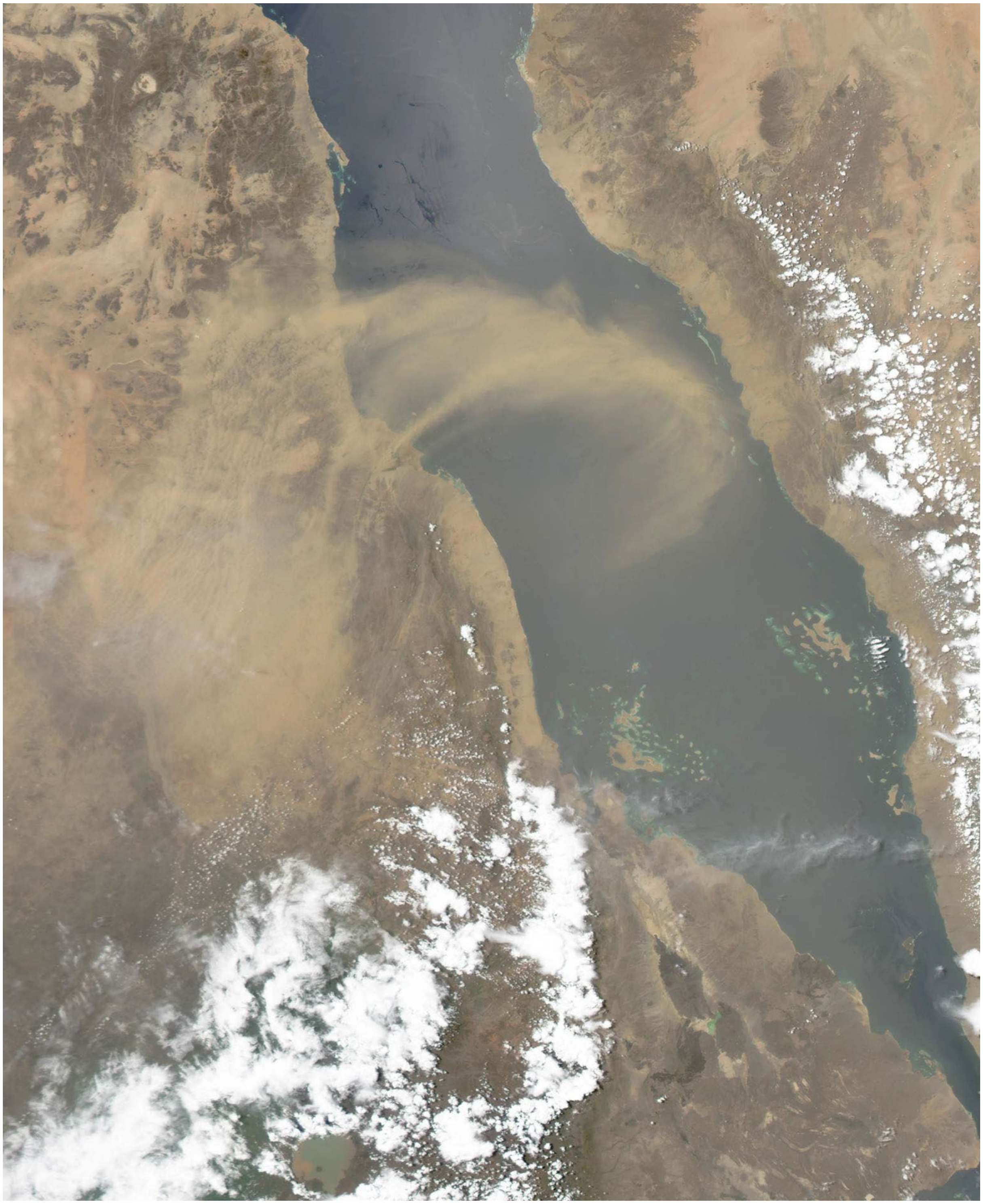
A new shipping snarl in the Middle East



Oil prices are on the rise again as a new front opens in the conflict between Iran, the United States and Israel, although the effects on petrochemical and plastics operations remains unknown.

Houthi rebels controlling part of Yemen fired on ships making their way from the Red Sea toward the Indian Ocean via the Bab el-Mendeb Strait. Like the Strait of Hormuz that runs parallel to the north of the Arabian Peninsula, the Bab el-Mendeb is a narrow passage — about 16 miles wide — linking oil-rich production of the Middle East to the rest of the world.

It is not as busy as Hormuz, with Bab el-Mendeb handling about 7 percent of the world's oil shipments compared with 20 percent of the shipments passing through Hormuz. But it has been a key backup to Hormuz since the conflict began in late February, thanks to a major pipeline stretching across Saudi Arabia that makes the Red Sea an alternative shipping option.

Shutting down traffic from the Red Sea would add further shipping delays, forcing ships to travel through the Suez Canal and around the Cape of Good Hope, adding about 30 days for ships heading to Asia from Saudi Arabia, the consulting group ICIS writes.

When the war closed shipping through the Strait of Hormuz, supply chain shortages — along with anxiety over shortages — prompted resin price increases, including a 30-cent jump in polyethylene. It's unclear whether the new closures will affect prices, but Dow Inc. already has said it plans to boost PE prices in August.

A day after two ships in the Bab el-Mendeb Strait were damaged on July 22, oil prices climbed above $100 a barrel for the first time since May.