The Middle East conflict – whare the implications for Australia?

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Commonwealth Bank of Australia

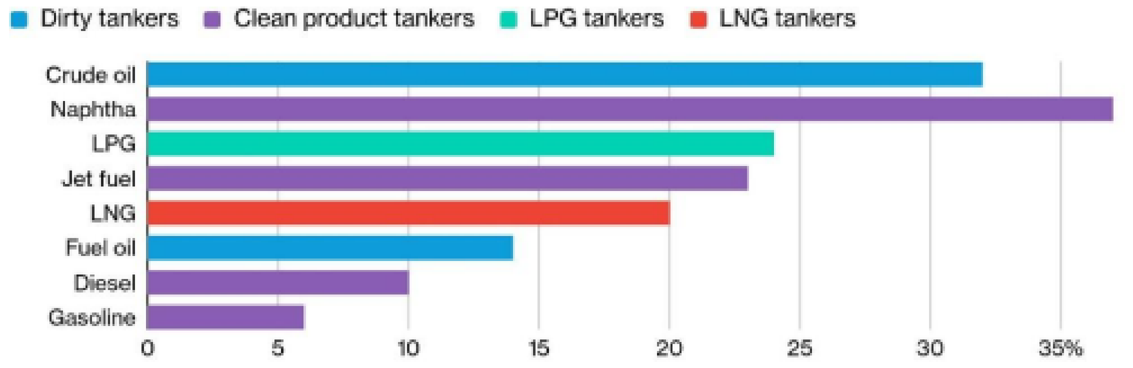
Oil

Understanding the energy crisis that is unfolding. How will energy security change?

Major disruptions in global oil production through history

Crisis	Timing	Global supply (% of world)	Spare capacity (% of world)
Suez Canal	1956-1957	10%	35%
Arab Oil Embargo	1973-1974	7%	8%
Iran Revolution	1978-1979	5%	5%
Gulf war	1990-1991	9%	4%
Iran war	2026	19%	3-5%

Share of global seaborne volumes transported through the Strait of Hormuz in 2025 – by product



Source: BloombergNEF, Vortexa. Note: Crude oil includes condensates. LNG is liquefied natural gas. LPG is Liquefied petroleum gas and is included under oil products. Dirty tankers include very large crude carrier (VLCC), Suezmax and Aframax. Clean product tankers include long-range 2 (LR2), long-range 1 (LR1) and medium-range (MR) tankers.

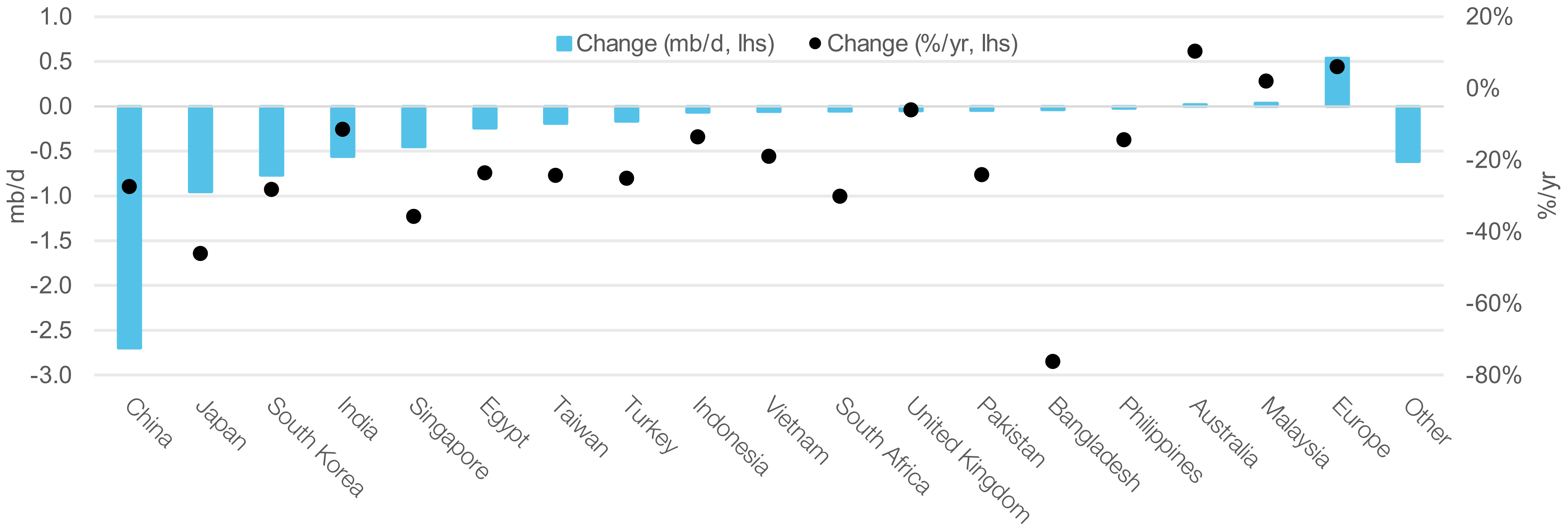
BloombergNEF

Commonwealth Bank of Australia

Oil

China, Japan, South Korea, India, Singapore and Taiwan are shouldering the burden of import cuts. Europe and Australia are importing more.

Oil and refined product imports – in order of biggest volume reductions in 2026 relative to 2025 (20 March to 15 May)



