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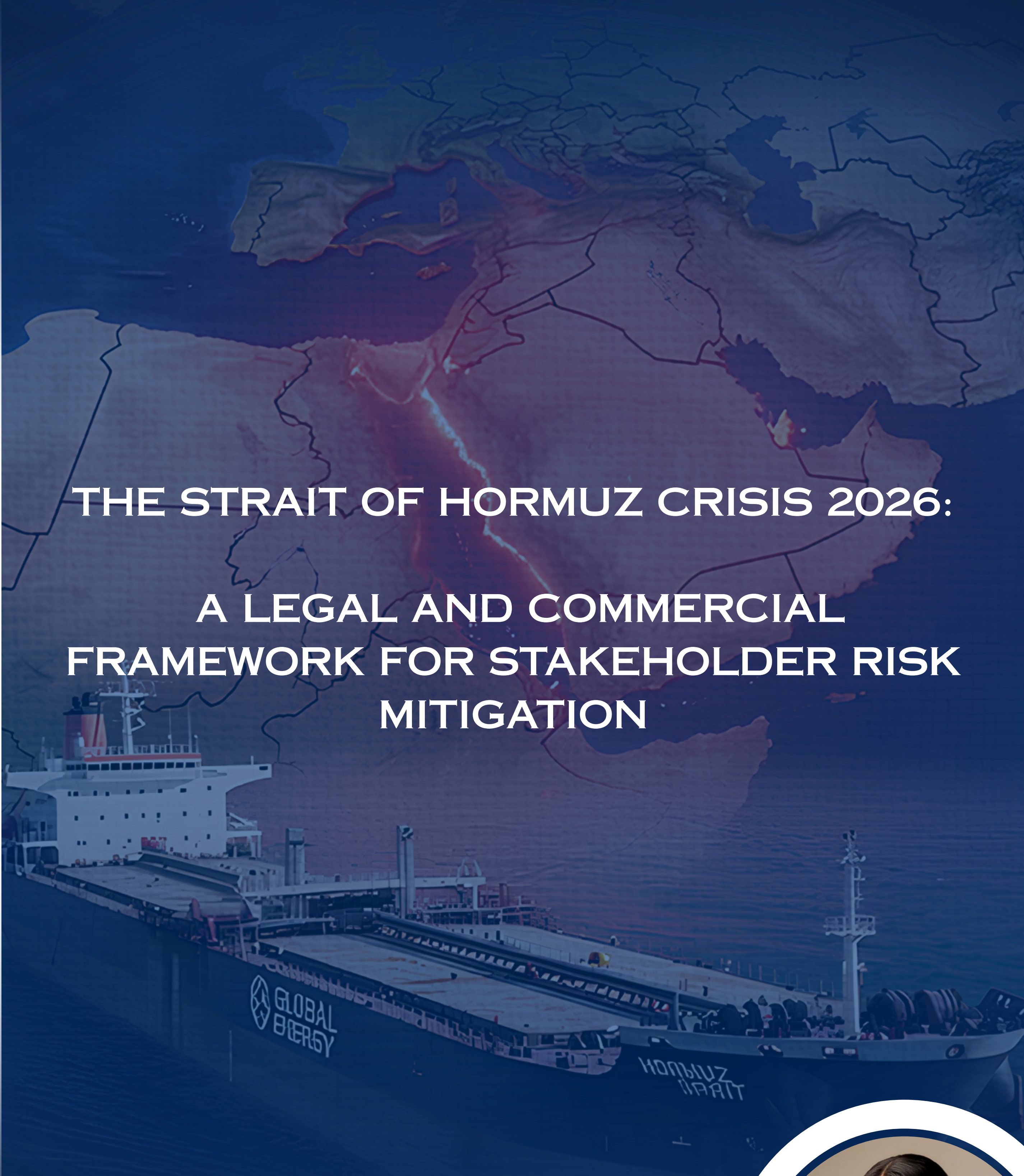

THE STRAIT OF HORMUZ CRISIS 2026:

