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 a strain 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 £226–£301/FEU surcharge[1] 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 fertiliser 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.

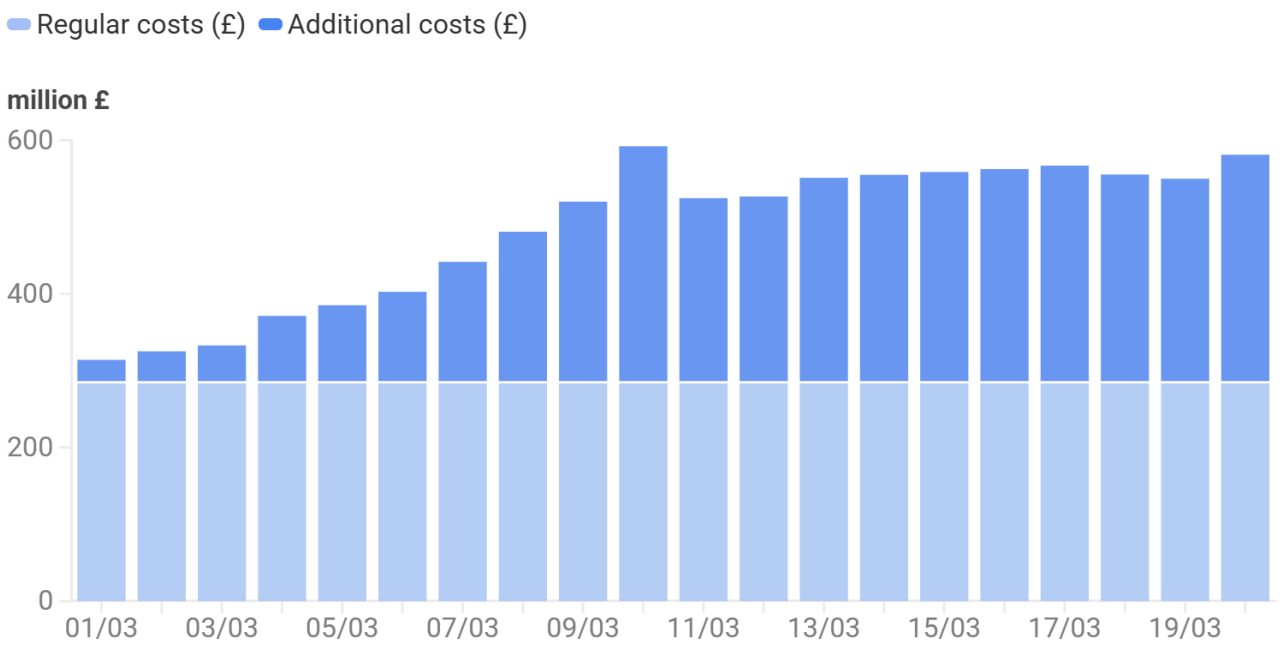
Since the beginning of the conflict, marine fuel oil prices have increased by 65%, while bunker prices for LNG have gone up by 72%, reaching £866[2] per tonne on March 20th. The Iranian attack on 2 March on the Qatari Ras Laffan plant, the world's largest LNG plant and producing a fifth of the global supply, could push prices even higher.

Since the United States and Israel attacked Iran on February 28th, global shipping companies paid an estimated £3.99 billion[3] in additional fuel costs - with daily extra costs reaching £295 million[4].

[1] $300–$400 USD, at a rate of 1.00 USD = 0.75 GBP on 27 March 2026, Xe currency converter
[2] €1000, at a rate of 1.00 EUR = 0.866 GBP on 27 March 2026, Xe currency converter
[3] €4.6 billion, at a rate of 1.00 EUR = 0.866 GBP on 27 March 2026, Xe currency converter
[4] €340 million, at a rate of 1.00 EUR = 0.866 GBP on 27 March 2026, Xe currency converter

The Hormuz crisis adds nearly £300 million a day to shipping's fossil fuels bills

The industry paid a cumulative £3.99 billion between March 1 and March 20



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 397 £/t VSLFOeq for conventional liquid fuels and 448 £/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 £1407/tonne[5] of oil equivalent (toe), against an average of £494/toe[6] in 2025. In Singapore, VLSFO reached £832/toe[7], 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. £1732/toe[8] for e-ammonia and £2,252/toe[9] 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.

