



BRIEFING - March 2026

Shipping at risk in the Strait of Hormuz

The current crisis is costing shipping millions per day, highlighting why we must accelerate the sector's decarbonisation

1. Context

In the past 6 years, the shipping industry has been repeatedly impacted by major geopolitical crises, like the Covid pandemic, the Russian invasion of Ukraine, disruptions in the Red Sea, and now the current war in Iran. As a global industry heavily dependent on fossil fuels, shipping is particularly vulnerable to shocks like these.

Around 20% of global oil and about 3% of gas volumes transit via the Strait of Hormuz. Since it was closed on 28 February 2026, oil prices have surged rapidly, reaching the highest levels since the 2022 Russian invasion of Ukraine. On top of extremely high prices, reduced supply is creating congestion in ports and strains on fuel availability. High premiums for marine fuels indicate that supply is tightening, and some shipping companies have issued orders to reduce speed across their fleets to compensate for higher fuel costs and limited supply. Ultimately, sustained disruptions in the Strait may lead to global marine fuel shortages, which would immobilise some vessels.

Beyond fuels and the immediate geographic area, the closure of the Strait of Hormuz has cascading effects across the entire industry. In the two weeks following the closure, container companies like CMA-CGM, Hapag-Lloyd and Maersk [added a \\$300–\\$400/FEU surcharge](#) to account for higher bunker costs, while local ports are facing congestion issues due to the sudden influx of rerouted vessels. Noticeably, the Hormuz crisis also creates major food security concerns, as [30% of global fertilisers](#) trade transits annually via the Strait.

2. Dependence on fossil fuels costs the industry millions per day

99% of the current global fleet is fitted to run exclusively on fossil fuels, including fuel oil and LNG. This high level of dependence directly translates into exposure to fuel price volatility and supply disruptions, costing the industry millions in times of crisis.

Since the beginning of the conflict, marine fuel oil prices have increased by 65%, while bunker prices for LNG have gone up by 72 %, reaching €1000 per tonne on March 20th. The Iranian attack on 2 March on the Qatari Ras Laffan plant, the world's largest LNG plant and producing a fifth of the global supply, could push prices even higher.

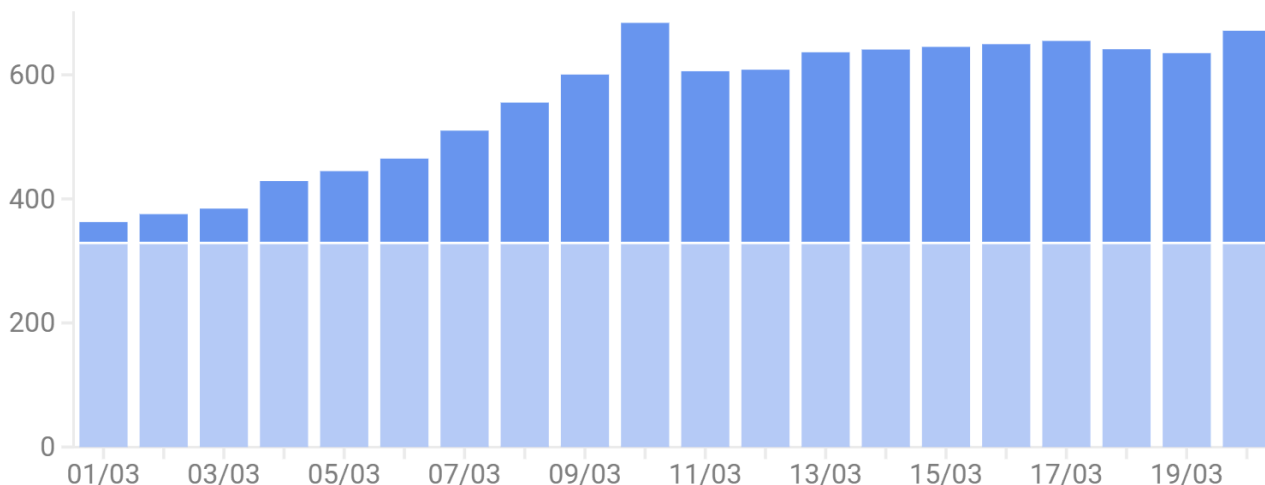
Since the United States and Israel attacked Iran on February 28th, global shipping companies paid an estimated €4.6 billion in additional fuel costs - with daily extra costs reaching €340 million.

