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SPECIAL BRIEF
Dual-Chokepoint Energy Risk

Saudi Export Adaptation, Red Sea Exposure and the Changing Architecture of Gulf Oil Flows

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DECISION SNAPSHOT

PHYSICAL SUPPLY	MARITIME ROUTING	TRANSACTION EXECUTION
Saudi export continuity is improving through partial restoration efforts and Gulf loadings, but normal route redundancy has not been restored.	Hormuz traffic remains depressed while greater reliance on Red Sea and Sohar transfer arrangements shifts risk rather than removing it.	Freight, insurance, vessel acceptance, documentary alignment and sanctions screening can determine executability even where physical cargo exists.

Executive Assessment

The initial 13 September Market Alert identified a loss of route redundancy. Five days later, the evidence supports a more specific conclusion: Saudi Arabia and the physical market are adapting, but resilience is being purchased through greater logistical and transaction complexity. Three East-West Pipeline pumping stations were reported damaged; repair estimates remain variable and have not been confirmed by Saudi Aramco. At the same time, Saudi crude has been offered through Ras Tanura and ship-to-ship transfer arrangements at Sohar, reducing immediate fears of a severe supply interruption. [1][3][4]

The central Arqom issue is therefore no longer simply whether oil can move. It is whether a cargo can be moved, financed, insured, documented, screened and settled on terms that remain acceptable to the contracting parties and their banks. Current conditions make that distinction commercially material.

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1 | EVIDENCE UPDATE SINCE THE MARKET ALERT

What changed after 13 September

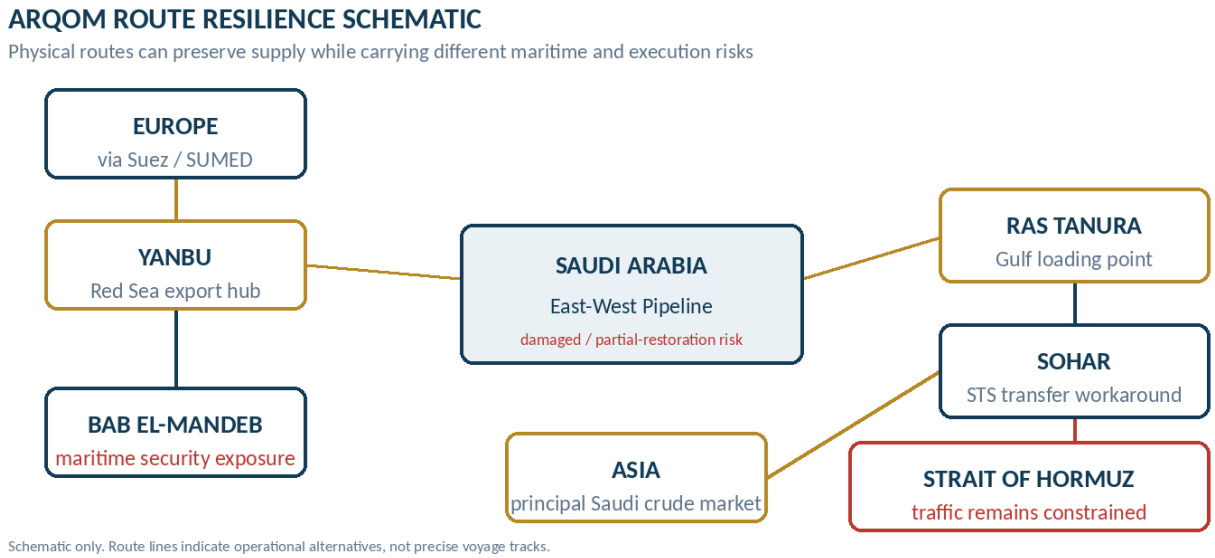
The follow-up threshold has been met because the market now has evidence of both physical damage and commercial adaptation. This permits a more useful assessment than was possible at the time of the immediate Alert.