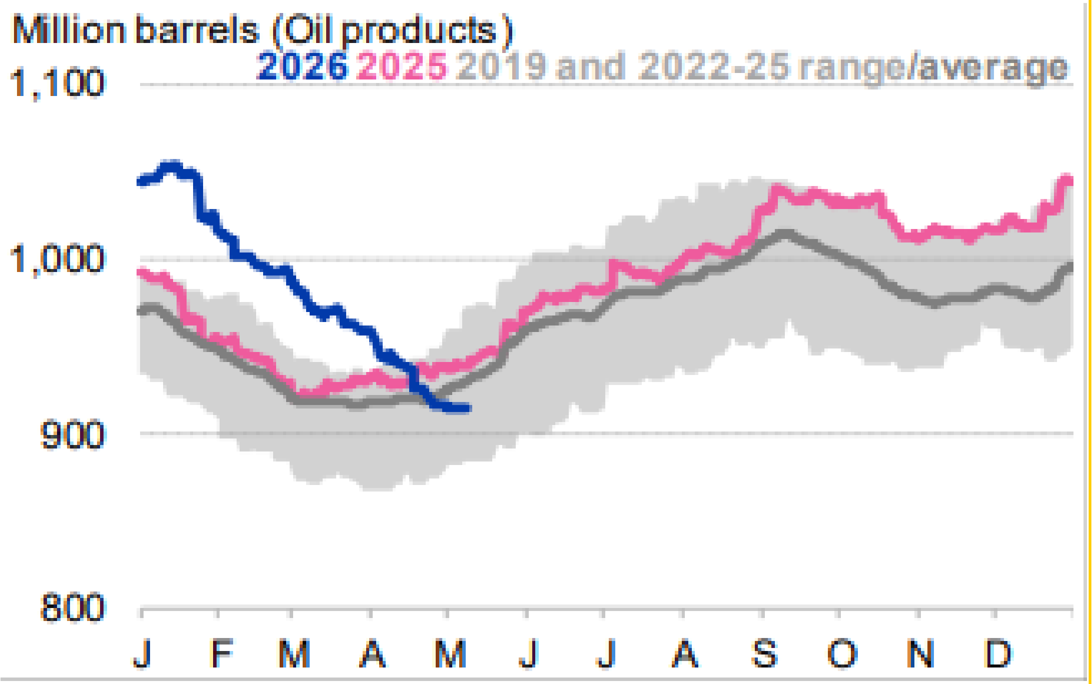
Source: Bloomberg, CBA estimates

Oil

Operational stress levels could be seen as early as June. Products are the key watchpoint

World oil and product inventories – visible, billions of barrels

Total oil products oil storage – global, week ending 8 May

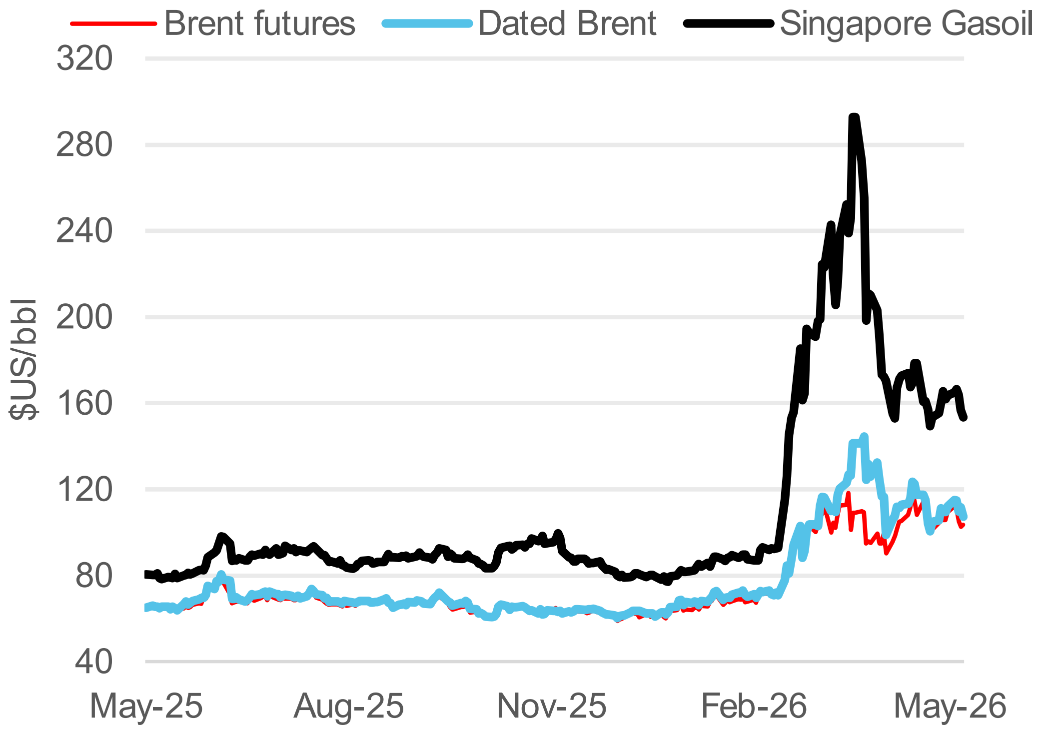


Source: BNEF

Oil and gas

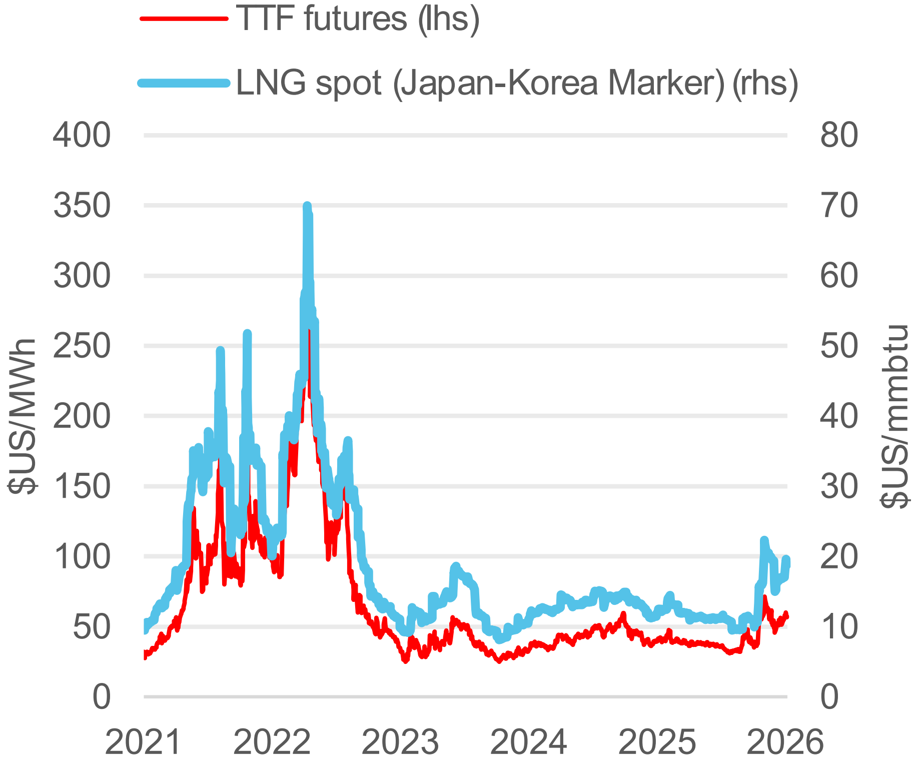
What price will result in demand destruction?

