

PRODUCTS · MAY 2026

**5.0** mbpd  
Gulf products via Hormuz  
3.3 mbpd refined + 1.5 mbpd LPG  
· no bypass exists for products

**\$100** /bbl  
Jet crack spread peak  
vs \$18/bbl pre-war · Singapore jet  
\$230/bbl (+140%) · Rotterdam all-time record

**36%**  
EU+UK jet supply gone  
Kuwait Al-Zour (615k b/d) fully stranded inside Hormuz

**6** mbpd  
Asia refinery run cuts  
IEA Apr 2026 · China throughput  
-1.8 mbpd · crackers cutting output

**Yr 1-2**  
To restore \$0.50/bbl  
Morgan Stanley: full volume not before Oct 2026 · IEA: infrastructure "up to 2 years"

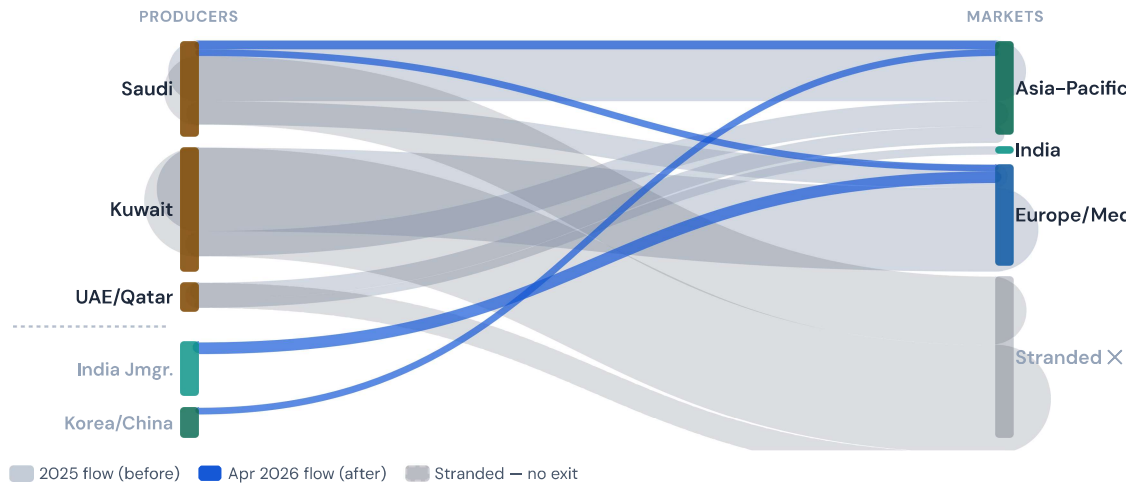
**65**  
VLCCs repositioned west  
Goldman Sachs · won't ballast east without paying cargo · 50-day reposition lag

**SCALE IS THE INVISIBLE ENABLER**

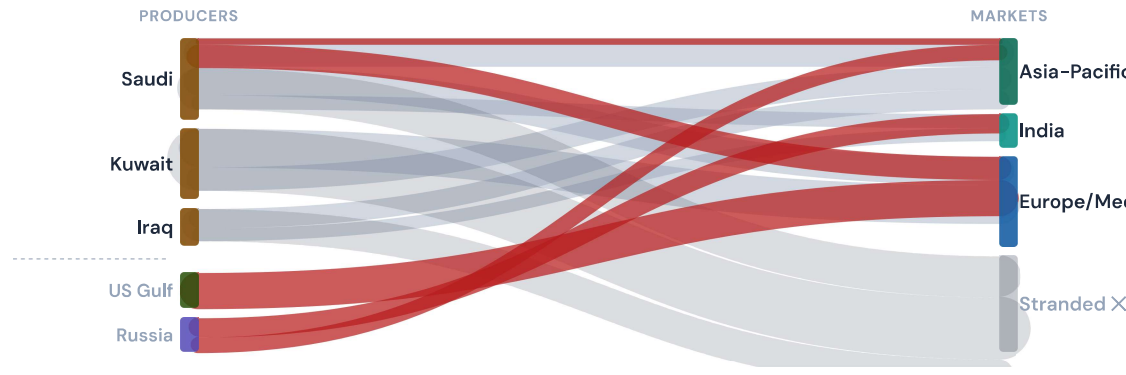
When the Gulf corridor works, jet fuel moves at \$0.50/bbl. When it doesn't, replacement flows arrive at \$0.90-1.40/bbl on smaller ships from further away. That gap is not a shortage — it is the cost of operating without the scale. An Atlantic Basin to Asia supply paradigm requires its own scale economics and drivers.

All figures May 25, 2026. Sources: IEA OMR · S&P Platts · Goldman Sachs · Morgan Stanley · Gibson Shipbrokers · ICIS · IATA · Kpler. Crack spreads: pre-war Feb 2026 avg; peak Mar-Apr 2026; now mid-May indicative.

