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The Strait of Hormuz: Security Developments and Impacts on Oil, Gas, and Other Commodities

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The Strait of Hormuz: Security Developments and Impacts on Oil, Gas, and Other Commodities

SUMMARY

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The onset of U.S. and Israeli military operations against Iran in late February 2026 triggered Iranian retaliations, including Iranian efforts to assert control over the Strait of Hormuz (the Strait) via threatened and actual attacks on commercial shipping. The Strait, which comprises both Iranian and Omani territorial waters, is a key waterway, particularly for the transit of oil and natural gas and other commodities to world markets. In 2025, roughly 25% of the world's maritime trade in crude oil and petroleum products, as well as roughly 19% of liquefied natural gas, passed through the Strait. Congress follows events related to the Strait because of their potential impacts on global prices for these energy commodities. This concern could prompt congressional oversight of related U.S. policy options, including military action or sanctions.

Iranian attacks led to a precipitous drop in cross-Strait traffic, with resulting disruptions to global energy markets. Oil, petroleum products, and natural gas, in particular, were greatly affected, which was reflected in price changes for these commodities. Although the market for these commodities was able to absorb some of the conflict-related market shocks, the longer conditions in the Strait are uncertain, the more difficult it will be to compensate for the supply disruptions. U.S. sanctions policy, including the prospect of sanctions relief as well as the threat or imposition of new sanctions, continues to be relevant.

An April 7, 2026, U.S.-Iran ceasefire halted major combat operations, but Iran continued efforts to exert control over the Strait, specifically by attempting to route ships through its territorial waters rather than through long-standing shipping lanes and by attacking noncompliant ships. In response, the United States imposed a blockade on shipping to or from Iranian ports. On June 17, 2026, President Donald Trump and Iranian President Masoud Pezeshkian signed a memorandum of understanding (MOU) declaring the "removal of [the U.S.] naval blockade" and Iranian "arrangements … for the safe passage of commercial vessels with no charge, for 60 days only," with "the future administration" of the Strait to be determined by Iran in consultation with Oman and other Persian Gulf (Gulf) states. As of early August 2026, the United States has reimposed its naval blockade in response to renewed attacks on commercial vessels and several Arab states by Iran, which has accused the United States of not meeting its MOU obligations. Initially, the reaction to the MOU was to calm markets; as conflict has renewed, uncertainty in the markets has increased.

As of early August 2026, Iranian government leaders appear to view formalizing their asserted control over the entirety of the Strait as critical to their national interests. Iran evidently maintains enough military capability to continue to conduct attacks; those attacks have compelled most ships to either accede to Iranian demands or not transit the Strait.

U.S. efforts undertaken, or proposed by President Trump and other U.S. officials, to secure free transit through the Strait since March 2026 include U.S. attacks against Iranian mine-laying vessels, land-based missile sites, and other military assets used to disrupt cross-Strait traffic; the provision of political risk insurance by the U.S. International Development Finance Corporation; "Project Freedom," a May 2026 attempt to help ships navigate the Strait; subsequent less-public efforts to coordinate ships' transit of the Strait; and a U.S. project to become "the Guardian Angel" of the Strait, per President Trump, in exchange for payments or investment in the United States by Gulf countries. U.S. ground operations along Iran's coast or other military actions (to neutralize Iranian military capabilities and/or pressure Iranian leaders to cease attacks) could occur, a status quo of traded attacks across the Strait could persist, or the United States could choose to decrease its presence and activity in the Gulf region.

Future arrangements concerning the management and security of the Strait of Hormuz will have significant implications for Iran, which is seeking to establish unprecedented control over the Strait; for Iraq and the Gulf Arab states, whose economies are largely reliant on energy exports through the Strait; for the United States, which has long maintained a significant force posture in the region, in part because of the U.S. interest, articulated by multiple Administrations, in ensuring the free transit of the region's energy resources; and for countries, particularly in Asia, that rely on those energy resources.

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Introduction

As part of its response to U.S. and Israeli attacks beginning on February 28, 2026, Iran has sought to exert control over the Strait of Hormuz (the Strait), a narrow sea channel that comprises both Iranian and Omani territorial waters. Specifically, Iran has sought to route ships through its territorial waters rather than through long-standing shipping lanes by attacking ships not compliant with their directives. The United States and Iran agreed to a ceasefire in April 2026 and signed a June 2026 memorandum of understanding (MOU), but conflict resumed in July 2026 as Iranian forces launched attacks on commercial shipping deemed noncompliant with Iranian demands.

Iranian leaders have claimed, without precedent, Iran's right to control shipping through the entirety of the Strait. Iranian leaders reportedly point to the June 2026 MOU, in which Iran agreed to "make arrangements using its best efforts for the safe passage of commercial vessels" through the Strait, as having granted Iran the right to administer the Strait.[1] Since the ceasefire and MOU, the United States has at times resumed attacks on Iranian military assets and sought to help ships transit the Strait via routes outside of Iranian waters. In July 2026, amid renewed U.S.-Iran conflict, President Donald Trump raised the prospect of mandating economic benefits for the United States in exchange for its attempts to facilitate and protect cross-Strait shipping.

The Strait is a key waterway for the transit of oil and natural gas to world markets. It sits at the entry point to the Persian Gulf (the Gulf) from the Gulf of Oman; Iran lies to its north and Oman to its south (**Figure 1**). Unless and until clear alternatives to the Strait develop significant capacity for moving Gulf oil, natural gas, and other commodities to and from world markets, the importance of the Strait for the global economy is unlikely to diminish. Some regional states are exploring and pursuing such alternatives, though the feasibility of those initiatives may vary and would not appear to diminish the leverage Iran seeks to derive from its ability to strike regional infrastructure.[2]

Future arrangements concerning the management and security of the Strait of Hormuz will have significant implications for Iran, which is seeking to establish unprecedented control over the Strait; for Iraq and the Gulf Arab states, whose economies are largely reliant on energy exports through the Strait; for the United States, which has long maintained a significant force posture in the region, in part because of the U.S. interest, articulated by multiple Administrations, in ensuring the free transit of the region's energy resources; and for countries, particularly in Asia, that rely on those energy resources. Future scenarios could include

- major U.S. military operations to establish U.S. control over Iranian coastal areas along the Strait;
- a negotiated settlement that grants Iran, the United States, and/or other parties the authority to administer traffic through the Strait, to include defining maritime channels and procedures and/or potential payments; or
- a reprioritization of U.S. assets, including military assets, away from the Strait.