Brent oil futures, Dated Brent and Singapore gasoil prices



Source: ICE, Platts, Bloomberg

European gas futures and LNG swap futures



Source: NYMEX, Platts, Bloomberg

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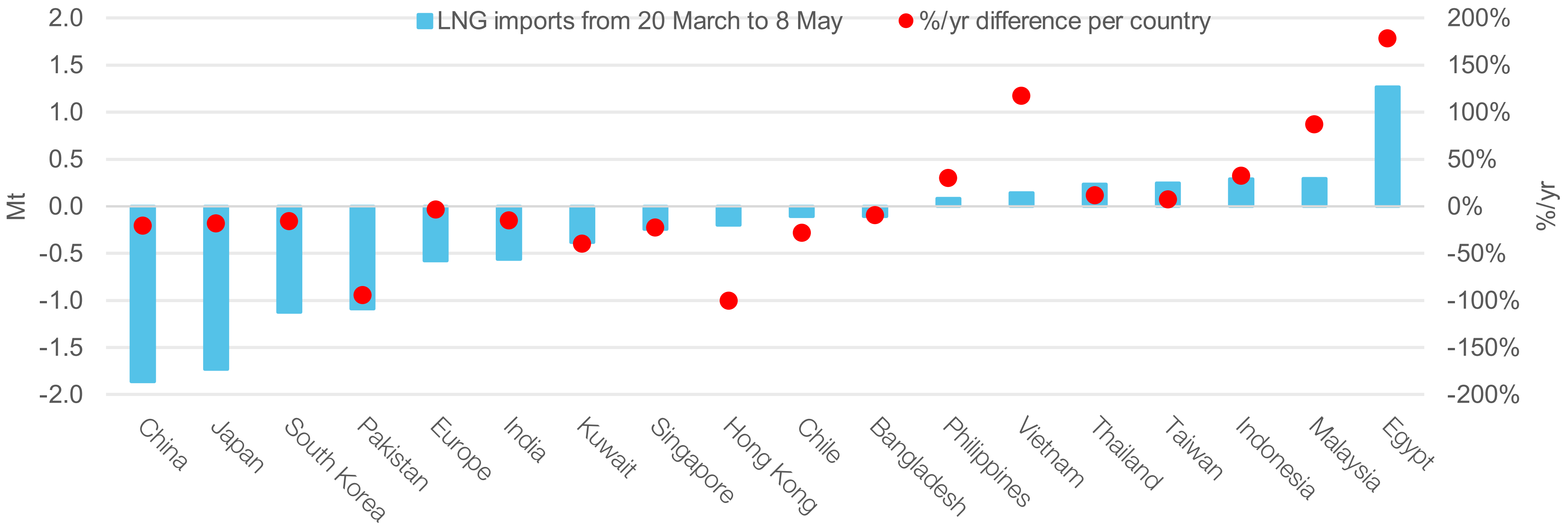
LNG

China, Japan, South Korea, Pakistan, India and Europe are shouldering the burden of import cuts. Some clear reprieve to developing Asian economies

LNG import changes – in order of biggest volume reductions in 2026 relative to 2025



Source: Bloomberg, CBA estimates

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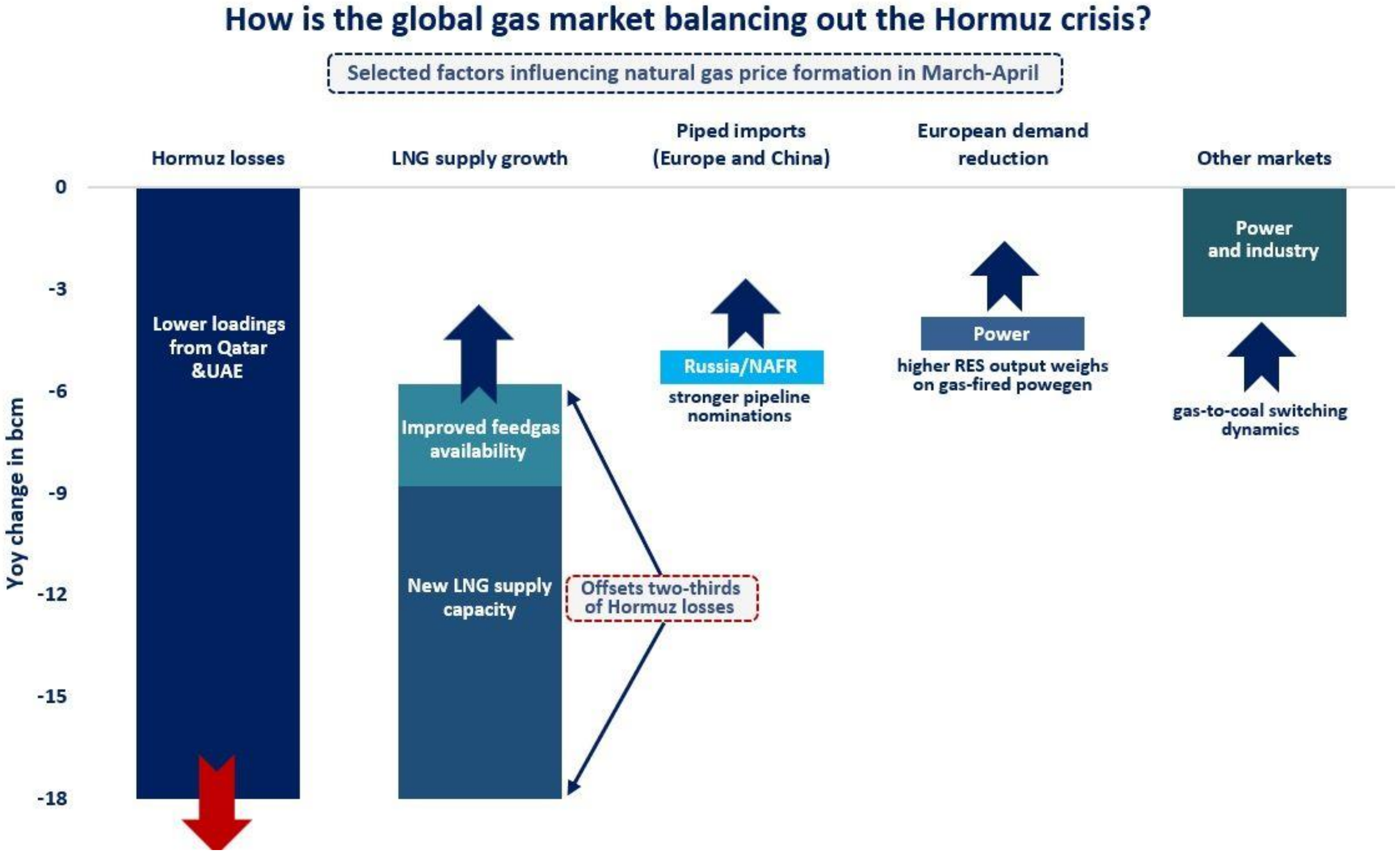
LNG

