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## Major Country Risk Developments March 2026



By Byron Shoulton



### Overview

The war in Iran has closed the Strait of Hormuz, which normally caters to about 20% of global oil shipments, causing the biggest supply shock ever to the oil market, according to the International Energy Agency (IEA).

Surges in oil and natural-gas prices have put sharp pressure even on countries that do not import energy from the Middle East. Prices of derivative products such as jet fuel and liquefied natural gas are also impacted. The economic fallout is slowly filtering through— even for energy exporters like the U.S.

Iran hit cargo ships in the Strait of Hormuz and tankers near Iraq. Like Yemen's Houthi rebels, who have successfully attacked shipping in the Red Sea with low-tech weaponry despite NATO members' high-tech efforts to stop it, Iran has learned that it can lob drones at ships and energy infrastructure in the neighborhood.

In reaction, governments globally are encouraging consumers to reduce energy use in a broad effort to alter fuel-consumption habits, as the Iran war drives oil and gas prices sharply higher. In today's crisis, unlike that of the 1970s, there are more energy-efficient machinery and cars, a greater stock of oil supplies and a broader range of alternative energy sources. Nonetheless, the war has set off a scramble for energy.

New policies are being rolled out as a mix of voluntary acts, soft restrictions and incentives to cut demand. Those policies are multiplying and growing more constraining as the crisis continues. So far, the energy-saving proposals are most active in Asia, which relies heavily on the Middle East for supplies.

Sri Lanka has instituted a four-day workweek for state institutions and schools as part of broader measures that



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include fuel rationing.

Pakistan has closed schools for two weeks. Its foreign exchange (FX) reserves cover less than three months of imports, below the International Monetary Fund's (IMF) recommended minimum. This limits Pakistan's ability to absorb the current oil shock. As financing conditions tighten and capital flows reverse - global investors are already pulling money from emerging-market funds. A higher fuel bill can quickly tip into a balance of payment crisis.

Bangladesh has banned the use of air conditioning to cool buildings under 77 degrees and ordered universities to close. The Maldives and Nepal are rationing the supply of liquefied petroleum gas - popular for cooking - urging households to switch to electric stoves.

Asia was already facing shortages and rationing due to the loss of supply from the Gulf. Bangladesh, India, Japan, the Philippines, South Korea, Thailand, Pakistan, Sri Lanka among others, are adjusting to life with limited fuel supplies and higher energy prices.

In Thailand, TV presenters removed sport jacket blazers on air to encourage citizens to turn down the air conditioning. Civil servants were told to work from home, use stairs instead of elevators and wear lighter clothing instead of suits. State energy companies are turning off lights during lunch and after 7pm. Thailand spends 7% of GDP on oil and gas imports (more than most countries); yet it holds nearly 100 days of imports in strategic oil reserves and more than seven months of import cover in FX reserves. These buffers buy time for Thailand.

In the Philippines, a major transport federation representing tens of thousands of drivers/ operators of diesel-powered buses, has staged protests calling for the suspension of value-added and excise taxes, as well as fare hikes.

Bangladesh and Sri Lanka look vulnerable despite only

middling exposure. Bangladesh's FX reserves barely cover three months of imports and is already on an IMF program. Its garment factories - the backbone of its export economy-run on imported fuel, so higher energy costs worsen the trade balance. Sri Lanka is in a similar position. The country only recently emerged from its default in 2022, triggered by an earlier oil shock, and its buffers remain thin.

Egypt, despite recent external fiscal support, has a hefty foreign debt burden. Around \$29 billion in debt repayments are due this year- more than half of its FX reserves. Members of the IEA can draw on 1.8 billion barrels of emergency stocks; and are releasing 400 million barrels into the market. However, access takes time and is often throttled by pipelines, and other constraints. Even China, which has built up a separate vast stockpile, has seen the need to stop exports of some refined products. The fact that transport is a key input to so much of the world economy means that bottlenecks could cause serious production and distribution hiccups.



The shocks are not limited to oil. Qatar's main liquefied natural gas (LNG) export facility remains closed after a drone strike, taking nearly a fifth of global supply off the market. An expansion of its output has also been postponed. The loss of Qatar's exports has set off a scramble in Asia.



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In Europe, where gas storage tanks are unusually empty at this time of year, prices are up by more than half. The U.S. could export more LNG, but its own demand for natural gas is rising, because of the boom in energy-hungry data centers. There could be a situation where the U.S. is forced to cut energy exports to secure supplies for domestic consumption.