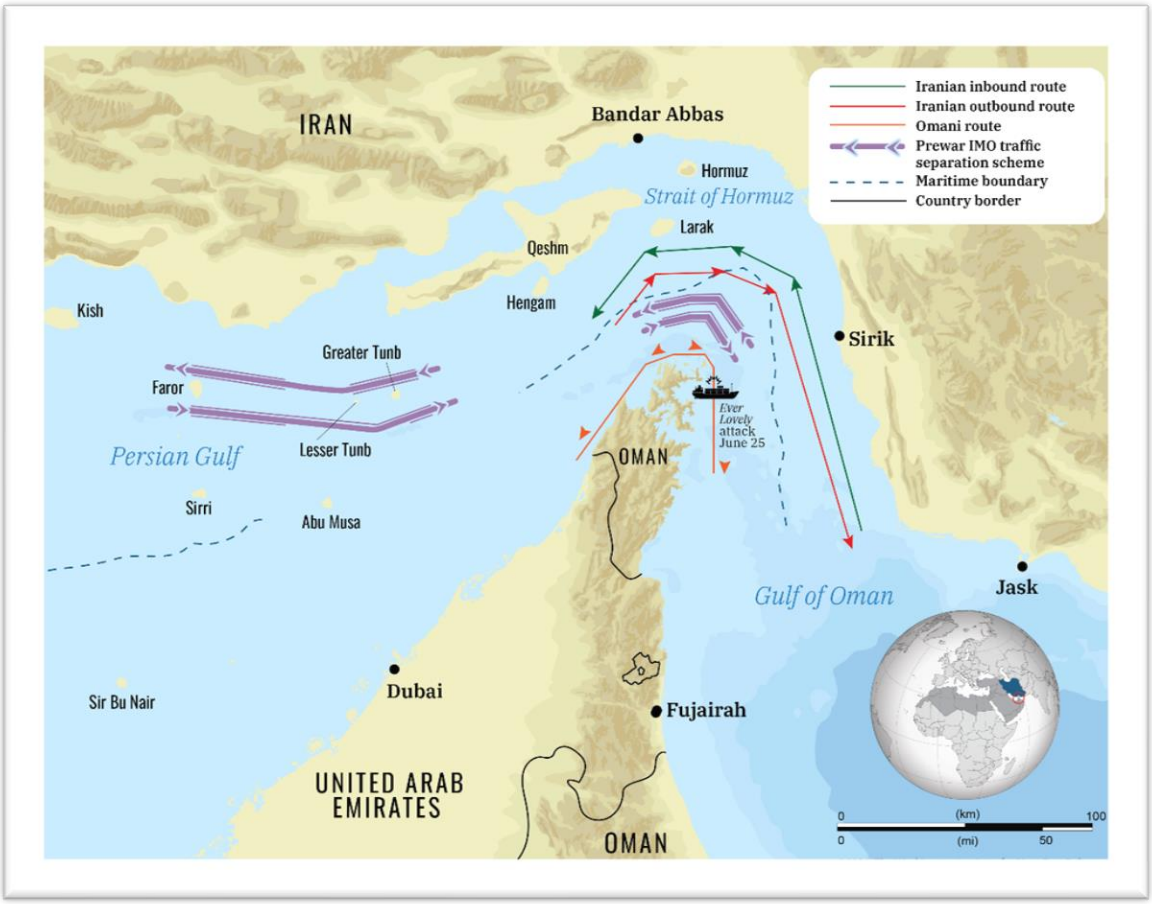
Escalated military actions could lead to greater energy- and commodity-market disruptions in the short term but could also provide greater stability in the future if those actions decrease Iran's ability and/or willingness to continue to assert control over the Strait. The impacts of a negotiated

[1] "Iran's Ghalibaf Says Tehran Has No Reason to Honor US MoU Without Benefits," *Alarabiya English*, July 15, 2026; Alayna Treene et al., "US Releases Official Agreement with Iran. Read the 14-Point Text," CNN, June 17, 2026.

[2] Spencer Kimball, "Oil Pipelines Around the Strait of Hormuz Won't End the Threat Iran Poses to Middle East Crude Exports," CNBC, July 16, 2026.

settlement would likely depend on such a settlement's terms and participants; in any case, it would represent a departure from the pre-conflict status quo of free and unfettered passage through the Strait. A reprioritization of U.S. assets away from the Gulf could reduce demands on U.S. resources but could also, particularly if Iran is empowered, impact U.S. regional interests, as well as global energy markets, in ways that affect U.S. consumers.

Figure 1. Strait of Hormuz Shipping Lanes Established During the 2026 Iran Conflict



Source: Noam Raydan, "Iran Is Still Intent on Preventing a Return to the Old Navigational Order," Washington Institute for Near East Policy, June 26, 2026.

Notes: IMO = International Maritime Organization. Iran is highlighted in blue on the globe inset. Gulf Arab states and other Arab countries are a dark shade of gray. The purple lines on the map are the recognized shipping lanes prior to the war.

Congressional Interest and Context

Congress follows events related to the Strait of Hormuz because of their potential impacts on global prices for oil, natural gas, and other commodities such as fertilizers and helium, among other impacts. This concern could prompt congressional oversight regarding the possible scenarios outlined above and related U.S. policy options, including military action or sanctions.

Congress has long been interested in conflicts that may threaten commercial shipping security in the Strait of Hormuz. In 1987-1988, U.S. military operations in the Gulf to counter Iranian threats to international shipping prompted congressional action, including multiple hearings. At that time, the 100th Congress passed legislation requiring Administration reports on U.S. military plans in the Gulf (Section 8 of P.L. 100-71), and some Members of Congress also called for U.S. partners to reimburse the United States for military operations in the Gulf (H.Res. 249 and S.J.Res. 213). The June 2025 conflict with Iran, which did not include active Gulf maritime hostilities as was the case in 1987-1988, did not prompt similar congressional action. On June 24, 2025, the military's role in keeping the Strait open was raised in a Senate confirmation hearing.[3]

Recent Developments and Possible Scenarios in the Strait

Surveying the actions, reversals, and competing claims that have characterized competition over the Strait of Hormuz since February 2026 reveals the Strait's increasingly central role in the U.S.-Iran conflict, as well as a progressively more assertive Iranian claim to, and attempt to formalize control over, the Strait.

- **Before February 28, 2026:** Though Iranian forces sometimes attacked ships in the Gulf (including in the 2019 confrontation between Iran and the United States), they did not do so in a comprehensive way or seek to fully prevent or redirect cross-Strait traffic.
- **February 28-April 7, 2026:** Days after U.S.-Israeli attacks on Iran began, Iranian forces declared the Strait closed and cross-Strait traffic largely halted, with hundreds of vessels and thousands of mariners effectively trapped in the Persian Gulf. During the conflict, Iran announced that ships from certain nations (such as Pakistan and Iraq) were permitted to transit the Strait through Iranian waters and reportedly charged fees to allow some ships to pass, but traffic remained below pre-conflict levels.[4]
- **April 7, 2026:** The United States and Iran agreed to a two-week ceasefire; no mutually agreed-on text was released, but President Trump said the ceasefire was "subject to … Iran agreeing to the COMPLETE, IMMEDIATE, and SAFE OPENING of the Strait of Hormuz."[5] Some ships transited the Strait, but Iran halted traffic in response to Israeli attacks in Lebanon.
- **April 13, 2026:** After the evident failure of U.S.-Iran talks in Islamabad, Pakistan, President Trump ordered a U.S. blockade of Iranian ports and ships leaving or going to them, with an exception for shipments of humanitarian aid. During this initial blockade, which lasted through mid-June, U.S. Central Command (CENTCOM) reported having redirected over 140 ships and "disabled" 9 ships not complying with the blockade.[6]
- **May 3, 2026:** President Trump announced "Project Freedom" to help mariners navigate the Strait via a southern route that avoids Iranian waters. Two days later,

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[3] U.S. Congress, Senate Committee on Armed Services, *To Consider the Nominations of: Vice Admiral Charles B. Cooper II, USN to Be Admiral and Commander, United States Central Command; and Lieutenant General Alexus G. Grynkewich, USAF to Be General and Commander, United States European Command and Supreme Allied Commander, Europe*, hearing, 119th Cong., 1st sess., June 24, 2025, 1:36:28.

[4] Richard Meade et al., "Tehran's 'Toll Booth' System Is Now Controlling Hormuz Traffic," *Lloyd's List*, March 25, 2026.

[5] Donald J. Trump (@realDonaldTrump), Truth Social post, April 7, 2026, 6:32 p.m., https://truthsocial.com/@realDonaldTrump/posts/116365796713313030.

[6] U.S. Central Command, "U.S. Forces to Resume Naval Blockade Against Iran," July 13, 2026.

