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About Vanda Insights: Vanda Insights is a Singapore-based provider of independent global oil markets analysis, delivering research and insights on crude oil and refined products, market fundamentals, geopolitics, trade flows and price dynamics to companies, institutions and policy makers across the energy sector.

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FROM FUNDAMENTALS TO FINANCIAL RESILIENCE: INDIA'S OIL & GAS MARKET

Resilience redefined: Asia's energy security after the Hormuz crisis

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The international energy system is entering a prolonged period of geopolitical volatility. As the post-Cold War global order gives way to a more fragmented and multipolar landscape, energy is becoming an instrument of statecraft rather than merely a traded commodity.

Sanctions, tariffs and export controls are increasingly being deployed as geopolitical weapons, while restrictions on shipping, insurance, financing and trading have become integral parts of economic conflict. Competition for control over strategic energy infrastructure — including pipelines, ports, chokepoints and critical maritime trade routes —is intensifying, alongside direct attacks on oil, gas and power infrastructure.

Energy weaponisation is no longer an episodic phenomenon but a defining characteristic of 21st-century geopolitics.

Events over the past four years provide ample evidence of this structural shift.

Since Russia's invasion of Ukraine in February 2022, markets have absorbed successive waves of Western sanctions, import bans and price caps targeting Russian crude and refined products. These have been followed by secondary sanctions, financial restrictions and repeated threats of tariffs against countries continuing to import Russian crude.

This report has been produced by Multi Commodity Exchange of India (MCX) & Vanda Insights exclusively for the on the occasion of the Global Commodity Conclave, August 2026

Maritime security has also deteriorated sharply. Israel's war in Gaza prompted Houthi attacks on commercial shipping in the Bab el-Mandeb Strait, disrupting one of the world's busiest trade corridors, forcing vessels to divert around the Cape of Good Hope.

More recently, the conflict between the United States and Iran culminated in attacks on energy infrastructure across the Gulf and a months-long de facto closure of the Strait of Hormuz — the export gateway for roughly one-fifth of globally traded oil and liquefied natural gas.

For the heavily energy import-dependent economies across Asia, the immediate priority during each crisis has been to quickly secure alternative supplies and minimise disruption. But the cumulative effect of these successive shocks is prompting a broader reassessment of what genuine energy security should look like in an era where supply chains themselves have become geopolitical battlegrounds.

Building resilience can no longer rely solely on securing sufficient volumes of fuel at competitive prices. It requires an integrated, "all-of-the-above" strategy encompassing diversification of fuel types and supply sources, expansion of strategic and commercial inventories, greater electrification of transport and industry, accelerated deployment of low-carbon energy technologies, improved energy efficiency and more flexible infrastructure capable of adapting to rapidly changing trade patterns.

These physical measures must be complemented by stronger diplomatic engagement, deeper regional cooperation and more sophisticated financial risk management, including the use of commodity and currency hedging instruments. Energy resilience is increasingly being determined not simply by access to resources, but by the ability to anticipate, absorb and adapt to geopolitical disruption.

Against this backdrop, commodity exchanges and risk-management markets are assuming greater strategic importance. Price discovery, transparent benchmarks and hedging instruments are no longer simply tools for commercial optimisation -- they have become essential components of national energy resilience.

For governments, refiners, airlines, power utilities and industrial consumers, the ability to manage price volatility is increasingly as important as securing physical supply.

ASIA'S HORMUZ WAKE-UP CALL

The first wave of the US-Iran war, which began on February 28 and effectively closed the Strait of Hormuz to much of the region's oil exports, delivered the most severe energy supply shock to Asia in decades.

Around 88% of the approximately 16 million barrels per day of crude oil and condensates that transited the Strait during January and February was destined for Asia, according to Vortexa data.

China received the largest volumes, averaging about 5.1 million b/d. However, these shipments represented only around 38% of its total seaborne crude imports, reflecting years of deliberate supply diversification across Russia, West Africa, Latin America and the Americas.

India's absolute imports from the Gulf were considerably smaller, averaging roughly 2.7 million b/d, but their strategic importance was significantly greater. Persian Gulf barrels accounted for almost 52% of India's crude and condensate imports, leaving the country proportionately more exposed than China.

Japan and South Korea import less crude than either China or India, yet their dependence on West Asian suppliers is even higher.

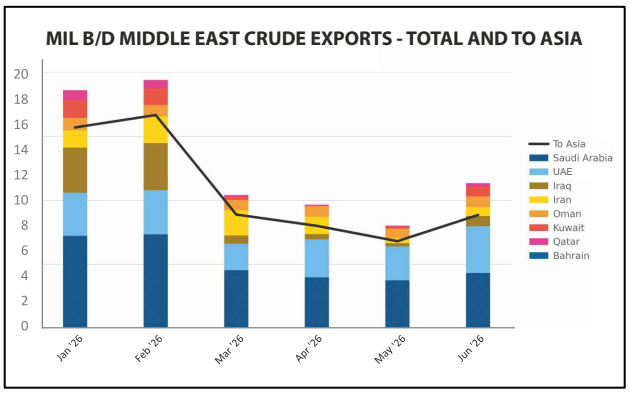
Asian buyers have long-established supply relationships with Gulf producers, supported by decades of commercial partnerships and long-term contracts.

These arrangements have historically delivered mutual benefits: dependable outlets for producers and reliable supplies for Asia of the medium-to-heavy crudes grades that many of the refineries in the region are typically configured to process.

Geography has reinforced this relationship, with shorter voyage distances from the Gulf translating into lower freight costs than supplies sourced from the Atlantic Basin, including the North Sea, West Africa and the US Gulf Coast.

