II - The Day After the Middle East Crisis and the Impact on Energy

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The day after the Middle East crisis will not mean a return to the day before. Physical flows may recover and prices, freight and insurance costs may decline. But the crisis will leave behind a different understanding of energy security.

For decades, the energy system was built around “just-in-time”: lowest-cost routes, limited inventories, concentrated infrastructure and maximum asset utilisation. It was economically efficient, but also brittle.

The emerging model will be more **“just-in-case.”** This does not mean abandoning efficiency or building duplicate infrastructure everywhere. It means paying for enough flexibility to keep essential energy flowing when the preferred supplier, route or facility becomes unavailable.

That requires **optionality**—not simply more inventory. Inventory buys time; optionality provides alternative solutions. It has four dimensions.

First, **physical optionality**: alternative ports, pipelines, storage facilities and loading points. But these must have independent failure modes. Two terminals do not provide genuine diversification if they rely on the same pipeline, power supply or shipping route.

Second, **supply and product optionality**: the ability to switch between suppliers and, where technically possible, between pipeline gas, LNG, LPG, condensates and liquid fuels. It also requires power stations and industrial users to maintain genuine dual-fuel capability—not merely equipment that exists on paper but is never tested.

Third, **commercial optionality**: destination-flexible contracts, cargo swaps, substitution rights, access to alternative loading points and available shipping. A flexible contract has little value if there is no vessel, insurance or compatible receiving terminal.

Fourth, **regional optionality**: pipelines, ports and storage operating as a connected regional system. Not every country needs to reproduce every asset, but access rules and emergency arrangements must be agreed before a crisis—not negotiated during one.

This also strengthens the **strategic role of gas**. Gas is a resilience fuel because it supports electricity, desalination, industry and petrochemicals, while flexible gas-fired generation balances variable renewables. But gas can also concentrate risk if all these sectors depend on one pipeline, LNG terminal or maritime route.

A **resilient gas system** therefore needs layers: domestic production as a foundation, pipeline gas for continuous supply, LNG for diversification and seasonal balancing, storage for immediate response, and liquid-fuel backup for essential generation. Gas creates resilience only when its own supply chain is diversified.

What, then, should become permanent after Hormuz?

Alternative terminals outside the Strait, strategic storage, reversible pipelines, cargo-swapping arrangements and reserved emergency capacity should remain. But they must have commercial uses in normal times—trading, blending, bunkering, seasonal balancing and reloading—or they risk becoming neglected and financially unsustainable.

The permanent legacy should also include agreements: reciprocal terminal access, common product specifications, emergency pipeline rights and predetermined rules for allocating scarce supply.

The post-Hormuz objective should not be maximum redundancy regardless of cost. Nor should it be a return to pure least-cost optimisation. It should be **resilient efficiency**: competitive in normal conditions, but capable of continuing to function when normal trade breaks down.

We already see this in the changing strategies of ExxonMobil and Chevron. They are now expanding investments in E&P to diverse geographic locations and in LNG.

The Middle East crisis has disrupted oil and gas markets, raised prices and exposed vulnerabilities in global supply chains. Risks surrounding the Strait of Hormuz show how quickly energy security can become a matter of national economic survival.

COP31 is upon us. The crisis will shift emphasis from climate ambition driven primarily by targets to climate action constrained by economic realities, energy security and geopolitical priorities.

This does not mean abandoning the Paris Agreement. Rather, energy policy is entering a period of pragmatic adjustment driven by affordability, technological feasibility and sustainability and now optionality.

Calm may return after the crisis—but calm should never again be mistaken for security.