The war with Iran and the impact on the UK

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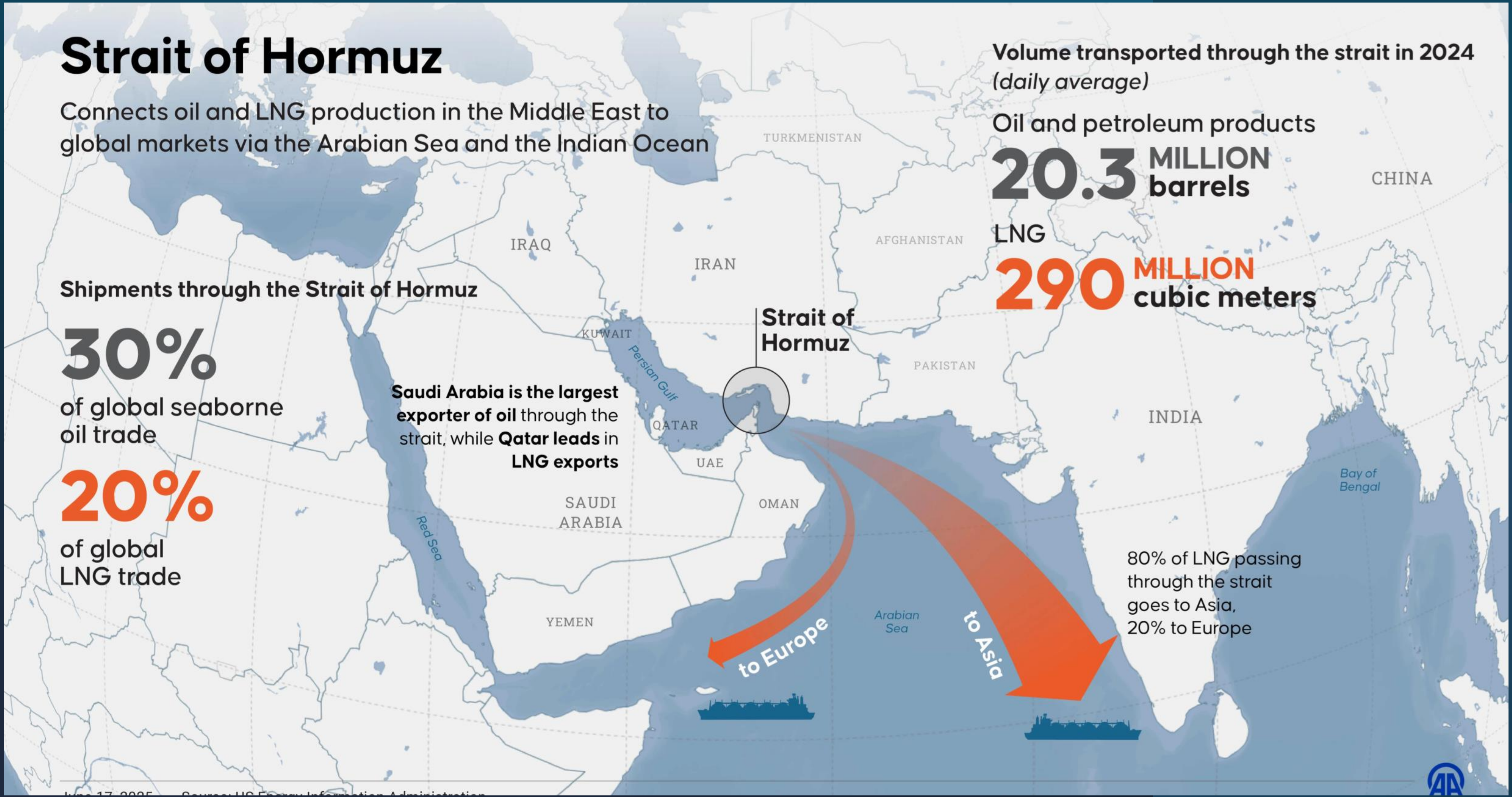
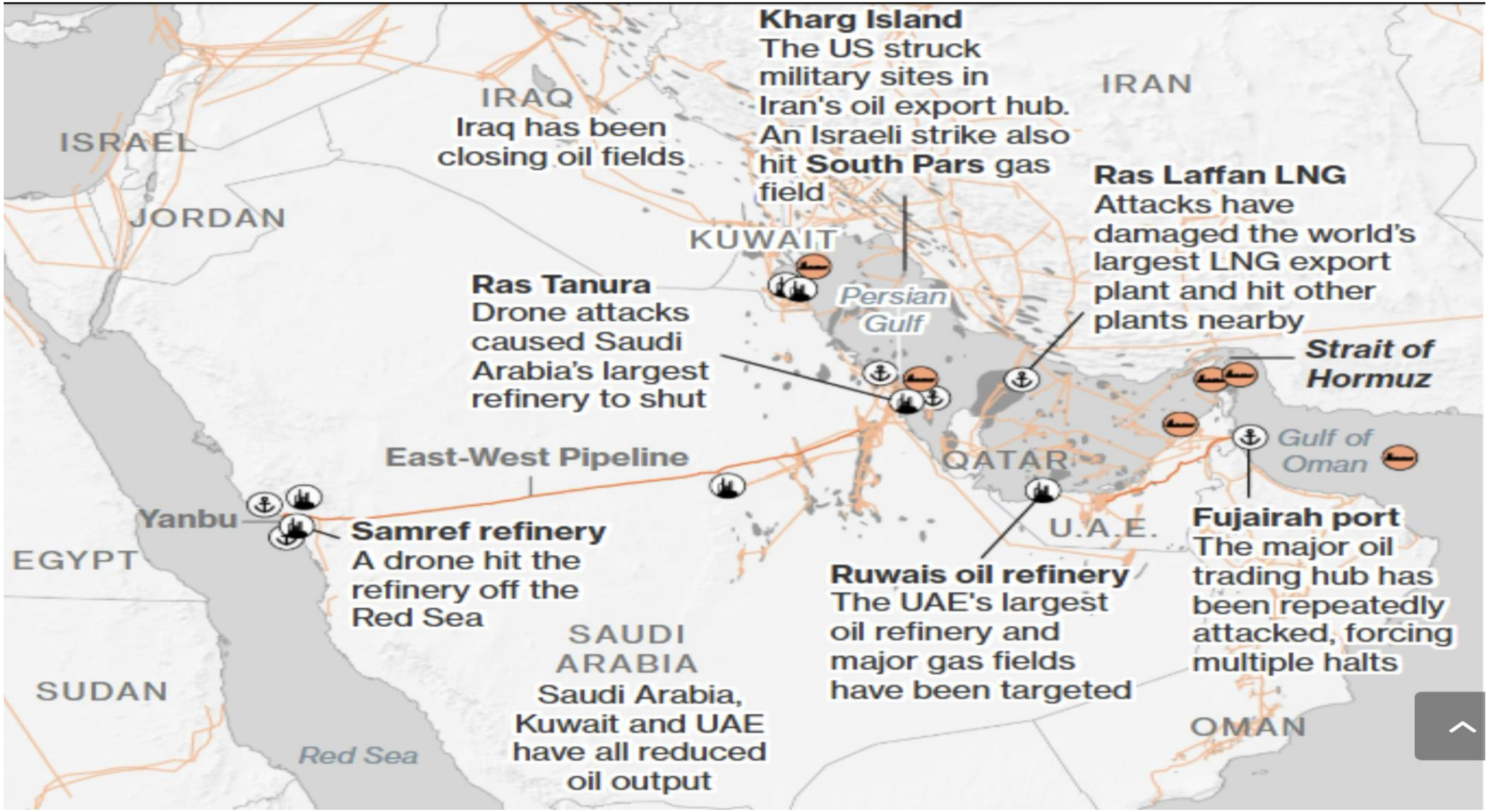
Six-point briefing

