pricing mechanism: because oil is a globally fungible commodity, disruptions anywhere affect prices everywhere. American refiners who source domestic crude still price against the global market. Higher global prices feed through to the U.S. pump regardless of where the physical barrels originate.

> 'Since oil is a global, fungible commodity, a disruption anywhere affects prices everywhere. A loss of Iranian barrels would cause China to bid for substitute supplies.' — Clayton Seigle, CSIS, March 2026

RUSSIA'S STRATEGIC WINDFALL

The conflict has materially improved Russia's competitive position in global crude oil markets in ways that deserve explicit attention. With Middle Eastern barrels facing logistical disruption and insurance constraints, both India and China face strong structural incentives to deepen their reliance on Russian crude supply — geography, established logistics infrastructure, and the absence of war risk premiums on Russian routes all favor this pivot. Kpler's analysis identifies India as the most acute near-term case: it is likely pivoting toward Russian crude immediately. China, which had modestly moderated its Russian crude intake in recent months, is likely to abandon that restraint if the Gulf disruption extends.

The United States has acknowledged this dynamic and responded with a 30-day waiver for India, permitting continued Russian crude purchases — a pragmatic acknowledgment that forcing India to compete for other supply during an active oil shock would compound prices for all consumers. Russia's energy windfall compounds the geopolitical complications of the Iran operation: a military action designed to reduce a security threat from one adversary simultaneously strengthens the economic position of another.

SECTION 5

PRICE SCENARIOS: THE VARIABLES THAT WILL DETERMINE OUTCOMES

The current crude oil price — WTI at $88.45, Brent at $90.65 — reflects a market pricing an unresolved conflict with genuinely wide outcome distributions. Three primary variables will determine whether the next move in crude is toward $75 or toward $150.

Variable 1: Speed of Military De-Escalation. The most significant single driver is whether the conflict moves toward ceasefire or escalates further. Trump has indicated openness to talks while demanding unconditional surrender — a posture that could represent a negotiating ceiling or a genuine end state. Iran's new leadership (Khamenei's successor has not been publicly confirmed as of March 6) faces the simultaneous pressures of military degradation, domestic unrest, and economic collapse. A ceasefire within two weeks — the scenario associated with Brent returning to the $75–80 range per the Yale Budget Lab — requires both sides to find a formula that allows de-escalation without either appearing to capitulate. That is a narrow diplomatic path, but it is not closed.

Variable 2: Restoration of Hormuz Transit. Even a ceasefire does not automatically reopen commercial shipping. Insurance markets will not normalize overnight once hostilities end. War risk coverage typically requires a defined period of calm — industry convention suggests 30–60 days of incident-free conditions before normal rates resume. Trump's offer of U.S. Navy escorts and political risk insurance through the Development Finance Corporation is a creative market intervention, but it requires operationalization: the DFC insurance framework has never been used at this scale, and its legal and commercial terms are not yet public. Navy escorts are operationally feasible for a limited number of high-priority vessels but cannot simultaneously escort the hundreds of tankers required to restore full commercial throughput. The most realistic near-term path to Hormuz reopening is a combination of military de-escalation, U.S. naval presence signaling, and insurance market recovery — a process that takes weeks, not days.

Variable 3: Saudi Arabian Production Infrastructure. The scenario that analysts describe as the global economy's worst case is sustained damage to Saudi Arabia's oil production infrastructure — most specifically, its Abqaiq processing facility, which handles approximately 7% of global oil supply in a single location. Iran has launched waves of ballistic missiles and drones targeting Gulf states hosting U.S. forces; the geographic proximity of those targets to Saudi production infrastructure is close enough to represent a credible risk. Bob McNally of Rapidan Energy Group and Goldman Sachs both flag Saudi infrastructure damage as the tail risk that could push prices toward $120–$150 — a level associated with global demand destruction and serious macroeconomic consequences.