The conflict has nevertheless challenged one of the region's most deeply held assumptions — that the Strait of Hormuz would ultimately remain open, even during periods of heightened tension. For decades, repeated Iranian threats to close the waterway were widely viewed by markets as a negotiating tactic rather than a realistic policy option. The first successful blockade fundamentally altered that perception.

Perhaps more important than the disruption itself is the precedent it established. Market participants increasingly view the Strait's closure not as a one-off event, but as a credible geopolitical instrument that Iran has now demonstrated both the willingness and the capability to employ. With tensions between Tehran, Washington and Israel unlikely to disappear in the foreseeable future, Asian governments and energy companies can no longer treat uninterrupted passage through Hormuz as a given. The strategic risk premium attached to Gulf supplies has undergone a lasting repricing.



Source: Vortexa. Analysis and chart: Vanda Insights

THE NEW NORMAL WILL BE AN UNEASY ONE

A second major lesson from the Hormuz crisis is that even after active hostilities subside, the region is unlikely to revert quickly -- or perhaps ever -- to the operating environment that prevailed before the war. Whatever "normal" ultimately emerges is likely to be characterised by greater uncertainty, more intrusive security arrangements and a persistent geopolitical risk premium.

The 14-point Memorandum of Understanding signed by the US and Iran on June 17 illustrated just how fragile any diplomatic accommodation is likely to be. Negotiated amid profound mutual distrust, the agreement contained several ambiguously worded provisions that quickly became the subject of conflicting interpretations, generating uncertainty for shipping companies, insurers and commodity markets even during the brief period in which the truce held.

The most contentious issue centred on the reopening of the Strait of Hormuz. Tehran interpreted the agreement as granting it sole authority over vessel transits during the 60-day interim period, while Washington maintained that freedom of navigation under existing international arrangements remained unchanged.

Within days of shipping resuming, Iranian forces began firing on merchant vessels using the US- and International Maritime Organisation-backed transit corridor along the Omani coast without first obtaining clearance from the newly established Persian Gulf Strait Authority. The dispute rapidly escalated into renewed military confrontation, bringing the ceasefire --and the broader MoU -- to an abrupt end.

Despite these setbacks, neither Washington nor Tehran has a strong incentive to pursue an open-ended military conflict. The confrontation demonstrated that escalation imposes significant economic and strategic costs on both sides while offering little prospect of a decisive outcome. A negotiated framework therefore remains the most plausible long-term path, even if it proves difficult to achieve.

But diplomacy alone is unlikely to eliminate market concerns. A return to any interim arrangement to reopen the Strait while broader negotiations continue will need to establish a clearly defined and internationally understood transit protocol. Without such clarity, even minor disagreements over the interpretation or enforcement of navigation rules could once again disrupt commercial shipping and reignite volatility in energy markets.

Even under a successful diplomatic framework, however, the Strait is unlikely to return to the unrestricted freedom



of navigation that existed before the conflict. Iran has demonstrated that control over access to Hormuz provides valuable strategic leverage, and it is unlikely to relinquish that advantage voluntarily. Whether through formal governance arrangements, transit management or other mechanisms, Tehran appears intent on exercising greater influence over the strategically important waterway.

Moreover, the threshold for renewed disruption remains remarkably low. The sustained US campaign against Iranian military infrastructure may have reduced Tehran's conventional capabilities, but it has not eliminated its ability to threaten maritime traffic. A single missile or drone strike against a commercial vessel would be sufficient to deter shipowners, raise insurance premiums sharply and disrupt energy flows through the Strait.

If, over time, Iran succeeds in establishing a new governance framework for Hormuz with the support of neighbouring Gulf states and tacit acceptance from the wider international community, a measure of stability could eventually return.

However, as long as fundamental disputes over Iran's nuclear programme, ballistic missile capabilities and regional proxy network remain unresolved -- particularly in relation to the US and Israel -- the Strait of Hormuz is likely to remain a geopolitical flashpoint rather than simply an international shipping lane.

The challenge for energy markets is no longer whether the Strait of Hormuz can be reopened, but whether it can remain reliably open.



REDRAWING THE MAP: THE GREAT BYPASS OF HORMUZ

The prospect of Tehran disrupting Hormuz oil flows whenever it seeks leverage over its adversaries has prompted a strategic rethink across Persian Gulf, with several producers accelerating plans to develop export routes that bypass the chokepoint.

Saudi Arabia has its East-West Petroline to the Red Sea, enabling a substantial share of its crude exports to avoid Hormuz. The Yanbu terminal at the end of the pipeline has the capacity to load up to 5 million b/d of crude on to export tankers. The Kingdom is considering expanding the capacity to ship crude out of Yanbu.

To the north, the Turkish port of Ceyhan, which is already connected to northern Iraq by a 1.5 million b/d pipeline, together with proposed pipeline corridors through Syria, offer potential routes for crude to reach Mediterranean export terminals.

Iraq, one of the countries hardest hit by the Hormuz closure, has moved to the forefront of new pipeline planning, while actively courting American investment as both a source of capital and a strategic counterweight to Iran's growing regional influence.

The UAE, which already exports crude through its Abu Dhabi-Fujairah pipeline outside the Strait, expects to double capacity beyond the current 1.5-1.8 million b/d by next year, while Oman, whose ports all lie outside Hormuz, is investing in additional export and storage capacity to strengthen its position as an alternative energy gateway.

