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MONDAY MORNING QUARTERBACK

ENERGY MARKETS WEEKLY BRIEFING NOTE

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of Energy Security: Why it is
No Longer a Cost to be Minimised,
but a Strategic Asset to be Maximised!*

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Redundancy is the New Currency of Energy Security: Why it is No Longer a Cost to be Minimised, but a Strategic Asset to be Maximised!

The 2026 Strait of Hormuz crisis may ultimately be remembered not for its impact on oil prices, but for triggering the most significant redesign of global energy logistics since the oil shocks of the 1970s.

By Sean Evers, Managing Partner, Gulf Intelligence

For more than three decades, the global energy industry pursued a single objective: efficiency. Supply chains were engineered to minimise inventories, maximise asset utilisation and move crude to market through the fastest and least expensive routes possible. Lean logistics, just-in-time deliveries and concentrated export corridors became the defining characteristics of an increasingly globalised energy system. The 2026 Strait of Hormuz crisis exposed the limits of that model.

Reviewing the collective predictions of some twenty traders, refiners, shipping executives, economists and geopolitical analysts through a series of interviews last week revealed a remarkable consensus. The industry's defining lesson is that redundancy is no longer a cost to be minimised, but a strategic asset to be maximised. Efficiency has been overtaken by resilience as the primary measure of energy security.

Across the discussions, the same themes surfaced repeatedly. Duplicate export routes are no longer viewed as unnecessary excess capacity but as essential insurance against disruption. Spare pipeline capacity has become commercially valuable rather than underutilised. Contingency infrastructure is increasingly regarded as a strategic investment instead of an avoidable expense,

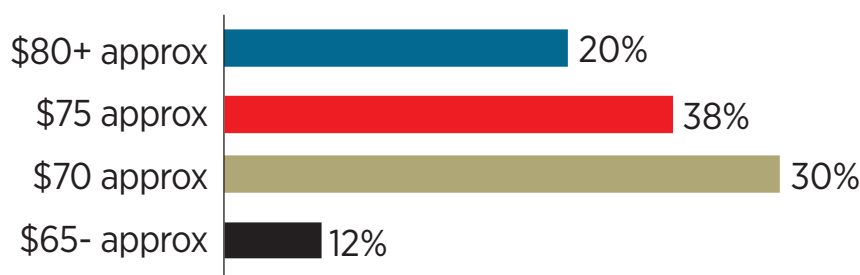
while resilience itself is becoming an important component of infrastructure valuation. As one recurring observation suggested, the industry spent the past thirty years building supply chains for maximum efficiency; the next thirty may be spent rebuilding them for maximum resilience.

While markets continue to focus on daily movements in Brent crude and diplomatic developments between Washington and Tehran, a far more profound transformation is already under way. Governments, national oil companies, traders, shipowners and infrastructure investors are quietly redesigning the physical architecture of global energy logistics.

From Isolated Crises to a New Era of Permanent Maritime Risk

The Strait of Hormuz did not become a strategic concern in isolation. It followed almost three years of disruption in the Bab el-Mandeb, where attacks on commercial shipping fundamentally altered trade patterns between Asia and Europe. Despite multinational naval patrols and improved security measures, only around half of the container traffic that once transited the Red Sea has returned. Many operators continue to route vessels around the Cape of Good Hope, accepting longer voyages and higher costs in

What will be the average price for Brent crude oil in Q3?



Will Iran's 'influence over STRAIT OF HORMUZ in the long run be bullish or bearish for oil prices?



exchange for greater certainty. What was initially expected to be a temporary disruption has evolved into a structural feature of global shipping.

That experience has fundamentally changed how energy planners assess geopolitical risk.

Rather than evaluating each crisis independently, governments are increasingly examining the resilience of the world's entire network of maritime choke points. The conversation is no longer confined to the Strait of Hormuz or the Bab el-Mandeb. Increasing attention is turning towards the Strait of Malacca, through which a significant share of Asia's imported energy and global trade continues to flow. No comparable disruption has occurred there, but the question is now being asked with increasing frequency: has the global economy become too dependent on a handful of narrow waterways that were never designed to carry such a concentration of international commerce?

Several experts noted that future infrastructure planning is increasingly based not on the assumption that these routes will remain permanently open, but on the possibility that disruption may become an enduring feature of the geopolitical landscape.

The Redesign has Already Begun!

The strongest evidence that this shift is real is not found in forecasts, but in investment decisions already being made.