DEVELOPMENT	LATEST EVIDENCE	EVIDENCE STATUS	SRC
Pipeline damage	Reuters reported on 17 September that three pumping stations were damaged. Sources cited repair estimates of up to five to six weeks, while another source expected earlier partial resumption. Saudi Aramco had not publicly confirmed the detailed timetable.	Verified reporting / repair duration unconfirmed	[3]
Yanbu impact	Crude loadings at Yanbu were reported suspended and some Saudi cargoes to European customers were cancelled.	Reported commercial consequence	[2]
Sohar workaround	About 60 million barrels were reported sold from Ras Tanura for September and October with STS transfer at Sohar, supporting Gulf exports of about 1.0 to 1.5 million b/d on average.	Reported by multiple trade sources / Aramco did not comment	[4]
Shipping traffic	Only four commodity vessels were recorded transiting Hormuz on 17 September versus a ten-day average of 16; Bab el-Mandeb recorded 23 versus an average of 26. AIS gaps mean these counts are not complete.	Preliminary tracking data / known AIS limitation	[5]

Interpretation

The evidence points to partial resilience, not normalisation. A partially restored pipeline and additional Gulf export volumes can reduce the probability of a severe physical shortage while leaving freight, insurance, vessel availability and documentary execution under stress. This is why a lower headline oil price does not necessarily mean that transaction risk has normalised. [4][11]

2 | ROUTE ARCHITECTURE AND CHOKEPOINT DEPENDENCY



The structural issue: risk is being shifted between corridors

Historically, Saudi Arabia's East-West Pipeline reduced dependence on the Strait of Hormuz by moving crude to Yanbu on the Red Sea. When that bypass is impaired, Gulf loadings and alternative transfer arrangements become more important. At the same time, heavier reliance on the Red Sea increases sensitivity to Bab el-Mandeb security conditions.

EIA estimates illustrate how large the shift had already become before the September pipeline attack. Oil flows through Hormuz averaged 4.9 million b/d in 2Q26, down from 21.6 million b/d in 4Q25, while Bab el-Mandeb flows rose to 8.1

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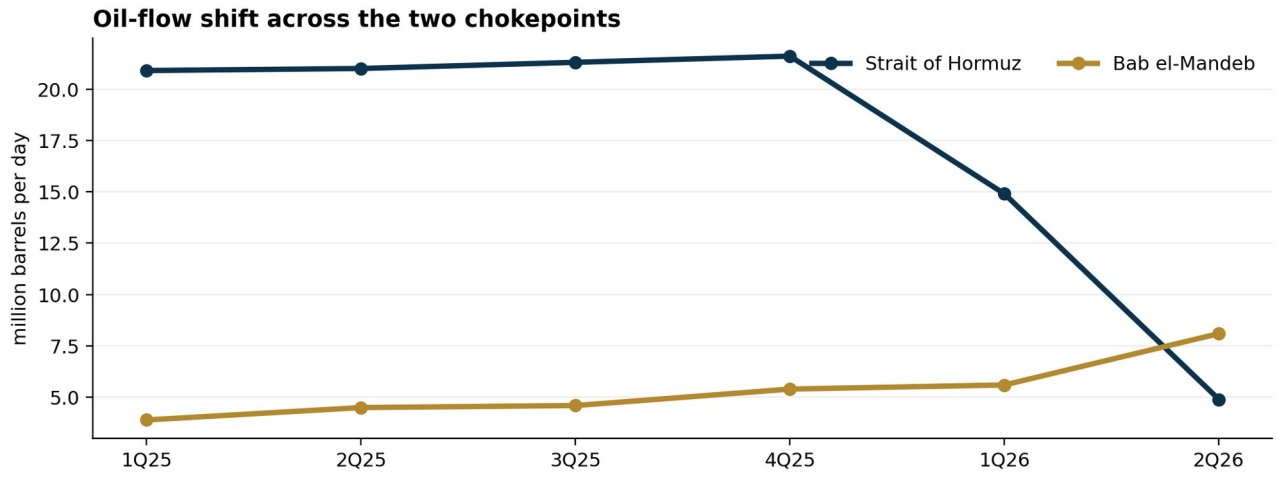
million b/d from 5.4 million b/d. EIA cautions that 2026 estimates are unusually uncertain because AIS data require continuing revision. [7]



Source: U.S. EIA Short-Term Energy Outlook, August 2026. 2026 AIS-based estimates remain subject to revision.

