

MARKET ALERT

Dual Chokepoint Escalation

Saudi Pipeline Shutdown Raises Immediate Global Oil Supply Risk

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IMMEDIATE RISK SNAPSHOT

SUPPLY	MARITIME	TRANSACTION
Saudi bypass capacity is impaired while normal Hormuz transit remains severely disrupted.	Simultaneous pressure at Hormuz and Bab el-Mandeb reduces route redundancy and raises war-risk exposure.	Shorter pricing validity, refreshed sanctions screening, insurer confirmation and bank pre-clearance are warranted.

Immediate Assessment

Arqom assesses the current development as a critical short-term energy and transaction risk. Saudi Arabia has temporarily stopped its East-West pipeline after drone attacks. The pipeline has served as the principal bypass for Saudi exports while normal passage through the Strait of Hormuz remains severely disrupted. A newly reported vessel attack in Hormuz and Houthi control of Perim Island increase the possibility of simultaneous pressure on both principal regional export corridors. [1][2]

The physical interruption is confirmed. Its duration and ultimate supply effect are not. No complete Saudi damage assessment or firm restart timetable was public at the information cut off. Arqom therefore assigns high confidence to the occurrence of the disruption, but only medium confidence to estimates of duration and export loss.

Confirmed Developments

- Saudi Arabia temporarily shut the East-West pipeline after drone attacks caused injuries and infrastructure damage. [1]
- Reported pipeline flow before the outage was approximately 4 to 5 million b/d, roughly 4% to 5% of global oil supply. [1][2]
- UKMTO reported a projectile strike on a vessel in Hormuz; Reuters also reported Houthi control of Perim Island in Bab el-Mandeb. Neither report establishes full closure of the relevant strait. [2]

Market Signals

SIGNAL	LATEST REPORTED	SIGNIFICANCE
Brent crude	USD 104.61/bbl	Friday settlement after a weekly gain of more than 8%. [3]
Saudi output	6.2 million b/d	August level reported to OPEC, down from 10.9 million b/d in February. [1]
Pipeline exposure	4 to 5 million b/d	Current bypass flow potentially affected. Actual export loss remains uncertain. [1][2]
IEA emergency stocks	400 million bbl	IEA member countries agreed the Agency's largest-ever coordinated emergency oil stock release in March. [4]

Market and Transaction Implications

Energy Markets

A prolonged pipeline outage would remove or delay a large volume of Saudi crude that currently avoids Hormuz. The most immediate exposure is not limited to crude benchmarks. Diesel, jet fuel and bunker markets may react more sharply where constrained crude flows combine with disrupted refining, product exports and already-tight middle-distillate availability. Price volatility is likely to remain highly sensitive to repair information, military developments and shipping advisories.

Shipping and Insurance

Cargoes routed through Hormuz, the Red Sea or Bab el-Mandeb may face higher war-risk premiums, narrower insurance terms, delayed vessel acceptance and reduced tonnage availability. Owners and insurers may revise routing decisions at short notice. A seller's ability to nominate a vessel should not be treated as evidence that the vessel, route or cover will remain acceptable through loading and discharge.

Contracts and Settlement

Force majeure is not automatic. Its availability depends on contract wording, governing law, causation, notice compliance and reasonable mitigation. Alternative ports, substitute grades, revised delivery windows and price adjustments should be documented in writing. Banks may require refreshed transport, insurance, sanctions, origin and title-chain evidence before accepting or financing affected cargoes.

Sanctions and Financial Crime

The physical disruption coincides with further US sanctions escalation. On 10 September, the US Treasury expanded action against Iranian proxy and sanctions-evasion networks and announced a presumption of denial for most Iran-related specific licence applications, subject to limited exceptions. The action includes networks and channels involving Iraq, the UAE, Türkiye and Lebanon and identifies oil proceeds, exchange houses, hawala and gold movements as material risk vectors. [5]

Transactions connected to the affected region require screening beyond the named contracting parties. Review beneficial ownership, controllers, vessels, managers, insurers, brokers, banks, exchange houses, ports and cargo title chains. The OFAC 50 Percent Rule and secondary-sanctions exposure can affect entities that are not expressly named on a sanctions list.

Fraud and Execution Risk

Tight supply and rapidly changing routes create favourable conditions for false allocation claims, fabricated refinery documents, reused inspection records, false terminal confirmations and unrealistic discounts. Fresh independent verification of allocation, terminal access, product availability and authority to sell is required before funds, instruments or sensitive KYC documents are released.

ARQOM SENIOR ASSESSMENT

The strategic change is the loss of redundancy. The East-West pipeline mattered precisely because it allowed Saudi crude to bypass Hormuz. Its interruption therefore has a larger risk significance than the pipeline volume alone suggests. The market is now more dependent on repair speed, available Red Sea stocks, vessel acceptance and the continued operability of Bab el-Mandeb.