LNG supply growth is limiting impact of Hormuz losses

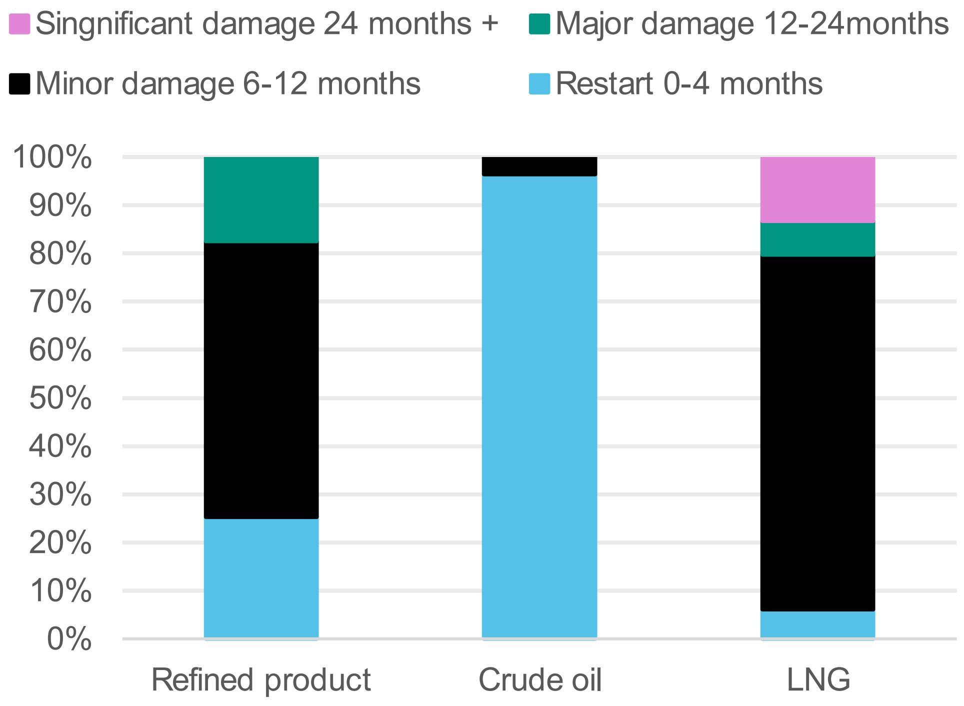


Source: IEA

Middle East war

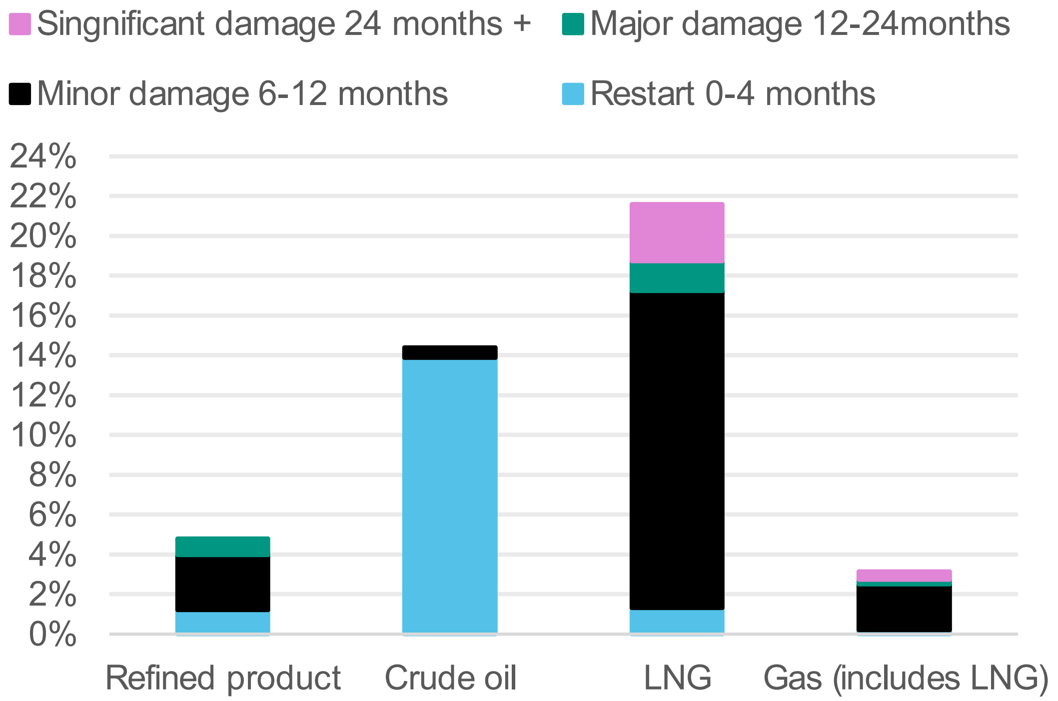
What if the Strait of Hormuz opens?