3 | SHIPPING, FREIGHT AND THE SOHAR MECHANISM

Physical flexibility comes with an execution premium

The reported Ras Tanura to Sohar structure demonstrates material physical flexibility. Reuters reported that approximately 60 million barrels were sold for September and October with ship-to-ship transfer at Sohar, with buyers in China, South Korea, India and Japan. The same report said a VLCC rate for early-October Fujairah-to-Asia loading reached Worldscale 800. [4]

STS transfer is an established maritime practice and should not be treated as inherently suspicious. However, an additional transfer creates another vessel, ownership chain, insurance check, custody event and documentary interface. In a normal market these are manageable operational steps. In a conflict-affected market they become material execution controls.

Physical flow versus transaction executability

PHYSICAL QUESTION	TRANSACTION QUESTION	ARQOM CONTROL
Is crude available?	Can the seller evidence allocation and title?	Verify allocation, authority to sell, terminal access and cargo origin through independent channels.
Can a vessel load?	Will the vessel, route and insurer remain acceptable?	Screen the nominated and substituted vessels, ownership, manager, P&I, war-risk cover and route restrictions.
Can cargo be rerouted?	Do SPA and banking documents permit the change?	Align alternative port, vessel, STS and delivery terms with LC/DLC or other settlement requirements.
Can cargo arrive?	Can the bank finance or settle it on time?	Reconfirm sanctions screening, documentary presentation and bank acceptance after material route changes.

Current maritime signal

Preliminary Kpler data reported by Reuters show Hormuz traffic remaining far below its recent average. The available evidence therefore supports continued caution around vessel availability, war-risk pricing, voyage timing and route acceptance. AIS-based counts should not be treated as a complete census because vessels may deactivate transponders for security reasons. [5]

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4 | ARQOM TRANSACTION AND BANKING LENS

Risk matrix

RISK AREA	LEVEL	WHY IT MATTERS	REQUIRED CONTROL
Cargo provenance	HIGH	STS and route changes can complicate chain-of-custody evidence.	Verify origin, terminal documents, B/L continuity and title chain.
Vessel / ownership	HIGH	Substitution may change sanctions and insurer acceptance.	Screen IMO, flag, owner, beneficial ownership, manager and operator at each nomination.
Insurance	HIGH	War-risk conditions and exclusions can change quickly.	Obtain current P&I, H&M and war-risk confirmation for the actual route.
Documentary credit	HIGH	Operational flexibility may not be reflected in LC/DLC wording.	Test documentary conditions against alternative port, vessel and STS scenarios before issuance.
Settlement timing	ELEVATED	Longer voyages and rerouting increase financing duration and demurrage risk.	Recalculate funding tenor, confirmation cost, laytime and working-capital buffer.
Fraud / false allocation	HIGH	Scarcity and volatile routing increase incentives for fabricated POP or terminal claims.	Independent verification before release of funds, instruments or sensitive KYC material.

Banking and trade-finance implications

Banks may focus less on the existence of a cargo and more on whether the transaction remains acceptable after route, vessel, insurer or documentary changes. A contract that permits operational substitution does not automatically make the documentary presentation bank-compliant. This is especially relevant where an LC, DLC or other bank undertaking specifies a loading port, named vessel conditions, document set or delivery window that no longer matches the physical execution plan.

- Rescreen the buyer, seller, beneficial owners, material intermediaries, vessel chain, banks and insurers after any material change.
- Confirm that the actual invoice, bill of lading, certificate of origin, inspection records and vessel data remain consistent with the commercial contract and banking instrument.
- Obtain bank pre-clearance where rerouting, STS, unusual payment routing or higher-risk jurisdictional exposure is material.
- Do not represent a structure as bankable or executable solely because the physical seller is prepared to proceed.