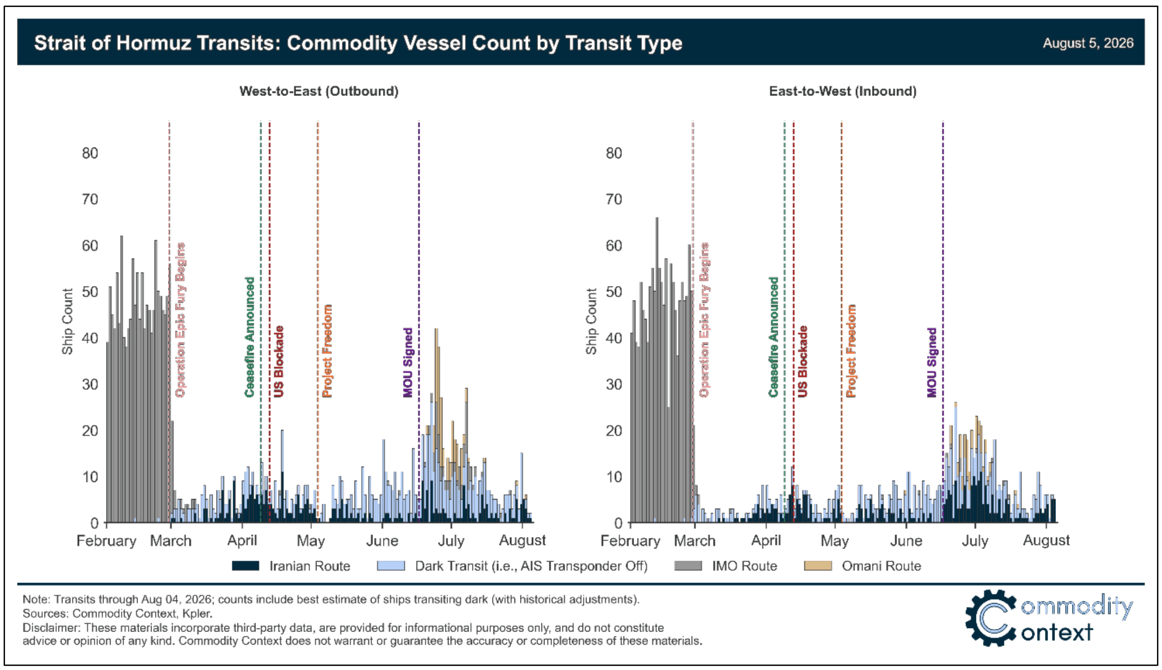
after Iranian attacks against the United Arab Emirates (UAE) and Oman and reported Saudi opposition to the United States' use of its airspace, President Trump said that Project Freedom was paused at the request of Pakistan and other countries.

- **June 17, 2026:** The United States and Iran signed an MOU that commits the two countries to terminating military operations. Iran also committed to "make arrangements using its best efforts for the safe passage of commercial vessels with no charge, for 60 days only," through the Strait.[7]

To facilitate the departure from the Gulf of long-trapped mariners, the International Maritime Organization (IMO) and Oman organized an "evacuation" in late June 2026 via Omani waters to the south of both Iranian waters and traditional Hormuz traffic lanes (**Figure 1**). Following the signing of the June 17 MOU, crossings temporarily increased (**Figure 2**), though not to their pre-war averages.

Figure 2. Daily Crossings Through the Strait of Hormuz

February 1-August 5, 2026



Source: Commodity Context, with approval.

Notes: AIS = automatic identification system; IMO = International Maritime Organization. Kpler is an industry consulting company that specializes in shipping data.

Days after that evacuation began, Iran, on June 25, 2026, attacked a ship in Omani waters, prompting U.S. airstrikes. Another round of Iranian attacks on July 7-8 on ships off the coast of Oman spurred further U.S. airstrikes, after which President Trump said the MOU was no longer in force. By mid-July, the volume of attacks (by Iran on commercial shipping and regional countries, and by the United States on Iran) was higher than at any point since April 2026. Those attacks again reduced cross-Strait traffic. As of early August, conflict has abated amid Iran-Oman talks related to the Strait.

[7] Alayna Treene et al., "US Releases Official Agreement with Iran. Read the 14-Point Text," CNN, June 17, 2026.

Attacks by the Iran-backed Houthi movement in Yemen against Saudi Arabia-linked vessels and other energy targets in Saudi Arabia and the Red Sea-Bab el Mandeb strait corridor pose additional risks to maritime commerce and energy operations in the region. Reported attempted attacks on Saudi energy infrastructure from Iran-linked-militia targets in Iraq and joint U.S.-Saudi strikes on Iran-linked-militia targets in Iraq underscore the potential for the U.S.-Iran and Saudi-Iran confrontation to expand in scope. Continuing violence may add to market and geopolitical pressures to resolve the impasses in the Strait of Hormuz and Bab el Mandeb choke points. At the same time, interlinkage of the conflict inside Yemen, Saudi-Houthi confrontation, and the U.S.-Iran conflict may complicate efforts to deescalate or resolve each individual situation.

Iranian Tactics and Strategy

Despite months of U.S. attacks, Iran maintains the ability to threaten global commercial shipping in the Strait via missiles, drones, mines, and/or small seacraft. CRS cannot assess how reported U.S. and Israeli attacks since February 28, 2026, on Iranian security entities, naval vessels, and other targets may have affected Iran's ability to disrupt shipping through the Strait. U.S. government entities may be able to provide Congress with authoritative estimates in appropriate settings.

Even with depleted or diminished Iranian capabilities, threats or other public statements intended to deter tankers from transiting the Strait could produce closure-like conditions if tankers and other actors in the energy trade or other commercial sectors conclude that the potential costs of Iranian attacks exceed the potential benefits of transiting the Strait, regardless of any military actions that Iran might or might not take.[8] Iran's actions in the Strait and attacks on Arab states may give it leverage in its dealings with the United States but also entail costs for Iran. Beyond the strain on Iran's relations with its Gulf neighbors, including some once-friendly states, Iranian actions in the Strait have renewed conflict with the United States, including the reimposed U.S. blockade of Iran, which is severely exacerbating Iran's economic crisis.[9]

As of early August 2026, Iranian leaders appear committed, as Speaker of Parliament Mohammad Baqer Qalibaf reportedly said on June 23, that "management of the Strait will never return to the way it was before the war."[10] In May 2026, Iran established a "Persian Gulf Strait Authority" (PGSA) and claimed that "no vessel is permitted to pass through the Strait of Hormuz without a valid passage permit issued by the PGSA."[11] Iranian leaders reportedly point to the June 2026 MOU as having granted Iran the right to administer shipping through the Strait.[12]

Iranian claims runs counter to the geographic reality that the Strait comprises both Iranian and Omani territorial waters. Oman does not appear to have aligned with the Iranian position and is employing "a degree of strategic ambiguity to try to stay out of the conflict," according to media

[8] Joshua Minchin, "'Could They? Yes. Will They? Probably Not': Doubts Over Iran's Strait of Hormuz Threat," *Lloyd's List*, April 10, 2024.

[9] Bita Ghaffari, "Iran's Currency Tumbles on Renewed Conflict," *Financial Times*, July 20, 2026.

[10] Benoit Foucan et al., "Iran Estimates $40 Billion Windfall from Reopening Hormuz with Gulf States," *Wall Street Journal*, June 25, 2026.

[11] Persian Gulf Strait Authority, "General and Specific Terms and Conditions for Vessel Passage Through the Strait of Hormuz," https://wwwcdn.imo.org/localresources/en/MediaCentre/HotTopics/Documents/passage_general_terms.pdf.