After the beginning of the Iran war, some countries capped energy prices to soften the impact on consumers. Germany said it would ban gas stations from raising prices more than once a day - they can still lower them as often as they want. France threatened to fine those found inflating prices.

Hungary has capped fuel prices, while Poland's main refiner has cut its margins to reduce the hit on consumers. Portugal approved a bill allowing a temporary cap on electricity prices for households and most businesses but noted that the current market prices are well below the level that would trigger its use.

Slovakia's government allowed service stations to limit diesel sales and set higher prices for cars with foreign plates as it clamps down on fuel tourism and hoarding. In the U.K., the Energy Ministry issued new recommendations that pubs and other hospitality businesses turn off fridges overnight.

Some warn that measures aimed at supporting demand

could exacerbate the crisis. Supply-side measures alone cannot fully offset the scale of the disruption. From Germany to Indonesia, there are reported surges in advertising for fuel-saving devices - ranging from USB to fuel additives and magnetic products that claim to align fuel molecules for improved combustion - most with which show no measurable effect.

While Japan is the world's second largest LNG importer after China, it is less exposed to the disruption of flows from the Middle East as only 6% of its supply passes through the Strait of Hormuz. Japan is also set to use more coal and nuclear to generate electricity. It partially restarted operations at its largest nuclear plant.

## USA and the World

Some analysts believe the U.S. economy is not strong enough to handle oil at \$100 per barrel. U.S. GDP in the fourth quarter of 2025 was revised to 0.7% from an initial estimate of 1.4%. Recent data showed U.S. wholesale prices rose at a faster clip in February, even before the Iran war began. The U.S. economy shed 92,000 jobs in February, a sharp slide that eroded most of January's gains. The effects of the war on the economy - higher prices - will impact all sectors, dampen demand, slow growth, suppress hiring and hit confidence. Goldman Sachs reckons the war in Iran will nudge U.S. GDP growth down this year to 2.2% from 2.3% previously forecast.

The Federal Reserve (the Fed) has warned that the war in Iran is likely to drive up inflation, as oil prices surged above \$110 a barrel, following attacks on Gulf energy infrastructure. The Fed held rates at 3.5% to 3.75% at its March meeting seeking to balance the potential economic fallout of the war in the Middle East with sluggish U.S. job growth. In fresh economic projections, Fed officials signaled that they expected to make a one quarter-point cut before the close of 2026. However, the Fed Chairman stressed that the effects of the war could be bigger or smaller than current projections. At this point, there is no clear answer.



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Having experienced the costs of tariffs, the U.S. economy is now discovering the costs of war. After first declaring that the campaign against Iran would be over “very soon,” sending oil prices - which had peaked at nearly \$120 a barrel - down to nearly \$80 (before the war they had been \$70). Iran’s de facto closure of the Strait of Hormuz has blocked roughly 20% of global oil supply. With approaching midterm elections and voters fatigued by inflation, markets are signaling that consumers cannot bear those costs. The U.S. administration is running out of options to cushion the energy shock from the war.

The U.S. is pressing allies to assemble naval escorts, has overseen the largest-ever release of strategic oil stocks and toyed with selling oil futures to drive down prices. None of this is working: the price of Brent crude, the global benchmark, remains above \$113 a barrel. This has pushed average petrol prices to nearly \$4 per gallon in the U.S. - up from \$2.90 on February 27.



As of publication of this newsletter, the Strait of Hormuz remains all but closed Iran following Iranian strikes on shipping in the area. The oil price had rebounded to \$118 per barrel before settling at around \$113. The shock is already reshuffling U.S. prosperity: from coasts to the oil patch, from airlines to the energy majors and, most significantly, from the poor to the rich. The effect on American businesses will be imbalanced. The benchmark S&P

500 index of large U.S. companies is down almost 4% since the war began. Of the 11 large sectors, 10 have declined. The energy sector, by contrast, has gained more than 4%; its second - biggest firm, Chevron, is up 6%.

The lowest income 20% of Americans spend almost twice as much of their income on petrol and electricity as the highest income 20%. Whereas the high earners can absorb the oil shock, poorer Americans must cut purchases of other things to fill up their cars and pay their power bills. The longer they are required to do so, the bigger the hit to their welfare. Moreover, the extra money spent on petrol and power is channeled through oil companies’ profits into the pockets of the share-owning class. Although nowhere near a recession, consumer confidence languished near record lows even before the energy crisis. Research shows that pre-election prices at the pump are strongly correlated with the performance of the party in power at the ballot box. This time, expensive petrol would rile up an electorate already furious about the cost of just about everything else.

