

Strait to the point

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Takeaways

- **In a short disruption, clean fuels get a modest tailwind; in a prolonged one, the transition faces serious setbacks** — particularly for UCO supply to Europe, green hydrogen projects anchored in the Gulf, and the IMO's already-stalled maritime decarbonization framework.
- **Higher crude prices narrow the green premium**, but shipping chaos is disrupting the feedstock supply chains that some clean fuel producers depend on. The net effect depends on how long the closure lasts.

The impact on clean fuels depends on duration. We frame three scenarios:

Hormuz crisis: clean fuels impact by scenario duration

Sightline Climate scenario analysis

	Short (2–4 weeks)	Medium (1–3 months)	Prolonged (3+ months)
Oil price (Brent)	\$85–95/bbl	\$95–110/bbl	\$110–130/bbl
Clean fuel cost gap	Narrowing; modest tailwind	Significant narrowing; parity in CA, Brazil	Sustained parity for domestic biofuels
UCO supply to EU	2–3 week delays; +\$30–50/mt freight	Severe tightening; spot +20–40%	Structural shortage; SAF compliance at risk
Gulf H ₂ /NH ₃ projects	Pause in new offtake talks	FID delays; financing repriced	Capital flight; 2–3 year setbacks
IMO Net-Zero Framework	No change (already deferred)	Further delay; 2028 start at risk	Framework dead this cycle
Energy security narrative	Rhetoric; limited policy	Legislative momentum: RFS, E15	Structural shift: clean fuels = security

Increasing duration → increasing impact

■ Mild / no change ■ Moderate impact ■ Severe / transformative

Source: Sightline Climate. Oil price ranges informed by Goldman Sachs, Barclays, EIA STEO March 2026.

What happened

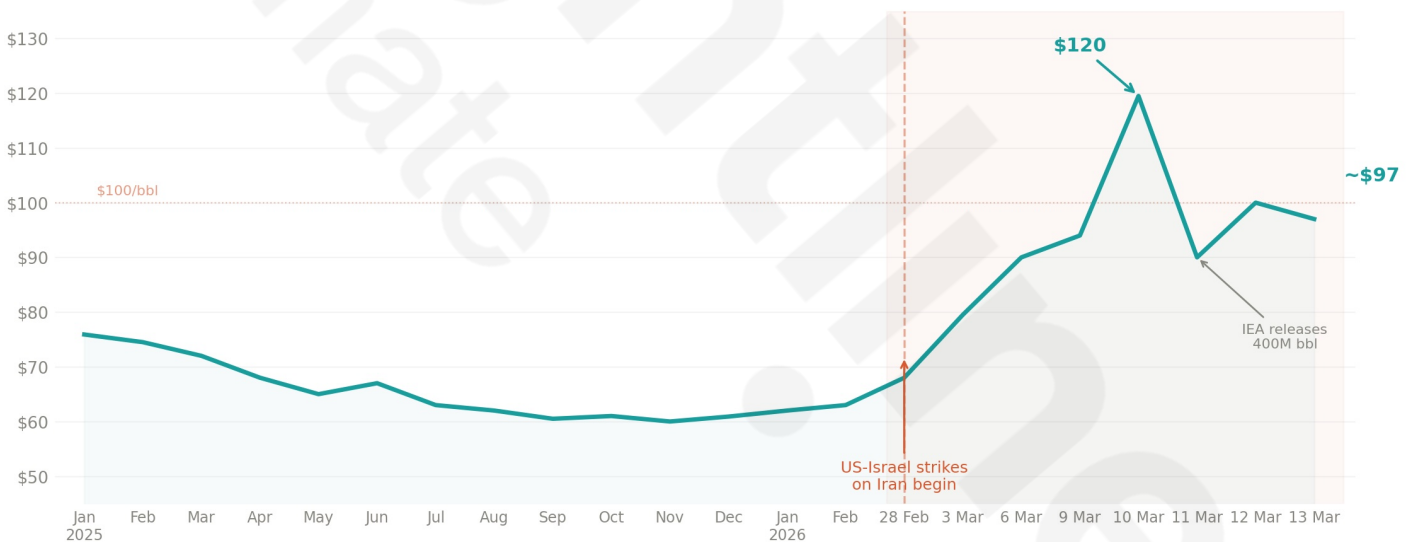
On 2 March 2026, Iran's IRGC officially declared the Strait of Hormuz closed, threatening to target any vessel attempting to transit. The closure followed US-Israeli military strikes on Iran beginning 28 February. By 2 March, tanker traffic had dropped to near zero. As of 10 March, only 66 commercial vessels had [transited](#) in nine days, a fraction of the roughly 3,000 per month that pass under normal conditions.

Insurance and re-routing are driving up transport costs. War-risk premiums [surged](#) 4–6x within a week. Major container lines, including Maersk, CMA CGM, Hapag-Lloyd, MSC, and COSCO, [suspended](#) all Mideast routes. Over 150 vessels anchored outside the strait. Ships that can reroute are [adding](#) roughly 3,500 nautical miles and 10–14 days via the Cape of Good Hope.