5 | SANCTIONS, AML AND CONTRACTUAL CONTROLS

Sanctions environment

The sanctions environment is tightening in parallel with the physical disruption. On 10 September, OFAC stated that Iran-related specific licence applications would generally be considered with a presumption of denial, subject to limited exceptions. OFAC's current Iran sanctions page also highlights specific maritime and Strait of Hormuz advisories. [9][10]

The UK has announced further Iran sanctions amendments effective from 29 September 2026, including expanded restrictions concerning oil and petroleum products, maritime goods and technology, financial services, insurance and shipping-related activity. The measures are prospective at this information cut-off and must not be treated as already in force. [10]

AML and sanctions controls

- Distinguish legitimate security-driven AIS gaps from conduct intended to obscure origin or sanctions exposure. An AIS gap is a verification trigger, not proof of misconduct.
- Reconstruct the cargo chain from original loading point through any STS transfer to final discharge, including IMO numbers, ownership and management of each vessel.
- Apply ownership and control screening, not only name matching. U.S. sanctions can extend to entities owned 50 percent or more by blocked persons.
- Rescreen immediately before payment, instrument issuance, document release and settlement where the transaction has material Iran, Yemen, Gulf or Red Sea exposure.

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Contractual controls

CLAUSE / MECHANIC	CONTROL OBJECTIVE
Alternative loading / discharge	Define permitted alternatives, approval mechanics and cost allocation.
Vessel substitution	Require sanctions, class and insurance acceptability before substitution becomes effective.
STS operations	State whether permitted, where they may occur, documentary consequences and responsibility for custody transfer.
Force majeure / hardship	Address infrastructure attack, route restriction, port closure, loss of insurability, notice and mitigation. Availability remains dependent on governing law and drafting.
Laytime / demurrage	Allocate war-related waiting, convoy or rerouting delays expressly.
Sanctions clause	Provide rights to reject a vessel, bank, insurer or transaction path that creates a sanctions or compliance issue.
Bank-document alignment	Ensure any permitted operational flexibility is mirrored in the documentary credit or other settlement mechanics.

6 | REFINED PRODUCTS, SCENARIOS AND MONITORING

Refined products: crude availability is not enough

The present market remains particularly sensitive for middle distillates. On 8 September, industry executives told Reuters that the market was missing roughly 2 million b/d of product from Russia and nearly 2 million b/d from the Middle East, while spare refining capacity was limited and diesel margins were at record levels. [8]

For EN590 and other distillate transactions, Arqom therefore distinguishes between theoretical regional crude availability and verified refined-product allocation. Tight markets can increase both genuine commercial premiums and the prevalence of unrealistic offers. Unusually favourable pricing should lead to stronger, not weaker, verification of refinery authority, allocation, terminal access and product documentation.

Scenario framework

SCENARIO	OPERATING CONDITION	TRANSACTION IMPLICATION
A | Progressive stabilisation	Partial East-West capacity returns and Sohar arrangements continue without major maritime deterioration.	Crude pressure eases faster than freight, insurance and documentary risk. Execution controls remain elevated.
B | Prolonged partial disruption	Pipeline restoration remains incomplete for several weeks while Gulf and Red Sea workarounds carry the load.	Higher freight, working capital, schedule variability and repeated vessel / route changes become the principal commercial problem.
C | Dual-chokepoint escalation	Hormuz remains severely constrained and Bab el-Mandeb security deteriorates materially.	Cape rerouting, tanker scarcity, insurance restrictions and product-market stress rise sharply; contractual and bank acceptance risk becomes critical.

Arqom monitoring triggers

- Authoritative Saudi or Aramco confirmation of East-West Pipeline restoration capacity and timing.
- Sustained Yanbu nomination and loading data, not only one-off restart indications.
- Ras Tanura export volumes and the duration of Sohar STS arrangements.
- Hormuz and Bab el-Mandeb transit levels, vessel attacks and war-risk insurer notices.
- VLCC and clean-product tanker freight, plus changes in P&I or territorial exclusions.
- Diesel and jet-fuel margins, European and Asian inventory signals, and regional refinery availability.
- New U.S., UK, EU or UN sanctions measures affecting banks, vessels, insurance, petroleum or maritime services.