However, the growing push to develop bypass routes should not be mistaken for a simple or comprehensive solution. Oil pipelines are capital-intensive projects with long development timelines, and securing investors, regulatory approvals and construction capacity can take years. Cross-border routes also introduce their own governance, jurisdiction and security challenges, often replacing maritime risk with dependence on transit states, bilateral agreements and complex operating arrangements. Nor are pipelines and export terminals immune from attack. As the current conflict has demonstrated, fixed energy infrastructure can itself become a military target.

Most importantly, even if every major project under discussion were completed, their combined capacity would still fall well short of accommodating all the region's crude exports, while LNG exports would remain overwhelmingly dependent on the Strait of Hormuz. The objective, therefore, is not to render Hormuz redundant, but to reduce the scale and economic impact of future disruptions.

Bypass Plans

How Gulf crude & LNG exporters could route around a closed Strait of Hormuz

STRAIT OF HORMUZ DISRUPTION SCENARIOS
County-by-country bypass capacity assessment

HORMUZ DEPENDENCE AFTER PROJECTS — None → Moderate → High → Very High → Complete

Oman — NONE

EXISTING BYPASS CAPACITY

N/A — **already outside Hormuz**

PROJECTS UNDER CONSIDERATION

Port and storage expansion at Duqm and **Sohar**

Biggest beneficiary of the crisis as an export and logistics hub.

Saudi Arabia — MODERATE

EXISTING BYPASS CAPACITY

East–West Petroline (Abqaiq–Yanbu), ~5–7 mb/d depending on utilisation

PROJECTS UNDER CONSIDERATION

Capacity expansion; **Red Sea** export terminal enhancements

Best positioned in the Gulf. Could redirect a large share of exports to the Red Sea.

UAE — MODERATE

EXISTING BYPASS CAPACITY

Abu Dhabi Crude Oil Pipeline to **Fujairah** (~1.8 mb/d)

PROJECTS UNDER CONSIDERATION

Fujairah storage and export expansion; additional pipeline capacity

Only Gulf producer already exporting substantial crude entirely outside Hormuz.

Iraq — HIGH

EXISTING BYPASS CAPACITY

Limited via **Turkey (Ceyhan)**

PROJECTS UNDER CONSIDERATION

Iraq–Aqaba; Syria route; Turkey upgrades; possible Gulf alternatives

Huge potential, but political and security constraints remain significant.

Qatar — VERY HIGH

EXISTING BYPASS CAPACITY

None

PROJECTS UNDER CONSIDERATION

Limited discussion of overland LNG export options; no realistic oil/LNG bypass

North Field LNG exports remain fundamentally dependent on Hormuz.

Kuwait — VERY HIGH

EXISTING BYPASS CAPACITY

None

PROJECTS UNDER CONSIDERATION

No credible bypass projects announced

Almost entirely reliant on Hormuz for crude exports.

Bahrain — VERY HIGH

EXISTING BYPASS CAPACITY

None

PROJECTS UNDER CONSIDERATION

None of significance

Small exporter but whally dependent on the Sirait.

Iran — COMPLETE

EXISTING BYPASS CAPACITY

None

PROJECTS UNDER CONSIDERATION

None

Export infrastructure itseif depends on Hormuz, even while Tehran seeks to control it.

Assessment reflects existing infrastructure and publicly discussed projects only; does not account for construction timelines, financing, or capacity constraints under a live disruption scenario.

VANDA INSIGHTS

A SECOND FRONT FOR ENERGY SECURITY

Even as the timeline for the full normalisation of Hormuz transits looks set to stretch out, Ukraine's intensifying campaign against Russian energy infrastructure has opened a second front in global energy security, creating fresh risks for crude as well as refined products.

The tempo of drone strikes has accelerated markedly, with attacks penetrating deeper into Russian territory and increasingly targeting sophisticated secondary refining units such as hydrocrackers and hydrotreaters. These are among the most complex and time-consuming components to repair, reducing the production of higher-value fuels including diesel, gasoline and jet fuel even after refineries resume operations.

The impact is becoming increasingly visible in export flows. Russian refinery throughput has fallen to multi-decade lows, while diesel and other refined product exports have declined sharply in recent months. The disruption to Russian refining, combined with reduced exports of Persian Gulf products due to the Hormuz crisis, has kept refining margins elevated globally. Indian refiners, however, are not well placed to capitalise. Their crude supply chain remains exposed to geopolitical disruption, while the government has shown a clear preference for safeguarding domestic fuel supplies over encouraging exports.

New Delhi in July increased the Special Additional Excise Duty on diesel exports to INR 15.5/litre (around $25.60/barrel) and on aviation turbine fuel exports to INR 14.5/litre (around $24.00/barrel), effectively discouraging exports and prioritising domestic fuel availability.

India is also becoming more exposed through its growing reliance on Russian crude, which proved an invaluable substitute during the Hormuz disruption. Imports climbed to a record 2.56 million b/d in June -- more than half of India's total crude imports of around 5 million b/d, according to Vortexa data.

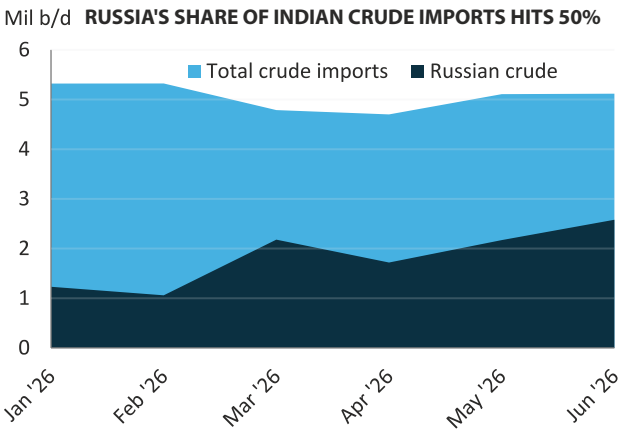
Ukraine has also stepped up attacks on Russian oil export ports, storage facilities and tankers, while Western governments have intensified efforts to constrain Moscow's energy exports through legal and financial measures.