- Iran conflict or Gulf damage disrupts oil/gas flows, unsettling global energy markets.
- Global: substitution, demand drop, economic shifts, more bilateral trade, possible Russian re-engagement, higher prices.
- UK: higher inflation, costlier borrowing, slower growth, weaker spending/investment, public finance pressure.


Strait of Hormuz
Connects oil and LNG production in the Middle East to global markets via the Arabian Sea and the Indian Ocean
Shipments through the Strait of Hormuz
30%
of global seaborne oil trade
20%
of global LNG trade
Saudi Arabia is the largest exporter of oil through the strait, while Qatar leads in LNG exports
Strait of Hormuz
Volume transported through the strait in 2024 (daily average)
Oil and petroleum products
20.3 MILLION barrels
LNG
290 MILLION cubic meters
80% of LNG passing through the strait goes to Asia, 20% to Europe
to Europe
to Asia
TURKMENISTAN
IRAQ
IRAN
AFGHANISTAN
CHINA
KUWAIT
Persian Gulf
QATAR
UAE
PAKISTAN
INDIA
SAUDI ARABIA
OMAN
Red Sea
YEMEN
Arabian Sea
Bay of Bengal

Damage to energy facilities in the Persian Gulf



Strait of Hormuz crisis threatens world fertilizer supply chain

The effective closure of the Strait of Hormuz sent shockwaves through global energy and fertilizer markets amid rising costs threatening production schedules of farmers and the world's food supply security

With the closure of the Strait of Hormuz

- Global fertilizer supply chain fell by **%33**
- Phosphate fertilizer supply fell by **%20**