TABLE 6: OIL PRICE SCENARIO MATRIX — WTI AND BRENT PROJECTIONS

Scenario	Trigger Conditions	WTI Estimate	Brent Estimate	Timeline
De-escalation / Ceasefire	Talks succeed within 2 weeks; Hormuz insurance recovers	$70–80	$75–85	2–4 weeks from ceasefire

Scenario	Trigger Conditions	WTI Estimate	Brent Estimate	Timeline
Prolonged Disruption (5 weeks)	No ceasefire; Hormuz effectively closed 5+ additional weeks	$90–100	$100–110	Already approaching base case as of Mar 6
Escalation — Saudi Infrastructure	Iranian missiles/drones hit Abqaiq or Ras Tanura	$110–130	$115–135	Immediate spike on incident
Full Gulf Force Majeure	All Gulf exporters halt exports; Ras Laffan offline extended	$130–150	$140–150+	Days-to-weeks from full shutdown
Rapid Resolution (< 1 week)	Iran accepts terms; IRGC stand-down announced	$65–72	$70–78	Sharp reversal on ceasefire news

Sources: CDRI scenario analysis based on Goldman Sachs, Barclays, UBS, Rystad Energy, Wood Mackenzie, and Qatar energy minister public statements. March 2026.

CRITICAL WATCH ITEM — MARCH 6, 2026

Qatar's energy minister Saad al-Kaabi stated Friday that it could take 'weeks or months' for LNG deliveries to return to normal even if the war ended immediately. Ras Laffan's 77mn t/yr facility remains offline following the March 2 drone strike. Al-Kaabi stated that all Gulf exporters are expected to declare force majeure 'within days.' If LNG prices reach $40/mn Btu — his cited scenario — the energy shock extends from crude oil into the global natural gas market simultaneously, significantly compounding macroeconomic consequences for Europe and Asia.

SECTION 6

MACROECONOMIC AND POLICY IMPLICATIONS

CENTRAL BANKS CAUGHT BETWEEN INFLATION AND SLOWDOWN

The oil shock arrives at a structurally awkward moment for global central banks. After a multi-year campaign to suppress post-pandemic inflation, major central banks — the Federal Reserve, the European Central Bank, the Bank of England — had begun an easing cycle or were signaling imminent rate reductions. Higher energy prices now threaten to reverse the inflation progress that justified those pivot decisions. Brent crude has risen 36% year-to-date; gasoline prices in the United States are up sharply; jet fuel disruption is following with a slight lag, according to Kpler.

Goldman Sachs estimates that a six-week Strait of Hormuz closure and oil prices rising from $70 to $85 per barrel could add approximately 0.7 percentage points to regional Asian inflation — with the Philippines and Thailand most vulnerable, and China facing a more modest but non-trivial increase. Bank of America models European natural gas prices breaking €60/MWh under the extended-disruption scenario. The Fed faces a classic

supply-shock policy dilemma: tightening to combat energy inflation risks tipping an already-cautious economy into contraction; easing risks embedding elevated energy costs into broader price expectations.

Asian governments face a somewhat different set of choices. Nomura's economists note that Asian governments are likely to deploy fiscal policy as the 'first line of defense' — price controls, fuel subsidies, excise tax cuts, and reduced import tariffs. These tools can buffer consumers from the immediate price shock but add strain to governments already running thin fiscal margins. The policy trade-off between higher inflation and worse fiscal positions is one that each government must navigate individually, with no clearly dominant option.

THE U.S. DOMESTIC PICTURE

For American consumers, the oil shock's domestic impact is real but more contained than the global headline numbers suggest. The United States is a net crude oil exporter and the world's largest producer; domestic tight oil production faces no supply disruption from Hormuz. The price transmission mechanism is indirect — global benchmark pricing pulls U.S. wellhead prices higher even when domestic supply is unaffected. The current $3.25 national average for retail gasoline is elevated but not at crisis levels by historical standards. A sustained move toward $100 WTI would push pump prices toward $4.00 and would represent a meaningful household cost increase, particularly for lower-income families who spend a higher share of income on transportation and energy.