The European Union is considering another package of sanctions targeting Russian crude exports and the shadow fleet, while the UK has moved beyond sanctions to direct enforcement. In June, Royal Marines and National Crime Agency officers boarded and seized a sanctioned shadow fleet tanker in the English Channel in the first UK-led operation of its kind, signalling a willingness by London to take a more interventionist approach to disrupting Russia's oil trade.

The US' bipartisan Russia sanctions bill, which regained momentum in July following the death of one of its leading sponsors, Senator Lindsey Graham, presents another source of uncertainty. The revised legislation would authorise President Donald Trump to impose tariffs of up to 100% on countries purchasing Russian oil and gas -- including China and India -- while further tightening measures against Russia's shadow fleet.

Even if this bill is not passed or the tariffs not implemented, increased US and EU sanctions or tighter implementation of sanctions against the shadow fleet could prove to be a hurdle for India to maintain a high intake of Russian crude.

Taken together, these developments illustrate how geopolitical supply risk is becoming increasingly interconnected. India's strategy of offsetting one source of disruption by increasing purchases from another has delivered short-term resilience, but also created new vulnerabilities.



Source: Vortexa. Analysis and chart: Vanda Insights

RESILIENCE UNDER PRESSURE

The initial phase of the US-Iran conflict demonstrated that India's energy security extends well beyond strategic petroleum reserves. Years of investment in supply diversification, refinery flexibility, commercial inventories and institutional coordination allowed New Delhi to respond far more effectively than many had anticipated.

Commercial inventories provided the first line of defence. Indian refiners entered the crisis with around 190 million barrels of crude oil and petroleum products in storage, equivalent to roughly five weeks of national consumption. Those stocks bought valuable time while replacement cargoes were secured, shipping schedules reorganised and refinery operations adjusted to the new supply environment.

Operational flexibility proved equally important. Refineries rapidly adjusted processing configurations to maximise domestic production of the most vulnerable fuels. Within days, LPG output was increased significantly by redirecting propane, butane and associated hydrocarbon streams, easing pressure on imports during the period of greatest supply uncertainty. Several refineries also demonstrated the ability to process a broader range of crude grades than in previous years, reflecting sustained investment in refining flexibility and reducing dependence on any single supplier or region.

Government coordination also became a critical component of the response. Procurement strategies, shipping schedules and inventory levels were monitored continuously, while close cooperation between public sector companies, private refiners and policymakers helped ensure replacement cargoes were sourced quickly and refinery operations remained largely uninterrupted. New Delhi also engaged directly with Tehran to facilitate the safe transit of Indian-flagged vessels carrying LPG and crude through the Strait during one of the conflict's most volatile periods.

Yet, many of these measures were designed to bridge a temporary disruption rather than sustain a prolonged one. Commercial inventories inevitably diminish unless replenished, refinery optimisation has practical limits, and replacement cargoes become increasingly difficult and expensive to secure if competition intensifies. Even diplomatic arrangements that helped facilitate vessel movements may prove harder to maintain, should hostilities escalate further.

THE BUFFERS ARE RUNNING LOW

One reason crude prices failed to surge deep into triple digits during the first four months of the conflict was that the market had substantial inventories to draw upon.

Governments released strategic petroleum reserves, refiners ran down commercial inventories and producers outside the Persian Gulf increased exports wherever possible. Those measures bought the market valuable time and prevented what might otherwise have become a far more acute supply shock.

That cushion, however, is becoming progressively thinner. By early July, International Energy Agency members had released around 276 million barrels, or roughly 69% of the 400 million barrels collectively pledged in March.

More than 100 million barrels of the remaining commitment had yet to be assigned a release schedule as of the start of July, with governments retaining discretion over whether those volumes are ever made available. Should crude prices remain relatively contained despite a prolonged disruption in Hormuz, political support for further emergency stock releases may diminish, even as physical market balances continue to tighten.

The US has also played an outsized role in cushioning the global market. Higher crude exports, together with strong refined product shipments, helped offset part of the loss of Persian Gulf supplies, particularly into Asia. But here too the limits are becoming apparent. Nearly 99 million barrels had been withdrawn from the Strategic Petroleum Reserve between the end of March and mid-July, reducing holdings to 316.5 million barrels -- their lowest level in more than four decades and approaching what many analysts regard as the operational minimum. US commercial crude inventories have also fallen below the bottom of their five-year range, while refined product stocks have drifted close to the lower end of historical levels.

Fresh export loadings from the US Gulf Coast have already begun to normalise from their May peak, suggesting America's ability to continue acting as the market's supplier of last resort is becoming increasingly constrained.

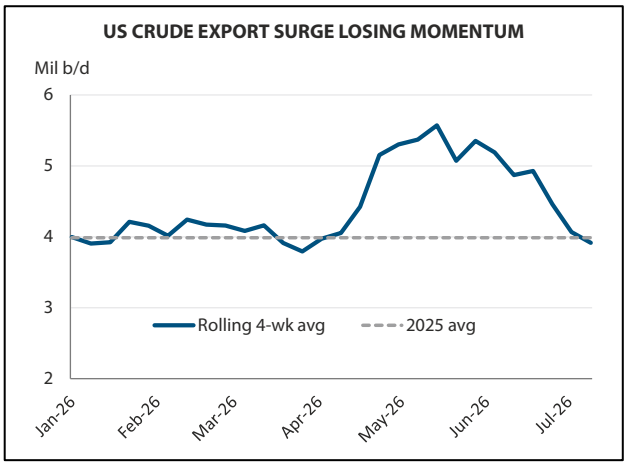
China has provided another, less visible, buffer. China's seaborne crude imports declined progressively from March, with arrivals dropping to around 7.6 million b/d in June, in contrast to an average of 13.6 million b/d in January-February.

