

GLOBAL OIL & LNG SUPPLY RISK — STRAIT, PIPELINE AND VLCC UPDATE

Status as of September 21, 2026

We continue to see events in the Middle East grow to a point where we felt it important to communicate this to you in this special event bulletin from Star Plastics. First and foremost, Star continues to work to mitigate the effects of the global situation, and we see it translating in the short term, to fuel surcharges, moving from 55% to 60% of the cost for bulk carriers to TL shipments and LTL shipments.

Global energy markets are facing an unusual combination of maritime chokepoint disruption, damage to Saudi Arabia's principal bypass pipeline, and an increasingly tight VLCC tanker market. Each problem reinforces the others, making transportation capacity almost as important as physical oil production.

Strait of Hormuz — Severe Disruption

Hormuz is the world's most important energy chokepoint. Under normal conditions, approximately 20–21 million barrels per day of crude oil and petroleum products transit the strait—roughly 20% of world oil supply and more than 25% of global seaborne oil trade. About 11.4 Bcf/day of LNG, representing more than 20% of global LNG trade, also normally passes through Hormuz, predominantly from Qatar.

Current traffic remains far below normal levels, although the strait is not completely physically closed. Tankers continue to move Gulf crude using restricted passages, military protection, AIS-dark operations and increasingly ship-to-ship transfers outside the Gulf. Saudi Arabia has recently increased exports through Hormuz because its alternative Red Sea route has been impaired.

Bab el-Mandeb — Open but High Risk

Bab el-Mandeb connects the Red Sea and Suez route with the Arabian Sea. Oil flows reached approximately 9.3 million barrels/day in 2023, before Red Sea security problems pushed flows down to around 4.2 million b/d in the first half of 2025. EIA data indicate flows recovered to approximately 8.1 million b/d in Q2 2026, although security conditions remain highly unstable. LNG traffic through the route, historically around 4 Bcf/day, has at times fallen essentially to zero as carriers diverted around Africa.

Commercial vessels continue to transit Bab el-Mandeb, but attacks and Houthi activity have made the route substantially more dangerous and expensive. Diversions around the Cape of Good Hope increase voyage distance, fuel consumption and tanker requirements.

Saudi East–West Pipeline — Critical Alternative Route Impaired

Saudi Arabia's East–West Pipeline, or Petroline, transports crude from the Eastern Province to Yanbu on the Red Sea, allowing Saudi exports to bypass Hormuz. The system has capacity of

approximately 7 million b/d and was moving several million barrels per day before drone attacks damaged pumping infrastructure in September.

The disruption has sharply reduced Saudi Arabia's Red Sea export flexibility. No Yanbu crude loadings were observed after September 16 in the latest Reuters reporting, while Aramco increased exports through Hormuz and ship-to-ship transfers near Oman. Reports indicate Aramco is working toward a partial pipeline restart, with full restoration potentially requiring several weeks; that timetable has not been publicly confirmed by Aramco.

VLCC Tanker Shortage — Becoming a Second Supply Constraint

The tanker market is now amplifying the physical infrastructure problem. Longer voyages, rerouting around Africa and short-distance shuttle operations through and around Hormuz consume substantially more VLCC vessel-days. Ship-to-ship transfers near Oman have increased from approximately 1.4 million b/d in August to 2.5 million b/d in September.

VLCC spot charter rates have exceeded \$500,000 per day, while some Gulf transportation costs now exceed \$30 per barrel. More than 217 new VLCCs have been ordered during 2026, but many will not enter service until 2028–2030; about 20% of the existing fleet is already more than 20 years old.

Bottom Line

The risk to global oil supply is no longer simply whether producers can pump enough crude. Hormuz restrictions + Bab el-Mandeb security risk + the impaired Saudi East–West pipeline + limited VLCC capacity create a transportation bottleneck. Longer voyages remove effective tanker capacity, freight costs rise, deliveries slow, inventories decline and producers can ultimately be forced to reduce output because they cannot efficiently move additional barrels to customers.

The key indicators to watch are Hormuz vessel traffic, Petrolina/Yanbu restart progress, Bab el-Mandeb security conditions, Oman ship-to-ship transfer volumes, and VLCC freight rates. Improvement in any one area would help, but a sustained normalization of world oil transportation is likely to require several of these constraints to ease simultaneously.