Whatever happens, the world is entering a new era of energy insecurity. It is true, the world depends less on oil than it did in 1973, when an Arab embargo caused crude prices to quadruple, or 1979-80, when the Iranian revolution and the Iran-Iraq war hit supply. Then, it was still common to burn oil to produce electricity. Today, its use is far more limited, mainly to power transport and make petrochemicals. Yet this evolution is double-edged. Today’s oil demand is stubborn, so prices must rise even more for a given disruption of supply. This crisis is extreme: the loss of supply exceeds that of the 1970s oil shock. Traders have not come close to pricing in an indefinite closure of the Hormuz Strait. The oil price required to bring demand into line with supply in such a scenario could be around \$150 per barrel.

When the war ends, the world will be fundamentally changed. Iran knows that energy prices are the world’s (and U.S.) weak spot. U.S. troops would have to occupy Iran to stop the launches. The U.S. does not have the ca-



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capacity to defend every tanker, even as it offers to provide them with insurance. Disruption to energy markets will therefore come and go with geopolitical tensions, especially if Iran concludes that it needs a nuclear weapon to be marginally safe.

This is the new reality in which investors, businesses and policymakers now operate. For investors and traders, the contrast between an increasingly volatile world and buoyant equity markets just became starker. The current chaos in the Middle East joins a long list of threats to markets, including gloomy scenarios related to artificial intelligence, trouble in private credit and a loss of faith in indebted governments. Government-bond yields have risen since the crisis began, especially in southern Europe and the UK, which depends on imported LNG.

Businesses face a new risk premium, as energy prices reflect the ever-present danger of conflagration. Just as after the Covid pandemic and the start of the Ukraine war, companies must again scrutinize their supply-chain risks, including exposure to the Gulf economies whose reputations for stability have been shaken and which now face reduced investment and fewer tourists in the coming months.

For policymakers, painful decisions loom. Energy storage is part of the solution. It was foolish for the U.S. not to replenish its oil reserves at the low prices that prevailed before the war. Adding to emergency stocks will now cost more. High prices should induce more supply outside the Middle East. Until it does, countries like the U.S. may find it hard to resist the lure of energy protectionism. When oil producers and refiners, including China and India, start to restrict exports to protect their consumers from high prices, the damage to other countries could be severe.

Central banks will have to cope with a renewed inflationary threat that heightens the risk of both recession and wage-price spirals. Politicians will face voters clamoring for energy subsidies, like the support doled out in

the rich world after Russia invaded Ukraine, which exceeded 2.5% of GDP in many European countries, adding to their debts. That would shift the burden to poorer countries, especially in Asia; Bangladesh, for example, suffered widespread blackouts in 2022. It is difficult to predict how this crisis will end. Even if countries get policy right, it is already clear that the war has made the world economy less prosperous, more volatile and harder to govern.

The U.S. demanded that countries around the world help open the Strait of Hormuz. Japan, South Korea and even China is on a list of foreign powers that the U.S. hoped would send ships to the Gulf.

China's help is unimaginable. Like India and Turkey, China appears to have cut a deal with Iran to keep supply lines somewhat open, including oil. Yet the U.S.'s five Asian allies face a painful dilemma. Iran's threat to the Strait of Hormuz is severely disrupting energy supplies to Australia, Japan, South Korea and Thailand. These countries worry about their armed forces becoming embroiled in a distant conflict but they also fear being abandoned by the U.S.

Since the start of the war, Australia has sent a command-and-control aircraft and some air-to-air missiles to the Middle East. Australia has been careful to frame its response as an effort to help defend the United Arab Emirates (UAE) - home to many Australians - rather than as a boost to the U.S. war effort.

South Korea has an anti-piracy force that operates in the Gulf of Aden. Deploying this unit, or others, will require parliamentary approval. A public backlash to such ideas has already begun by way of anti-war protesters in South Korea. Sending South Korean warships is nothing less than a military mobilization supporting "the war of aggression" declares the Korean Confederation of Trade Unions.

Japan will come under more pressure than many. Japan



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has minesweepers that could help open the Strait of Hormuz, but polling suggests 80% of Japanese oppose the war. This raises complex questions about Japan's pacifist constitution. Laws passed in 2015 allow the government to engage in "collective self-defense" beyond its borders. Minesweeping operations in the Strait of Hormuz were among the scenarios debated in parliament at the time. But when pressed by opposition leaders on whether Japan would aid the U.S. if it launched a pre-emptive strike that led to a war, then Prime Minister Abe dismissed that possibility. "Japan would not support such a country" he asserted.