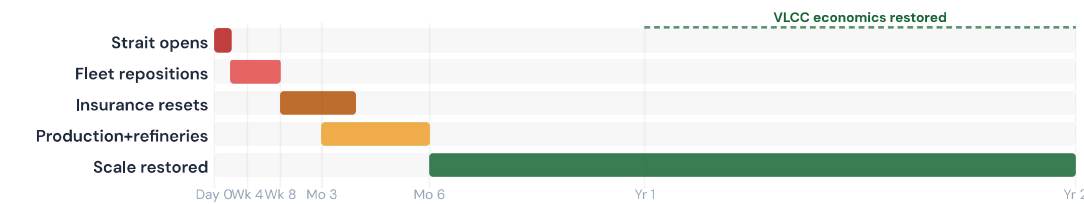
AVIATION FUEL FLOWS — BEFORE (GREY) VS AFTER (BLUE) HORMUZ CLOSURE



DIESEL & GASOLINE — BEFORE (GREY) VS AFTER (BLUE)



RECOVERY LAGS — STRAITS OPEN TO \$0.50/BBL RESTORED



Stage	When	Cost vs norm	Key constraint
<b>Strait opens</b>	Day 0	3-5x	Opening ≠ flows. Mines, escorts, Iran blockade intact
<b>Fleet repositions</b>	Wks 4-8	1.5-2x	65 VLCCs west — won't ballast without cargo. 50-day lag
<b>Insurance resets</b>	Mos 2-4	1.3-1.5x	Premiums 0.25% → 3-8% hull (~\$5M/VLCC). Needs weeks of stability
<b>Production + refineries</b>	Mos 3-9	~1.1x	Morgan Stanley: Oct 2026 earliest. Crack spreads outlast crude
<b>Scale restored</b>	Yr 1-2	<b>\$0.50/bbl</b>	All layers — fleet, insurance, production, infrastructure — simultaneously normal

ASIA VS EUROPE — DIVERGENT SHOCKS

ASIA-PACIFIC — VOLUME SHOCK

<b>Eastbound</b> 80% <small>of Hormuz products</small>	<b>Run cuts</b> 6 mbpd <small>Asia-Pacific Apr'26</small>	<b>China thruput</b> -1.8 <small>mbpd Feb-Mar</small>	<b>India LPG</b> 60% <small>from Gulf - critical</small>
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Product	India	China	Lag
LPG	Critical	Severe	3-6 mo
Naphtha	Moderate	Critical	6-12 mo
Jet fuel	Low	Moderate	Months
Diesel	Moderate	Moderate	Structural

Force majeure: Shell/CNOOC Huizhou, Wanhua, Yeochun NCC, Lotte, LG Chem. Cracker cuts propagate into polymer costs 6-12 weeks later — the manufacturing shock is underpriced.

EUROPE / MED — GRADE & SECURITY SHOCK

<b>Jet gone</b> 36% <small>EU+UK - Al-Zour</small>	<b>Crack peak</b> \$100 <small>/bbl - was \$18</small>	<b>NWE jet</b> \$1,765 <small>/ton record</small>	<b>IEA release</b> 400 mb <small>largest ever</small>
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Product	Severity	Context
Jet fuel	Critical	NWE \$1,765/ton · 300 kbd shortfall
Diesel	Critical	Post-Russia stocks structurally thin
LPG	Moderate	US substitution partially available
Naphtha	Low	Not reliant on Gulf naphtha

Europe's refinery rationalisation programme compounded the same vulnerability the green transition was meant to reduce — you cannot phase out infrastructure you still critically depend on, on a timeline set by policy rather than physical readiness.

BROADER IMPLICATIONS

**Hormuz open ≠ economics restored**  
The \$0.50/bbl corridor is the last thing restored, not the first.

**Europe has no buffer or pipeline bypass options — products disruption outlasts crude**  
· Gulf sour yields more jet/diesel than Atlantic light sweet — replacing the crude doesn't replicate the slate. Post-Russia drawdown left no buffer. Premiums are structural, not episodic.  
· Europe's green transition assumed affordable, reliable product supply during the phase-out.

Recovering to the old optimum — or finding a new one?

· Route distance is structural: 6,200nm Gulf-Asia vs 12,500nm Atlantic-Asia = 3.5 vs 6 VLCC round trips/year — technology improvements in ship economics are more valuable on the longer route and will narrow the gap over successive fleet generations  
· Atlantic Basin is offshore-dominated — steep reservoir decline means maintaining production plateau requires life-cycle sustaining investment whose economics must be sanctioned against the market outlet scenario, not the current Gulf-dominated baseline

**New optimum thesis**  
Atlantic-to-Asia becomes the structurally marginal route. Sustaining capital is re-underwritten at a new scenario. Ship efficiency compounds on the longer leg. The route premium is permanent.

**Recovery thesis**  
Gulf restoration restores \$0.50/bbl and strands Atlantic sustaining capital sanctioned at crisis premia. The loss compounds with every drill cycle, not just once.