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7 | ARQOM ASSESSMENT AND SOURCE CONTROL

Arqom Assessment

Resilience is being purchased through complexity.

Saudi Arabia and the wider physical market are demonstrating meaningful adaptive capacity through alternative loading, transfer and routing arrangements. That reduces the probability of the most severe near-term supply scenarios. It does not restore the pre-disruption risk profile. Each additional logistical layer can introduce cost, time, insurance exposure, documentary dependencies and sanctions-screening requirements.

For Arqom transactions, the practical response is enhanced verification rather than automatic withdrawal from the market. A cargo should be considered transaction-ready only when physical availability, contractual authority, vessel and insurance acceptability, sanctions status, documentary presentation and bank acceptance have been reconciled for the actual route and counterparties.

The distinction between physical availability and transaction executability is likely to remain central until Saudi bypass capacity and regional shipping conditions are demonstrably more stable.

Evidence limits

Several current operational facts are based on Reuters reporting that cites anonymous trade or industry sources. Saudi Aramco had not publicly confirmed the detailed pipeline repair estimates or the reported Sohar sales programme at the stated cut-off. Vessel counts are preliminary and can understate traffic where AIS transponders are disabled. The UK sanctions changes described in this brief are scheduled to take effect on 29 September 2026 and were not yet effective at the stated cut-off.

Source notes

[1] Reuters, Saudi pipeline outage threatens loss of 4% of global oil supply, 13 September 2026. https://www.reuters.com/business/energy/saudi-pipeline-outage-threatens-loss-4-global-oil-supply-2026-09-13/

[2] Reuters, Oil settles $3 higher on Yanbu disruption, Saudi cargo cancellations, 15 September 2026. https://www.reuters.com/business/energy/oil-prices-rise-saudi-pipeline-outage-fresh-attacks-raise-supply-concerns-2026-09-15/

[3] Reuters, Three pumping stations along Saudi East-West Pipeline were hit in recent attack, sources say, 17 September 2026. https://www.reuters.com/business/energy/three-pumping-stations-along-saudi-east-west-pipeline-were-hit-recent-attack-2026-09-17/

[4] Reuters, Aramco to boost Gulf exports to 60 million barrels in September, October, traders say, 18 September 2026. https://www.reuters.com/business/energy/aramco-boost-exports-strait-hormuz-60-million-bbl-september-october-traders-say-2026-09-18/

[5] Reuters, Shipping traffic via Strait of Hormuz stays below 10-day average, data shows, 18 September 2026. https://www.reuters.com/world/middle-east/shipping-traffic-via-strait-hormuz-stays-below-10-day-average-data-shows-2026-09-18/

[6] Reuters, Italy readies navy to protect its shipping amid Bab el-Mandeb tensions, 17 September 2026. https://www.reuters.com/world/italy-readies-navy-protect-its-shipping-amid-bab-el-mandeb-tensions-2026-09-17/

[7] U.S. Energy Information Administration, Short-Term Energy Outlook: Energy security and world chokepoints, August 2026. https://www.eia.gov/outlooks/steo/report/energysecurity/article.php

[8] Reuters, Global diesel supply to stay tight through winter, industry execs say, 8 September 2026. https://www.reuters.com/business/energy/global-diesel-supply-stay-tight-through-winter-industry-execs-say-2026-09-08/

[9] U.S. Treasury / OFAC, Iran-related and Counter Terrorism Designations; Licensing Policy Update under Operation Economic Outcast, 10 September 2026. https://ofac.treasury.gov/recent-actions/20260910

[10] UK Government, NTE 2026/18: Iran sanctions amendments effective from 29 September 2026, 8 September 2026. https://www.gov.uk/government/publications/notice-to-exporters-202618-iran-sanctions-amendments-effective-from-29-september-2026/nte-202618-iran-sanctions-amendments-effective-from-29-september-2026

[11] Reuters, Oil prices fall 2% on hopes of limited Saudi supply disruptions, 18 September 2026. https://www.reuters.com/business/energy/oil-prices-fall-1-hopes-limited-supply-disruptions-2026-09-18/

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