A LEGAL AND COMMERCIAL FRAMEWORK FOR STAKEHOLDER RISK MITIGATION

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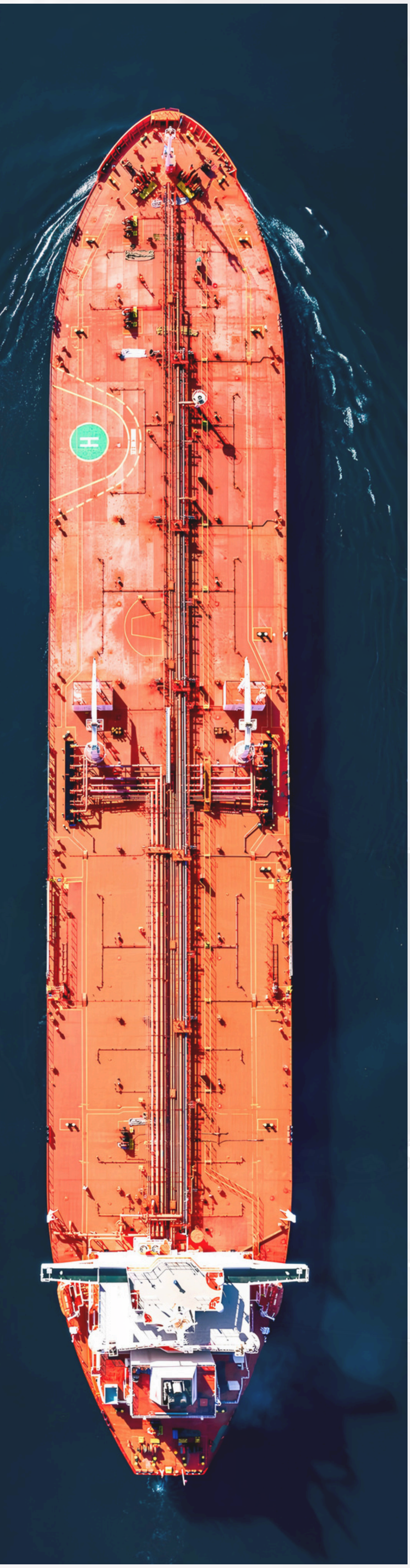

INTRODUCTION

A popular African proverb says, "when the elephants fight, it is the grass that suffers." The reflects a persistent truth in global affairs: when powerful states engage in geopolitical conflict, the consequences rarely remain confined to the primary actors but instead spill over to affect industries, economies, individuals, and nations that depend on stability. The maritime industry is particularly susceptible to such spillover effects.

International shipping relies on open sea lanes, predictable navigation, and the continued accessibility of key maritime chokepoints. The right of transit passage through international straits used for navigation is guaranteed under Article 38 of the United Nations Convention on the Law of the Sea (UNCLOS), yet that legal guarantee provides little practical comfort when coastal states become embroiled in political or military disputes. In such circumstances, the sea itself can become a strategic instrument, used either as a sword to exert pressure on adversaries or as a shield to safeguard national security interests.

This paper examines the legal and commercial implications of the disruptions (closure and restrictions) in the Strait of Hormuz for the global maritime industry. It begins by establishing the Strait's strategic significance across four interconnected domains: energy transportation, alternative waterways, maritime insurance, legal and contractual obligations. It thereafter proposes a framework for mitigating risks and potential losses across the maritime value chain. The central argument is that the disruption of a single strategic chokepoint can destabilise the architecture of global shipping, but the industry's response must be both legally informed and commercially agile if losses are to be contained.

1.0 THE STRAIT OF HORMUZ AND ITS DISRUPTION

The Strait of Hormuz is a marine corridor located between Oman and the UAE on one side and Iran on the other, linking the Arabian Gulf, with the Gulf of Oman and the Arabian Sea. It's almost 100 miles long, and 33km (21 miles) wide at its narrowest point, with the shipping lane just 3km (2 miles) wide in either direction.[1]

Despite this narrow width, the channel accommodates the world's largest crude carriers; with major oil and gas exporters in the Middle East rely on it to move supplies to international markets. According to the US Energy Information Administration (EIA), in 2024, roughly a fifth of global LNG shipments also move through the corridor.[2] By 2025, about 20 million barrels of oil passed through the Strait of Hormuz per day, which is nearly $600bn (£447bn) worth of energy trade per year.

Map of Strait of Hormuz (Source: BBC News)

However, over the past weeks, Iran has closed, restricted, threatened to strike and has stricken vessels that attempted to pass the Strait of Hormuz.[3] This has sent panic waves around the world. Iran said it will "set fire" to any ships trying to pass through the Strait of Hormuz, the world's busiest oil shipping channel,[4] and it did.[5] This war in the Middle East is creating renewed volatility across global shipping lanes, energy markets, and marine insurance sectors. Any disruption in the Strait of Hormuz has immediate and far-reaching consequences for vessel operators, charterers, traders, and insurers

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[1]Julian Lee, 'How Iran Conflict Is Disrupting Strait of Hormuz' (Bloomberg.com, 2 March, 2026) <https://www.bloomberg.com/news/articles/2026-03-02/strait-of-hormuz-how-iran-conflict-is-disrupting-key-oil-shipping-route> accessed 3 March, 2026.

