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**Is the Strait of Hormuz still a vital energy route?
Alternatives between Ambition and Reality
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Introduction

In a televised speech, President Hassan Rouhani declared that Iran plans to use an alternative route for crude oil exports on its Gulf of Oman coast, a shift that would bypass the Strait of Hormuz. A new 1000-kilometer-long oil pipeline in the south of Iran, the Gorey-Jask pipeline, will be used as a re-route shipping way. This shift has been allocated a \$1.8 billion budget, with part of the pipeline onstream by the end of March 2021. Rouhani's statement, that "strategic decision and an important step for Iran that will secure the continuation of our oil exports," serves as a latest reminder of one of the key vulnerabilities facing oil exporters in the Gulf.

The Strait of Hormuz has been a cause of regional tensions for years, due to its strategic location, providing the only sea passage to the open ocean. It is one of the world's most significant chokepoints through which about a fifth of the world's oil moves. An estimated 18.5 million b/d of oil moved in 2017, passing from Middle East producers to markets in Asia, Europe, North America and beyond. About 80% of the crude oil passing through the strait went to Asian markets, such as China, Japan, India, South Korea, and Singapore. In 2018, the United States received about 1.4 million b/d from Gulf countries through the Strait, accounting for about 18% of total US oil imports and 7% of total US petroleum liquids consumption.

The strait's vulnerability was brought into focus as tensions have escalated between the US and Iran since May 2018, when the US under the Donald Trump Administration unilaterally withdrew from the 2015 landmark Joint Comprehensive Plan of Action (JCPOA) between Iran and P5+1 (The United States, United Kingdom, France, China, Russia and Germany). This led to the re-imposition of sanctions on Tehran, hammering its oil exports. While in 2018 Iran exported a daily of 1.8 million barrels of crude oil, in 2019 it only exported 573,261 barrels.

Iran has previously threatened to block the Strait of Hormuz if its oil exports were hit due to US sanctions, most strikingly in 2019. Countries in the region have already moved towards looking for alternatives to the strait, especially after Iran seized two oil tankers – one registered in the UK, the other in Liberia – in the strait of Hormuz in July 2019. This raised concerns about how disruptive a conflict in the Gulf could impact the global oil trade. Many alternatives were discussed prior to this date as well.

Given those giant infrastructure projects that would alter the geography of the region, how feasible are such schemes to achieve? Why do countries in the region pursue these projects? What is their motive? How realistic is it? Can each country do it solely? What will be the implications?

Avoiding the Strait of Hormuz: Alternatives between Ambition and Reality

In July 2019, Saudi Arabia declared that it aims to raise the capacity of its east-west 1200-km Petrolina pipeline by 40% in two years, in an effort to redirect its oil exports away from the strait. It also aspires to maximize the line's capacity to export crude oil from 5 to 7 million b/d. Despite Saudi Arabia's scheduled completion of capacity expansion by late 2018, to date, there has been little progress on the pipeline expansion. Saudi Arabia has more pipelines parallel to the Petrolina, but they do not have the ability to transport additional oil exports if the strait is closed, as one of them closed indefinitely after the Iraqi invasion of Kuwait, whilst the others have been out of service for years because of war damage, disuse, or political disagreements.

United Arab Emirates also has a major oil export terminal on the Gulf. It planned to construct a canal stretching from Dubai to the east coast, which avoids the strait. The project emerged in 2008 but was eventually mothballed after being deemed unnecessary and expensive, and thus never progressed beyond the initial phase. Abu Dhabi too has a major pipeline capable of transporting a large share of its exports outside the strait. It depends, however, on another pipeline transporting exports outside of the strait, the Fujairah port, which opened in 2008 with a capacity to transport 1.5 million b/d of crude. Abu Dhabi is also building an industrial railway to be used in emergencies to transport oil. However, attacks on ships near Fujairah proves it is not impervious.