Allies in Asia could nevertheless feel obliged to answer the U.S. call for help. President Trump has long threatened to withdraw U.S. support for allies unless they pay tribute to the U.S. Asian allies' hand over billions of dollars each year to ensure American security commitments. During last years' tariffs wrangling, they pledged to plough more than a trillion dollars into the U.S. economy. Now, Asian heads of state worry that U.S. forces currently stationed in Asia may leave for the Middle East regardless.

Taiwan is in the most sensitive position. The U.S. is not bound by treaty to defend the island, as is the case for other Asian allies. But the U.S. has long pledged to deter a Chinese assault by selling Taiwan weapons it can use to defend itself. Taiwan's government now worry that the war in the Middle East might delay the arrival of arms it ordered from the U.S. – especially the kind the U.S. and

Israel are using in their fight against Iran, such as Patriot missile interceptors.

The one thing the U.S has not tried yet: suspending U.S. oil exports. A ban on U.S. crude exports would trap 4 million barrels per day from the U.S. (9% of global sea-borne flows)- creating a vast domestic surplus while squeezing the U.S. main buyers: Europe and Asia.

## Europe

Europe's energy crisis following Russia's invasion of Ukraine in 2022, increased political instability in the region. Since then, Europe, which has become more reliant on LNG when Russia slashed pipeline exports, now competes directly with countries such as Japan and South Korea for limited cargoes. Over the coming months gas importers are going to be challenged to secure sufficient supplies from whatever sources possible.

Europe had scarcely recovered from the effects of its last energy crisis, caused by Russia's invasion of Ukraine. The U.S.-Israeli assault on Iran now confronts it with a new one. Sharp increases in oil and gas prices over the past month risks halting already weak economic growth, and reigniting inflation. That would be disastrous for European industries already struggling with U.S. tariffs and aggressive Chinese competition. Some view the current crisis as existential for Europe.

Given the stakes, a potentially strong European response has been muted. On the diplomatic front, countries are split over whether to welcome the attacks on Iran or to lament them. Europe's armed forces are already overstretched even if they wished to meet President Trump's demands to help reopen the Strait of Hormuz. Instead, the European Union (the EU) and European governments are scrambling to protect their economies from war over which they have no influence, and to which they are unusually vulnerable.

The risk to Europe stems mostly from its dependence



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on imported fossil fuels, particularly natural gas. Only a small share of that comes from the Middle East (roughly 200 million of Europe's total imports of 6.5 billion cubic meters per week). But the continent has allowed its gas storage levels to fall nearly as low as in 2022.

Most significant, the EU's effort since 2022 to wean itself off Russian gas, which it purchased on multi-year contracts, has left Europe more exposed to the global spot market. The EU plans to end remaining imports of Russian liquefied LNG by the end of 2026, and pipeline gas by the end of 2027. Replacing Russian gas, mostly with U.S. LNG, already caused prices to double to \$46 per MWh. The war has sent them even higher (\$54 per MWh).

According to Oxford Economics, a short-lived war would drive European GDP marginally lower; and a longer cutoff of gas and oil would be much worse. The consultancy estimates that if oil were to hit \$140 per barrel for two months, economic growth would be 0.6% lower in 2026 than it might have been, and average inflation in the eurozone would reach 4.3% (conservatively), up from 2.1% last year.



European governments have little fiscal room to help. Debt levels are high and budgets are tight. Germany has already amended its strict deficit rules to spend more on defense, infrastructure and technology enhancements.

France's deficits are already over 5% of GDP.

The European Central Bank (ECB) is still nervous over the post-Covid inflation spike. Markets expect the Iran war to force the central bank to raise rates this year. The more governments spend to shield consumers, the more the ECB will be pushed to step in. The economic risks suggest that Europeans should push to end the war. Instead, the region appears divided.

## Qatar/Saudi Arabia

A new front in the Iran war erupted when Israel struck South Pars, the crown jewel of Iran's energy sector, and Iran retaliated with missile barrages against Gulf energy facilities. Qatar confirmed that Iranian attacks caused extensive damage at Ras Laffan gas complex, which usually produces as much as a fifth of global LNG supply. The prospect of physical destruction of this vital source could significantly exacerbate a crisis than began earlier when an initial Iranian drone attack forced the plant to halt operations.

