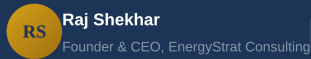


When Corridors Fail: *Rethinking the Energy 5-Year Plan*

Two simultaneous chokepoint crises — the Strait of Hormuz disruption and the permanent end of Russian pipeline gas to Europe — have invalidated the corridor assumptions underpinning virtually every major energy company's strategic plan. Here is the sector-by-sector reckoning.



March 10, 2026 · 18 min read

~20%

OF GLOBAL DAILY OIL SUPPLY TRANSITS THE STRAIT OF HORMUZ

IEA, 2026 · EnergyStrat Analysis

70%

DROP IN TANKER TRAFFIC THROUGH HORMUZ IN THE FIRST WEEK OF THE 2026 DISRUPTION

EnergyStrat Intelligence, March 2026

55%

OF ENERGY CEOs RANK GEOPOLITICAL COMPLEXITY AS THEIR #1 STRATEGIC CHALLENGE

KPMG Global CEO Outlook, 2025

I have spent the last two decades advising energy companies on long-range strategy. I have sat through hundreds of scenario-planning sessions where “geopolitical disruption” appears dutifully as a tail-risk row in a risk matrix — assigned a low probability, a high impact score, and then largely ignored in the base case. That era is over.

In the last 14 months, two load-bearing pillars of the global energy system's assumed architecture have collapsed simultaneously. First: Ukraine halted Russian gas transit to Europe on January 1, 2025 — permanently ending a 50-year supply relationship and forcing an entire continent to rewrite its gas supply stack from the ground up. Second: the Strait of Hormuz — through which roughly 20% of the world's daily oil supply and nearly 20% of global LNG volumes flow — suffered near-total disruption following the February 28, 2026 strikes on Iranian infrastructure. Tanker traffic fell by approximately 70% in the first week alone.

This is not a crisis in the ordinary sense. It is a structural reclassification. The planning assumption that energy transit corridors are permanent, insurable, and substitutable at reasonable cost has been empirically falsified — twice, within 14 months. The question every energy board must now answer is: *which parts of our 5-year plan were built on corridor assumptions that no longer hold?*

The 5-year plans that will survive are not the ones with the best demand forecasts. They are the ones that modelled corridor disruption as a baseline — not a tail risk.

What follows is EnergyStrat's sector-by-sector diagnosis. For each segment of the value chain, we identify the specific corridor assumption that has been broken, the planning consequences of a sustained (6-month-plus) stalemate, real-world case studies from the post-2022 adjustment period, and — critically — where the strategic optionality now lies.

📦 Upstream Oil & Gas Production

PRIMARY REGIONS: PERSIAN GULF (SAUDI ARABIA, KUWAIT, IRAQ, UAE, QATAR) · RUSSIA · CENTRAL ASIA

The upstream sector's 5-year planning crisis is a paradox: the world's largest incremental producers are sitting on capacity they cannot export. Saudi Aramco has begun curtailing production at two fields. Kuwait has started shutting in oilfields as onshore storage approaches capacity with tanker traffic stalled. The Hormuz disruption does not merely disrupt revenue — it inverts the fundamental logic of capacity expansion programs worth hundreds of billions of dollars.

Iraq is the most critically exposed producer. Unlike Saudi Arabia and the UAE — which have bypass routes through the East-West Pipeline and the Fujairah Indian Ocean terminal, handling a combined ~2.6 million b/d — Iraq has almost no meaningful pipeline infrastructure to non-Gulf export points. Its entire 4.4 million b/d production base is Hormuz-dependent. A sustained closure is not merely an economic disruption for Baghdad; it is a fiscal existential event.

The Nord Stream Lesson: When Infrastructure Disappears, Assumptions Cascade

When Russia's gas was removed from the European system in 2022, it simultaneously invalidated the planning architecture of European utilities across every dimension — fuel-mix assumptions, power purchase contracts, LNG terminal capacity, storage strategies, and household tariff models. No single sector could adjust in isolation because every sector's 5-year plan contained an embedded dependency on the same corridor.

Gulf producers who built capital programs on stable Hormuz access must now model a world where their reserve base is only *optionally* exportable. This forces a fundamental repricing of proven reserve valuations — with cascading consequences for project financing, IOC equity stakes, and sovereign wealth fund balance sheets.

→ **Strategic Lesson: Reserve value is not purely a geology question — it is a logistics question. Producers must now permanently incorporate corridor risk as a factor in reserve valuation.**

🔗 Midstream: Tankers, Pipelines & Maritime Logistics

PRIMARY REGIONS: PERSIAN GULF · RED SEA / SUEZ CORRIDOR · CAPE OF GOOD HOPE ROUTE · CENTRAL / EASTERN EUROPE

Midstream is where the accounting of geopolitical risk is most immediate and most visible. War-risk insurance premiums for Hormuz transits have surged from 0.125% to between 0.2% and 0.4% of hull value per transit — adding over \$250,000 per voyage for a very large crude carrier (VLCC). That is not an absorbed cost. It is a cost that reprices delivered energy at every destination on earth.