The Hormuz crisis adds over €300 million a day to shipping's fossil fuels bills

The industry paid a cumulative €4.6 billion between March 1 and March 20

Regular costs Additional costs

million €



T&E (2026) based on Clarkson's Word Fleet Register and Stratas Advisors. • Weighted fuel prices based on fuel type mixture and bunkering locations. Regular sales weighted fuel costs from Clarkson's are 458 €/t VSLFOeq for conventional liquid fuels and 517 €/t VSLFOeq for LNG.

3. Green fuels are needed for a resilient and competitive industry

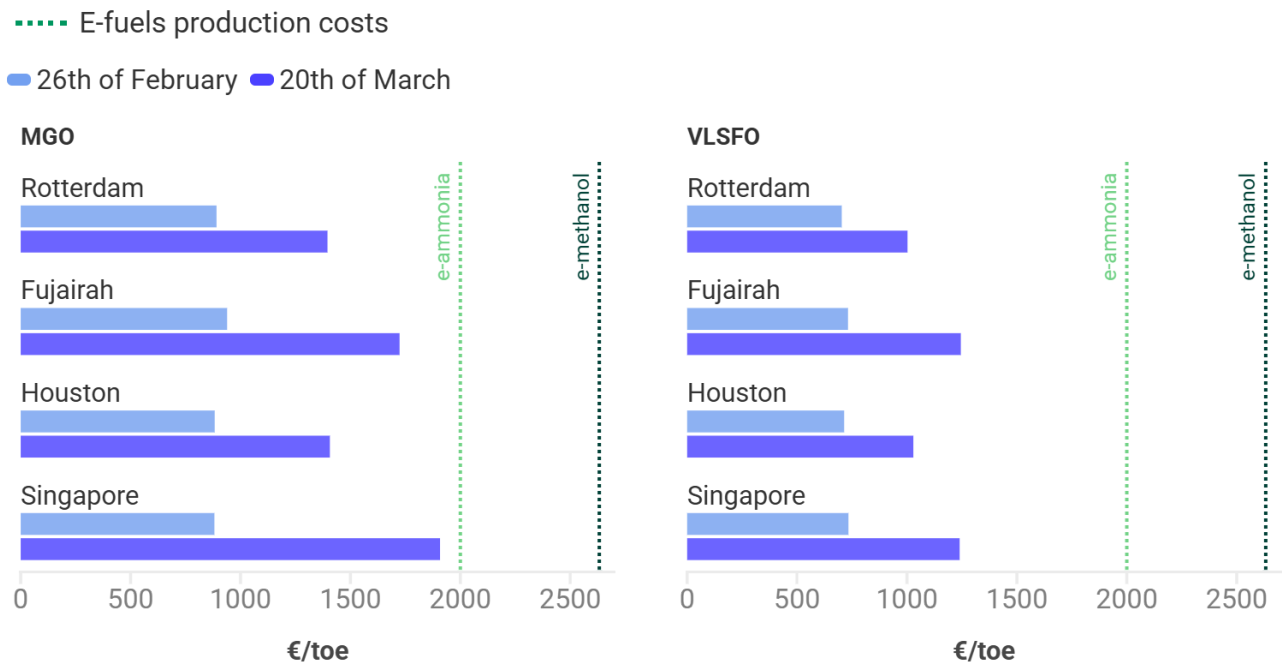
On March 20th, marine gas oil (MGO) in Singapore reached €1625/tonne of oil equivalent (toe), against an average €570/toe in 2025. In Singapore, VLSFO reached €961/toe, up 223% since the start of 2026 (Clarksons). As fossil fuel prices skyrocket and supply availability becomes highly uncertain, the differential with the expected cost of many alternative fuels is decreasing.