Timeframes to bring back refined products, crude oil and LNG from the Strait of Hormuz (100% = pre-war levels)



Source: CBA estimates

Timeframes to bring back refined products, crude oil, LNG (standalone) and LNG (as part of the gas market) from the Strait of Hormuz - % of global demand for each product



Source: CBA estimates

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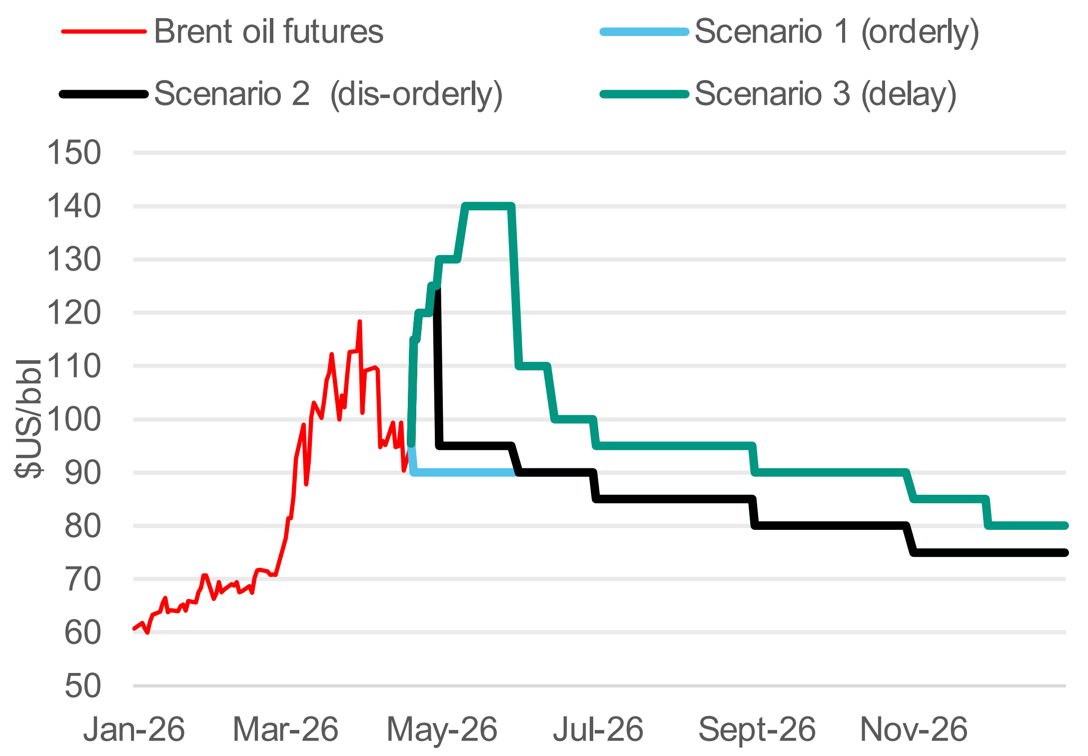
Middle East war

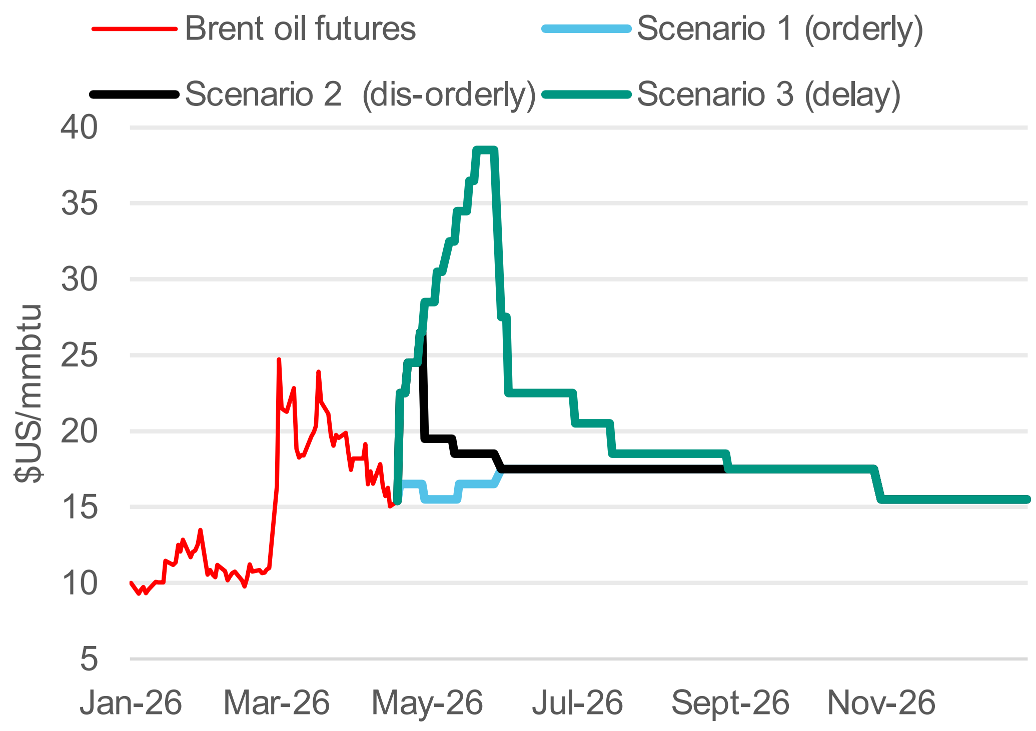
What if the Strait of Hormuz opens?

Brent oil futures - scenarios



Source: CBA estimates

Asian LNG spot prices



Source: CBA estimates

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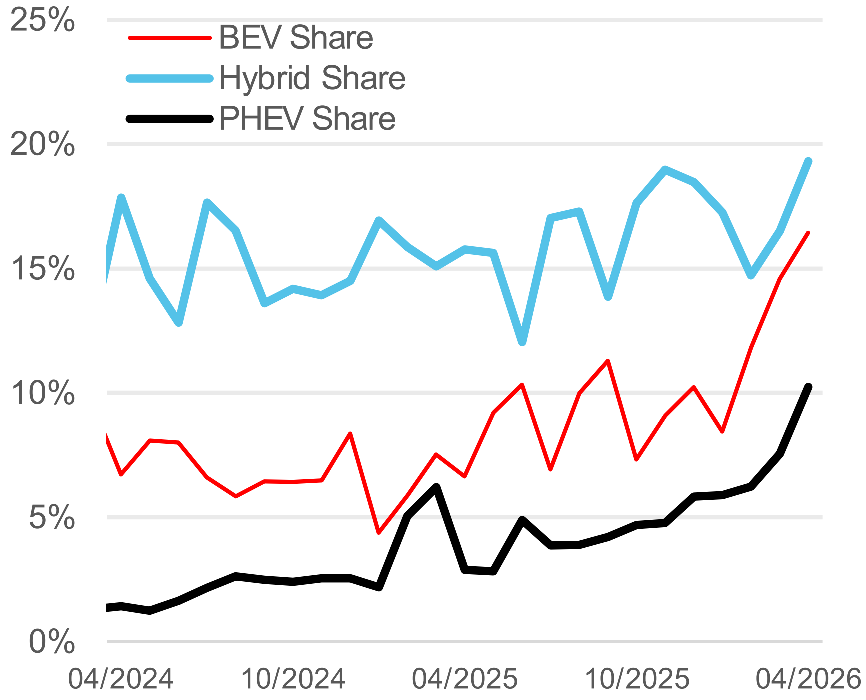
Will transportation respond?