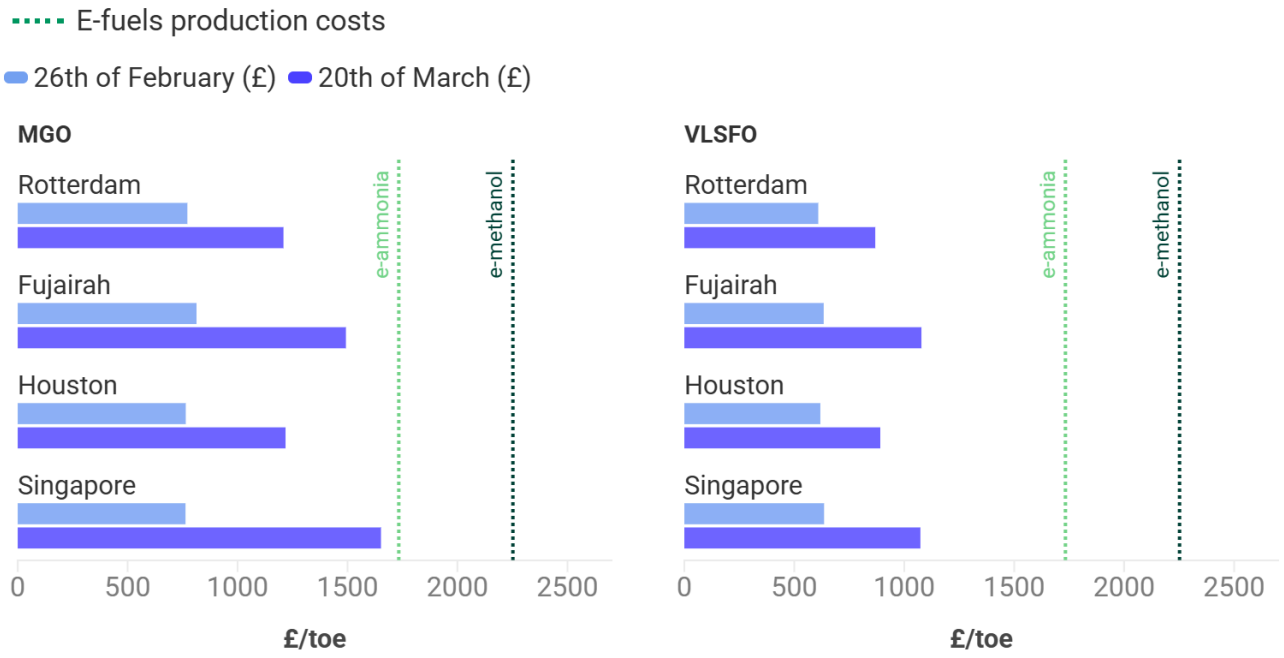
Beyond financial considerations, increasing the share of e-fuels in the UK's shipping fuel mix will improve the sector's resilience. Unlike fossil fuels, which rely on a few geopolitically exposed routes, renewable fuels can be produced in the UK and rely on locally produced energy, allowing

[5] €1,625, at a rate of 1.00 EUR = 0.866 GBP on 27 March 2026, Xe currency converter
[6] €570, at a rate of 1.00 EUR = 0.866 GBP on 27 March 2026, Xe currency converter
[7] €961, at a rate of 1.00 EUR = 0.866 GBP on 27 March 2026, Xe currency converter
[8] €2,000, at a rate of 1.00 EUR = 0.866 GBP on 27 March 2026, Xe currency converter
[9] €2,600, at a rate of 1.00 EUR = 0.866 GBP on 27 March 2026, Xe currency converter

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).

UK shipping decarbonisation regulation needs to provide a long-term pathway, creating incentives for scaling up domestic renewable fuel production and ultimately reducing production costs as experience grows.

4. Conclusion and recommendations

The Hormuz Strait crisis is unprecedented but not an isolated event, and it 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 UK policymakers to accelerate the transition towards a more sustainable and resilient maritime industry:

1 Leverage a UK ETS that covers the UK's fair share of emissions for shipping to drive decarbonisation investments

Progress with extending the UK ETS to cover international emissions from 2027, and to vessels of 400 GT and above. The UK Emission Trading System (ETS) is an essential tool for reaching UK climate targets and internalising the costs of emitting Greenhouse Gases (GHG).

The ETS has the potential to generate significant revenues, a share of which could be used to support emissions reduction for the maritime sector. In its current form, it will only cover domestic maritime and port emissions for vessels above 5000 GT. It is expected to raise £250 million annually. If it were expanded to international maritime emissions, an additional £574 million could be raised annually, and if expanded to vessels of 400 GT and above, an additional £184 million.

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

Introduce a GHG Intensity Standard and mandate the uptake of green hydrogen-based fuels (e-fuels) for shipping. To drive electrification, fuel switching, and the rollout of efficiency measures for the shipping sector and to reduce climate emissions and set the sector on a path to decarbonisation. This should include both international and domestic voyages.

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

3 Make all reasonable efforts to reduce dependence on fossil fuels

Mandate the rollout and use of onshore power supply infrastructure at major ports in the UK to allow ships to plug into power while docked. Allowing ships to run on clean, home-grown renewables rather than burning fossil fuels at berth. **Designate ports as having Critical National Priority Status, and fast-track and prioritise grid connections** for ports seeking to install onshore power and charging infrastructure to allow the rapid rollout of pollution-cutting technology.

Support the electrification of vessels and efficiency measures as they 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 for 45% of the UK's ferries, battery electric operations are technically feasible. 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%.

Further information

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