However, Beijing is unlikely to continue depleting strategic and commercial inventories indefinitely. Even if it merely stabilises stock levels rather than actively rebuilding them, Chinese crude import requirements are likely to edge higher, increasing competition for internationally traded barrels at precisely the time when supply flexibility is diminishing.

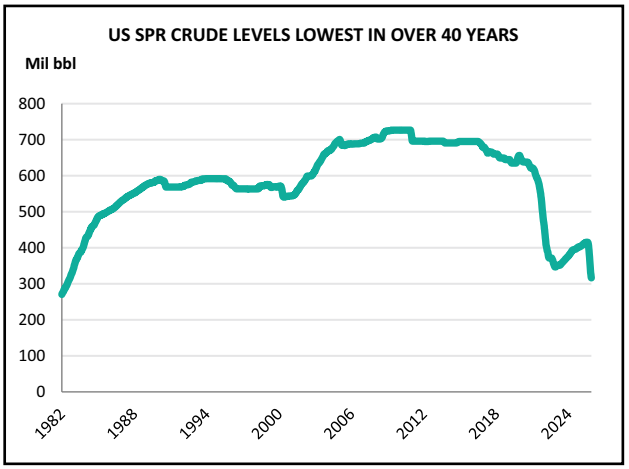
Taken together, these developments point to a market entering a more vulnerable phase.

The first months of the Hormuz crisis were absorbed largely by drawing down inventories accumulated over many years. If disruptions persist, or if the Strait reopens only intermittently in a stop-start pattern that discourages normal trading and shipping, the market will increasingly have to rely on current production rather than stored barrels.

With fewer inventories to draw upon and less spare export capacity available outside the Persian Gulf, future supply disruptions are likely to translate into sharper price movements and greater physical tightness than those experienced during the initial phase of the conflict.



Source: US Energy Information Administration. Analysis and chart: Vanda Insights



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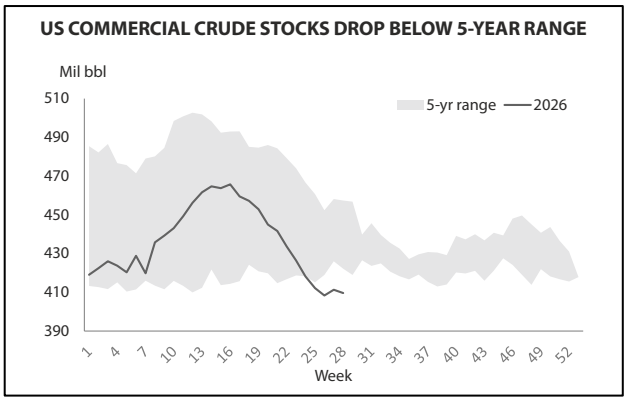

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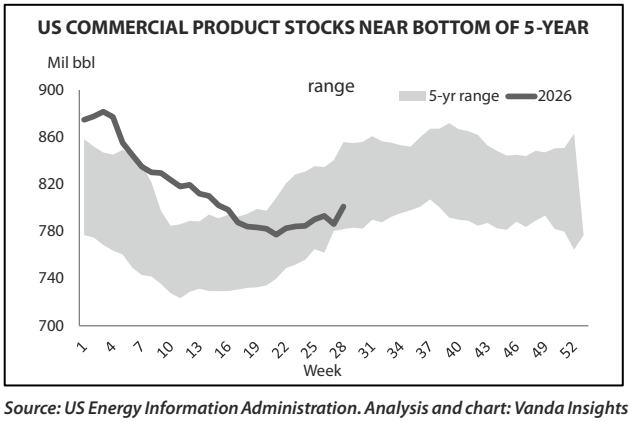


Source: US Energy Information Administration. Analysis and chart: Vanda Insights

A REMARKABLY RESTRAINED RISK PREMIUM

One of the more striking features of the first phase of the Hormuz crisis was not how high crude prices rose, but how restrained they remained. Brent traded above $100/barrel for about five weeks through April and May before settling into a broad $80-90 range for much of the following weeks until the US-Iran MoU, well below the levels many analysts had feared for such a significant disruption to global oil flows.

The cushion provided by inventories was also reflected in the financial markets, which play a key role in assimilating signals from both physical fundamentals and sentiment. Despite persistent geopolitical uncertainty, speculative participation remained subdued and bullish positioning relatively modest.

Non-commercial net long positions in both ICE Brent and NYMEX WTI futures increased only moderately compared with previous geopolitical crises, while overall open interest remained well below the peaks typically associated with a sustained bullish cycle.

Rather than positioning for a prolonged structural supply deficit, many hedge funds and other financial participants appeared reluctant to commit fresh capital, reflecting expectations that diplomacy would eventually restore normal shipping through the Strait before inventories were exhausted. They proved broadly correct -- at least until the MoU collapsed in early July, bringing the gradual recovery in tanker traffic to an abrupt halt after barely three weeks.

Through the first phase of the crisis, speculative traders reduced their net short positions far more than they added fresh long positions, limiting the self-reinforcing buying that often accompanies major geopolitical crises. Net speculative length in ICE Brent futures peaked on April 28 at the equivalent of 321.8 million barrels, the highest since January 2020. Bullish positioning in CME WTI futures was even more restrained, peaking at 276.5 million barrels on March 10 before entering a steady decline.