The maritime shipping industry is simultaneously managing two rerouting crises with no common bypass solution. The Red Sea / Suez disruption — now structural for a second consecutive year — already forced operators to reroute around the Cape of Good Hope, adding 10–14 days to Asia-Europe voyages. The Hormuz closure creates a compounding disruption, and the combined effect exceeds the sum of the two individual shocks.

SCENARIO A	SCENARIO B	SCENARIO C
< 3 months	3 – 9 months	> 9 months
Managed Shock Premiums stabilise at elevated levels. Freight rates spike then settle. 5-year plans require sensitivity adjustments only. Cape route becomes the formally preferred path for Hormuz-origin cargoes.	Structural Reroute Hormuz priced as permanently elevated risk. Floating storage fills. Operators accelerate Atlantic-basin fleet redeployment. Middle East–Asia routes structurally redesigned.	Paradigm Break Long-term contracts tied to Hormuz enter force majeure territory. Pipeline bypass investment becomes a national infrastructure priority. Tanker economics repriced for a generation.

African ports (Durban, Cape Town, Algoa Bay, Port Louis) were not designed for the VLCC volumes now transiting them. Companies that front-load infrastructure investment at Cape transit hubs will hold a durable competitive advantage in any Scenario B or C outcome.

🏭 Downstream: Refining & Petrochemicals

PRIMARY REGIONS: JAPAN · SOUTH KOREA · INDIA · CHINA · WESTERN EUROPE

Asian refiners are the downstream segment most immediately exposed. Japan sources approximately 95% of its crude from Saudi Arabia, Kuwait, the UAE, and Qatar — with roughly 70% delivered through the Strait of Hormuz. The disruption is not a partial supply constraint; it is a near-total procurement crisis. Japanese refiners have already requested government SPR releases. South Korea faces a structurally similar position.

For petrochemicals, the pain has two sides simultaneously. Oil price shocks weaken naphtha values even as feedstock availability tightens — compressing margins on both input and output sides at once. European producers, already running at reduced utilisation through 2024–2025 due to sustained high energy costs, must now model a prolonged period of elevated and unpredictable feedstock pricing.

How India's Downstream Sector Built Geopolitical Resilience — Accidentally

When Russia was sanctioned in 2022, India's refiners — Reliance Industries, HPCL, and IOC — bought Russian Urals and ESPO at discounts of \$20–35/bbl to Brent. By mid-2023, Russia had become India's largest crude supplier, displacing Saudi Arabia for the first time in history.

India now enters the Hormuz crisis with the lowest procurement exposure of any major Asian refiner. Procurement diversification built for discount capture created resilience as a side effect — which is the most honest indictment of deliberate strategic planning in this sector.

→ **Strategic Lesson: The optimal procurement book maintains active relationships across at least three independent supply routes — regardless of whether each is equally compelling at any given moment.**

The LNG Value Chain: Liquefaction to Regasification

PRIMARY REGIONS: QATAR (EXPORT) · AUSTRALIA · U.S. GULF COAST · EUROPE & ASIA (IMPORT)

No sector faces a more acute 5-year plan revision than LNG. The entire commercial architecture — decade-long contracts, destination-specific shipping commitments, project financing tied to contracted revenue streams — was built on the assumption that major export corridors are stable over the investment horizon. They are not.

QatarEnergy accounts for the majority of LNG transiting Hormuz. The North Field East and South expansion projects — adding 48 million tonnes per annum targeted for the early 2030s — were among the most confidently financed energy programs in the world 18 months ago. Under Scenarios B and C, the investment thesis must be fundamentally revisited. LNG buyers now face the simultaneous challenge of hedging near-term scarcity while managing structural long-run oversupply: the most complex planning environment in the industry's commercial history.

LNG SEGMENT	BROKEN 5-YEAR ASSUMPTION	SCENARIO B IMPACT	RESPONSE WINDOW
Qatari Liquefaction (NF Expansion)	Hormuz export corridor assumed permanent	Critical — force majeure risk on delivery commitments	Immediate — 0–3 months
U.S. Gulf LNG Exporters	Qatari supply assumed to limit Atlantic premium	Positive — premiums surge, utilisation near 100%	Medium — accelerate FIDs
LNG Shipping (QFlex / QMax)	Hormuz-capable vessel deployment assumed	High — Cape routing adds 18–22 days per voyage	Immediate — fleet redeployment
European FSRU Regasification	Gulf + Atlantic LNG mix assumed available	Moderate — Atlantic supply partially offsets Gulf loss	Near-term — contract renegotiation
Asian LNG Buyers (Japan, S. Korea)	Qatari baseload supply assumed secure	Critical — emergency sourcing from Australia and U.S.	Immediate — SPR + spot buying

CASE STUDY — GERMANY'S FSRU PROGRAM, 2022–2024

Speed as Strategy: Building LNG Import Infrastructure in Nine Months

After losing Nord Stream supply in September 2022, Germany launched an emergency program to deploy five floating storage and regasification units (FSRUs) within nine months — a timeline that would normally take three to five years. By winter 2023, operational capacity was in place at Brunsbüttel, Wilhelmshaven, Lubmin, and Deutsche ReGas.