[2]Gavin Butler and Toby Mann, 'Strait of Hormuz: What happens if Iran shuts global oil corridor?' BBC News (3 March, 2026) <https://www.bbc.com/news/articles/c78n6p09pzno> accessed 3 March, 2026.

[3]France 24, '10 vessels attacked in Hormuz Strait, analysts say' (8 March 2026) https://www.france24.com/en/live-news/20260308-10-vessels-attacked-in-hormuz-strait-analysts accessed 30 April 2026.

[4]Gavin Butler and Toby Mann, 'Strait of Hormuz: What happens if Iran shuts global oil corridor?' BBC News (3 March 2026) <https://www.bbc.com/news/articles/c78n6p09pzno> accessed 3 March, 2026. Also see: Channels Television, 'Iran seizes two ships seeking to cross Strait of Hormuz' (22 April 2026) https://www.channelstv.com/2026/04/22/iran-seizes-two-ships-seeking-to-cross-strait-of-hormuz/ accessed 30 April 2026.

[5]BBC News, 'Strait of Hormuz closed again, Iran says, as ships attacked' (18 April 2026) https://www.bbc.com/news/articles/cx2631x6nelo accessed 30 April 2026

2.0 THE IMPACT ON THE MARITIME INDUSTRY

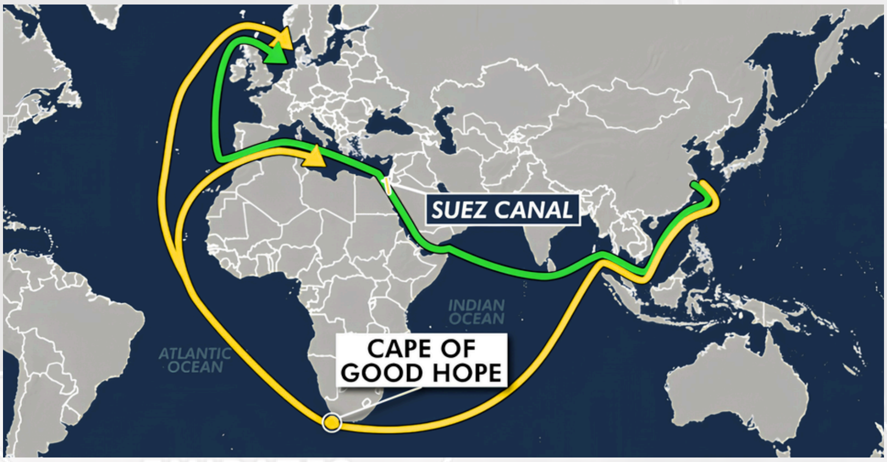
2.1 Impact on Energy Transportation

The significance of the stoppage is most felt in the transportation of the crude oil which originate mainly from Iran, Iraq, Kuwait, Qatar, Saudi Arabia and the UAE, to Asia. This is because the factories, transport networks and power grids in China, India, Japan and South Korea that unabatedly depend on the uninterrupted Gulf energy would now be left handicapped by the inability to access the oil that ought to come to it through the Strait.[6] Accordingly, the global energy market is suffering an immediate deficit of about $600bn in trade amount for the about 20 million barrels of oil, which ought to be transited through the Strait.[7]

In fact, oil is not left alone to suffer the huge blow in the energy sector. The Liquefied Natural Gas (LNG) which serves as the major alternative to the use of crude oil also suffers. In fact, 83% of what ought to be supplied to Asia, is supplied through the Strait,[8] and that has also been rendered impossible now.

2.2 Impact on Alternative Waterways

Restrictions on the Strait places significant pressure on alternative maritime routes as vessels are forced to reroute in order to reach global markets. Mediterranean Shipping Company (MSC) vessels had reportedly diverted 15 out of 18 vessels linked to Gulf services, to alternative ports.[9] While CMA CGM had moved its fleet away from Gulf calls, diverting most vessels originally scheduled to call ports in the region, to alternative destinations.[10] These diversions often require longer voyages through already busy sea lanes, leading to congestion, increased transit times, higher fuel consumption, and elevated freight and insurance costs.