Gas prices in Europe rose 30% and have more than doubled since the start of the war, as traders try to calculate the impact of months, or longer, without Qatar's gas flowing to world markets. Oil prices also jumped 10% to almost \$119 a barrel, due to fears of further strikes on energy supplies. State-owned QatarEnergy, the operator of Ras Laffan, told Reuters the damage to two of its LNG units, in which ExxonMobil was a co-investor, would take three to five years to repair, cost the company \$20 billion a year in lost revenue, and force it to cancel long term contracts with Italy, Belgium, China and Korea.

Major Asian economies- including China, Japan, South Korea, and India- rely heavily on long-term contracts with Qatar for power generation and industrial output. Europe, emerging from a cold winter that has drained its storage inventories, has also been buying Qatari LNG alongside larger volumes of U.S. LNG in recent years to replace Russian gas.



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Dominating a sandy stretch of Qatar’s northern coast, Ras Laffan is a sprawling industrial fortress of pipes, flare stacks and loading berths built around the world’s largest artificial harbor. The hub represents billions of dollars in joint investments from QatarEnergy and international oil companies such as ExxonMobil, TotalEnergies and Shell. The volume of gas now lost for the foreseeable future is roughly 17% of Qatar’s total capacity.

Before the attack, traders assumed that the flow of LNG from Ras Laffan would resume once the Middle East conflict eased and the Strait of Hormuz was safe for tankers to pass through. Gas prices, having risen over two weeks, stabilized far below the levels seen during Russia’s 2022 invasion of Ukraine. But that assumption has now been shattered. One trader said that gas prices in Europe could be pushed higher through 2027, and Europe will find it harder to refill its gas storage tanks this summer as Asian buyers snapped up LNG from the U.S. to make up for the lost supply.

Ras Laffan has 14 gas liquefaction units that chill gas into 77 million tons a year of LNG, enough to meet the entire annual gas demand of Japan, or more than the UK and Italy combined.

The specialized equipment to super-chill gas into LNG is extremely complicated technology and will have to be painstakingly replaced. Work will start only when Qatar is confident that workers can access the site safely, without fear of further attacks. Regardless of when the conflict ends, a resumption of normal production from Qatar is not going to happen for some time. Previously, the estimate was that it would take around 40 days for Qatar to restart production at Ras Laffan. Now, that is impossible.

Qatar’s previous plans to hugely expand Ras Laffan, adding a further six liquefaction units over 2026-2027, will now be reviewed. There is uncertainty, but this attack means at least several months’ worth of supply reduction. While some U.S. projects are scheduled to start up shortly, there is no adequate compensation for Qatari

gas that is not politically very complicated. Politicians already are calling for a relaxation on ban on Russian gas. India and Turkey, among others, are buying more Russian supplies. Meanwhile, some countries are starting to switch to coal-fired power generation, and some industrial sites across south-east Asia are having to ration their output or shut down.

Beyond Ras Laffan, the most significant Iranian strike targeted the Samref refinery in Yanbu on Saudi Arabia’s Red Sea coast. The port of Yanbu has emerged as a vital safety valve for Saudi crude, allowing the Saudis to bypass the paralyzed Strait of Hormuz by piping oil via its east-west pipeline. The strike sent a chilling new signal: Iran could be viewing this crucial diversion route- both the pipeline and the port itself- as a legitimate target.

Until more ships are allowed to pass through the Strait of Hormuz, global LNG supplies will remain tight. Even then, there will be less available to the market because 17% of Qatar’s LNG capacity will continue to be out of service for up to 3-5 years.

QatarEnergy declared force majeure on certain long term LNG supply contracts after Iranian missile and drone attacks in March damaged facilities at Ras Laffan. The strikes disabled two LNG trains and a gas to liquids facility, removing roughly 12.8 million tons per annum of capacity, or about 17% of Qatar’s LNG exports. As a result, QatarEnergy invoked force majeure on affected long term contracts supplying buyers in Italy, Belgium, South Korea, and China, allowing suspension of delivery obligations due to events beyond its control. The disruption could represent a structurally significant, multi year risk to global LNG supply and pricing.

Saudi Arabia’s oil officials are diligently projecting how high oil prices might go if the Iran war and its disruption of energy supplies does not end soon.

The base case, several oil officials in the Gulf’s biggest producer opined, is that prices could soar past \$180 a barrel if the disruptions persist until late April. While



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that would sound like a bonanza for a kingdom still heavily leveraged to oil revenue, it is deeply concerning. Prices that high could push consumers into habits that slash their oil use—potentially for the long term—or trigger a recession that also hurts demand. They also would risk casting Saudi Arabia in the role of profiteer in a war it didn't start.

