Energy and resources sector

Global supply chain disruption impact for in-house legal

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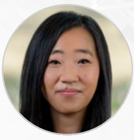
Recent geopolitical disruption is rapidly reshaping the operating environment for the global energy sector. What began as a regional geopolitical crisis is now creating material pressure across energy supply, export infrastructure, logistics and project execution.

For energy and resources businesses, the challenge is no longer simply managing market volatility. Organizations are increasingly focused on strengthening operational resilience, supply continuity and long-term energy security in a more fragmented geopolitical environment.

This summary examines the key market disruptions and strategic implications for General Counsel emerging across the energy and resources sector.



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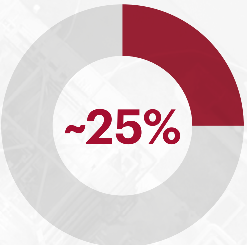
In brief

The energy and resources sector sits at the center of the current geopolitical disruption. Significant disruption to commercial transit through the Strait of Hormuz has triggered volatility across global oil, LNG and petrochemical markets, while exposing the extent to which global energy supply remains dependent on concentrated export infrastructure and vulnerable maritime chokepoints.

The impact extends well beyond commodity pricing. Constraints on energy exports are creating challenges across refining, petrochemicals and energy-intensive industrial supply chains, while elevated freight and feedstock costs continue to intensify operational and commercial risk.

Alternative export infrastructure may face challenges fully offsetting prolonged disruption, reinforcing concerns around export resilience, infrastructure concentration and long-term energy security.

1. Conventional energy and petrochemicals



of global oil demand transits through the Strait of Hormuz[1]

of global LNG supply is linked to transit through the Strait of Hormuz.[1]

>40%

of global polyethylene and polypropylene exports originate from the Gulf Cooperation Council.[2]

Global energy chokepoint disruption

Many of the cost increases examined in this report from petrochemical feedstock inflation to downstream manufacturing pressure, are linked to disruption affecting transit through the Strait of Hormuz.

The chokepoint remains one of the world's most significant energy transit corridors, historically facilitating the daily movement of 14.95 million[1] –16 million[3] barrels of crude oil, representing approximately 25% of global oil demand.[1] The strait also handles approximately 1.5 million barrels per day of liquified petroleum gases (LPGs)[4] and estimates of 3.8 million[3] barrels per day of other refined products. Current market conditions have placed pressure on regional export flows and increased uncertainty across global energy supply chains.[5]

Oil market shock and macroeconomic impact

The immediate market reaction drove Brent crude prices upward by 28% to over $92 per barrel within the first week of the conflict, with markets pricing in elevated geopolitical risk premiums and projecting potential spikes well above $100 per barrel.[6] Analysts have warned that if oil prices test $200 per barrel, it would have contractionary impacts on global GDP growth.[7]

According to a March 2026 macroeconomic analysis by Vanguard, sustained oil prices of $125 per barrel would be sufficient to drag the Euro area into recession, while sustained prices of $150 per barrel, coupled with tightening financial conditions, could materially increase recessionary risk in the United States.[8] The International Monetary Fund's (IMF) April 2026 World Economic Outlook similarly models a "severe scenario" where an energy shock pushes oil to $125 per barrel.[9]

Disruption affecting transit through Hormuz is increasing pressure on regional energy export capacity, not simply affecting commodity prices.

LNG market disruption is increasing energy-security exposure for import-dependent markets and energy-intensive industrial sectors.

IMF analysis further suggests that every sustained 10% increase in oil prices reduces global GDP growth by approximately 0.1%-0.2%.[10] Oil price volatility is also impacting long-term supply arrangements, financing assumptions and energy-intensive industrial production.

LNG disruption and Asian energy exposure

Current market conditions are also affecting global LNG supply chains. European natural gas futures for June 2026 to October 2026 increased by more than 48% as reported by ICE[11], while other sources reported prices increasing from €31 to €47 per megawatt-hour.[12] The Strait of Hormuz handles 82.3 million tons of LNG annually, making LNG markets particularly sensitive to sustained disruption affecting the corridor.[1] According to public reporting, force majeure has been declared on shipments departing from the Ras Laffan terminal.[21] The declaration increased scrutiny on contractual relief provisions and supply continuity.[23]