[12] "Iran's Ghalibaf Says Tehran Has No Reason to Honor MOU Without Benefits," Reuters, July 15, 2026.

reporting.[13] Other Gulf Arab states have vociferously rejected the idea of Iran effectively controlling the Strait by dictating how ships may transit.[14]

U.S. Policy and Possible Scenarios

U.S. officials have generally echoed Gulf Arab states' rejections of Iranian control over the Strait. President Trump has on several occasions mused about the possibility that the United States might levy its own toll for passage through the Strait, as he wrote on June 20, 2026, "for services rendered [by the United States] as the Guardian Angel to the countries of the Middle East for purposes of both past, present, and future reimbursement of costs."[15] In mid-July 2026, he stated that rather than a fee, Gulf countries would make "MASSIVE" investments in the United States.[16]

As U.S. policymakers confront an Iranian leadership that is seeking to solidify Iran's ability to dictate conditions in the Strait and has at least some military capability to try to do so, possible future scenarios include the following:

- The United States could pursue **military action** to establish control over Iranian coastal areas along the Strait. Such an operation might help compel Iran to refrain from attacks (or to renegotiate the terms of the MOU). This option could prove militarily costly for the United States and any partner nations. Such an operation may be considered if U.S. officials assess that U.S. airstrikes are insufficient to eliminate Iran's ability to threaten the Strait (particularly via drones and anti-ship missiles). The range of Iranian projectiles suggests that some threats could come from deep within Iranian territory or remain highly mobile, complicating considerations. President Trump also has speculated about seizing Kharg Island, through which much of Iran's oil exports pass;[17] Kharg Island is hundreds of miles from the Strait (refer to **Figure 3**) but arguably could be used as leverage in negotiations with Iran over the Strait. Expanded U.S. military action would have uncertain prospects but could reduce Iranian military capabilities, would likely invite Iranian reprisals perhaps larger in scope than previous actions, and could entail costs that impose trade-offs relative to potential U.S. security needs in other global contingencies.
- The United States could attempt, as it did in the 1980s, to facilitate free shipping through the Strait via **naval escorts**. On March 8, 2026, Energy Secretary Chris Wright said that U.S. Navy escorts "might be" necessary but that the U.S. degradation of Iranian military capabilities meant that "in the relatively near term, you're going to see [Iranian] capacity so low that we'll see more normal ship traffic return to the Strait of Hormuz."[18] No further details on the potential of U.S. Navy escorts (which could be at greater risk of Iranian attack if they operate closer to Iran's coast) have been provided. Some observers have expressed

[13] Sam Meredith, "Oman Walks a Diplomatic Tightrope Over Strait of Hormuz Fees, Creating a 'Blind Spot' for Markets," CNBC, July 3, 2026.

[14] Alex Longley, "Gulf States Tell Ships Not to Use Iran's Strait of Hormuz Route," *Bloomberg*, May 21, 2026.

[15] Donald J. Trump (@realDonaldTrump), Truth Social post, June 20, 2026, 3:15 p.m., https://truthsocial.com/@realDonaldTrump/posts/116784032456610294.

[16] Donald J. Trump (@realDonaldTrump), Truth Social post, July 14, 2026, 11:04 a.m., https://truthsocial.com/@realDonaldTrump/posts/116918941071241802.

[17] Spencer Kimball and Kevin Bruninger, "Trump Threatens to Seize Kharg Island and Other Iran Oil Infrastructure," CNBC, June 11, 2026.

[18] "Transcript: Energy Secretary Chris Wright on 'Face the Nation with Margaret Brennan,'" *CBS News*, March 8, 2026.

skepticism as to whether such escorts would induce even a near-normal flow of traffic.[19] The experience of the 1980s, when the presence of U.S. ships near commercial vessels successfully deterred an Iranian regime that was not seeking direct confrontation with the United States, may not be analogous in the context of U.S.-Iran conflict in 2026.

- The United States could attempt to establish its own formal **administration** of the Strait, because of either Iranian acquiescence or Iranian inability to continue fighting. The terms of such an arrangement could, per President Trump, entail economic incentives in the form of either fees or investments in the United States. Either arrangement would represent a significant departure from the pre-conflict status quo, from long-standing U.S. policy, and from the expressed preference of the United States' Gulf Arab state partners for free transit of the Strait. An enduring U.S. commitment to administer the Strait could require long-term investments of U.S. military, diplomatic, and other resources.
- The United States, along with Iran and/or other Gulf Arab countries, could establish a **cooperative administration** of the Strait. Some observers point to the Straits of Malacca, between Indonesia, Malaysia, and Singapore, as a potential model.[20] Those three states in 2007 established a Cooperative Mechanism that includes an Aids to Navigation Fund that collects "voluntary financial contributions from … industry stakeholders and States with an interest in the safe and efficient use of the Straits" to support "the provision and maintenance of critical navigational aids" in the Straits of Malacca.[21]
- Prolonged **instability** in the Strait could persist. Periodic Iranian attacks against shipping and retaliatory U.S. strikes against Iran have severely disrupted traffic through the Strait for most of the past five months, as of early August 2026. The energy and commodity market effects of that disruption have been considerable, as outlined below, with some macroeconomic impacts. Still, the present status quo could persist for as long as the United States and Iran assess that they can bear the economic and military costs of the Strait's effective closure and ongoing conflict.
- The United States could **reprioritize shipping away from Hormuz**. The Trump Administration's December 2025 National Security Strategy asserts a "core" U.S. interest in "ensuring … that the Strait of Hormuz remain open," President Trump has at other times expressed ambivalence about the importance of the Strait to U.S. interests.[22] He also called U.S. allies "COWARDS" and wrote, "the U.S.A. won't be there to help you anymore, just like you weren't there for us. … Go get

[19] "Can America Clear the Strait of Hormuz of Iran's Drones and Mines?" *Economist*, March 10, 2026; Richard Meade et al., "Trump's Escort Announcement Met with Scepticism as Traffic Trickles Through Strait of Hormuz," *Lloyd's List*, March 4, 2026.

[20] Esfandyar Batmanghelidj and Mehran Haghirian, "How a 'Hormuz Fee' Could Work," Bourse and Bazaar Foundation, July 10, 2026.

[21] Maritime and Port Authority of Singapore, "Clarification Note to Editors of *The New York Times* and *New York Post*," press release, July 8, 2026.

[22] President Trump, *National Security Strategy of the United States of America*, November 2025. In March, President Trump wrote on Truth Social that the Strait "will have to be guarded and policed, as necessary, by other Nations who use it – The United States does not!" Donald J. Trump (@realDonaldTrump), Truth Social post, March 20, 2026, 5:13 p.m., https://truthsocial.com/@realDonaldTrump/posts/116263563453969628.

