Opinion

# No return to ‘normal’ on fuel as Iran war fallout to endure

Extraordinary tanker journeys and sky-high prices have become the norm to keep Australians supplied with petrol and diesel. But how long can that last?

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Whether the Strait of Hormuz is open or shut, there’s no going back to “normal” for the energy sector.

That’s the view of industry executives, analysts and observers who are convinced that whatever the volatile energy commodity and equity markets are pricing in, the global supply picture for oil and LNG has materially changed, possibly forever.


A fuel tanker moored at Viva Energy's Gore Bay import terminal in Sydney in March. **Sam Mooy**

That will have important implications for Australia, even if so far there's been little evidence of reduced fuel imports reaching our shores.

The latest data from Vortexa, which tracks real-time flows of oil and gas across the world, hints at the frantic activity taking place behind the scenes within refiners and importers as they strive to maintain critical incoming shipments of petrol, diesel and jet fuel.

If a reminder is needed, Australia depends on imports for about 85 per cent of its petrol, about 88 per cent of its jet fuel and more than 90 per cent of diesel, the lifeblood of the agriculture, transport and mining sectors [https://www.afr.com/companies/energy/diesel-shortage-worries-ricochet-across-the-country-s-remote-mines-20260323-p5rqeb], as well as defence, emergency services and others. The Netherlands – between 35 and 50 days' travel away from Australia by tanker – has suddenly emerged as a major supply source for Australia, according to the data.

Numerous ships are also coming from the US Gulf Coast to deliver petrol and diesel to Botany Bay, Newcastle and Port Hedland. Diesel is also coming from Ferndale on the US West Coast, just south of the Canadian border, bound for Melbourne and Brisbane, according to specialist energy pricing service Argus.

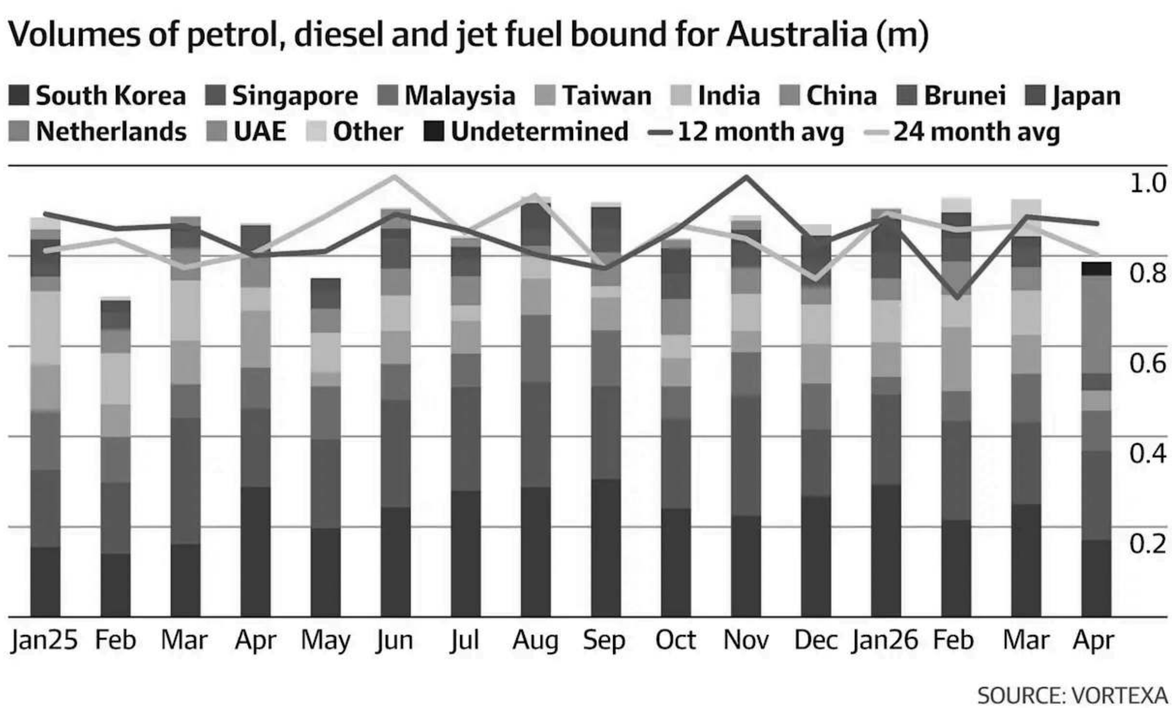
US Gulf Coast shipping to Australia can take 30 to 40 days – compared with typically up to 25 days at most for fuel from Asian sources. That's important – not just for the longer time for shipments to arrive – but for prices, given per-tonne freight rates for fuel tankers that have more than doubled on some long-haul routes since the start of the war.