Germany's FSRU infrastructure now serves as Central Europe's LNG backstop during the Hormuz crisis, vindicating the investment entirely. Without it, the current disruption would be unmanageable for the region.

→ **Strategic Lesson: Strategic optionality built before it is needed will always outperform reactive infrastructure built under crisis conditions.**

⚡ Power Generation, Grids & the Energy Transition

PRIMARY REGIONS: EUROPE · SOUTH / SOUTHEAST ASIA · U.S. · CHINA

The geopolitical stalemate creates the energy transition's most painful paradox: it simultaneously accelerates the urgency of transitioning away from imported fossil fuels and makes that transition harder to execute. Capital, supply chains, regulatory bandwidth, and grid infrastructure are all being stressed by the same geopolitical forces that make the transition necessary.

Europe reached a genuine structural milestone in 2025 — wind and solar generated more electricity than fossil fuels across the EU for the first time. But for every dollar invested in renewable generation, only 60 cents flows to grids and storage that make that power usable at scale. That ratio needs to reach 1:1 within the current planning horizon.

For power utilities in Central and Eastern Europe, the dual loss of Russian pipeline gas and Hormuz LNG constraint means a forced extension of gas-fired generation dependence at the exact moment gas prices are at their highest since 2022. Energy-intensive consumers plan to self-generate approximately 23% of their power requirements within three years, per EnergyStrat's 2026 industrial survey — a structural shift not yet reflected in most utility 5-year plans.

The energy transition in 2026 is less about new promises and more about competing for advantage in a messy, politicised landscape — one that rewards execution over ambition, and resilience over distant targets.

As of late 2025, more than half of the strategic minerals required for clean energy deployment — lithium, cobalt, nickel, rare earths, manganese — are subject to some form of export restriction or geopolitically conditioned access. Geographic concentration in refining capacity has increased for nearly all key transition minerals over the past five years. This is not a temporary supply chain disruption. It is a structural feature of a bifurcating world.

The U.S.–China decoupling dynamic is creating a two-track supply chain architecture, and companies operating across both regulatory spheres face increasing compliance complexity and procurement constraints that make long-horizon project planning exceptionally difficult. EnergyStrat's advisory position is clear: critical mineral supply chain resilience is no longer a procurement function. It is a board-level strategic risk.

What Boards Must Do Before the 6-Month Mark

Based on EnergyStrat's work with energy boards through multiple supply disruptions, the following actions are non-negotiable for any organisation with material exposure to the disrupted corridors. The window for strategic optionality closes faster than most planning cycles can respond.

1. Conduct an immediate corridor audit of your 5-year plan

Every assumption in your capital program, procurement strategy, and revenue model that embeds a dependency on Hormuz, Red Sea/Suez, or Ukrainian transit must be identified, quantified, and stress-tested against Scenarios B and C. This is a strategic planning necessity with direct implications for capital allocation.

2. Restructure procurement portfolios toward route independence

Any procurement book more than 60% dependent on a single corridor is now a strategic liability. The minimum target: meaningful active relationships across three independent supply routes — not theoretical alternatives, but contracted or contractable options with real operational track records.

3. Reassess LNG contract structures for optionality, not only price

The commercial value of destination flexibility and delivery-point optionality in LNG contracts has been permanently revalued. Long-term contracts without meaningful rerouting provisions should be renegotiated at the next contractual opportunity.

4. Front-load infrastructure investment at alternative corridors

Cape of Good Hope bunkering, Fujairah terminal expansion, Saudi East-West pipeline capacity, and European FSRU regasification capacity are the strategic chokepoints of the alternative architecture. Organisations that invest now will secure durable competitive advantage.

5. Recalibrate M&A and investment criteria to price corridor risk

Asset valuations are currently mispriced relative to corridor risk. Upstream reserves in Hormuz-dependent geographies are overvalued against their exportability risk. Atlantic-basin LNG capacity and Cape-routed logistics infrastructure are undervalued. This mispricing creates a time-limited window for strategic M&A.

The fundamental truth of this moment is not that the energy system is fragile — it is that the assumption of its robustness was always an artefact of an unusually stable geopolitical period that ended in 2022 and has not returned. The companies that will lead the next decade are those that accept this reclassification now, rather than waiting for a third corridor to close before they act.

ENERGYSTRAT ADVISORY SERVICES

Is your 5-year plan corridor-resilient?

EnergyStrat's Geopolitical Scenario Planning practice works with boards and executive teams to pressure-test strategic plans against corridor disruption, supply chain fragmentation, and the bifurcating energy architecture. We work with producers, utilities, LNG players, and transition-stage companies across 18 markets.

REQUEST A STRATEGIC BRIEFING

DOWNLOAD OUR CORRIDOR RISK FRAMEWORK