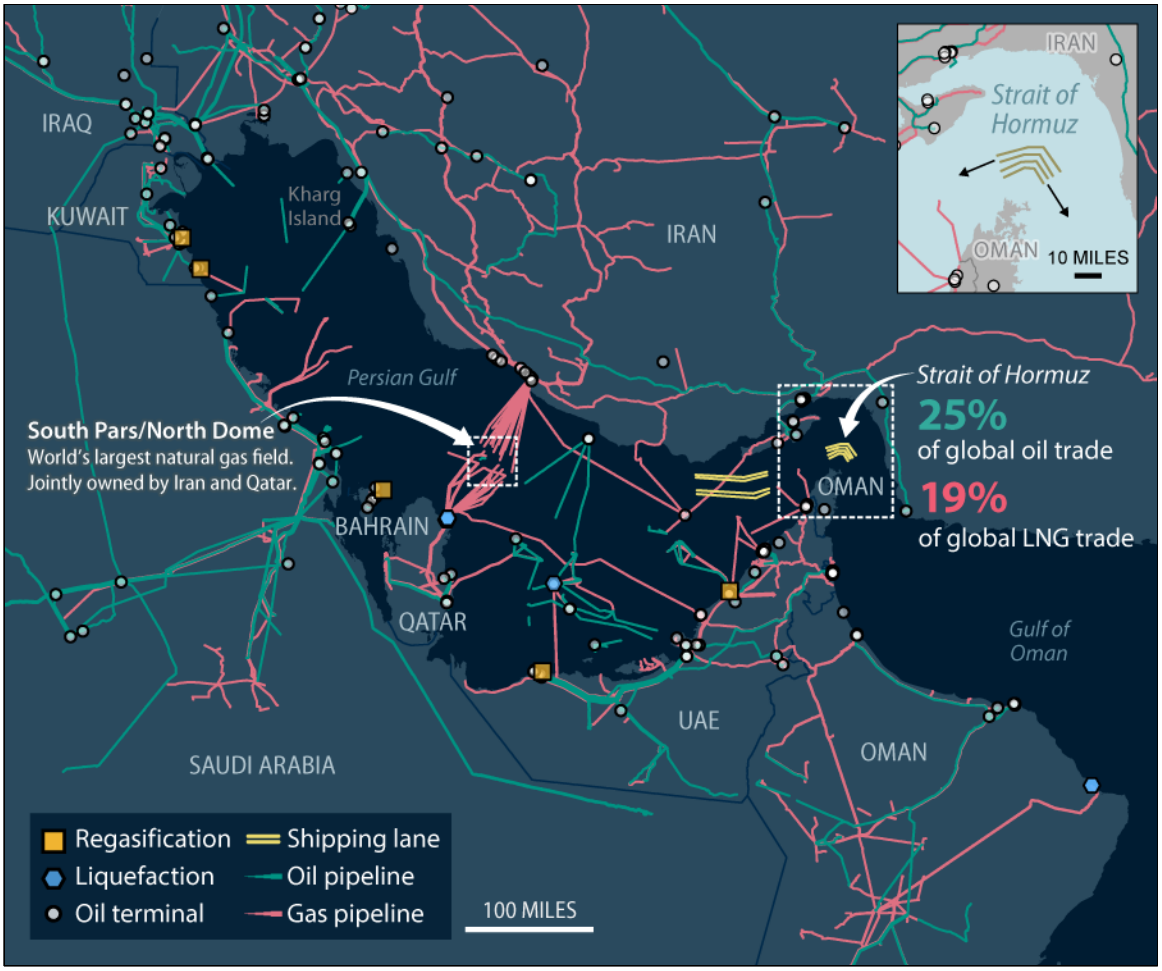
your own oil!"[23] If the Administration concludes that the costs of U.S. efforts to keep the Strait open are not commensurate with the benefits or results of such efforts (particularly in the event that the United States does not receive fees, investments, or other economic incentives), it could choose to cease those efforts or decrease the U.S. resources devoted to them, which would have uncertain effects on U.S. relations with other actors.

The Importance of the Strait of Hormuz for Global Energy and Commodity Markets

The Strait of Hormuz, the narrow waterway that forms the entrance to the Persian Gulf from the Gulf of Oman and ultimately the Arabian Sea (**Figure 3**), is a key transit point for global oil and natural gas markets. In 2025, approximately 25% of the world's oil trade and 19% of the world's liquefied natural gas (LNG) trade transited through the Strait. At its narrowest point, it is 22 nautical miles (roughly 25 miles) wide and falls within Iranian and Omani territorial waters. The narrowness of the Strait, lack of alternative seaborne routes, limited land-based bypass capacity, and historical vulnerabilities during conflicts have made it a prominent choke point for oil and natural gas shipping. Markets have faced challenges in replacing volumes of both commodities.

[23] Donald J. Trump (@realDonaldTrump), Truth Social post, March 20, 2026, 9:43 p.m., https://truthsocial.com/@realDonaldTrump/posts/116261796648776538; and Donald J. Trump (@realDonaldTrump), Truth Social post, March 31, 2026, 7:11 a.m., https://truthsocial.com/@realDonaldTrump/posts/116323481956698353.

Figure 3. The Persian Gulf Region, Including Selected Energy Infrastructure



Source: Compiled and modified by CRS using S&P Global subscription service and International Energy Agency data.

Notes: LNG = liquefied natural gas. Locations of icons are indicative and are not precise. Icons may also represent an oil or natural gas complex with additional infrastructure or multiple units. Data are from 2025.

Oil: Still of Greatest Importance

Oil production, trade, and refining in the Middle East are critically important for global oil markets. According to 2025 data, the region hosts more than 30% of world crude oil production, more than 75% of standby crude oil production capacity, and approximately 12% of refining capacity.[24] It also consumes under 10% of world petroleum liquids, and therefore exports much of its production. Further, more than 40% of global crude oil exports and more than 20% of oil product exports depart from countries located in the broader Middle East region.[25]

Most of these oil exports are loaded in the Gulf and transit the Strait of Hormuz for delivery to buyers in Asia, including China, India, South Korea, and Japan. However, oil supply disruptions

[24] Crude oil production data from Energy Institute, *Statistical Review of World Energy, 2026* (June 30, 2026), https://www.energyinst.org/statistical-review. Spare production capacity data from International Energy Agency (IEA), *Oil Market Report*, February 12, 2026.

[25] For additional information, see CRS Infographic IG10044, *Middle East Oil*, by Phillip Brown.

in the Middle East region could affect oil prices throughout the world, including crude oil, gasoline, and diesel fuel prices in the United States. The magnitude of actual price effects, and the resulting impacts on inflation and broader economic conditions, would be a function of the size and duration of an actual supply disruption; the ability to reroute oil exports from the region; and the ability of spare production capacity, emergency response measures, and commercial inventories elsewhere to compensate for Middle East supply losses.

During calendar year 2025, approximately 25% of global oil or 20 million barrels per day (mmb/d) of oil (crude oil and petroleum products) moved through the Strait of Hormuz.[26] These volumes represented approximately 34% of global crude oil trade and roughly 20% of world petroleum liquids consumption in 2025.

Middle East oil supply disruptions could take many forms, including threats to oil production and trade; kinetic attacks on oil production, storage, refining, pipeline, and export infrastructure; targeted attacks on oil tankers; and attempts to halt oil transit through the Strait. While each scenario could affect oil supply and prices in various ways, disruptions to oil shipments through the Strait of Hormuz would materially affect global oil supply and could result in rapid price escalation for crude oil and petroleum products as buyers attempted to source oil from other suppliers, commercial inventories were drawn down, and markets sought price equilibrium. Exactly how long prices might remain elevated would be determined by the duration of an effective closure of the Strait, including the time necessary for oil tankers and insurance providers to regain confidence operating in the region.

A sustained 20 mmb/d oil supply disruption could motivate several international market and government responses. First, Middle East oil exporters could look to bypass the Strait by rerouting oil movements, as has been seen since the beginning of hostilities in late February 2026. Saudi Arabia could maximize throughput on the East-West crude oil pipeline to the Red Sea (approximately 7 mmb/d), and the UAE could maximize throughput on the Abu Dhabi crude oil pipeline to the Gulf of Oman. Rerouting shipments to the Red Sea corridor has increased the potential influence of conflict and restrictions on maritime transit in that region and the Bab el Mandeb choke point.

Second, global spare production capacity—generally defined as the potential increase in production volumes that can be made available within 30 days and sustained for 90 days—could be activated.[27] The International Energy Agency (IEA) estimates available spare crude oil production capacity of approximately 4.4 mmb/d.[28] However, more than 75% of spare production capacity prior to the war was located in Middle East countries that export crude oil through the Strait, thereby limiting the effectiveness of this standby source of supply to address oil trade disruptions in the region.[29]

Third, government-controlled strategic oil stocks could be activated and drawn down as a means of calming markets by providing supplemental supply. In March/April 2026, the IEA initiated a coordinated release of 400 million barrels of crude oil and refined products from 32 member countries' emergency reserves.[30] The United States announced it would contribute 172 million

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[26] IEA, "Strait of Hormuz Factsheet," February 2026, https://www.iea.org/about/oil-security-and-emergency-response/strait-of-hormuz.