The administration faces a dual political challenge: prosecuting a military operation in Iran while simultaneously managing the domestic economic fallout of the energy price spike that operation has caused. Trump's announcement of naval escorts and DFC insurance for Gulf transit represents an attempt to interrupt the oil price feedback loop — essentially signaling that the U.S. government will backstop the maritime risk that commercial insurance markets have withdrawn from. Whether that signal is sufficient to restore commercial confidence before prices rise further will be a key test of the policy's effectiveness in the coming days.

On the fiscal side, higher crude prices create an interesting asymmetry: U.S. energy producers — particularly tight oil operators in the Permian Basin and other shale plays — benefit substantially from elevated prices. Exxon Mobil rose 4.1% and Chevron 3.9% in pre-market trading on the day of the strikes. Defense sector stocks — Northrop Grumman, Lockheed Martin — are also elevated on military spending expectations. The distributional politics of an oil shock are thus complex: households and transportation-dependent industries are harmed while energy and defense sectors are advantaged, complicating any simple political narrative about the conflict's economic impact.

TABLE 7: MACROECONOMIC IMPACT SUMMARY — KEY VARIABLES

Category	Near-Term Impact	Extended Scenario	Policy Response
U.S. retail gasoline	$3.25/gal (+27¢/week)	$4.00+ if WTI sustains $100	SPR release possible; admin signaling price management
U.S. CPI (energy component)	+0.5–1.0 ppts Q2 2026 est.	+1.5–2.5 ppts sustained	Fed pauses/reverses easing; monitors for demand destruction
EU natural gas	Elevated	>€60/MWh (BoA scenario)	Demand rationing; LNG re-routing from U.S./Australia
Asian inflation (broad)	+0.3–0.5 ppts	+0.7 ppts (Goldman Sachs est.)	Fuel subsidies; price controls; excise tax cuts
Global GDP growth	-0.1 to -0.3 ppts 2026 est.	Greater if shock persists 6+ weeks	G7 coordination possible; IMF/World Bank monitoring

Category	Near-Term Impact	Extended Scenario	Policy Response
Russian crude competitive position	Significantly improved	India/China deepening reliance	U.S. India waiver (30 days); geopolitical complication
U.S. energy sector equities	Exxon +4.1%, Chevron +3.9%	Sustained elevation	Domestic producers benefit; no policy intervention expected

Sources: AAA; Goldman Sachs; Bank of America; Nomura; CDRI analysis. March 6, 2026.

SECTION 7

CRITICAL WATCH LIST: WHAT TO MONITOR IN THE COMING DAYS

The following indicators represent the most consequential data points for oil market participants, policymakers, and analysts in the days and weeks ahead. They are presented in approximate order of their potential market impact.

1. Daily Hormuz AIS Tanker CrossingsThe single most important oil market data point. Monitor Kpler, Argus Media, and Windward Maritime for daily crossing counts. Current baseline: 3–5 crossings vs. 138 historical average. Any sustained move above 20–25 crossings/day signals insurance market stabilization and a meaningful de-escalation signal. A further collapse toward zero would trigger the $100+ scenarios modeled by Goldman Sachs.

2. War Risk Insurance Premium TrajectoryCommercial transit will not normalize until war risk insurance resumes at commercially viable rates. Monitor Lloyd's of London and the International Group of P&I Clubs for coverage announcements. The DFC political risk insurance program announced by Trump on March 3 needs to be operationalized and publicly detailed before commercial operators can act on it.

3. Ras Laffan LNG Facility StatusThe world's largest LNG facility has been offline since March 2 following a drone strike. Qatar's energy minister has stated it could take 'weeks or months' to restart. Any announcement of damage assessment, repair timeline, or force majeure declarations from Gulf LNG exporters will move natural gas markets globally and compound the energy shock.

