Strait of Hormuz, the world’s most important oil artery

Why in News?

- Mysterious explosions that crippled two commercial tankers in the Gulf of Oman have set off a spike in oil prices and Put the World on Edge on geostrategic situation.
- The incidents raised alarms about a potential military conflict among rival regional powers.
- The incidents, which the USA called deliberate attacks by Iran, may have been an implicit threat to choke off a vital artery of Global Economy.

Context:

- There is no place in the world more important for the global supply of oil than the Strait of Hormuz.
- The channel is the only way to move oil from the Persian Gulf to the Indian Ocean.
- And that's why the attack early June 13th on two ships, one carrying oil and the other transporting a cargo of chemicals, in the nearby Gulf of Oman is such a concern.

Background:

- Earlier, this year US President Donald Trump decided to end waivers and reimposed sanctions on oil exporting companies from Iran.
- In response, President Rouhani threatens to close the strait.
- All shipping traffic from energy-rich Gulf countries converges in the strait, including crude oil and liquefied natural gas exports from Iran, Iraq, Kuwait, Bahrain, Qatar, Saudi Arabia and the United Arab Emirates.
- Thirty percent of the world’s crude oil flows through this 21-mile wide waterway.

**Location:**

- The strait lies between Oman and Iran
- It links the Gulf north of it with the Gulf of Oman to the south and the Arabian Sea beyond.
- It is 21 miles (33 km) wide at its narrowest point, with the shipping lane just two miles (three km) wide in either direction
- The UAE and Saudi Arabia have sought to find other routes to bypass the Strait, including building more oil pipelines

**Why it matters:**

- Historically, the seaway has connected Arab and Persian civilizations with the Indian subcontinent, Pacific Asia and the Americas.
- Unlike other straits, the strait of Hormuz is even capable to accommodate ULCCs (Ultra Large Crude Carriers) with over 320,000DWT, which is not capable in the case of the Strait of Malacca or Suez in which there are certain draft restrictions imposed.
- Almost a fifth of the world’s oil passes through the Strait – some 17.2 million barrels per day (bpd) versus consumption of about 100 million bpd in 2017, data from analytics firm Vortexa showed.
- OPEC members Saudi Arabia, Iran, the UAE, Kuwait and Iraq export most of their crude via the Strait.
- Qatar, the world’s biggest liquefied natural gas (LNG) exporter, sends almost all of its LNG through the Strait.
- During the 1980-1988 Iran-Iraq war, the two sides sought to disrupt each other’s oil exports in what was known as the Tanker War.
Incidents in past:

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- In July 1988, the U.S. warship Vincennes shot down an Iranian airliner, killing all 290 aboard, in what Washington said was an accident and Tehran said was a deliberate attack.
- In early 2008, the United States said Iranian vessels threatened three U.S. Navy ships in the Strait.
- In July 2010, Japanese oil tanker M Star was attacked in the Strait by a militant group called Abdullah Azzam Brigades linked to al Qaeda claiming responsibility.
- In January 2012, Iran threatened to block the Strait in retaliation for U.S. and European sanctions that targeted its oil revenue in an attempt to stop Tehran’s nuclear programme.
- In May 2015, Iranian ships seized a container ship in the Strait and fired shots at a Singapore-flagged tanker which it said damaged an Iranian oil platform.
- In July 2018, President Hassan Rouhani hinted Iran could disrupt oil trade through the Strait in response to U.S. calls to reduce Iran's oil exports to zero.
- In May 2019, four vessels, (two Saudi oil tankers), were attacked off the UAE coast near Fujairah, one of the world’s largest bunkering hubs, just outside the Strait of Hormuz.

Will it impact Indian oil supply?

- India’s oil imports from the Gulf could be severely affected pushing up prices if Iran carries out its threat to shut the Strait of Hormuz and the West retaliates with military action.
• India is a major importer of crude from Saudi Arabia, Iran, Iraq, the UAE and Kuwait, and the tankers headed to our ports pass through the Strait of Hormuz.
• If hostilities break out in the strait, tankers carrying oil to India might be forced to navigate via the longer and pirate-infested Gulf of Aden route, disrupting supplies and raising the cost of imports.

Source: Indian Express, NYT