[27] U.S. Energy Information Administration, "Energy and Financial Markets: What Drives Crude Oil Prices?," accessed June 30, 2025, https://www.eia.gov/finance/markets/crudeoil/supply-opec.php.

[28] IEA, *Oil Market Report*, February 12, 2026.

[29] IEA, *Oil Market Report*, February 12, 2026.

[30] IEA, "IEA Member Countries to Carry Out Largest Ever Oil Stock Release Amid Market Disruptions from Middle (continued...)

barrels of crude over a 120-day period.[31] As of the beginning of July, the IEA reported member releases at 276 million barrels.[32] Finally, commercial crude oil and petroleum product inventories could provide the market with a supply buffer for a limited amount of time.

With respect to sudden and acute oil supply disruptions, the IEA administers a collective emergency response system for IEA member countries in accordance with the Agreement on an International Energy Program (IEP), a multilateral voluntary agreement established in the wake of the 1973 energy crisis. The United States is an IEA member and IEP participant. The collective response system includes a variety of measures intended to calm markets when disruptions occur. Response measures include releasing emergency oil reserves, restraining oil demand, and activating standby production capacity.[33]

One pillar of the response system is a requirement that all member countries maintain government-controlled oil stocks equal to 90 days of net imports during the previous calendar year. IEA government-controlled stocks were more than 1.2 billion barrels at the end of the fourth quarter of 2025, including approximately 413 million barrels of crude oil held in the U.S. Strategic Petroleum Reserve (SPR).[34] The President of the United States has authority to unilaterally direct a drawdown and sale of SPR crude oil to address severe energy supply interruptions.[35] However, emergency SPR drawdowns are typically coordinated with the IEA.

Government-controlled emergency oil stocks are supplemented by obligated industry stocks, consistent with country-level stockholding policies. According to IEA analysis, the maximum achievable drawdown rate for IEA oil stocks (i.e., government-controlled and obligated industry stocks) could be as much as 25 million barrels per day for two months.[36] Drawdown rates quickly decline thereafter, and emergency stocks could be exhausted in approximately six months.[37]

A prolonged disruption of Middle East oil trade would create oil market conditions for which there is no historical precedent. The efficacy of emergency response measures could be tested up to their design limits. Oil prices would likely experience significant upward price pressure. Exactly how high and for how long prices might be elevated is uncertain and would be determined by the amount of time needed to normalize Middle East oil trade.

Natural Gas: A New Consideration

Although natural gas is more of a local or regional commodity than oil, with 73% of natural gas being consumed in the country that produced it, natural gas has been moving toward becoming a

East Conflict," press release, March 11, 2026, https://www.iea.org/news/iea-member-countries-to-carry-out-largest-ever-oil-stock-release-amid-market-disruptions-from-middle-east-conflict.

[31] U.S. Department of Energy, "United States to Release 172 Million Barrels of Oil from the Strategic Petroleum Reserve," press release, March 11, 2026, https://www.energy.gov/articles/united-states-release-172-million-barrels-oil-strategic-petroleum-reserve.

[32] Paul Merolli, "Strategic Oil Stocks Back in Focus as Hormuz Disruptions Persist," *Energy Intelligence*, July 14, 2026.

[33] IEA, "Oil Security and Emergency Response: Ensuring Quick and Effective Response to Major Supply Disruptions," May 17, 2024, https://www.iea.org/about/oil-security-and-emergency-response.

[34] U.S. Energy Information Administration, "Weekly U.S. Ending Stocks of Crude Oil in SPR," August 5, 2026, https://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=PET&s=WCSSTUS1&f=W.

[35] See 42 U.S.C. §6241(d).

[36] IEA, *Costs and Benefits of Emergency Stockholding*, 2018.

[37] IEA, *Costs and Benefits of Emergency Stockholding*, 2018.

more global commodity like oil.[38] Currently, almost half of worldwide oil production is exported, while less than 30% of worldwide natural gas is exported, mostly by pipeline. Trade in natural gas is almost evenly split between exports by pipeline (52%) and by tanker (48%) as LNG.[39] Beginning in 2016, the entry of the United States as an LNG exporter from the lower 48 states changed the way LNG is bought, sold, and priced around the world. Total U.S. exports of natural gas make up approximately 23% of U.S. natural gas production. The volume of exports has contributed to upward pressure on prices, but not as strongly as other factors such as the weather.

During past conflicts in which the shipment of energy products was at risk, the focus was the oil market, with minor consideration for natural gas. However, over the last few years, geopolitical events—such as Russia's invasion of Ukraine—have highlighted the importance of natural gas in the global economy. As of 2025, approximately 19% of the world's LNG exports need to transit the Strait, primarily from Qatar and UAE.[40] Most Qatari exports are destined for Asian markets, including China (24%).[41]

Globally, natural gas prices in the U.S. market are lower than in the other two major markets, Europe and Asia (**Figure 4**). Between February and May 2026, European and Asian natural gas prices have increased 44% and 66%, respectively, while U.S. prices declined by 6%. (By comparison, global oil prices rose 50% between February and May 2026.) As both Europe and Asia are net importing regions, curtailment of Qatari exports and other Middle Eastern LNG exports from the Persian Gulf may have a bigger impact on both regions. One of the drivers of the price increase in Europe and Asia is the force majeure declaration by QatarEnergy, the world's largest LNG producing company.[42] If the outage of Qatar's Ras Laffan facility continues, approximately 19% of global LNG would be off the market.[43]

38 Energy Institute, *Statistical Review of World Energy, 2026* (June 30, 2026), https://www.energyinst.org/statistical-review.

39 Energy Institute, *Statistical Review of World Energy, 2026* (June 30, 2026), https://www.energyinst.org/statistical-review.

40 IEA, "Strait of Hormuz Factsheet," February 2026, https://www.iea.org/about/oil-security-and-emergency-response/strait-of-hormuz.

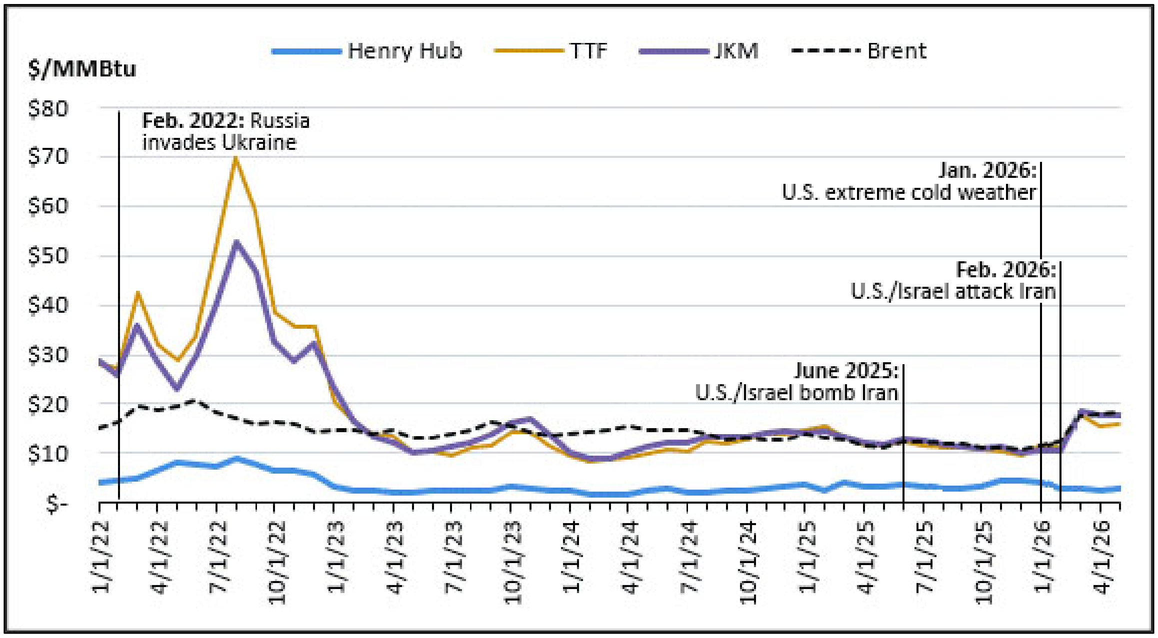
41 For additional information, see CRS Infographic IG10046, *Middle East Natural Gas*, by Michael Ratner.