Urea Prices

Rose from **$482.5** to **$720**

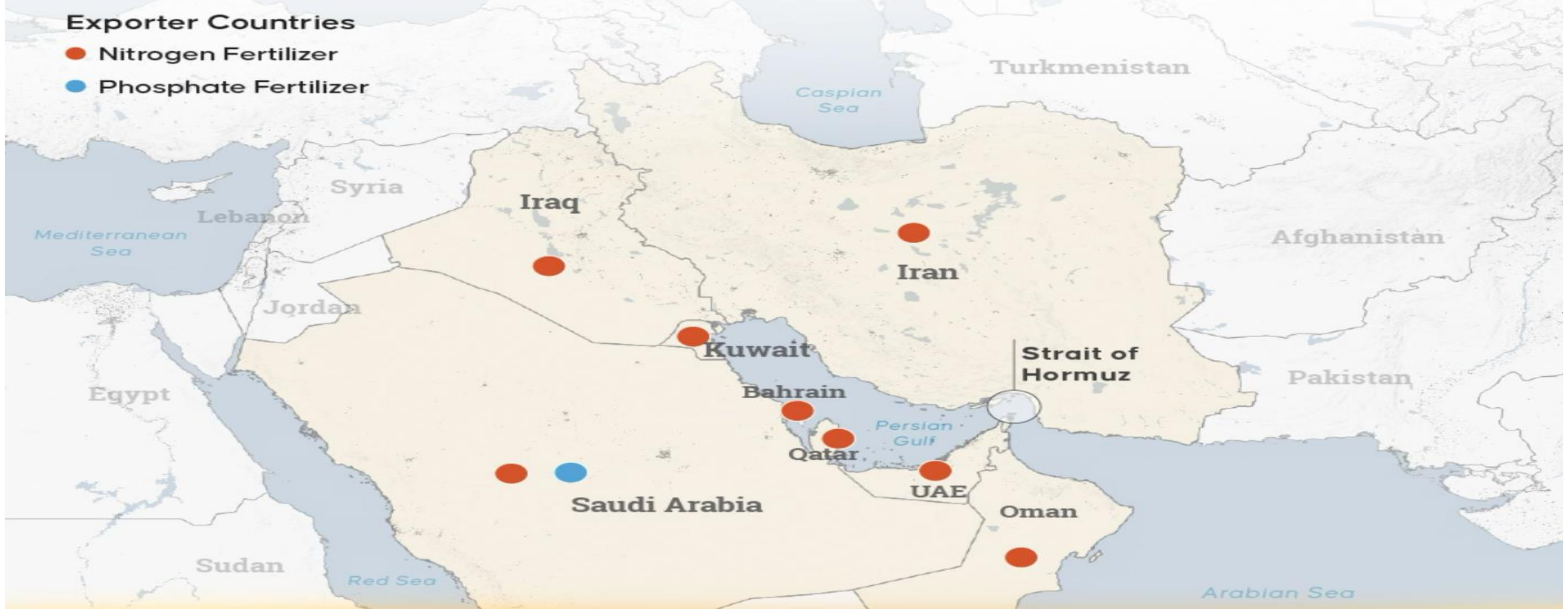
Share of the region in the global supply (%)

Product	Share (%)
Urea	46
Sulphur	45
Nitrogen Fertilizer	38
Phosphate Fertilizer	38

3 key agricultural inputs in the global food security

Input	Annual supply
Nitrogen Fertilizer	110 Million tons
Phosphorus	45 Million tons
Potassium	40 Million tons

**Annual supply*



Strait of Hormuz Closure: Impact on Asian Petrochemicals

Major disruption: Tanker movements and insurance severely affected; traffic rerouted; a major feedstock shock for Asia.

Asia's dependence: 86.6m tonnes naphtha imports in 2025; >50% from Middle East — all exposed to Hormuz.

Immediate fallout: Force majeure and rate cuts across Singapore, Indonesia, South Korea; additional shutdowns linked to crude interruptions.

Why it hurts: No regional feedstock independence; Russia cannot scale; alternatives (LPG/ethane/condensate) also disrupted.

Structural vulnerability: Asia's ecosystem is huge but brittle — reliant on a single region and chokepoint.