The Strait, Cape of Good Hope reroute, and Suez Canal (Source: Interact Solutions)

[6] Zero Carbon Analytics, 'Asian countries most at risk from oil and gas supply disruptions in the Strait of Hormuz' (25 February 2026) https://zerocarbon-analytics.org/insights/briefings/asian-countries-most-at-risk-from-oil-and-gas-supply-disruptions-in-strait-of-hormuz/ accessed 30 April 2026.

[7] Gavin Butler and Toby Mann, 'Strait of Hormuz: What happens if Iran shuts global oil corridor?' BBC News (3 March, 2026) <https://www.bbc.com/news/articles/c78n6p09pzno> accessed 3 March, 2026.

[8] Anil Mathews, 'Strait of Hormuz Accounted for One-Fifth of Global LNG Trade Flows in 2024' (25 June, 2025) <https://www.oilmonster.com/article/strait-of-hormuz-accounted-for-onefifth-of-global-lng-trade-flows-in-2024/7143> accessed 3 March, 2026.

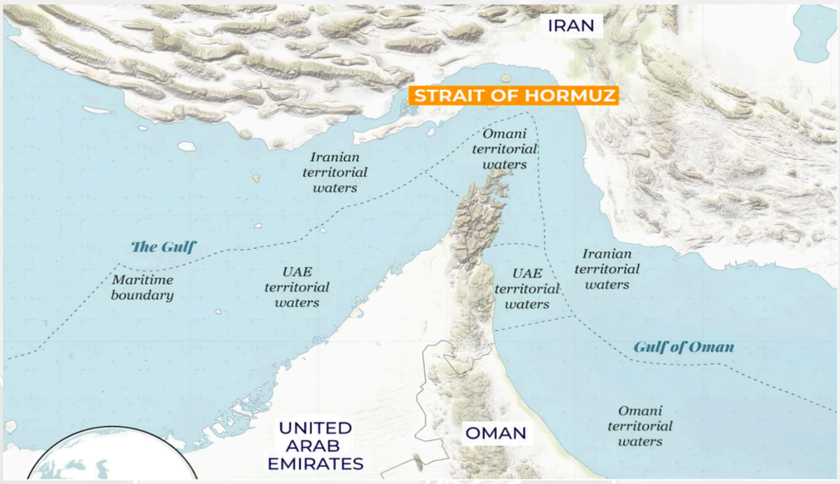
[9] Kpler, 'Strait of Hormuz disruption: Which container vessels are trapped, waiting, or diverting?' (4 March 2026) https://www.kpler.com/blog/strait-of-hormuz-disruption-which-container-vessels-are-trapped-waiting-or-diverting accessed 6 March 2026.

[10] Ibid.

2.3 Impact on Maritime Insurance

The escalating hostilities surrounding the Strait of Hormuz have also triggered significant repercussions within the maritime insurance market. Some underwriters issued cancellation notices for ships navigating the corridor of the strait, and companies including Gard, Skuld, NorthStandard, the London P&I Club and the American Club said their cancellations would take effect from 5 March, according to notices dated 1 March on their websites.[11]

Even where policies remain active, underwriters typically impose additional war risk premiums for vessels entering high-risk zones. Container shipping lines like Hapag-Lloyd, Maersk and CMACGM introduced emergency conflict/contingency surcharge for cargo moving through the Middle East Gulf and Arabian Gulf, like Iraq, Bahrain, Kuwait, Yemen, Qatar, Oman, the United Arab Emirates, Saudi Arabia, Eritrea and others.[12] These surcharges are calculated per voyage and can be extremely high, significantly increasing operational costs for shipowners and charterers.



Strait of Hormuz (Source: Al Jazeera News)

2.4 Impact on Maritime Insurance

The disruptions in the Strait of Hormuz and the escalation of hostilities in the region place significant strain on the legal and contractual framework governing maritime operations. As established, higher insurance premiums and war-risk restrictions activate **war-risk clauses in charterparties**, enabling shipowners to refuse entry into designated high-risk areas unless charterers provide indemnification. This shifts financial and legal exposure across stakeholders, including charterers, cargo interests, financiers, and insurers, creating potential disputes over obligations, liabilities, and risk allocation.

Furthermore, conflict-induced disruptions frequently trigger **complex insurance** and liability questions. Determining whether losses fall under standard marine coverage, war-risk policies, or exclusions, and whether incidents are classified as “hostilities,” “terrorism,” or “acts of war,” can lead to disputes between ship owners, insurers, and P&I Clubs. Such contentious issues. often result in litigation or arbitration, delaying compensation and complicating the settlement of claims.