42 Mark Davidson et al., "Limited Global LNG Supply Available to Fill Qatari Gap," *Energy Intelligence*, March 3, 2026.

43 Mark Davidson et al., "Limited Global LNG Supply Available to Fill Qatari Gap," *Energy Intelligence*, March 3, 2026.

Figure 4. Selected International Futures Prices for Natural Gas and Oil

January 2022-May 2026



Source: CRS, with data from the U.S. Energy Information Administration and Bloomberg L.P., a subscription service.

Notes: $/MMBtu = dollars per million British thermal units. The futures prices represent the delivery month for a certain quantity of a commodity at a specified time and place in the future. The natural gas prices are at the U.S. (Henry Hub), European (TTF), and Asian (JKM) trading hubs and are in nominal dollars. Brent is the international benchmark for crude oil.

An important consideration for natural gas is that most major gas-consuming countries do not have a strategic natural gas reserve in the same way they have a strategic reserve for oil. A decrease in the flow of natural gas could not be mitigated by a release from a strategic natural gas reserve. Output could be increased from liquefaction plants at LNG terminals outside of the Persian Gulf, but most LNG terminals already operate at a very high percent of capacity because of the cost of construction.

Other Products

In addition to the oil and gas themselves, byproducts of their production also are critical to the rest of the world. Qatar accounts for about 30% of the world's helium production capacity, most of which is produced as a byproduct of its natural gas processing.[44] Among other uses, helium is used in semiconductor manufacturing. It is shipped in large quantities by container ships in specially designed insulated and pressurized containers.

Disruption to the Strait also impacts global fertilizer production, specifically chemical fertilizers that provide nitrogen and phosphorus. Disruption to fertilizer supplies, and a subsequent rise in fertilizer prices, may lead farmers to reduce chemical fertilizer usage, potentially reducing global food production. Urea—one of the most commonly used chemical fertilizers—is produced using natural gas and ammonia gas. Urea is sold in solid, granular form shipped in dry bulk ships. The

[44] Phil Kornbluth, "Attacks on Iran Threaten Helium Supply," *Gas World*, March 2, 2026, https://www.gasworld.com/story/attacks-on-iran-threaten-helium-supply/2173766.article/.

Persian Gulf is one of the world's major suppliers of urea fertilizer. Reportedly, Iran, Saudi Arabia, Qatar, the UAE, and Bahrain together account for over a third of global supplies of urea.[45] Additionally, ammonia may also be shipped in liquid form in Liquefied Petroleum Gas tankers. Iran, Oman, Qatar, and Saudi Arabia combined to produce about 9% of total ammonia supply in 2025, but not all production transited the Strait.[46]

The oil refining process produces sulfur as a byproduct. Sulfur is used to produce phosphate fertilizers, sulfuric acid, and other chemicals. Iran, Kuwait, Qatar, Saudi Arabia, and the UAE combined to produce almost a quarter of the world's supply of sulfur in 2025.[47] Some of this production is exported by sea through the Strait.

The United States and Sanctions

Over the years, escalatory sanctions targeting Iran and its energy sector have at times contributed to U.S.-Iranian frictions in or near the Strait of Hormuz.[48] This occurred in 2011-2012, in anticipation of heightened U.S. and European sanctions pressure on Iran's oil exports.[49] Tensions flared again amid President Trump's announcement in 2018 (via Executive Order 13846) that the United States would no longer participate in the Joint Comprehensive Plan of Action (JCPOA) and that sanctions suspended to implement the JCPOA would be reinstated.[50] Reimposed U.S. sanctions included those related to the Iranian energy, shipping, and shipbuilding sectors and certain activity involving petroleum, petroleum products, or petrochemical products from Iran.[51] Subsequently, in 2019, the U.S. Department of the Treasury announced sanctions on multiple senior Islamic Revolutionary Guard Corps (IRGC) commanders for having threatened to close the Strait of Hormuz and having engaged in "destabilizing and provocative naval actions in and around the Strait of Hormuz."[52]

In the context of the current U.S.-Iran conflict and the status of the Strait of Hormuz, sanctions policy, including the prospect of sanctions relief as well as the threat of or imposition of new sanctions, continues to be relevant.

- To ease global energy market pressures, the U.S. Department of the Treasury's Office of Foreign Assets Control (OFAC) issued General License U on March 20, 2026, to temporarily authorize the delivery and sale of Iranian-origin crude oil and petroleum products that had already been loaded onto vessels.[53]

[45] Peter Goodman, "War in the Middle East Threatens Global Food Production," *New York Times*, March 7, 2026, https://www.nytimes.com/2026/03/07/business/middle-east-war-fertilizer-supplies.html.

[46] 2025 totals are estimated. U.S. Geological Survey (USGS), "Nitrogen (Fixed) – Ammonia," in *Mineral Commodity Summaries* (February 2026), https://pubs.usgs.gov/periodicals/mcs2026/mcs2026-nitrogen.pdf.

[47] 2025 totals are estimated. USGS, "Sulfur," in *Mineral Commodity Summaries* (February 2026), https://pubs.usgs.gov/periodicals/mcs2026/mcs2026-sulfur.pdf.

[48] See, for example, J. David Goodman, "Iran Warns U.S. Aircraft Carrier Not to Return to Gulf," *New York Times*, January 3, 2012; and Quint Forgey, "Trump Levels New Sanctions Against Iran," *Politico*, June 24, 2019.

[49] Lee Keath, "For Iran, Cost of Closing Strait May Outweigh Gain," Associated Press, December 29, 2011.

[50] See, for example, Radio Farda, "Iran Guards Commander Threatens to Block Strait of Hormuz," February 26, 2019.

[51] Executive Order 13846 of August 6, 2018, "Reimposing Certain Sanctions with Respect to Iran," 83 *Federal Register* 38939, August 7, 2018.

[52] U.S. Department of the Treasury, "Treasury Targets Senior IRGC Commanders Behind Iran's Destructive and Destabilizing Activities," June 24, 2019, https://home.treasury.gov/news/press-releases/sm716.

[53] U.S. Department of the Treasury, Office of Foreign Assets Control (OFAC), *General License U, Authorizing the Delivery and Sale of Crude Oil and Petroleum Products of Iranian-Origin Loaded on Vessels as of March 20, 2026*, March 20, 2026.