The divergence between the two benchmarks was reflected in the Brent-WTI futures spread widening to almost $13/barrel in early May, the largest premium since 2015, before the US year-end lifting of the US crude export ban. Brent, as the principal benchmark for internationally traded seaborne crude, was naturally more sensitive to disruptions in Persian Gulf exports than WTI, while the US; position as a net oil exporter left it comparatively insulated from the loss of Gulf supplies.

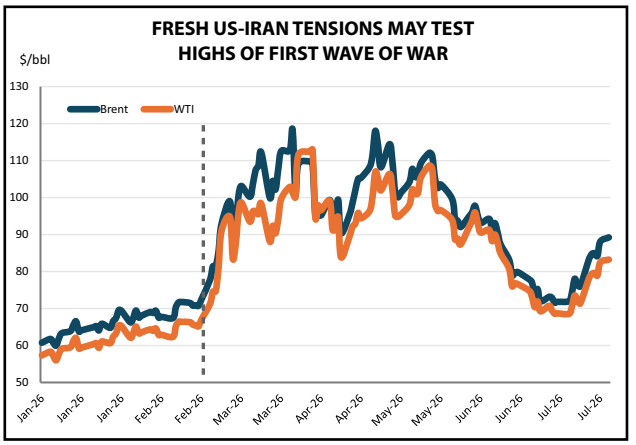
There was also speculation that crude futures came under selling pressure from US-based traders, including

several unusually well-timed sell-offs immediately before major White House de-escalatory announcements. Those trades are now the subject of investigations by the Commodity Futures Trading Commission and the Department of Justice.

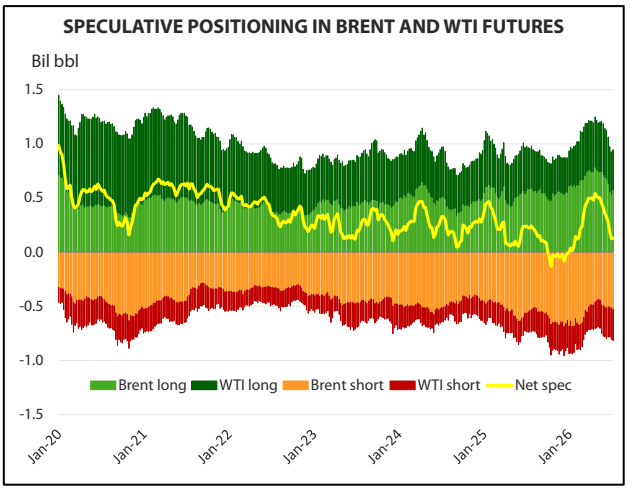
A Reuters analysis identified roughly $7 billion of suspiciously timed transactions across crude, gasoline and diesel futures markets. Any proven abuse of material non-public information would undermine confidence in the integrity of global benchmark oil markets and warrants vigorous enforcement action.

More fundamentally, however, the restrained speculative positioning reflected a broad market consensus that the disruption would prove temporary. That assumption becomes considerably harder to sustain if Hormuz remains only partially open, or reopens in a stop-start fashion that repeatedly interrupts trade flows in the coming months.

As commercial inventories, strategic reserves and other emergency buffers become increasingly depleted, financial markets may also begin reassessing the probability of a prolonged structural supply shortage. In that scenario, speculative positioning could shift much more decisively towards the long side, embedding a significantly larger geopolitical risk premium into crude prices than was observed during the first phase of the conflict.

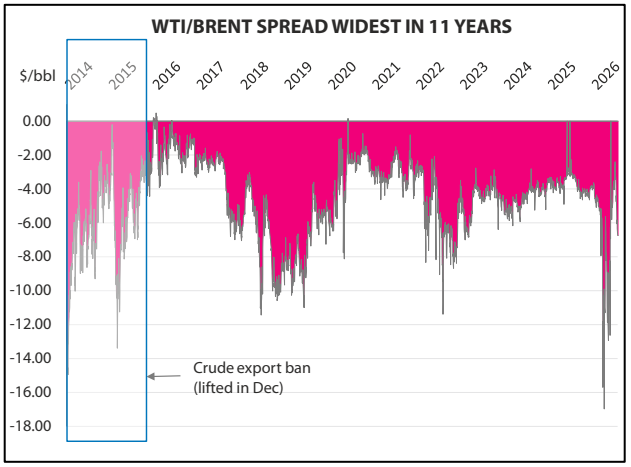


Source: ICE (Brent), CME (WTI). Analysis and chart: Vanda Insights



Source: ICE (Brent), CFTC (WTI), Vanda Insights





Source: CME. Analysis and chart: Vanda Insights

THE NEW NORMAL REMAINS ELUSIVE

Until the US and Iran reach a durable interim agreement that reliably restores commercial traffic through the Strait of Hormuz and allows shipping patterns to normalise over a sustained period, the oil market will continue to operate under an unusually high degree of uncertainty.

If the next agreement merely resets another 60-day countdown, negotiators should waste little time in developing a longer-term framework governing navigation through the Strait. Any Iran-initiated future arrangement that departs from the pre-war status quo – which now appears increasingly likely -- will take considerable time to negotiate, implement and institutionalise, particularly given the wider range of governments, militaries, shipowners, insurers and energy companies whose interests must be accommodated.

The market can ill afford another bout of confusion and uncertainty at the expiry of a temporary agreement without a clearly defined path forward.