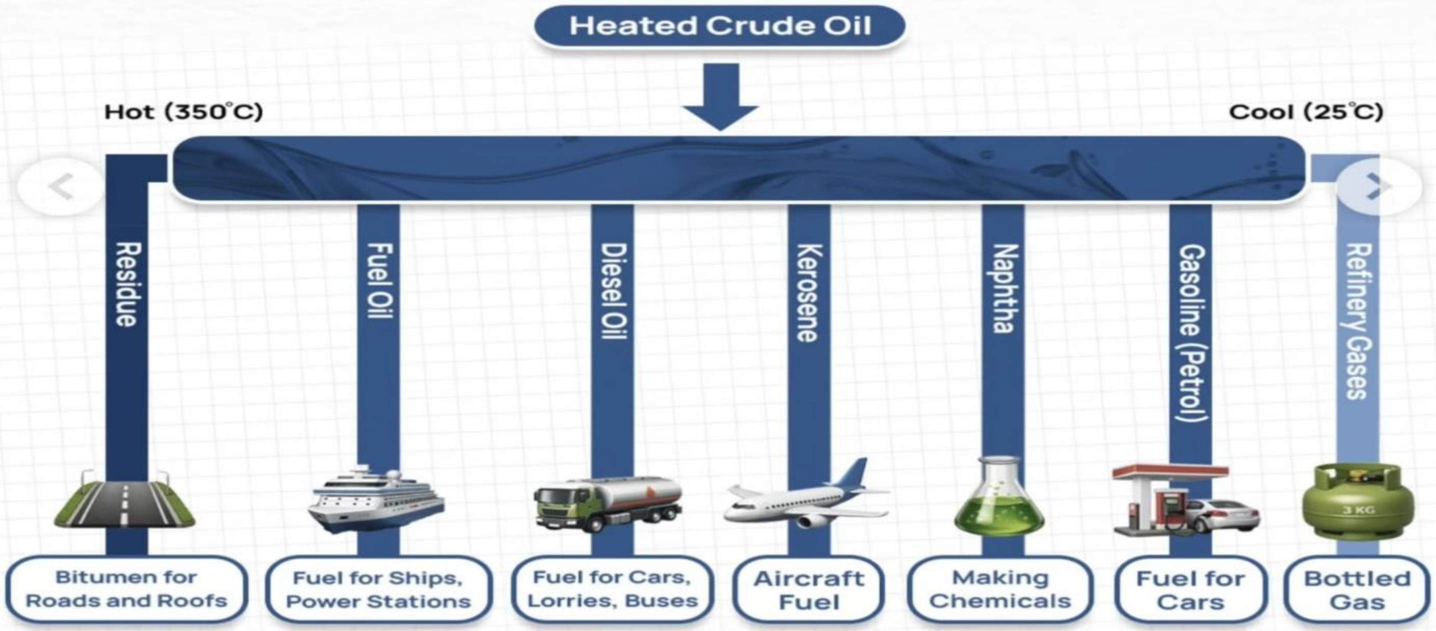
Outlook: Minimal near-term diversification options; long-term reliance on imported naphtha remains.

Picture: ICIS

What Is Naphtha?

Key feedstock for global petrochemical industry

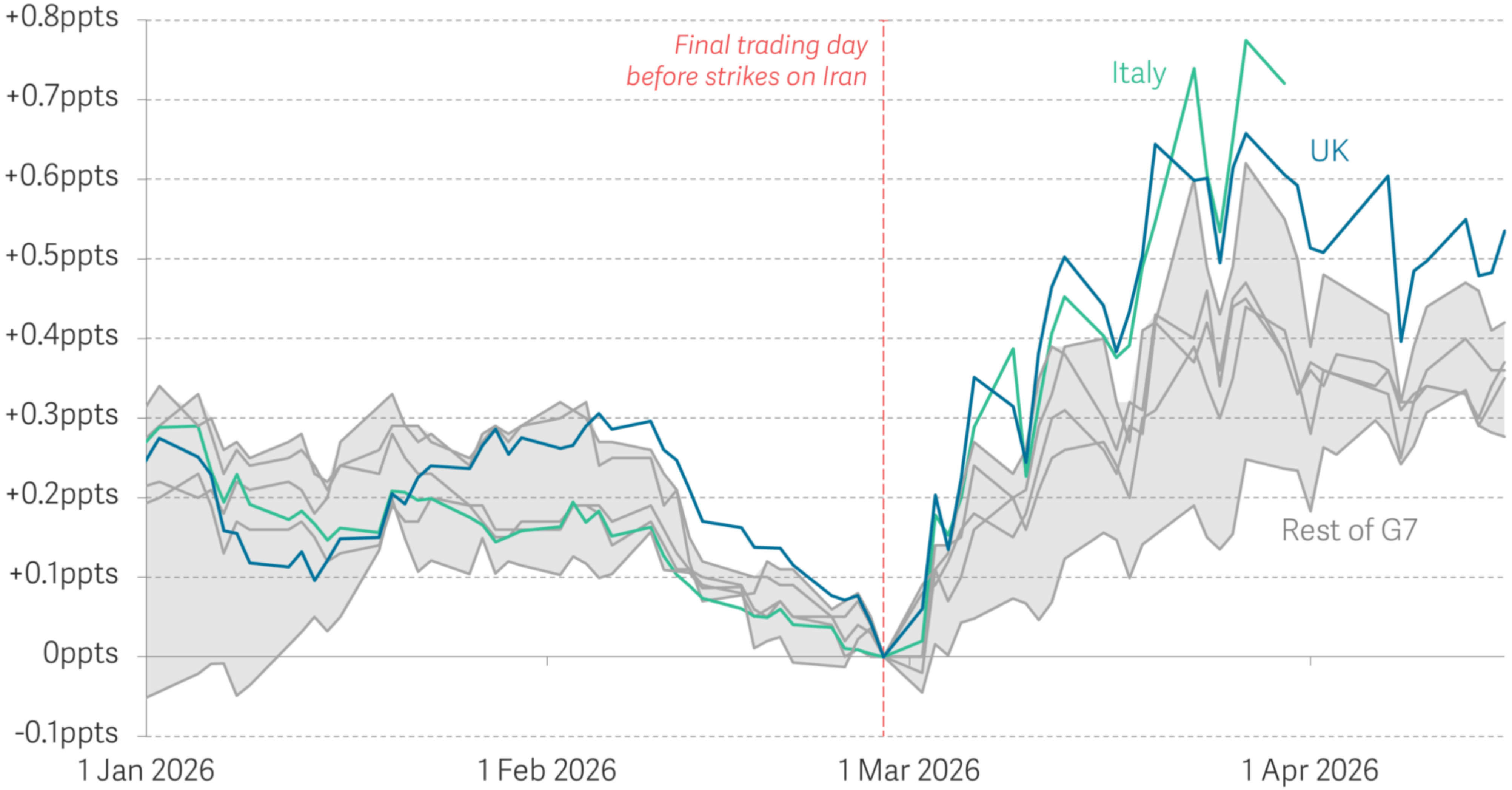
- **Naphtha** is a **refined petroleum product** that serves as a **key feedstock** in the petrochemical industry.
- From naphtha, core building blocks such as **ethylene** and **propylene** are produced, which are then processed into **plastics**, **synthetic fibers**, and **various industrial chemicals**.