[11]Shamim S and Reuters, ‘Maritime insurers cancel war risk cover in Gulf: Will it spike energy costs?’ Al Jazeera (3 March 2026) https://www.aljazeera.com/economy/2026/3/3/maritime-insurers-cancel-war-risk-cover-in-gulf-will-it-spike-energy-cost, accessed 6 March 2026.

[12]Cichen Shen, ‘Carriers rush to impose war risk surcharges as Middle East crisis deepens’ Lloyd’s List (2 March 2026) https://www.lloydslist.com/LL1156482/Carriers-rush-to-impose-war-risk-surcharges-as-Middle-East-crisis-deepens accessed 6 March 2026

Disruptions also affects **broader contractual obligations** under charterparties and bills of lading. Shipping delays, forced rerouting, or inability to deliver cargo may invoke **force majeure or frustration clauses**, raising questions of liability for non-performance. According to the BIMCO Force Majeure Clause 2022,[13] an affected party invoking force majeure must promptly notify the other party in writing, explaining the event and its expected impact on contractual performance. The party must also take reasonable steps to mitigate the effects of the event and share relevant information or documentation. It must also inform the other party once the force majeure event no longer prevents performance of its obligations.

Collectively, these legal pressures highlight the critical need for careful risk allocation, proactive legal planning, and clear contractual drafting in navigating operations through high-risk maritime corridors during periods of geopolitical tension.

3.0 MITIGATING RISKS AND POTENTIAL LOSSES

The cascading disruptions outlined above demand a proactive, multi-layered response from all actors in the maritime value chain. Whilst the geopolitical drivers of the current crisis lie beyond the control of individual stakeholders, there is a wide and well-established body of legal, commercial, and operational tools available to manage exposure. The following measures are commended to shipowners, charterers, cargo interests, insurers, and their respective legal advisers.

3.1 Contractual Risk Allocation and Review

Stakeholders should audit all subsisting charterparties, bills of lading, and freight contracts to identify the operation of **war-risk**, **CONWARTIME**,[14] and **VOYWAR**[15] clauses. Under these provisions, a shipowner is entitled to refuse to proceed through an area designated as a war-risk zone by its insurers, provided timely notice is given and indemnification obligations are addressed.

For new or renegotiated contracts, parties should incorporate express force majeure provisions enumerating conflict events, Strait closures, and mandated rerouting as triggering circumstances - the BIMCO Force Majeure Clause 2022 provides an authoritative model.

[13] BIMCO, 'Force Majeure Clause 2022' https://www.bimco.org/contractual-affairs/bimco-clauses/current-clauses/force-majeure-clause-2022/ accessed 6 March 2026.
[14] BIMCO War Risks Clause for Time Chartering 2025 (CONWARTIME 2025)
[15] War Risks Clause for Voyage Charter Parties 2025 (VOYWAR 2025)

Deviation clauses should be carefully drafted to permit safety-based deviation without exposing the carrier to cargo claims, and explicit allocation of additional war-risk premiums and conflict surcharges between shipowners and charterers should be addressed on the face of the contract.

3.2 War-Risk Insurance: Securing and Maintaining Cover

With leading underwriters including Gard, Skuld, NorthStandard, and the London P&I Club having issued cancellation notices, shipowners must act to secure replacement war-risk cover. Failure to do so not only exposes the vessel and cargo to uninsured losses but may trigger acceleration clauses under ship mortgage agreements.[16]

Where cover is obtained, strict compliance with all policy conditions, like prior-notice requirements, naval convoy instructions, and recommended transit routes issued by the Combined Maritime Forces (CMF), is essential, as non-compliance can void coverage entirely. Cargo interests should separately verify that all-risk policies extend to war and strike perils and consider supplementary voyage coverage for rerouted shipments via the Cape of Good Hope, where extended transit times heighten the risk of deterioration for time-sensitive goods.

3.3 Operational Measures: Rerouting, Safe Port Calls, and Crew Safety

The master's overriding duty to protect the vessel, cargo, and crew provides a well-established legal basis for refusing to transit an unsafe area, irrespective of contrary charterer instructions. This principle is embedded in the common law and reinforced by Regulation 8 of the International Safety Management (ISM) Code. Shipowners should issue clear standing orders to masters, supported by documented voyage risk assessments, to establish a defensible record should disputes arise.