Saudi Arabia generally does not like too-rapid increases in oil, because that then creates long-term market instability. For Saudis, the ideal equation is a relatively modest increase in prices while their market share remains stable.



Iran also continued to hit ships in the Gulf, extending a string of attacks that have all but shut the strait. Attacks sent benchmark Brent futures as high as \$119 a barrel before easing back. The contract's all-time high, reached in July 2008, was \$146.08. \$200 a barrel oil is not outside the realms of possibility in 2026, analysts at energy consulting firm Wood Mackenzie projected.

Gulf futures tied to Oman crude, which are less liquid, but which quickly reflect local supply disruptions, shot past \$166 a barrel. Oman is a benchmark for much of the oil sold by Middle East producers such as Saudi Arabia, with tankers of physical crude priced at a fixed spread to the benchmark, which floats up and down each day with

the market.

Some Saudi customers are balking at using the benchmark given its volatility, the oil officials said. Saudi Aramco, however, is insisting it is a true reflection of supply in the market. The war has removed millions of barrels of oil from global supply. Prices are up by around 50% since the conflict began on February 28th.

Modelers at Saudi Aramco confirmed a need to assess the direction of the market in time to release the official selling prices for their crude by April 2.

Saudi Arabian light crude is already being sold to Asian buyers via its Red Sea port for around \$125 a barrel. As extra oil in storage—some of which was shipped out of the Gulf ahead of the war—is used up, physical shortages will bite more deeply, causing prices to close in on \$138 to \$140, Saudi officials say.

## India

An Indian tanker, the Nanda Devi, managed to pass through the Strait of Hormuz following successful negotiations with the Iranians. The Nanda Devi is one of two Indian liquefied petroleum gas (LPG) tankers that have made it through the chokepoint following negotiations with Iran's government. Together they are carrying 93,000 tons of LPG, enough to supply India for roughly one day. That will bring a measure of relief to India, which faces a fearsome gas crunch. After India restricted LPG supplies, catering companies were forced to prune offerings for weddings and other parties or find other fuels, such as charcoal and wood. After a jump in sales, many electric-induction-stove brands are now out of stock.

Restaurants all over India have closed their doors for lack of gas to cook with. Roadside stalls have hiked their prices. Gas-dependent businesses from fertilizer plants to crematoriums have paused operations. In many cities people have had to join long queues to fill the gas cylin-



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ders they use to cook and heat food (only 5% of Indian households have piped gas).

India consumes around 31 million tons of LPG each year, most of it used for cooking. Around 60% of that is imported, making India the world's second-largest gas importer after China. Before the war some 90% of those imports came from Qatar and other countries in the Middle East, via the Strait of Hormuz. With little in storage, India has been left scrambling. To Indian businesses and households, this is not a normal energy-price shock but one where folks worry about having sufficient daily physical volumes over the coming months.

India is vulnerable in part because of its past success. In just over a decade the number of Indian households using LPG has more than doubled, thanks to welfare schemes that have encouraged people to switch to gas from firewood. But as demand for LPG has soared, India has done little to boost domestic production or diversified its supply. The Indian government is now trying to do both at an accelerated pace. It is competing for replacement shipments from countries including the U.S., Australia and Russia. In the meantime, it has turned to rationing. The government insists that there will be enough gas for households, even if industry and businesses end up having to accept constraints. Getting the fuel for those who need it most is proving to be challenging.



Bookings for domestic gas cylinders are running at around 40% above the usual level. That is because households are ordering replacements before they really need them, out of fear that supplies will run out. Official messaging isn't reassuring. Prime Minister Modi says there is no need to panic. But he also invoked memories of the pandemic by saying, "like Covid time, we will overcome this too."

Gas cylinders are supplied by state-owned oil companies, through 26,000 dealers, stock is going missing as black market prices soar. Refilling a standard 14kg cylinder now costs around \$43, four times the government fixed price. Three of the state-owned oil companies are dodgy actors taking advantage of the fear among the populace. The urban poor are most exposed to black-market prices. Many lack permits required to buy gas from official vendors. Even in normal times they often rely on secondary dealers. The government threatens to crack down on hoarding and profiteering, but so far authorities have made only a handful of arrests.

If India can secure the safe passage of more tankers through the Strait of Hormuz, it would help ease the pressure. The government said that 22 more of its oil and gas tankers are waiting to make the journey as gas is more of a worry for India than oil. It has greater reserves of the latter and can assuage shortages by buying more Russian crude. India's foreign minister suggested that his country's agreements with Iran could be a template for other countries. Yet, he admits the scope was limited, with any further movements to be negotiated on a ship-by-ship basis.