- In response to Iran's threat to exact "toll" payments from vessels traveling through the strait, OFAC issued an alert on May 1, 2026, "to warn U.S. and non-U.S. persons about the sanctions risks of making these payments to, or soliciting guarantees from, the Iranian regime for safe passage."[54]
- On May 27, 2026, OFAC imposed sanctions on the Persian Gulf Strait Authority, which Iran established earlier in May to coordinate commercial traffic in the strait along a route near Iran's coast and charge fees for passage.[55] Vessel movements and fees would reportedly involve and fund Iran's IRGC, a U.S.-designated foreign terrorist organization.[56]
- Among other provisions, including those related to the Strait of Hormuz, the June 2026 MOU between the United States and Iran committed the United States to "issue waivers for the export of Iranian crude oil, petroleum products and derivatives, and all associated services, including banking transactions, insurances, transportation, etc."[57]
- On June 21, 2026, OFAC issued General License X to authorize the production, delivery, and sale of Iranian-origin crude oil, petrochemical products, and petroleum products—the most expansive energy-sector license issued since oil sanctions were first imposed on Iran.[58]
- On July 7, 2026, in response to renewed Iranian attacks on commercial vessels near the Strait of Hormuz, OFAC revoked General License X and replaced it with General License X1, authorizing only those transactions necessary to wind down transactions previously authorized under General License X.[59]
- OFAC continued to take sanctions actions in July as "part of Treasury's ongoing efforts to ramp up economic pressure on the Iranian regime after it resumed destabilizing attacks in the Strait of Hormuz."[60]

Other U.S. Policy Considerations: Political Risk Insurance[61]

On March 3, 2026, President Trump announced that he had ordered the U.S. International Development Finance Corporation (DFC) "to provide, at a very reasonable price, political risk insurance and guarantees for the Financial Security of ALL Maritime Trade, especially Energy, traveling through the Gulf."[62] The President also stated that naval escorts could be provided for

[54] OFAC, *Sanctions Risks of Iranian Demands for Strait of Hormuz Passage*, May 1, 2026.

[55] "Iran Launches 'Persian Gulf Strait Authority' to Administer Hormuz Tolls," *Maritime Executive*, May 5, 2026; U.S. Department of the Treasury, "Economic Fury Targets Iranian Maritime Extortion," May 27, 2026.

[56] U.S. Department of the Treasury, "Economic Fury Targets Iranian Maritime Extortion," press release, May 27, 2026.

[57] Alayna Treene et al., "US Releases Official Agreement with Iran. Read the 14-Point Text," CNN, June 17, 2026.

[58] OFAC, *General License X, Authorizing the Production, Delivery and Sale of Crude Oil, Petrochemical Products, and Petroleum Products of Iranian-Origin Through August 21, 2026*, June 21, 2026.

[59] OFAC, *General License X1, Revocation and Wind Down of June 21, 2026 Authorization for the Production, Delivery and Sale of Crude Oil, Petrochemical Products, and Petroleum Products of Iranian Origin*, July 7, 2026.

[60] OFAC, "Treasury Targets Key Supreme Leader Financier and Iran's Shadow Exchange Houses," July 10, 2026; and U.S. Department of the Treasury, "Treasury Intensifies Pressure on Shamkhani's Expansive Illicit Shipping Empire," press release, July 14, 2026.

[61] The discussion on the U.S. International Development Finance Corporation (DFC) was coauthored by Shayerah I. Akhtar, Specialist in International Trade and Finance, and Nick M. Brown, Analyst in Foreign Assistance.

[62] Donald J. Trump (@realDonaldTrump), Truth Social post, March 3, 2026, 2:37 p.m., https://truthsocial.com/ (continued...)

transiting vessels. DFC subsequently issued a press release indicating its readiness to provide such support.[63] DFC's political risk insurance covers a range of losses for investments, including due to political violence.[64] DFC's pledge included a reinsurance facility up to an unprecedented $20 billion—almost 10-fold larger than any active DFC commitment—to help alleviate the maritime commerce disruptions. Later announcements added $20 billion from private-sector partners, raising the total facility amount to $40 billion.[65] DFC named Chubb, a global property and casualty insurer, as the lead underwriter for the facility.[66]

By some news accounts, DFC has not provided any coverage under the facility as of publication.[67] DFC's last official statement on the facility is from early April 2026, indicating that an application portal would be forthcoming, though the agency may have proceeded with providing support without a public statement.[68] Chubb indicated in April that the naval escorts, originally expected to complement the facility, had not materialized, making the activation of the facility infeasible.[69] The shipping industry's initial response to the DFC insurance was skepticism, noting that it is the fear of attacks and the desire to protect their crews that is preventing shippers from attempting a transit through the Strait.[70] According to one analysis, the DFC facility has "sat completely idle" because it was intended to address cancellations of insurance availability, rather than repricing by private-sector insurance providers based on the increased risk of transiting through Hormuz.[71]

A war risk insurance program under the Maritime Administration (46 U.S.C. §§53901-53912) is available only to vessels with a U.S. nexus in terms of military sealift or U.S. commercial trade and not available to vessels engaging in foreign-to-foreign trade. Policymakers may inquire whether the Gulf Arab states have a similar government-backed insurance program for their waterborne trade. Also, several of the tanker fleets of Gulf Arab states are government owned as part of their nationalized oil companies, suggesting that these ships may already have government-backed insurance.[72]

@realDonaldTrump/posts/116166926920657651. For background, see CRS Insight IN12688, *DFC Shipping Reinsurance Facility: Iran Conflict and Strait of Hormuz*, by Shayerah I. Akhtar and Nick M. Brown.

[63] DFC, "DFC Announces $20B Plan for Maritime Reinsurance in the Gulf," March 6, 2026.

[64] For more information, see DFC, "Political Risk Insurance," https://www.dfc.gov/what-we-offer/our-products/political-risk-insurance.

[65] DFC, "DFC, Chubb Announce Additional American Reinsurance Partners and Up to $40B in Coverage for Maritime Reinsurance," April 3, 2026.

[66] DFC, "DFC Announces Chubb as Lead Insurance Partner for Maritime Reinsurance Plan," March 11, 2026.

[67] Lee Harris and Alice Hancock, "Trump's Hormuz Ship Insurance Facility Has Done $0 Business," *Financial Times*, May 16, 2026.

[68] For further information, including considerations and options for Congress, see CRS Insight IN12688, *DFC Shipping Reinsurance Facility: Iran Conflict and Strait of Hormuz*, by Shayerah I. Akhtar and Nick M. Brown.

[69] "U.S.-Backed War Risk Cover for Hormuz Will Have to Wait for Convoys," *Maritime Executive*, April 23, 2026.

[70] "The Daily View: Straight Talk: $20 Billion Does Not Stop a Missile," *Lloyd's List*, March 9, 2026.

[71] Matthew Sellers, "Washington Misread Hormuz: The Market Never Closed, It Just Got Pricey," *InsuranceBusiness*, May 17, 2026.

[72] This includes Bahri (Saudi Arabia), Oman Shipping Co., Kuwait Petroleum, and Qatar LNG. Buyers of oil with government-owned tanker fleets include India and China.

Appendix. U.S.-Iran Conflict in the Gulf in the 1980s

In the late 1980s, toward the end of the 1980-1988 Iran-Iraq War, Iranian forces laid mines throughout the Persian Gulf, including in the Strait of Hormuz, as part of the so-called "tanker war." With the conflict largely stalemated on land, Iranian and Iraqi forces each attacked the other nation's energy infrastructure in the Gulf, as well as tankers carrying oil from the other nation and from third countries.

The United States sought to deter such attacks and guarantee the free flow of energy commerce through the Gulf in a series of military operations, including the following:

- Operation Earnest Will (July 1987-September 1988), in which U.S. Navy vessels escorted Kuwaiti oil tankers re-flagged as U.S. vessels through the Gulf (one tanker struck a mine during the initial convoy);
- Operation Prime Chance (September 1987), in which U.S. special forces captured an Iranian vessel while it was laying mines (the vessel was later scuttled);
- Operation Nimble Archer (October 1987), in which U.S. naval forces and SEALs destroyed nonoperational oil platforms in retaliation for Iranian attacks on shipping; and
- Operation Praying Mantis (April 1988), in which U.S. forces attacked several Iranian oil platforms in retaliation for an Iranian mine attack that severely damaged a U.S. frigate, becoming engaged with Iranian naval forces in the largest U.S. Navy surface action since World War II.[73]

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[73] Samuel Cox, "H-108-1: No Higher Honor—The Road to Operation Praying Mantis, 18 April 1988," Naval History and Heritage Command, April 13, 2018.

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