India provides perhaps the clearest example. Following the disruption to Gulf crude supplies and the sharp increase in its energy import bill, New Delhi has instructed state-owned Oil and Natural Gas Corporation (ONGC) to construct a fourth Strategic Petroleum Reserve at Mangaluru, representing an investment of approximately US\$1.6 billion. The project will increase India's strategic storage capacity by roughly one third.

The numbers reveal why the decision matters. Even as the world's third-largest oil importer, India's existing strategic reserves amount to only around 39 million barrels—equivalent to approximately eight days of national consumption. The expansion reflects a broader shift in thinking. Strategic inventories are no longer viewed simply as emergency stockpiles. They are increasingly regarded as critical national infrastructure capable of protecting economic stability when global supply chains come under stress.

India is unlikely to remain an exception. Across Asia, experts repeatedly argued that governments will place greater emphasis on larger strategic reserves, expanded commercial storage and more diversified procurement strategies. The objective is not to reduce dependence on Middle Eastern crude. Rather, it is to ensure that no single disruption can again leave import-dependent economies so exposed to geopolitical shocks.

Infrastructure is Being Valued Differently

The implications extend well beyond emergency planning. The Strait of Hormuz crisis has begun changing how governments and investors evaluate infrastructure itself. Throughout the discussions, one observation surfaced repeatedly: assets previously criticised for being underutilised suddenly became some of the most strategically valuable in the energy system. Pipelines that appeared oversized, storage terminals carrying spare capacity and alternative export routes once viewed as commercially marginal all demonstrated their value when traditional supply chains came under pressure.

One expert remarked that the industry has entered an era where "spare capacity has become strategic capacity." Another noted that infrastructure is increasingly being judged not by how close it operates to full utilisation, but by whether it can continue functioning when the unexpected occurs.

Do you expect the US-Iran MOU ceasefire to hold through the summer despite momentary setbacks?



The shift represents a profound change in investment philosophy. For decades, infrastructure economics rewarded maximum utilisation and minimum redundancy. Today, resilience has become an economic characteristic in its own right. Export optionality, logistical flexibility and continuity of supply increasingly command a premium alongside production efficiency.

Geography has therefore re-emerged as one of energy's most valuable competitive advantages. Artificial intelligence, automation and digital trading platforms continue transforming operations, but none can relocate ports, create new coastlines or eliminate strategic maritime choke points. The crisis reminded policymakers that physical geography still shapes global energy security, and infrastructure positioned outside vulnerable corridors is now viewed through an entirely different strategic lens.

Equally important is the growing recognition that energy security can no longer be achieved through isolated national infrastructure. Dependence on a single export route leaves every producer and every importer exposed. As a result, cross-border pipelines, interconnected storage facilities, integrated logistics networks and coordinated contingency planning are moving from desirable projects to strategic necessities. Infrastructure is increasingly being evaluated according to its contribution to regional resilience rather than solely national benefit.

The End of "Just in Time" Energy

The operational consequences are already becoming visible across global markets.

Several participants observed that refiners throughout Asia responded to the crisis by reducing processing rates, prioritising domestic demand and conserving inventories. Others pointed to product export restrictions, emergency inventory management and rapidly changing shipping patterns as evidence that the industry had already shifted into a resilience mindset. The lesson was not simply to survive one disruption, but to ensure the system could withstand the next.

Shipping itself is evolving. Charterers, insurers and shipowners are increasingly incorporating geopolitical resilience into commercial decisions alongside freight rates and voyage economics. Routing flexibility, access to multiple export corridors and larger inventory buffers are becoming structural features of the market rather than temporary responses to crisis.

Perhaps the clearest conclusion emerging from the discussions is that the industry is moving from a "just in time" model towards a "just in case" model. Inventories are no longer viewed merely as working capital. They are increasingly treated as strategic assets. Spare infrastructure is no longer idle capacity; it is operational insurance. The ability to continue delivering energy during periods of disruption is becoming every bit as valuable as the ability to produce it.

History is unlikely to remember 2026 simply for military tensions or oil price volatility. Instead, it may be recognised as the year the global energy industry fundamentally redefined how hydrocarbons move around the world.

The twentieth century was built around discovering and producing energy. The twenty-first century will increasingly be defined by protecting the logistics that move it.

That represents a fundamental shift in strategic thinking. The future of energy security will no longer be determined solely by who controls the largest reserves beneath the ground. It will increasingly belong to those capable of transporting, storing and delivering those resources under almost any circumstances.

The most enduring legacy of the Strait of Hormuz crisis may therefore not be geopolitical at all. It may be the industry's collective recognition that resilience has become its most valuable commodity. In an era of recurring geopolitical shocks, redundancy is no longer a cost to be minimised—it has become the new currency of energy security. ■



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