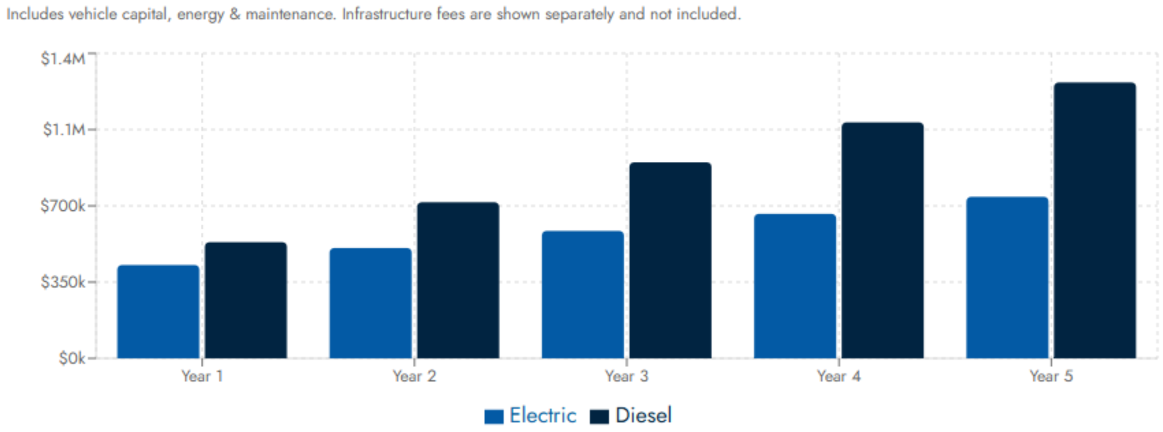
Ex-China EV sales (43% share) lifted 24%/yr in March and 14%/yr in April. EV trucking is an option too. 70% of heavy freight is sub-300km/day

Share of BEV, Hybrid and PHEV of new vehicle sales – monthly (EV share was 27% in April)



Source: VFACTS

1 x Road Train Triple (tri dolly), Metro, 5-year period, owning charger and battery, 300km/daily ($A2.2/L for diesel)



Source: Janus Electric

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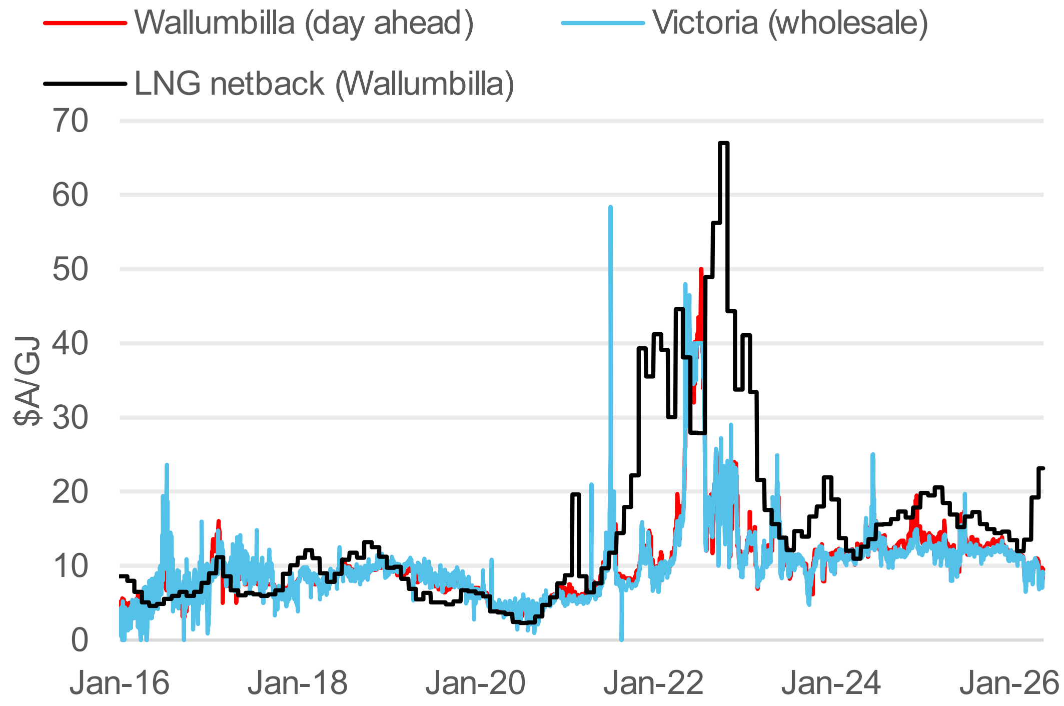
East-coast gas prices

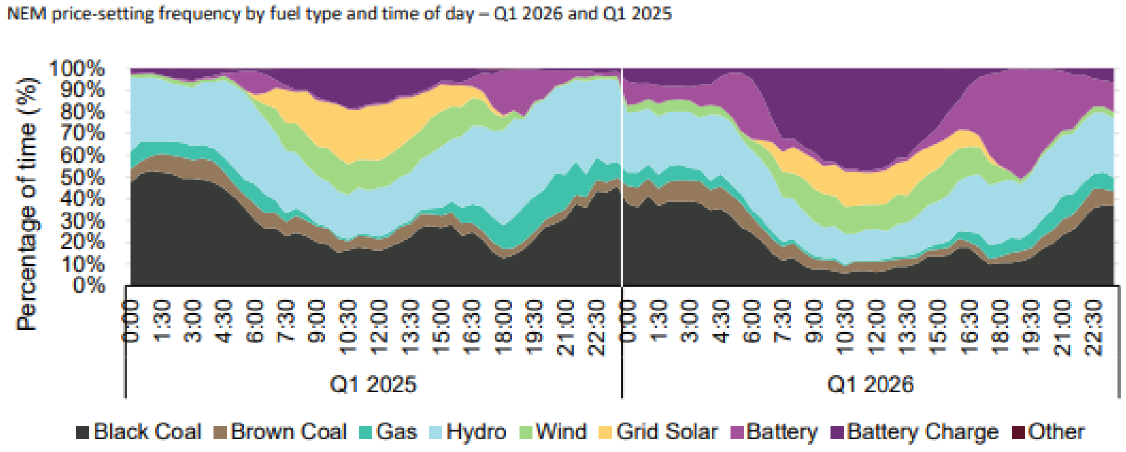
Divergence between domestic and LNG netback prices