Not only supply but also the outlook for global oil demand in 2026 hinges on the future of Hormuz flows. The US Energy Information Administration, the Paris-based International Energy Agency and OPEC have all revised down their demand forecasts since the outbreak of the conflict, reflecting expectations that higher oil prices will weigh on fuel consumption, although their projections remain widely divergent.

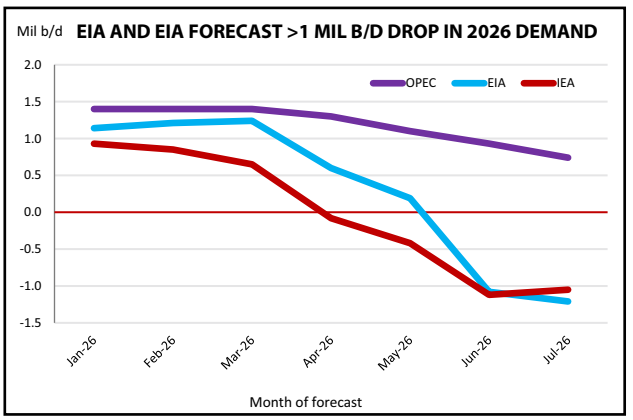
Further complicating the picture -- and highlighting the opacity that has emerged during the Hormuz crisis -- the three organisations also differ significantly in their assessments of global supply-demand balances and inventory movements during the first half of the year.

Repeated US sanction waivers for Russian and Iranian cargoes, together with the widespread practice of tankers transiting the Strait with transponders switched off to reduce the risk of being targeted by Iranian drones and missiles, have made it considerably more difficult to assess actual oil flows and inventories.

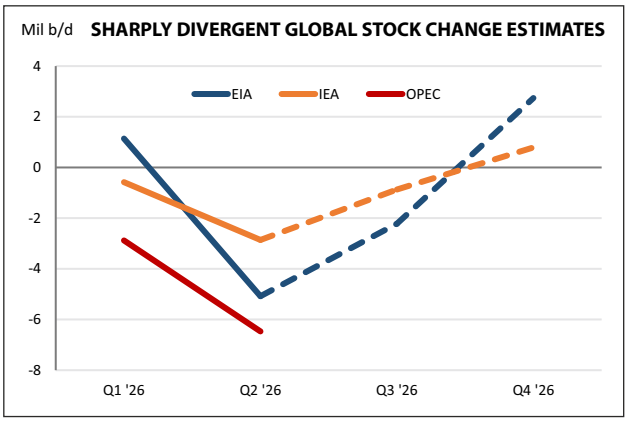
Vanda Insights views the demand destruction associated with the Hormuz disruption as cyclical rather than structural. As prices stabilise and trade flows normalise, much of the lost consumption should recover. The critical variable remains the trajectory of Persian Gulf exports through Hormuz, which continues to be clouded by geopolitical uncertainty.

What can be said with much greater confidence is that the oil market has entered a prolonged period in which geopolitical developments, rather than purely economic fundamentals, will exert an outsized influence on prices, trade flows and investment decisions. That environment is likely to persist well into 2027.

For governments, resilience will increasingly depend on diversified supply sources, larger strategic inventories, flexible infrastructure and effective market institutions. For companies, it will require greater commercial agility across both physical and financial markets. The first Hormuz crisis demonstrated that the global energy system could absorb a major geopolitical shock. The more important question is whether it can continue to do so if disruption becomes the norm rather than the exception.



Source: OPEC, EIA, IEA July reports. Analysis and chart: Vanda Insights



Source: OPEC, EIA, IEA July reports. Analysis and chart: Vanda Insights

HEDGING: THE FINANCIAL PILLAR OF ENERGY RESILIENCE

The successive geopolitical shocks of recent years have reinforced an important distinction in energy security: securing physical supplies does not necessarily secure their price.

India may successfully replace disrupted West Asia Gulf barrels with crude from Russia, the US, West Africa or elsewhere, but those alternatives remain exposed to movements in global benchmarks, freight costs and the rupee. As geopolitical volatility becomes a more persistent feature of energy markets, managing price risk also needs to become integral to resilience planning.

This is where India's domestic commodity derivatives markets have an increasingly important role to play. Multi Commodity Exchange of India provides rupee-denominated crude oil futures whose underlying reference is CME Group's NYMEX WTI and Henry Hub Natural gas benchmarks, giving Indian market participants direct access to a globally relevant crude price-risk management instrument in the domestic market.