Alternative export infrastructure capacity

Current market conditions have highlighted the operational importance of alternative export routes for regional energy flows. Saudi Arabia's East-West Petroline pipeline spans 1,200 kilometers from the Abqaiq oilfield to the Yanbu port on the Red Sea, bypassing the Strait of Hormuz.[14] Market reporting indicates that the outbound Red Sea volumes via the Yanbu terminal increased by 330% relative to pre-crisis baselines, reaching an estimated 2.47 million barrels per day.[22]

While alternative pipeline infrastructure may provide partial routing flexibility, market reporting indicates that port loading and throughput constraints can limit the ability to fully offset prolonged disruption through primary energy corridors.[14] Even where pipeline infrastructure remains operational, export volumes cannot be loaded onto vessels quickly enough to fully replace lost Hormuz throughput.

Alternative export routes may provide partial flexibility, but port, terminal and logistics capacity can limit their effectiveness during sustained disruption.

Higher petrochemical feedstock costs are increasing pricing and margin pressure across refining, chemicals and downstream industrial production.

Saudi Arabia alternative export routing	Stated capacity	Actual throughput capability
East-West pipeline capacity	7.0 million bpd	7.0 million bpd (Pipeline maximum) [14]
Yanbu Port loading capacity	4.0 million bpd (Design)	5.9 million bpd (Theoretical maximum with Ship-to-Ship transfers) [14]

Gap of 1.1-3.0 million barrels per day

estimated export capacity gap across alternative Saudi export infrastructure. [14]

Petrochemical inflation and downstream manufacturing pressure

The upstream supply constraints documented above are now translating directly into sustained increases in petrochemical feedstock costs. Naphtha prices nearly doubled to approximately $1,300 per ton, [16] while propane and butane prices also increased sharply.[17, 18]

The Gulf Cooperation Council accounts for more than 40%[2] of global polyethylene and polypropylene exports. [19] If disruption persists, regional producers may face increased pressure on operating rates as export infrastructure and storage capacity tighten. Sustained feedstock inflation is also increasing pressure on pricing mechanisms, operating margins and long-term supply assumptions across refining and chemicals businesses.

2. Renewable and low-carbon energy

Supply chain disruption is affecting renewable and low-carbon energy projects through specialist components, critical minerals, grid equipment and long-lead procurement.

Delays can affect commissioning dates, grid connection timing, offtake commitments, subsidy eligibility and financing milestones. For General Counsel, the priority is to assess whether construction and project delivery contracts, procurement arrangements, power purchase agreements, connection agreements and finance documents provide enough flexibility to manage delay, cost escalation, supplier substitution and milestone relief.

3. Energy infrastructure and transmission

Downstream energy transmission infrastructure

Supply chain disruption can affect substations, interconnectors, transmission lines, transformers, switchgear and grid control systems.

Where long-lead grid equipment is delayed, the impact may be felt in connection queues, system reinforcement, generation commissioning and the ability to bring new capacity online. For General Counsel, this may require review of grid connection agreements, regulated delivery obligations, commissioning milestones, delay relief, liquidated damages and regulatory reporting requirements.

Renewable and low-carbon energy projects remain exposed to critical materials, specialist equipment and grid connection dependencies.

Transmission and grid infrastructure are becoming critical resilience points as equipment delays affect connection timing, system capacity and energy security.

In summary

Energy sector exposure is increasingly concentrated around conventional energy supply, petrochemical feedstocks, renewable and low-carbon project delivery, and energy infrastructure resilience.

Key takeaways for energy sector leadership teams

- Energy disruption is now creating operational, financing and supply continuity risks beyond commodity pricing alone.
- Alternative export infrastructure may provide partial flexibility, but port, terminal and logistics constraints can limit its effectiveness during sustained disruption.
- Renewable and low-carbon energy projects remain exposed to critical materials, specialist equipment and grid connection dependencies.
- Transmission and grid infrastructure may face pressure where long-lead equipment delays affect connection timing, system capacity or commissioning.
- Contractual exposure relating to force majeure, export interruption and pricing mechanisms should be actively reassessed.
- Sanctions and export control complexity continues to increase across shipping, insurance and energy trading arrangements.

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All data points in this report are based on analysis conducted in April 2026.

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This report reflects market conditions, publicly available information and third-party analysis available as of April 2026. The situation remains dynamic and forecasts, estimates and market impacts may change as events develop.

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