Until global supplies are restored and prices start to normalize, diplomatic efforts to release individual ships are only likely to help at the margins. If the Strait of Hormuz remains mostly closed, the Indian government may be pushed to consider other measures to suppress demand—such as encouraging more people to work from home. India should be able to cope. It spends about 3% of GDP on energy from abroad and gets roughly half from the Middle East (cooking gas is already in short supply)



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but its buffers are strong. FX reserves cover about seven months' imports; official and commercial oil stocks would last around 70 days. It can also shift dependency away from the Gulf. Its refineries are set up to process lower-quality crude, allowing it to take in Russian oil that many others cannot. And unlike much of Asia, India generates little electricity from imported gas, favoring local coal. India avoids in a big way higher energy prices feeding through to the economy.

Even if countries avoid a macroeconomic crisis, the humanitarian toll could be alarming. Nitrogen fertilizer, made from natural gas, is becoming more expensive, raising the cost of food production across poor countries. The World Food Program warned that the number of people facing acute hunger could reach record levels in 2026 if the conflict does not end soon. Stabilizing currencies and financing imports may avert a financial crisis. Keeping food affordable is another matter entirely.

## Canada

Canadian oil producers are projected to receive a windfall of up to \$65.6 billion if crude prices maintain the levels they have hit since the Iran war started. Modelling by Enverus, a research provider, estimates Canadian companies will generate an extra \$30 billion in revenue for every \$10 rise in oil prices this year following the market turmoil caused by U.S. and Israeli attacks on Iran.

West Texas Intermediate, the U.S. benchmark, has surged to \$110 from \$67.02 on February 27, delivering a huge boost to an industry which is seeking to expand exports to Asian markets struggling to source energy supplies due to the Middle East crisis.

Canada is already the world's fourth-largest oil producer, and Prime Minister Mark Carney has announced plans to boost fossil fuel exports to insulate its economy from a bruising trade war initiated by U.S. However, oil and gas producers have limited capacity to expand exports beyond North America due to a lack of pipelines to coastal

ports, which has left them almost entirely reliant on U.S. customers.



One of the largest pipeline operators in Canada and the U.S., confirmed that the closure of the Strait of Hormuz was forcing customers to seek alternative supplies from North America. New pipelines should be built to enable producers to respond to crises in the Middle East to bolster the energy security of Canada's allies and monetize the nation's natural resources. Canadian producers can ramp up production immediately. It has become a question of responding to a time-bound opportunity.

They added that Canada has the potential to become the largest supplier of LNG to Asia. Canadian producers are calling on the government to make fundamental reform of existing regulations to encourage companies to build more pipelines. They would like to see the underlying regulatory environment get simplified, streamlined and timelines accelerated, because that is what will be required to get capital to flow to Canada.

Oil production in Canada is booming and hit a record 5.19 million barrels per day in the first six months of 2025, up from 5.13 million b/d in 2024, according to Canada's energy regulator.

Shares of Canadian oil producers are at decade highs and shares of the four largest producers have risen by 40% or more since the start of 2026. Canada sends more than 90% of its crude oil to the U.S., where it is sold at a discount due to pipeline constraints and because its high-sulfur, heavy crude requires more complex refining



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than oil pumped from U.S. shale fields. But, oil producers are boosting exports to Asia since completion of the Trans Mountain Expansion pipeline in May 2024, which enabled crude to flow from Alberta's oilfields to the west coast for export to Asia. Sales to China more than quadrupled to 88.7 million barrels last year, according to shipping data analyzed by the Baltic and International Maritime Council.

The war in the Middle East strengthened Canada's position as a stable energy supplier while enhancing the case to build new pipelines to Canada's west coast for Asian markets. The situation is one example of why it is in Canada's national priority and why the global oil market needs Canada to build a new 1 million-barrel-a-day pipeline, according to industry analysts.

The Canadian Association of Petroleum Producers affirmed that the war in Iran highlights how Canada needs to play a much larger role in global energy security. Today, Canadian production and its ability to export is not impeded, therefore producers are receiving higher prices. Longer term, the events in the Middle East reinforce Canada's position as a safe destination for energy investment and a reliable trading partner.

## China

The mainland's petrol-price formula smooths out the international market's ups and downs. As such, it is one of the ways China's government is shielding citizens from the effects of the war in Iran, which has trapped oil tankers on either side of the Strait of Hormuz and damaged energy infrastructure in the Gulf.

