



Update on developments in the Middle East

The United States and Israel launched airstrikes on Iran early on Saturday, February 28.

The US and Israel struck several sites in coordinated attacks across Iran this morning. The total number of casualties across Iran is also unknown. The country is under a near-total internet blackout. In response, Tehran has launched airstrikes at Israel, as well as US bases throughout the region, including in Bahrain, Kuwait, Qatar, and the United Arab Emirates. Though many of the strikes have been intercepted, shrapnel has caused some damage.

What are the direct impacts on shipping?

1. Strait of Hormuz

- Iran's Revolutionary Guards are broadcasting warnings via marine VHF radio that *"no ship is allowed to pass"* through the Strait of Hormuz
- UKMTO has also reported merchant vessels receiving warnings that the strait *"has been closed"*
- US military command is now also calling ships in the area asking them to stay away from the area
- Greece's shipping ministry has urged Greek-flagged vessels to avoid the Strait of Hormuz, Arabian Gulf, Gulf of Oman, and adjacent seas due to threats including missiles, drones, and harassment risks
- According to multiple trading sources, major oil companies and commodity trading houses have begun suspending transits passing through Hormuz, affecting both crude and LNG flows
- According to the Financial Times, marine war-risk insurers have begun cancelling existing policies and renegotiating coverage at significantly higher rates for vessels operating in the Arabian Gulf and Hormuz region. Premiums could rise up to ~50 % as underwriters adjust to elevated conflict risk

Vessel traffic *has not universally stopped*, but the trend indicates risk-related disruptions are building rapidly.

2. Oil prices

- Oil price benchmarks had already climbed into the low-to-mid \$70s per barrel on geopolitical fear and supply uncertainty prior to today's strikes
- Without signs of deescalation over the weekend, prices could surge upward by as much as \$10 to \$20 per barrel when the market reopens Sunday night according to analysts
- The key is whether energy infrastructure (including pipelines and export terminals) and shipping will become a target
- Prices could escalate significantly if tanker flows through Hormuz slow materially or are effectively blocked.

3. What's next?

- Traders are monitoring the OPEC+ meeting scheduled for tomorrow (Sunday, March 1). What will they decide?
- Will the Houthi's get involved and target ships in the Red Sea and Bab El Mandeb Strait?
- BIMCO assessed that within few days US air and naval superiority will eventually establish a level of security which will enable commercial shipping to resume transport in and out of the Middle East Gulf and adjacent waters