North-west European jet fuel price per tonne in $US, per working day

Source: Bloomberg, data as at 15 April 2026

Change in 10-year government bond yields relative to 27 February 2026: G7 members



Notes: End-of-day data up to Thursday 16 April 2026. Daily data from the Banca d'Italia is released monthly, so is only available up to 31 March 2026. Yields are a mix of observed benchmark bond yields and yields interpolated from fitted yield curves, depending on data availability.

International implications

- Substitution where possible – beyond that demand destruction
- Some relocation of activity
- More bilateral trade arrangements
- Re-engagement with Russia ?
- Sustained period of higher prices
- Further conflict in the Middle East – leading to greater migration?

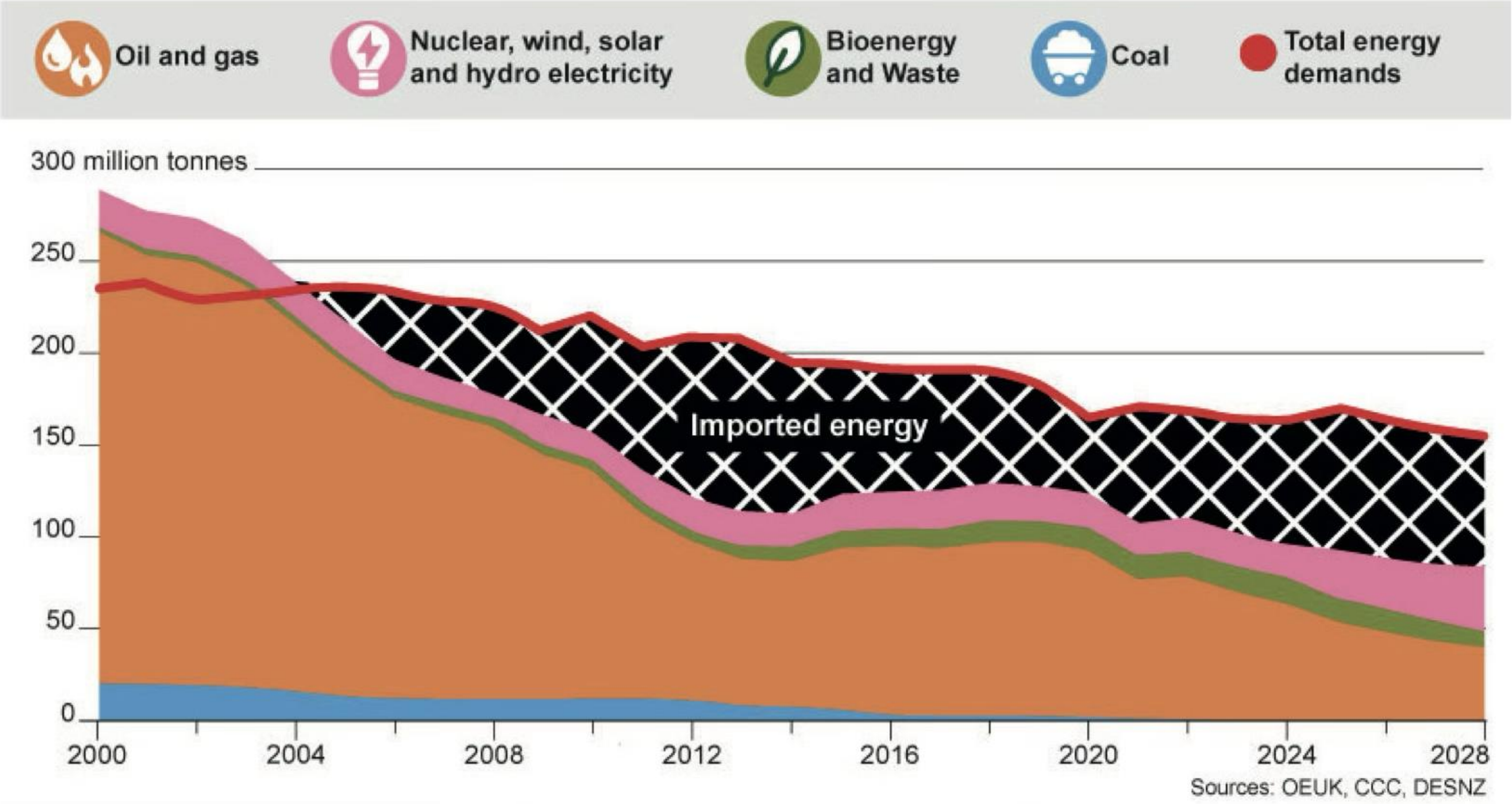


Figure 1: The energy gap between what we will consume and what we will produce ourselves