Routing oil supplies to avoid using the strait is even more difficult for countries such as Bahrain, Qatar, Kuwait and Iraq, whose only coastline is on the Gulf. Iraq for example relies on its Gulf port of Basra, which a small volume of its oil gets exported by pipeline to Turkey's Ceyhan terminal. In addition to Ceyhan, it also plans to build new pipelines to ports in Syria, Lebanon, and Saudi Arabia. In 2004, it had a project to extend an Iraqi oil pipeline through Syrian territory to the Mediterranean Sea. This had been delayed, however, due to unstable conditions in both countries. Iraq also sought to construct an oil export pipeline to the Jordanian port of Aqaba on the Red Sea, but political, security and financial matters prevented execution. In 2019, the Jordanian and the Iraqi oil ministers declared commitment to the project, but it will still take years to build.

However, unlike Saudi Arabia and UAE, Qatar has no alternative export routes which bypass the Strait of Hormuz. In 2016, Qatar exported about 3.7 trillion cubic feet per year of liquefied natural gas (LNG) through the strait, which accounts for more than 30% of global LNG trade. Therefore, any interruption of the waterway would block as much as a quarter of global LNG supply. And while Kuwait is also fully dependent on the strait, in 2019, both Qatar and Kuwait approached Iraq to use its pipelines as an alternative path for oil transport.

All of these alternatives are either still in the initial phases or are only ink on paper with no serious execution moves forward. There are limited options to bypass the Strait of Hormuz. Only Saudi Arabia and the UAE can ship oil and bypass the Strait

of Hormuz. The total available oil pipeline capacity from both countries combined was estimated at 7 million b/d in 2018. Despite that the capacity of both countries combined, this is not equivalent to that of the strait, and furthermore, they do not seem to be serious with their intentions of using alternative routes. In 2018 as well, only 2.7 million b/d of oil moved through their pipelines, which left about 3.8 million b/d unused capacity. Moreover, Kuwait, UAE, Saudi Arabia, and Iraq all have a maximum of around 7.5 million b/d of alternative capacity for exports, totalling around 15.6 million b/d.

Additionally, countries have not been committed to expected project implementation timelines as were announced. Some of these blueprints were even only politically motivated and were thus only either declared or focused on during times of confrontation between the US and Iran. From another side, these projects are not feasible to implement. The Gulf crisis has served to cut hopes against possibilities of alliance and collaboration to confront such as crisis. Countries sought individual solutions and are still likely to continue in this manner. However, solely moving is not applicable for countries such as Qatar, Kuwait, and Bahrain, which do not enjoy a coastline outside of the Gulf.

Conclusion

It is clearly illustrated that the Strait of Hormuz is not likely to lose its vitality and significance even if all of these alternatives were used. The strait would still control the region's great share of oil exports. Countries of the region only put a "plan-B," rather than a complete alternative, to this

threatening issue, as they were only projects that never approached implementation.

Considering the intense political climate in the region, Iran smartly employs geopolitics to make the U.S. and its allies feel economically hit to divide the international community over sanctions. It sees hampering oil shipments in the Strait of Hormuz as a vital part of that strategy. The Strait of Hormuz is a vital oil artery passing through a very volatile portion of the region.

Iran had previously threatened to shut-down the strait. However, it is not expected that Iran attempts closure; but it is likely to continue disrupting the process of shipping as long as no solution or no compromises are being found to ease US sanctions. A direct military US-Iranian confrontation is still unlikely to occur, as it is not beneficial for either side, but skirmishes at a small-scale can be expected with the increased tensions in the Gulf.

These sabotage moves shall be viewed a subtle message to key geopolitical players in the Middle East not to escalate tensions, as it is in the interest of countries in the region that still derive revenues from their oil shipments, especially since the region is witnessing a severe division between states in the Gulf; which seem very unwilling to join and cooperate to face such an Iranian move.

Therefore, huge challenges face these major alternates. But all these efforts shall be subject to two repercussions. The first is the future of the confrontation between the US and Iran, whilst secondly, and most importantly, is to what extent states of the region are willing to collaborate in

light of the Gulf crisis, the high costs of this, and the plummeting of oil prices, given that regional and domestic stabilities are subjected to economic developments in all those countries?

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