For commercial counterparties, the appropriate response is tighter execution discipline rather than speculative assumptions about total supply loss. Shorten pricing validity, confirm freight and insurance in real time, refresh sanctions and ownership checks, obtain bank acceptance before settlement, and ensure that route changes and contractual relief are documented before performance is altered.

Risk Transmission

SHOCK	TRANSMISSION	PRIMARY EXPOSURE	IMMEDIATE CONTROL
Pipeline outage	Reduced Saudi bypass capacity	Crude availability and loading reliability	Reconfirm allocation, terminal access and restart status
Hormuz incidents	Vessel and insurer risk repricing	Freight, war-risk cover and timing	Obtain current insurer and vessel acceptance
Bab el-Mandeb pressure	Reduced Red Sea route resilience	Rerouting, voyage time and demurrage	Stress-test route, laytime and alternative discharge
Sanctions escalation	Higher screening and bank sensitivity	Payments, title chain and counterparty acceptance	Refresh KYC/KYB, sanctions and bank pre-clearance

Immediate Counterparty Controls

- Reconfirm the loading terminal, export route, vessel availability, delivery window and current product allocation directly through independent channels.
- Screen counterparties, beneficial owners, vessels, managers, insurers, brokers, banks and material intermediaries against current sanctions data and ownership rules.
- Obtain written bank and insurer pre-clearance where the route, cargo origin, payment chain or parties have material Middle East exposure.
- Review force majeure, hardship, rerouting, substitution, price-adjustment, laytime, demurrage, notice and termination provisions before agreeing changes.
- Treat exceptional discounts, urgent advance-fee demands and unverifiable refinery or terminal allocations as enhanced-risk indicators.
- For existing cargoes, document route changes, insurer notices, delivery delays and mitigation steps while preserving contractual rights.

Monitoring Triggers

TRIGGER	RELEVANCE
Saudi damage and restart statement	Determines whether the interruption remains temporary or becomes sustained supply loss.
Yanbu export nominations and stocks	Tests the ability to maintain loadings while the pipeline is unavailable.
UKMTO and insurer advisories	May change route acceptance, cover and vessel availability immediately.
Bab el-Mandeb activity	Distinguishes elevated threat from actual restriction or closure.
Oman diplomatic discussions	May affect expectations for Hormuz access and regional escalation.
New sanctions actions	May alter counterparty, vessel, bank and payment-chain eligibility.

72-Hour Transaction Watch

WATCH ITEM	WHY IT MATTERS	ARQOM RESPONSE
Saudi restart status	Primary determinant of whether disruption remains logistical or becomes sustained physical supply loss.	Refresh pricing assumptions, allocation evidence and delivery windows when authoritative restart information changes.
Yanbu nominations and stocks	Indicates how long Red Sea loadings can be supported while the pipeline is unavailable.	Increase verification frequency for allocation, terminal access and loading schedules.
UKMTO and war-risk insurer notices	Can change vessel acceptance, routing and insurance economics with little notice.	Reconfirm vessel, route and cover before nomination, loading and any material amendment.
New OFAC or Treasury action	Can alter counterparty, bank, vessel and payment-chain eligibility immediately.	Re-screen relevant parties and banks before settlement or release of sensitive transaction documents.

Evidence Limits

Industry sources cited by Reuters estimated that Yanbu stocks could support exports for approximately five to seven days and that some repairs might take up to five or six weeks. These estimates vary and have not been confirmed by Saudi authorities. No conclusive public attribution for the pipeline attack was available at the information cut off. Bab el-Mandeb should not be described as closed on the present evidence. [1][2]

Source Notes

[1] Reuters, Saudi pipeline outage threatens loss of 4% of global oil supply, 13 September 2026. [Source link](#)

[2] Reuters, New attacks in Hormuz and Saudi test nerves as war's spread worsens oil disruption, 13 September 2026. [Source link](#)

[3] Reuters, Oil falls but heads for 8% weekly gain on tight supply; US diesel hits record, 11 September 2026. [Source link](#)

[4] International Energy Agency, IEA Member countries to carry out largest ever oil stock release, 11 March 2026. [Source link](#)

[5] US Treasury, Operation Economic Outcast Strikes Iran's Global Terrorist Proxy Network, 10 September 2026. [Source link](#)

Important notice

This Market Alert provides general market intelligence based on information available at the stated cut off. It is not legal, sanctions, investment or transaction-specific advice. Market conditions and restrictions may change without notice. Independent legal, banking, insurance and compliance advice should be obtained before action is taken.