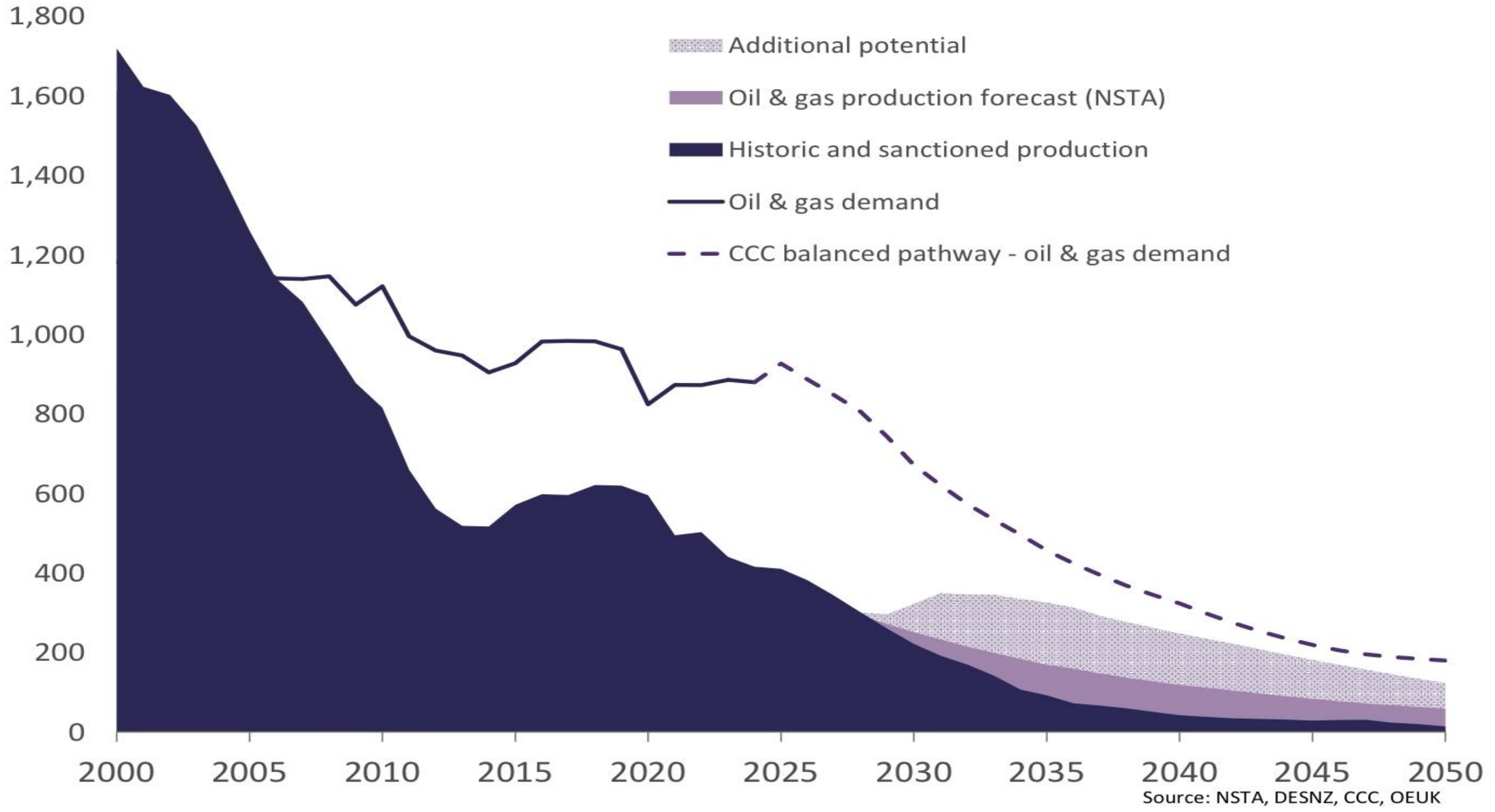


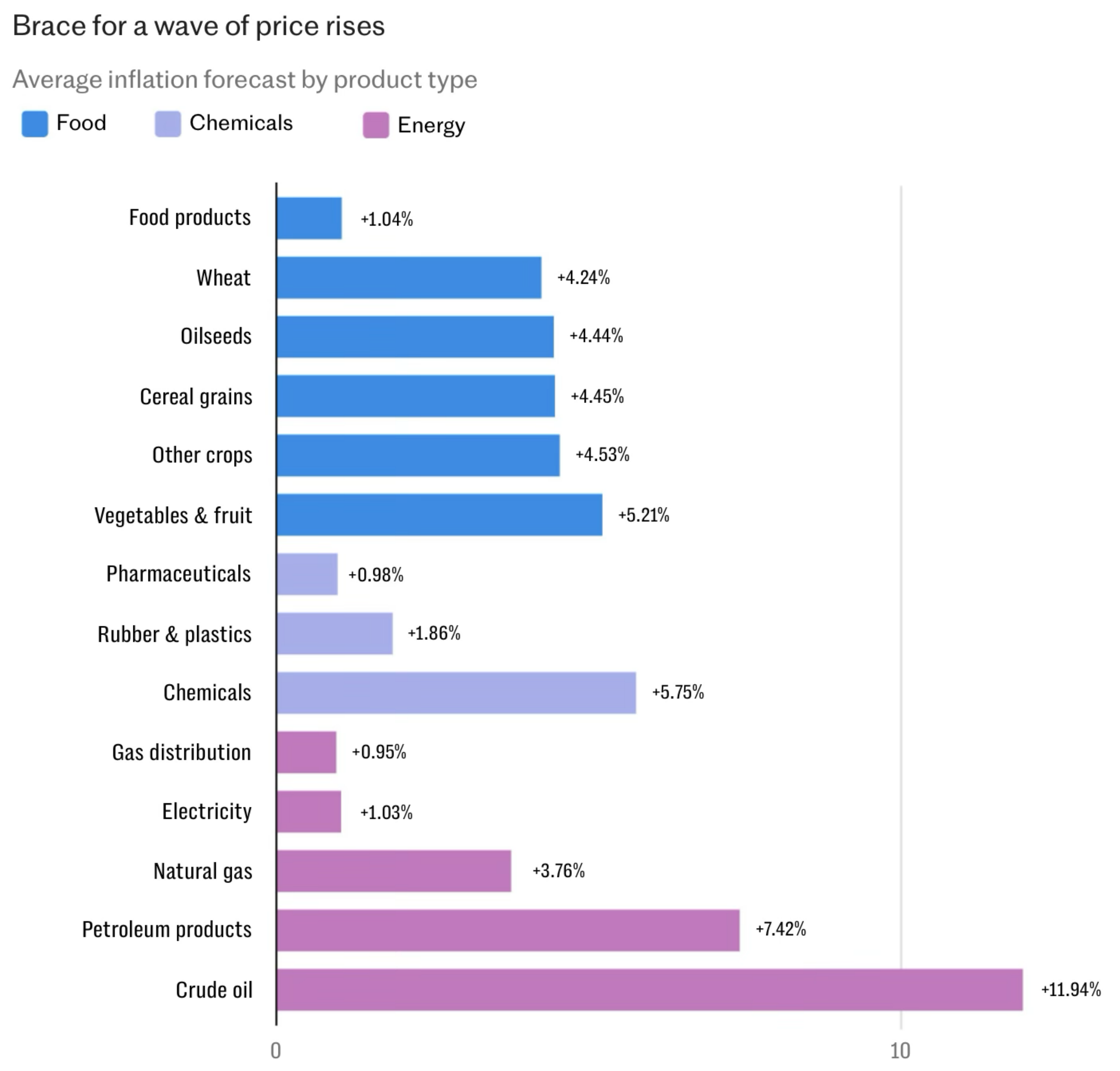
Figure 3: NSTA and CCC oil and gas supply demand outlook (mn tonnes of oil equivalent)