As an emergency measure, China's planning agency has banned exports of refined products including petrol, diesel and jet fuel. The country's small, independent "teapot" refiners, clustered in Shandong province, are busy processing Iranian crude, which is still allowed to pass through the Strait.

If the war drags on, China may dip into its vast strategic reserve of oil, which it diligently topped up when oil prices were low last year. Precisely because China's vulnerability to an energy shock haunts its leaders, they have taken steps to mitigate it.

China's exposure is a result of its huge appetite for energy. The country produces more oil than Kuwait or the UAE; including petrol and other refined liquids, it also outproduces Iraq. The problem is that China also consumes more energy than the U.S., Russia and India combined—an amount that dwarfs its domestic output.



Coal, which runs across China's northern provinces, provides most of that energy. Renewables like wind and solar power represent a fast-growing share. But oil still produces more than 18% of the total. Despite China's own respectable crude production, it relies on oil imports for about 13-14% of its energy needs. More than half of these come from the Middle East.

Much of this is now stuck. The war has snarled up Hormuz, the narrow waterway separating Iran from the UAE and Oman, through which about 15 million barrels of crude per day used to travel. Shipments from Iran's neighbors have slowed to a trickle.

Meanwhile, much of the oil Saudi Arabia is frantically



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piping to its west coast, to avoid the Strait, does not suit China's refiners. Russian crude was promptly bought by India after the U.S. eased sanctions on Russian crude, suspending the tariff threat it previously brandished to discourage such purchases.

China does, however, have some advantages, including a source of supply that is off limits to many others: Iran itself. An average of about 1.3m -1.4 million barrels per day of Iranian oil have been able to pass through the Strait, according to Kpler. That is roughly 90% of the pre-war amount and most of this is destined for China.

The country's national oil companies do not dare touch the stuff for fear of Western sanctions which would cut them off from the dollar- centric global financial system. But the tiny teapots, which collectively account for about a quarter of China's output, are happy to take Iranian oil, often paying in yuan, according to Kpler.

Some of the teapots seem surprisingly sanguine about the next few weeks. The turmoil has tempted them to raise prices for their refined products, even as they work through cheap crude inputs bought before the war. But that assumes buyers will be willing to pay the higher prices they are now charging.

As well as Iranian crude, China can tap its own vast stockpiles. They are thought to cover about 120 days of import demand, once inventories held by state-owned enterprises and refiners are added to the government's strategic reserve. In the meantime, the authorities have banned exports of refined fuel products.

China also stuck to a formula established in 2016, which adjusts retail prices only gradually and freezes them altogether if the global benchmark exceeds \$130 per barrel. When the cost of crude surged from April 2020 to June 2022, the formula passed only about three-quarters of the increase, according to researchers at the World Bank. On March 9th, China raised the price caps on petrol by \$100 per ton. This translated into a 7.8% rise in Guang-

dong province. Prices in Hong Kong are almost 50% higher.

China cannot shield its economy entirely. Higher prices will raise freight charges and ripple through supply chains, increasing the cost of many chemicals, plastics and synthetic rubber. If the oil price averages even \$85 a barrel this year (and it is currently above \$110), it could shave 0.3% from growth in China's industrial production, according to Shenwan Hongyuan, a securities firm. Goldman Sachs has already cut its GDP growth forecast for this year by 0.1% to 4.7%, although the bank made more substantial cuts to its forecasts for India (0.5 %), South-East Asia (0.4%) and Japan (0.3%).

In the long run, war in the Middle East might hasten worldwide adoption of electric vehicles, as welcome as solar and wind power, all which China supplies in abundance. Countries may choose to turn away from fossil fuels not because they are dirty but because so much of the supply comes from such a dangerous region.

In the past, countries worried about the "China squeeze," fearing that China might bully or manipulate countries that depend on its suppliers. After recent events in the Gulf, however, energy-insecure places may see dependence on China as the lesser evil.

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## What is Trade Credit Insurance?

Companies selling products or services on credit terms or financial institutions financing those sales face the risk of non-payment by their buyers.

Trade Credit Insurance provides a cost-effective mechanism for transferring that risk. FCIA's Trade Credit Insurance products protect the policyholders against losses resulting from that non-payment.

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One of a company's largest assets is their accounts receivable but they are often not insured. This could often be due to lack of knowledge of availability of coverage.

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FCIA's Trade Credit Insurance policies offer companies a wide array of flexible coverages. You can insure a broad multi-buyer receivable portfolio, a smaller select receivable portfolio (key accounts), or a single buyer receivable.

## Some Value-Added Benefits of Trade Credit Insurance

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