

## SITUATION OVERVIEW

### Hormuz Remains Severely Restricted as Enforcement, Toll Control and Diplomacy Run in Parallel

The regional picture remains uneven. Across Bahrain, Kuwait, Qatar, Saudi Arabia and the UAE, the Gulf military environment was quieter overnight, with no verified new missile or drone attacks reported during the window. By contrast, the Strait of Hormuz remains severely restricted. Traffic stayed far below normal, commercial confidence remained weak, and movement continued under a tightly controlled regime shaped by enforcement, screening and delay rather than open navigation. Reporting also suggests Iran's transit system around Larak Island is becoming more formalised, with pre-transit approval, cargo verification, liquid cargo fees and controlled passage under IRGC oversight. Diplomacy, however, remains active. US and Iranian teams are expected to resume talks in Islamabad this week, while Russia, China, the UK, France and regional actors continue trying to shape the next phase.

## COUNTRY KEY DEVELOPMENTS

### Iran

- Proposes a five-year nuclear pause while keeping wider conditions on the table.

### Israel

- Discussed Iran, Hormuz and Lebanon with India as diplomacy widens.

### United Arab Emirates

- Etihad is expanding aggressively into China despite wider route and yield uncertainty.

### Saudi Arabia

- Gulf foreign ministers met as Riyadh coordinates the regional diplomatic response.

### Kuwait

- Remains quiet kinetically, but still exposed to Gulf maritime spillover.

### Qatar

- Overseas energy discoveries are cushioning the shock from Ras Laffan disruption.

### Oman

- Continues to benefit strategically from its position outside direct blockade pressure.

### Iraq

- Proxy-linked risk remains active despite the broader Gulf military lull.

### Lebanon

- Still the most immediate regional spoiler to wider de-escalation.

### Türkiye

- TPAO's Black Sea deal with TotalEnergies reinforces energy diversification.

### Yemen

- Red Sea insecurity remains a live parallel threat to shipping confidence.

### Egypt

- Remains central to mediation and to wider Suez-linked trade calculations.

### Syria

- Secondary operationally, but still exposed to wider Levant spillover.

## RISK INDICATORS

**Security Risk:** The Gulf is quieter tactically, but proxies, Lebanon and port threats keep escalation pathways open.

**SEVERE**

**Aviation Risk:** Airspace conditions are steadier, but route fragility, fuel stress and alert risks remain elevated.

**HIGH**

**Maritime Risk:** Hormuz remains severely restricted, with controlled transit, screening, delays and mine risk still dominant.

**SEVERE**

**Energy Risk:** Physical availability, refining losses and selective flows remain a greater threat than price alone.

**HIGH**

## OPERATIONAL IMPACT

### Aviation

- Etihad Airways is accelerating its China expansion, showing Gulf carriers are still positioning around Asia despite weaker yields, tougher competition and an unstable regional operating environment.
- In the US, rising jet fuel costs are pushing airlines to raise fares and tighten summer pricing.

### Logistics & Supply Chain

- Higher US trucking fuel costs are now threatening domestic freight capacity and adding inflation pressure beyond the energy sector itself.
- South Korea warns Middle East shipment delays could still run to 20 days.
- Britain and France are now organising working groups with industry on shipping readiness, stranded seafarers and vessel release.

### Maritime

- The Korea Shipowners' Association is floating temporary transit-fee payments to Iran as 26 South Korean vessels and 173 crew remain stranded.
- The apparent IRGC-run toll and approval system centred on Larak Island suggests traffic is being controlled administratively as well as militarily, with pre-transit approval, verification and payment demands shaping who moves.

### Energy Markets

- Saudi crude sales to China are expected to halve in May, showing how pricing and conflict risk are now reshaping Asia-bound flows even with partial recovery elsewhere.
- ENI is warning Europe's fuel crunch is becoming a problem of lost refining capacity and available volumes, especially for jet fuel and diesel.
- US truckers are cutting mileage as diesel hits record highs.

## OUTLOOK (NEXT 72–96 HOURS)

The near-term outlook is for a more structured but still highly unstable contest over maritime control, diplomatic leverage and economic endurance. The core question is no longer whether Hormuz is fully open or closed, but whether selective transit, toll-like controls, blockade enforcement and legal ambiguity can coexist without triggering a serious incident. Talks expected in Islamabad later this week suggest both Washington and Tehran still want to avoid a full collapse, but the gap remains wide on enrichment, timelines and regional conditions. That leaves the ceasefire vulnerable to miscalculation rather than deliberate immediate escalation. The most credible triggers are a disputed interdiction, a mine-related incident, a strike on Gulf port infrastructure, renewed Iraqi proxy activity, or further deterioration in Lebanon as Israel keeps military pressure high. Geoeconomically, the pressure is broadening: China is resisting interference with its shipping interests, Europe is warning of fuel and refining stress, and GCC states are trying to protect trade, energy flows and investor confidence while avoiding direct entanglement. Even without a major new attack, the regional environment remains brittle.

## ADVISORY NOTE

Companies should plan for continued movement under constrained and politically contested conditions, not for a return to normal trading patterns. The immediate challenge is that shipping may still be possible, but only under tighter scrutiny around destination, cargo origin, flag exposure, insurance, documentation and routing. That makes the current phase commercially active but operationally fragile. Shipping and procurement teams should review Hormuz-linked dependencies, exposure to Iranian port touchpoints, alternative routing options and insurer requirements now, rather than after a disruption. Commercial teams should prepare customers for continued variability in delivery timing, pricing and documentation. Treasury and legal teams should assume higher working-capital pressure, slower execution and wider sanctions complexity if enforcement intensifies or talks fail again. Firms with exposure to GCC ports, industrial imports, food supply, energy inputs or Asia-bound trade should also keep contingency plans active for cyber disruption, misinformation, labour and crew constraints, and spillover from Lebanon, Iraq or the Red Sea. The priority remains controlled continuity with clear triggers for rapid tightening.