Fossil fuel prices now compare directly with current estimated production costs of c.€2,000/toe for e-ammonia and €2,600/toe for e-methanol. While the trend may be temporary, it highlights a critical point: the volatility of fossil fuel markets offsets much of the structural cost disadvantage of clean fuels.

Beyond financial considerations, increasing the share of e-fuels in European shipping's fuel mix will improve the sector's resilience. Unlike fossil fuels, which rely on a few geopolitically exposed routes, renewable fuels can be produced in Europe, and rely on locally produced energy, allowing better control of our energy costs. In addition to alternative fuels, electric fleets can further reduce exposure to the fossil fuel price volatility, positioning dual-fuel and electric vessels as essential tools for energy sovereignty.

Hormuz oil crisis boosts potential e-fuel competitiveness

The gap between marine fossil fuels and e-fuels has narrowed since the beginning of the conflict



T&E (2026) based on Clarksons' World Fleet Register and DNV. • Marine gas oil (MGO) and very low sulfur fuel oil (VLSFO) prices include ETS-derived expenses at 85€/t CO₂eq (intra-EU voyages). Projected e-fuels production costs for 2025 from DNV (2023). Fuel price in € per tonne of oil equivalent (toe).

European shipping decarbonisation rules provide a long-term pathway, creating incentives for scaling up domestic renewable fuel production and ultimately reducing production costs as experience grows. They need to be preserved and strengthened to protect Europe's interests.

4. Conclusion and recommendations

The Hormuz Strait crisis is unprecedented but not an isolated event, and demonstrates the fossil fuel-induced vulnerability of the shipping industry. It shows that decarbonisation is not only a long-term climate objective, but also an immediate economic and strategic opportunity. T&E makes the following recommendations for European policymakers to accelerate the transition towards a more sustainable and resilient maritime industry:

1 Make all reasonable efforts to reduce dependence on fossil fuels

Electrification and efficiency measures offer immediate cost savings and long-term protection against geopolitical shocks. On one hand, electrification of the short sea segment stands out as the most efficient solution, and our analysis shows that [20% of EU ferries](#) could already be

electrified cost-competitively. On the other hand, efficiency measures like slow steaming are already deployed to reduce fuel consumption, while wind-assisted propulsion technologies can deliver average [savings of up to 18%](#).

The EU should accelerate the electrification of ports and fleets via the introduction of more ambitious targets in the Alternative Fuels Infrastructure Regulation (AFIR) revision, by integrating marine battery production into the Union's industrial objectives, and through an improved reward system for wind propulsion in the upcoming revision of FuelEU Maritime.

2 Support the deployment and uptake of e-fuels in shipping

Only green e-fuels can be scaled sustainably in Europe, and strengthen European shipping's sovereignty and resilience. Accelerating their deployment and uptake should be the top priority.

The EU's Sustainable Transport Investment Plan identified the need to provide public finance support and guarantees for the e-fuels uptake, notably through the double-sided auctions. Timely implementation and sufficient EU and MS funding will be key for this mechanism to support the early market uptake.

The upcoming revision of the FuelEU Maritime should strengthen the RFNBO targets by making them mandatory. Finally, the review of AFIR provides an opportunity to introduce more tangible provisions for green hydrogen-based fuel bunkering.

3 Leverage ETS for shipping to drive decarbonisation investments

The Emission Trading System (ETS) is an essential tool to reach EU climate targets and internalise the costs of emitting GHGs. **It should be maintained and strengthened to ensure a carbon price that shifts investment away from fossil fuels, unlocks long-term industrial investment and reduces exposure to supply disruptions.** The ETS generates significant revenues, a share of which should be used to support the production of e-fuels in the EU.

In parallel, the EU should introduce local content requirements for European green ships and green e-fuel production tied to public funding and regulatory support. This will help maintain the EU's leadership in specialised vessels, efficiency technologies and support the scaling of a strategic domestic e-fuel industry.

Further information

Fanny Devaux - Shipping Deputy Director
fanny.devaux@transportenvironment.org

Eloi Nordé - Shipping Policy Officer
eloi.norde@transportenvironment.org