East-coast gas prices and LNG netback prices



Source: Australian Petroleum Statistics

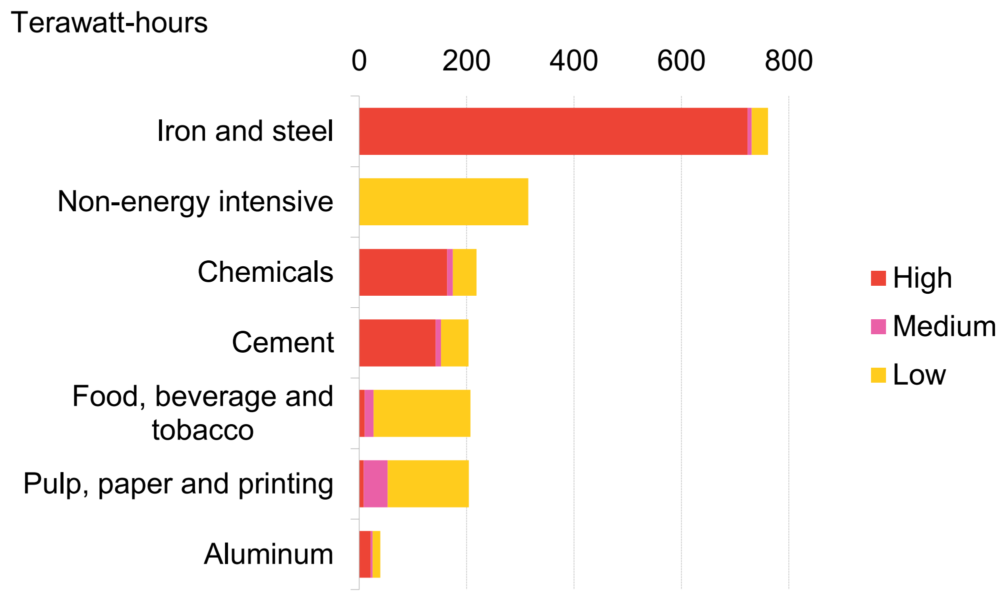
Battery charge and discharge drove time of day price-setting shifts in Q1 2026



What gas-dependent sectors can transition?

Focusing on low-temperature process heat used in industry

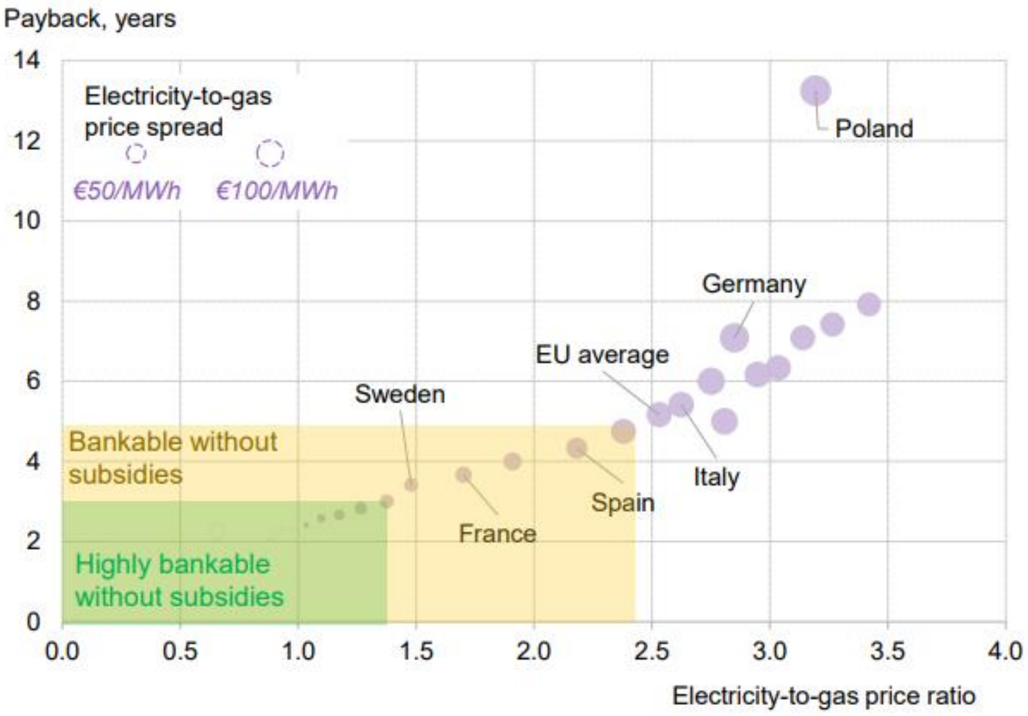
Process heat demand across selected industries in the EU by temperature band and sector



High refers to temperatures above 400C, medium 150-400C and low below 150C.

Source: BNEF

Investment payback period for a 6 megawatt very high-temperature heat pump (150C) for different electricity-to-gas price ratios