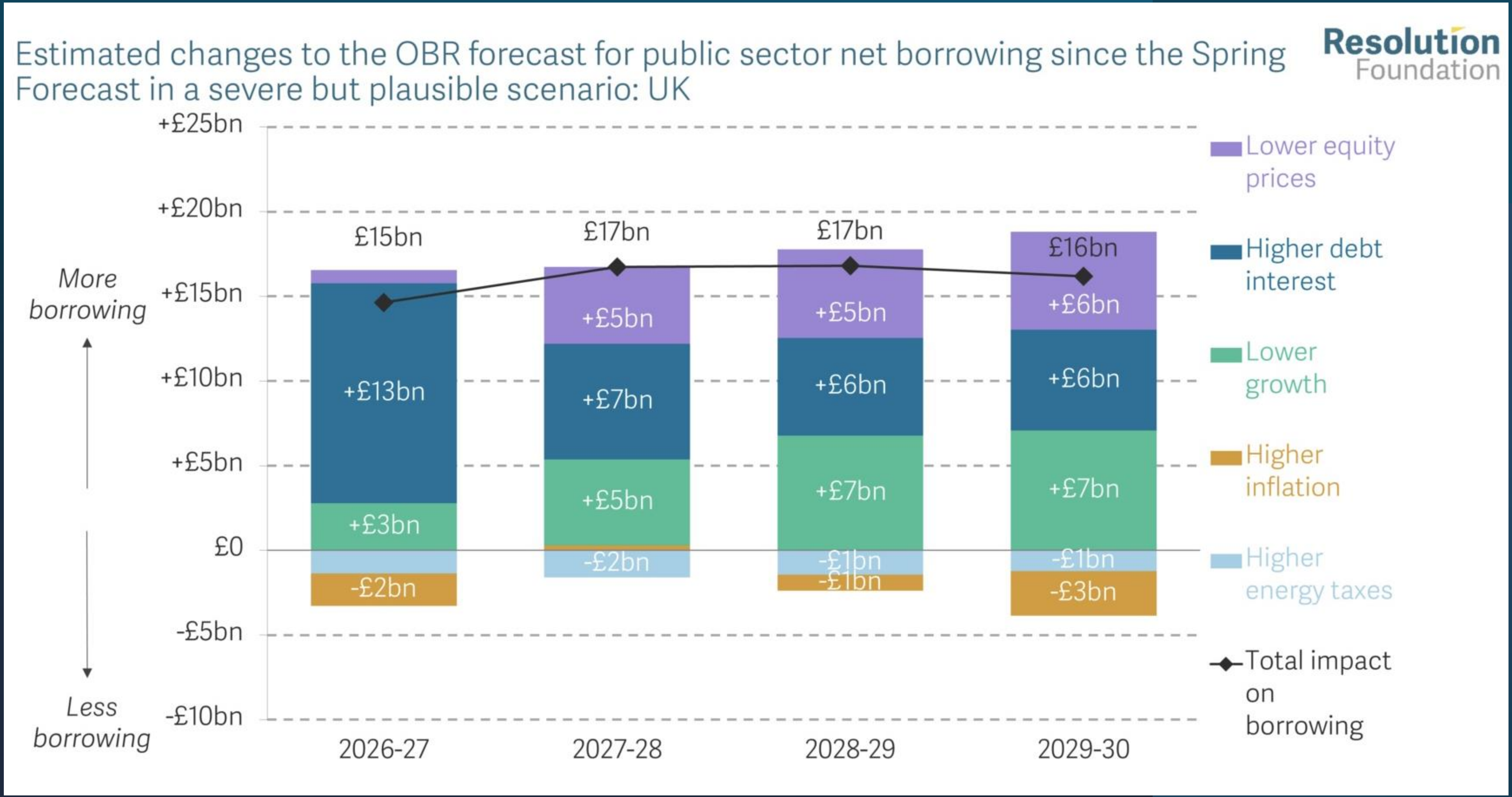
Price at the pump

Average **petrol** and **diesel** prices in the UK

Last updated on Apr 24

Chart: The Times and The Sunday Times • Source: RAC


Brace for a wave of price rises
Average inflation forecast by product type
Food
Chemicals
Energy
Food products
+1.04%
Wheat
+4.24%
Oilseeds
+4.44%
Cereal grains
+4.45%
Other crops
+4.53%
Vegetables & fruit
+5.21%
Pharmaceuticals
+0.98%
Rubber & plastics
+1.86%
Chemicals
+5.75%
Gas distribution
+0.95%
Electricity
+1.03%
Natural gas
+3.76%
Petroleum products
+7.42%
Crude oil
+11.94%
0
10


Estimated changes to the OBR forecast for public sector net borrowing since the Spring Forecast in a severe but plausible scenario: UK
Resolution Foundation
+£25bn
+£20bn
+£15bn
+£10bn
+£5bn
£0
-£5bn
-£10bn
More borrowing
Less borrowing
£15bn
£17bn
£17bn
£16bn
+£13bn
+£3bn
-£2bn
+£5bn
+£7bn
+£5bn
-£2bn
+£5bn
+£6bn
+£7bn
-£1bn
-£1bn
+£6bn
+£6bn
+£7bn
-£1bn
-£3bn
2026-27
2027-28
2028-29
2029-30
Lower equity prices
Higher debt interest
Lower growth
Higher inflation
Higher energy taxes
Total impact on borrowing

Implications for the UK

- Inflation – starting with energy prices and food costs
- Increased cost of debt – public and private
- Slower growth – lower spending and investment
- Impact on public spending


FUEL STATION
ESSENTIAL USE ONLY
ESSENTIAL USE ONLY
DEPARTMENT FOR ENERGY SECURITY & NET ZERO
NATIONAL EMERGENCY FUEL PLAN
ESSENTIAL USE ONLY
ESSENTIAL USE ONLY
PETROL/DIESEL RATIONING IN EFFECT
-
PERMIT HOLDERS ONLY