India and China have disappeared as fuel suppliers to our shores this month, after consistently sending cargoes since at least the start of 2025. And volumes from stalwart suppliers South Korea and Taiwan are sharply down.

"US Gulf Coast and North West Europe exporters that typically do not supply Australia on such long-haul routes ... have begun to appear since late March as regional suppliers face export restrictions," says Vortexa lead market analyst Emma Li.

Ships are sometimes taking tortuous routes to reach Australia, in some cases adding thousands of kilometres and many days and dollars to arrivals.

One example stands out. The long-range tanker, STI Solace, due to arrive in Sydney's Botany Bay by early May with a load of gas oil, loaded in the North Sea through an on-water transfer from a second ship.



That second ship, Oslo Star, had originally loaded the fuel on February 19-20 from Kuwait's Al Zour and Mina Al-Ahmadi refineries, passing through the Strait of Hormuz in February before the war started and heading through the Suez Canal on its way to Europe.

All up, a journey for the cargo of fuel that is approaching 35,000 kilometres once it finally reaches Sydney, expected on May 6, well over two months after initially leaving Kuwait.

The scramble to source alternative cargoes to those cancelled by China or other Asian supplying nations has so far paid off. The result is loadings of refined fuels for April for Australia sit not far off the 12-month and 24-month averages.

But the big question is how long that can last, despite the best efforts of the refiners and importers, supported by diplomatic initiatives led by Canberra [https://www.afr.com/policy/foreign-affairs/taiwan-commits-fuel-for-australia-as-albanese-leans-on-lng-ties-20260402-p5zkuz]with supplying nations such as Singapore and Taiwan.

Analysts agree that policy measures, such as the release of strategic reserves and tweaks to fuel quality standards, can do no more than play around the edges. Similarly, for the move by domestic refiner Ampol to defer maintenance [https://www.afr.com/companies/energy/ampol-defers-refinery-maintenance-and-scrambles-for-alternative-fuels-20260320-p5qsdc] at its Brisbane plant.

That adds weight to the view that structural shortages of fuel in Australia are inevitable and only around the corner.

The views on a "best-case" scenario of a resolution to the conflict also make for uncomfortable reading, both on a supply and pricing front.

FGE Nexant, chaired by Fereidun Fesharaki, a former energy adviser to the Iranian government, expects that even if the strait is declared "open", free flows of oil and gas through the critical choke point will not return.

Rather, a transit charging system by Iran – reportedly at about $US2 million ($2.8 million) per oil tanker – may restore transit for friendly countries only. That would still remove 10 million to 11 million barrels a day of oil from world markets, only partially offset by pipelines and supporting crude prices in the $US120 to $US150 a barrel range.

The impact on refined fuels is likely to be greater, Fesharaki and FGE's Middle East managing director, Iman Nasseri, are telling clients in the absence of alternative routes to market, such as pipelines.

MST Marquee energy analyst Saul Kavonic calculates the global oil market will be between 3 million barrels a day and 5 million barrels a day tighter for the next few years compared with expectations before the war.

That's due to damage to oil export infrastructure that will take months or even years to fix, and the need to replenish lost oil stocks.

## Read more on the Middle East conflict fallout

- Investors hedge their bets amid relief Iran 'doomsday' off the table [https://www.afr.com/markets/equity-markets/buy-buy-buy-traders-rush-back-into-stocks-a-gold-on-ceasefire-20260408-p5zm54]
- Fundies look beyond energy to find unlikely Iran war stock picks [https://www.afr.com/markets/equity-markets/fundies-look-beyond-energy-to-find-unlikely-iran-war-stock-picks-20260407-p5zlxu]
- Trump's latest TACO delivers reprieve for exhausted investors [https://www.afr.com/markets/equity-markets/trump-s-latest-taco-delivers-reprieve-for-exhausted-investors-20260407-p5zlw1]
- S&P warns states against cost-of-living spending spree [https://www.afr.com/policy/economy/s-and-p-warns-states-against-cost-of-living-spending-spree-20260407-p5zlwb]
- Australia 'paralysed' on US alliance as Trump lashes out [https://www.afr.com/policy/economy/australia-paralysed-on-us-alliance-as-trump-lashes-out-20260407-p5zls8]

As a result, the market narrative around oversupply that dominated before February 28 has gone out the window.

"The oil market would return to a $US80 a barrel world rather than a $US60 a barrel world even in the more bearish scenarios from here," Kavonic says, noting that Australian energy equities are implying long-term prices of about $US68 a barrel.

And even with a peace deal, Iran may be emboldened to threaten the Strait of Hormuz more frequently in the future, meaning the market will price in heightened risk to transit through the waterway from here on, Kavonic says.

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