Source: BNEF

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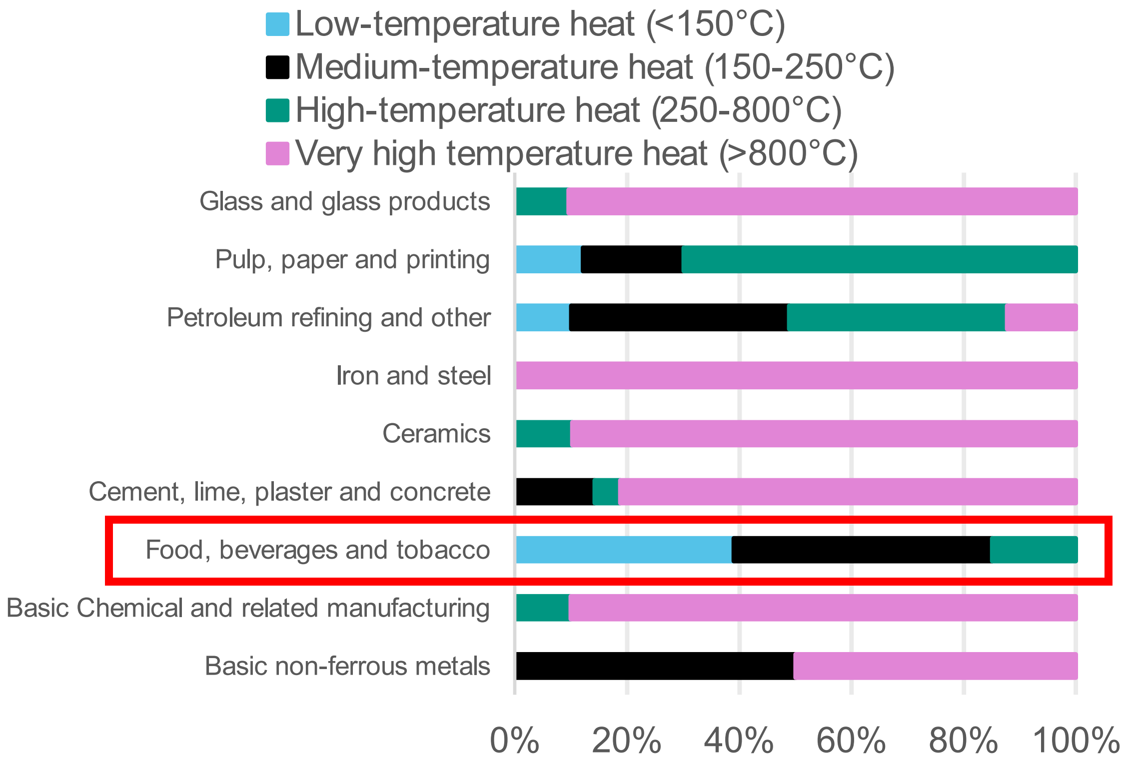
What gas-dependent sectors can transition?

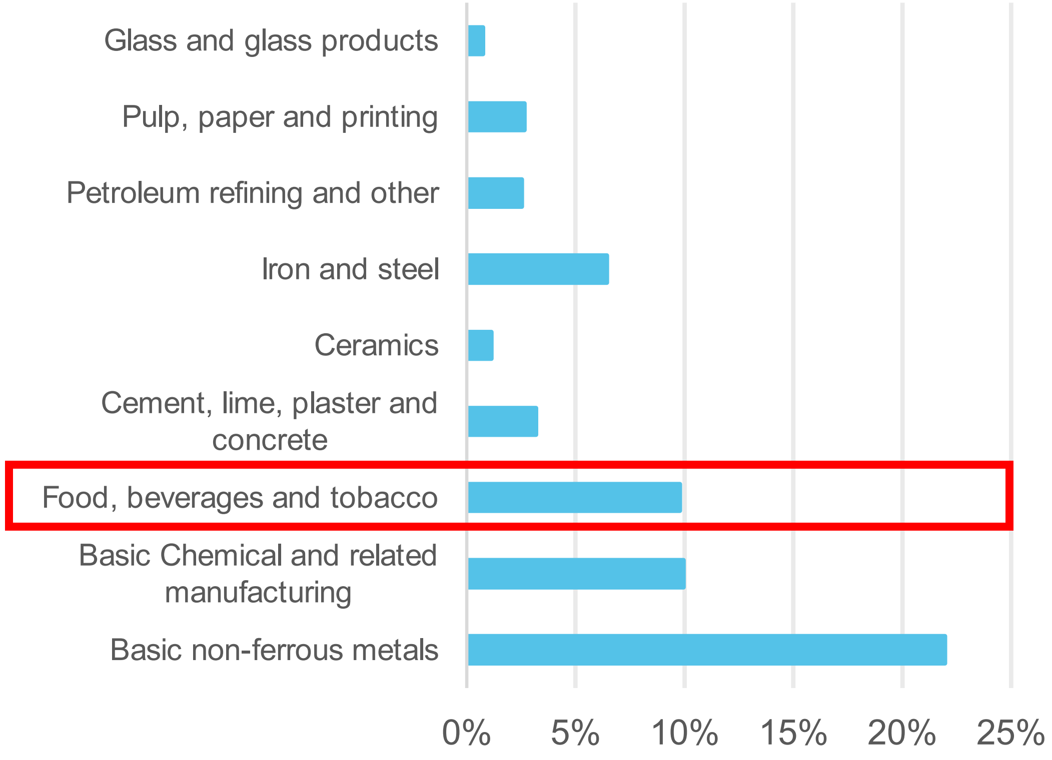
Focusing on low-temperature process heat used in industry

Australia's manufacturing industries and use of heat



Source: ARENA

Australia's manufacturing industries and share of total gas use – 2023-24



Source: ARENA

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Thank you

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Middle East war

Australia

- **Agriculture**: Wheat production is particularly vulnerable. Input prices (i.e. diesel and fertiliser) have surged, while wheat prices have only increased modestly. This has meant margins for wheat are unsustainable – meaning both fertiliser application and diesel use are likely to be reduced.
- **Construction**: Around ~30% of global ethylene supply has been impacted because of the closure of the Strait of Hormuz. This is primarily tied to naptha flows, a key petrochemical feedstock, being blocked (i.e. Strait of Hormuz accounted for 35-40% of global seaborne naptha trade). The vulnerability will be the rise in costs for plastics like PVC (polyvinyl chloride) for piping. The construction sector also faces headwinds of higher interest rates, diesel costs, labour shortages, and cost inflation even before the Strait of Hormuz was closed.
- **Building products**: Higher energy costs and lower construction activity in Australia means cement, bricks and glass producers are vulnerable.
- **Road transport**: Around 7% of road freight business closed in the past year, making it one of the most stressed sectors in Australian economy even before the energy shock. Fuel surcharges offer a way to pass on costs to consumers, but smaller road freight companies are more vulnerable to higher inputs costs.
- **Mining**: Coking coal would be my pick for potentially lower output (or at least lower projected growth) given the rise in diesel prices. This is because some coking coal mines face margin pressures that will likely discourage activity in the near term.
- **Aviation**: Higher jet fuel costs have already pushed up air travel costs. Given the discretionary nature of travel, aviation, on face value, faces clear downside risks. But Qantas has experienced an unexpected boost in demand to fly European routes (Perth-London, Perth-Paris) – routes that were dominated by Emirates and Qatar Airways previously.

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