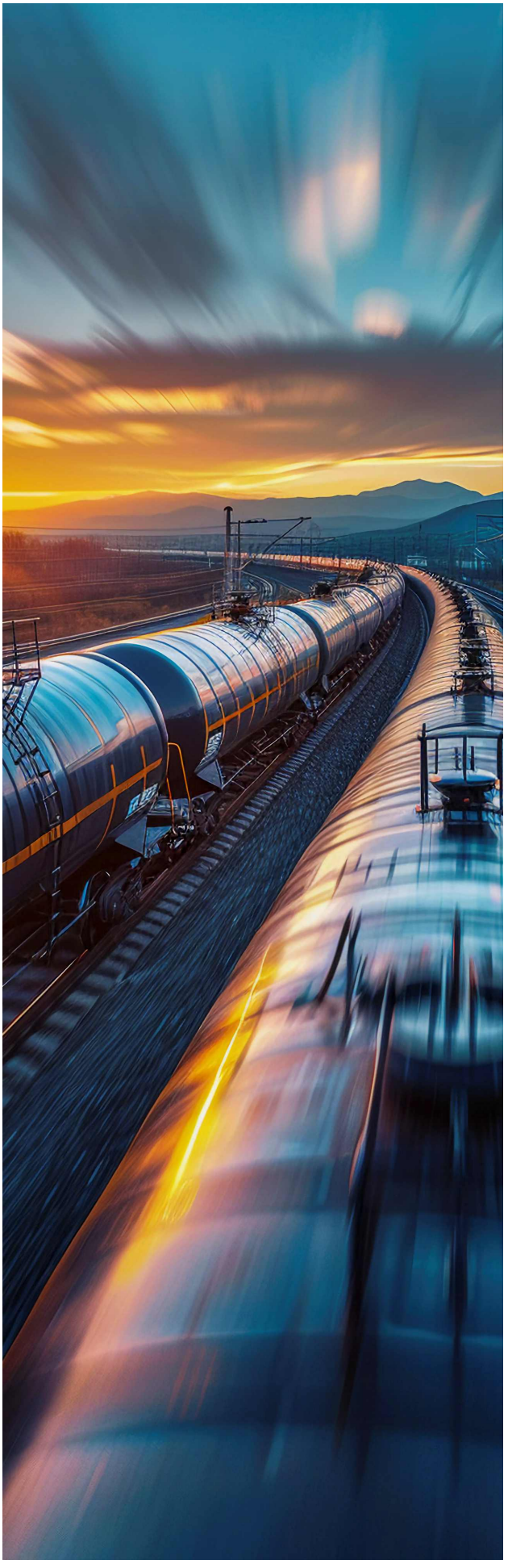
The standard and mini futures contracts, alongside options, provide Indian market participants a domestic avenue for managing exposure to crude price volatility.

The importance of these instruments extends beyond oil producers and refiners. Airlines, transport companies, petrochemical manufacturers and other energy-intensive industries ultimately carry exposure to crude and petroleum product prices, either directly or through their input costs.

Futures and options cannot protect companies against the physical loss of supply, but they can reduce the financial shock when geopolitical events cause prices to move sharply. A consumer worried about rising crude costs can use derivatives to protect against an upside price move, while producers and other participants exposed to falling prices can hedge in the opposite direction. Options can provide another layer of flexibility by limiting adverse price exposure while retaining some benefit from favourable market movements.

While no hedge can perfectly replicate India's landed crude costs, given differences in benchmarks as well as freight and currency movements, crude derivatives can provide an important degree of protection against broader swings in global oil prices.

An important lesson of the Hormuz crisis is that energy resilience increasingly needs both physical and financial buffers. Strategic reserves provide protection against a shortage of barrels; diversified suppliers reduce



concentration risk; flexible refineries expand procurement choices. Well-functioning, liquid derivatives markets complement those defences by allowing businesses to manage the price volatility that inevitably accompanies disruption.

India cannot hedge away geopolitical risk. It can, however, become better at hedging its economic consequences. As geopolitical shocks become more frequent and less predictable, deepening the use of domestic commodity derivatives and embedding disciplined hedging into corporate risk management will be an increasingly important part of India's energy-security architecture.

As per the Futures Industry Association (FIA) global rankings for CY 2025, based on the number of contracts traded, MCX's energy derivatives contracts stood out globally — MCX Crude Oil (100 bbl) Options ranked #1, and MCX Natural Gas (1,250 MMBtu) Options ranked #2.

These global rankings are a powerful testament to MCX's deepening liquidity, rising participation, and growing relevance on the world energy derivatives stage. Both crude oil and natural gas contracts delivered robust growth in trading volumes, deeper liquidity, and sustained expansion in open interest, reaffirming MCX's position as India's premier platform for energy price risk management.

MCX Crude Oil and Natural Gas Futures and Options witnessed continued growth in market participation during FY'26, with liquidity in both segments improving significantly. Crude Oil Futures and Options combined recorded an Average Daily Volume of 255 million barrels, with an Average Daily Open Interest of 18 million barrels. Natural Gas Futures and Options combined registered an Average Daily Volume of 1,823 million MMBtu, with an Average Daily Open Interest of 257 million MMBtu. These numbers reflect the growing depth and participation across the Exchange's energy derivatives segment. By providing an efficient, transparent, and accessible price discovery and risk management platform, MCX continues to support value chain participants in navigating this challenging environment, thereby strengthening India's energy security and price risk management framework.

The Hormuz episode, coming after the Russia-Ukraine and US-Iran disruptions, has made clear that price volatility, not just physical scarcity, is now a defining feature of India's energy security challenge. MCX's crude oil and natural gas futures and options, benchmarked to NYMEX WTI and Henry Hub respectively, offer Indian value chain participants — refiners, airlines, petrochemical manufacturers, city gas distributors, power producers, transporters and consumers alike — an efficient, rupee-denominated mechanism to convert this uncertainty into manageable, quantifiable exposure, right here in the domestic market. MCX crude oil futures allow producers and consumers to lock in forward prices, insulating margins from sudden benchmark swings, while MCX natural gas futures do the same for gas-intensive industries navigating volatile Henry Hub-linked import costs. Options on these contracts add a further layer of asymmetry: the ability to cap downside risk while preserving upside participation, at a known and budgeted cost. Used together, and calibrated against each participant's actual exposure, these instruments do not eliminate geopolitical risk, but they convert unpredictable price shocks into a manageable cost of doing business, smoothing earnings volatility, protecting margins and supporting more confident capital planning across the energy value chain. As disruptions grow more frequent, MCX's crude oil and natural gas contracts are positioned to serve as India's principal INR denomination instruments for energy price risk management — provided hedging becomes not an occasional response to crisis, but a routine, disciplined feature of how energy risk is managed across the value chain, turning market volatility from a threat into a manageable variable.





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