Vessels rerouting via alternative corridors should address port-state control compliance, bunker planning, and time-charter hire implications. Charterers bearing deviation costs should obtain written confirmation of the basis and estimated additional expenditure. Shipowners should also engage proactively with their flag state and the Maritime Labour Convention (MLC 2006) framework to ensure crew welfare and security obligations are met.

3.4. Proactive Claims Management and Dispute Resolution Preparedness

All voyage decisions, deviation orders, force majeure notices, and communications with counterparties must be documented and preserved. Time-sensitive notification obligations, under force majeure clauses, letters of indemnity, and bill of lading claim provisions, must be strictly observed, as late notification routinely extinguishes otherwise meritorious claims.

Furthermore, Parties should not discount the value of without-prejudice negotiations and formal mediation, particularly where ongoing commercial relationships counsel against litigation. Early engagement with P&I Clubs is strongly recommended, as Clubs provide both legal and practical support across the complex interplay of war-risk, cargo liability, and crew welfare claims that characterise conflict-affected trading conditions

[16] Shamim S and Reuters, 'Maritime insurers cancel war risk cover in Gulf: Will it spike energy costs?' Al Jazeera (3 March 2026) <https://www.aljazeera.com/economy/2026/3/3/maritime-insurers-cancel-war-risk-cover-in-gulf-will-it-spike-energy-cost> accessed 6 March 2026. On the interaction between war-risk cancellation and ship finance covenants see George Lambrou, 'War Risks and Ship Finance' (2020) 26 Journal of International Maritime Law 312, 318–321.

3.5 Diversification, Strategic Planning, and Longer-Term Resilience

The present disruption is a convincing reminder that single-corridor dependency constitutes a systemic risk. Some proponents of energy security have long argued for structural investment in bypass infrastructure; the Abu Dhabi Crude Oil Pipeline (ADCOP), with a capacity of approximately 1.5 million barrels per day, being a case in point, offers a partial but meaningful bypass of the Strait.[17] Energy traders and cargo interests should diversify their supplier base and incorporate contractual flexibilities, optional port ranges, floating delivery windows, and destination flexibility clauses, enabling rapid adaptation to future disruptions. Shipowners should periodically stress-test fleet deployment against plausible chokepoint scenarios and ensure that their legal, insurance, and operational frameworks are sufficiently robust to withstand them without catastrophic commercial exposure. These measures notwithstanding, the importance of geographical peace and freedom of the high seas cannot be overemphasised.

4.0 CONCLUSION

The current disruption at the Strait of Hormuz represents a structural stress-test of the legal, commercial, and logistical frameworks upon which the global maritime industry depends. Shipowners and operators face disrupted voyage schedules, longer rerouting distances, and escalating operational costs. Charterers and cargo interests must contend with delays, supply shortages, and surging freight rates. Insurers, P&I Clubs, and financiers confront heightened risk exposure, widening war-risk premiums, and the complex challenge of coverage continuity in an environment where several leading underwriters have already issued cancellation notices. Port operators, terminal facilities, and energy producers across the Gulf similarly face operational paralysis and deepening revenue losses. The closure of a single strategic chokepoint has, once again, demonstrated its capacity to reverberate with devastating force across the entire maritime value chain.

[17] US Energy Information Administration, 'The Strait of Hormuz is the World's Most Important Oil Transit Chokepoint' (EIA, June 2023) <https://www.eia.gov/todayinenergy/detail.php?id=56916> accessed 6 March 2026; Erika Weinthal and others, 'Energy Security and the Politics of Pipeline Infrastructure in the Middle East' (2015) 54 International Studies Quarterly 1071, 1082.

Yet the industry is not without recourse. As the mitigation framework set out above makes clear, the legal and commercial tools to manage, contain, and recover from these losses are available to those who act with urgency, rigour, and foresight. The immediate priority must be to secure adequate war-risk cover, audit contractual risk allocations, comply scrupulously with notice and documentation requirements, and engage proactively with legal counsel and P&I Clubs. In parallel, the longer-term imperative is that the industry, and the states that depend upon it, must accelerate investment in route diversification, pipeline alternatives, and supply-chain resilience so that the next geopolitical shock does not find the world equally exposed.

The African proverb with which this paper opened remains as apt as ever: when the elephants fight, it is the grass that suffers. The “grass” - shipowners, charterers, insurers, ports, and the global supply chains that feed billions of people and power entire economies, did not choose this conflict and cannot end it. But the grass need not be passive. With the right legal preparation, commercial agility, and strategic investment, the maritime industry can adapt and emerge better equipped for the geopolitical storms that are inevitable, in an era of persistent power tussle.

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