4. Iranian Leadership SuccessionWith Khamenei killed, Iran's succession mechanism is constitutionally defined (the Assembly of Experts selects a successor) but operationally unclear given ongoing strikes and command disruption. A coherent successor with authority to negotiate could enable faster de-escalation. A fragmented or contested leadership transition prolongs the conflict and its oil market implications.

5. Saudi/UAE Infrastructure StatusThe worst-case scenario for oil markets — damage to Abqaiq, Ras Tanura, or similar Saudi production infrastructure — is the tail risk that moves prices to $120–$150. Monitor Aramco operational updates and satellite imagery services (Planet Labs, Maxar) for any anomalous activity near production facilities.

6. OPEC+ Emergency Production DecisionsThe March 2 OPEC+ production increase announcement provided limited practical relief given Strait constraints. A subsequent emergency meeting or additional production commitments, particularly from Saudi Arabia or UAE with bypass-route export capacity, could signal to markets that spare capacity is being mobilized through available routes.

7. U.S. Strategic Petroleum Reserve ReleaseThe IEA confirmed on March 6 that it has no current plans for a collective emergency reserve release. A reversal of that position — particularly a coordinated IEA release — would provide an immediate supply signal to markets. The U.S. SPR currently holds approximately 350 million barrels and could be drawn down at 1–4 million barrels/day, providing several months of partial buffer. This option remains explicitly available to the administration.

CONCLUSION

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The Iran conflict that began on February 28, 2026 has produced the most significant disruption to global oil supply infrastructure since Russia's invasion of Ukraine in March 2022 — and in terms of the strategic geography involved, arguably since the 1973 Arab oil embargo. The Strait of Hormuz, through which roughly 20% of global oil consumption flows daily, has effectively ceased functioning as a commercial maritime corridor. AIS vessel tracking data confirms a 94% collapse in tanker traffic. War risk insurance has been withdrawn across the Gulf. Qatar's LNG facility — the world's largest — is offline. All major Gulf exporters are approaching force majeure decisions.

WTI crude at $88.45 and Brent at $90.65 as of March 6, 2026 represent a market that has already moved decisively in response to confirmed supply disruption — not merely risk premium. The question is whether current prices reflect the ceiling of the shock or an intermediate step toward the $100–$150 scenarios modeled by Goldman Sachs, Barclays, UBS, and Qatar's own energy minister. The answer depends primarily on three variables that remain genuinely uncertain: the pace of military de-escalation, the restoration of commercial insurance coverage for Hormuz transit, and whether Iranian retaliation extends to Saudi Arabian production infrastructure.

The administration's military and diplomatic posture as of March 6 — demanding unconditional surrender while leaving diplomatic channels open — is internally consistent as a pressure strategy, but it does not yet provide the market a clear timeline to resolution. Until that timeline emerges, oil price volatility will remain high, and the risk distribution skews meaningfully to the upside given the current physical state of Hormuz transit.

For policymakers, the most urgent priorities are operationalizing the DFC maritime insurance framework, coordinating with the IEA on strategic reserve options, and ensuring that diplomatic channels remain genuinely open rather than instrumentally open. For market participants, the three primary data signals to watch are daily Hormuz AIS crossing counts, the war risk insurance premium trajectory, and any developments regarding Saudi and UAE production infrastructure. The conflict is active, the stakes are historically high, and the outcome remains unresolved.

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The Civic Data & Research Institute (CDRI) is a nonpartisan research organization dedicated to data-driven analysis and public education on civic and public policy issues. This report draws on live AIS vessel tracking data, real-time commodity price feeds, and analysis from Kpler, Argus Media, Penn Wharton, Goldman Sachs, Rystad Energy, and leading geopolitical research institutions. All data reflects conditions as of March 6, 2026.

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