Oil and gas prices shot up almost immediately. As shown in the chart below, Brent crude surged above \$100/bbl, hitting as high as \$120 before settling in the \$90–100 range amid extreme volatility. European natural gas prices jumped 39% in a single session after Qatar suspended LNG production following drone strikes on its Ras Laffan and Mesaieed facilities. US gasoline prices have risen about \$0.60/gal since the last week of February, averaging \$3.58 nationally. The IEA's 32 member countries agreed to release 400 million barrels from strategic reserves, the largest coordinated release in history.

Brent crude: from oversupply to oil shock in days

Brent crude oil price, \$/bbl, Jan 2025 – 13 Mar 2026



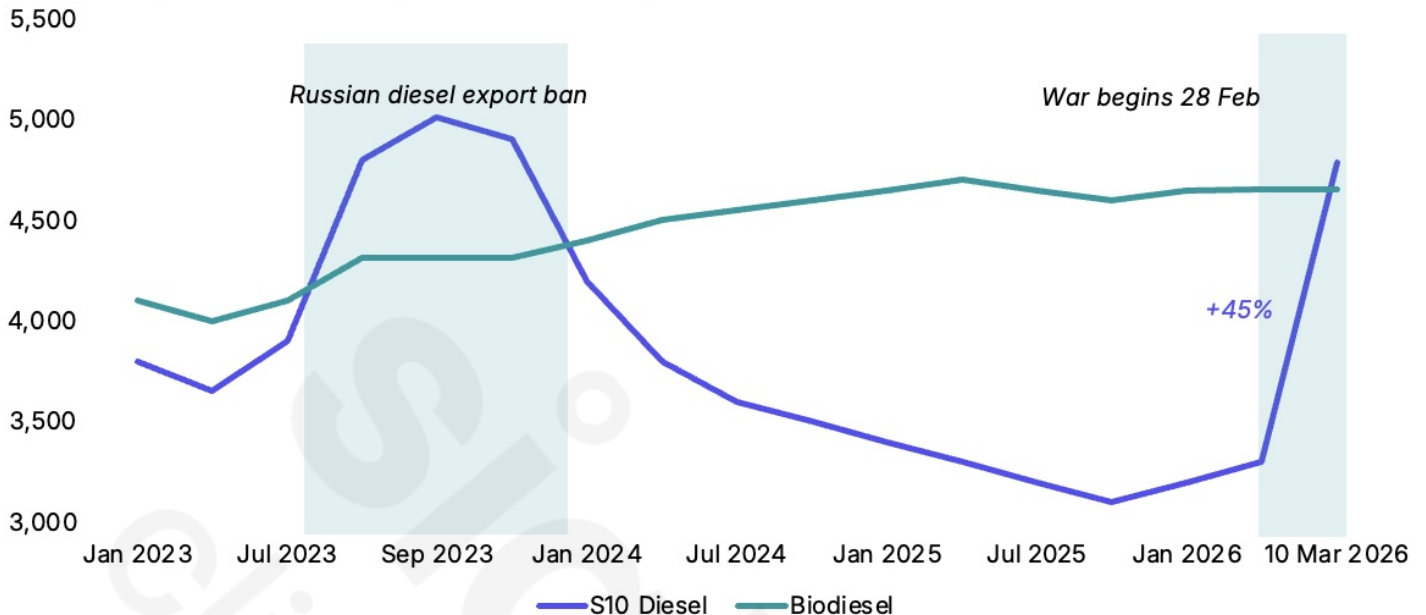
Source: EIA, Bloomberg, CNN, Sightline Climate

Why it matters

The crisis is the strongest argument for domestically produced clean fuels since the 1973 Arab oil embargo. Every barrel of biofuel or renewable diesel produced from domestic feedstocks is a barrel that does not need to transit a chokepoint. In a US political context where “energy dominance” is the framing of choice, clean fuels fit the narrative. Sixteen bipartisan senators have already [urged](#) the EPA to raise 2026 RFS biomass-based diesel volumes to at least 5.25 billion gallons, and the EPA has proposed record-high RFS quotas for 2026–27. Expect energy security to become the leading political argument for higher blending mandates.

Higher crude prices are eliminating the green premium. At \$90–100/bbl Brent, conventional diesel translates to roughly \$3.50–4.50/gal. Renewable diesel costs around \$4.50–5.00/gal to produce, but stacking LCFS credits (~\$0.35–0.50/gal), RFS D4 RINs (~\$0.70/gal), and the forthcoming 45Z credit can close \$1.50–2.00+/gal of that gap. At current oil prices, incentive-adjusted renewable diesel approaches parity in California and Brazil — where imported diesel prices have actually [surpassed](#) contracts for biodiesel. SAF, which typically trades at 2–3x Jet A, becomes less extreme when jet fuel prices are themselves surging.

Brazil imported diesel surpasses biodiesel prices (R\$/m³)



Source: Argus Media, Sightline

UCO supply chains are also facing disruption. Europe imports more than 80% of its UCO, and most of that trade moves by sea. The direct concern is that rerouted traffic through the Suez Canal [poses](#) further security risks to a route already plagued by congestion and rising insurance premiums. UCO was already under severe pressure before the crisis: US tariffs of 125% on Chinese UCO have [shut](#) the trans-Pacific arbitrage, the EU's new traceability regulation is [tightening](#) eligible supply. UCO prices [rose](#) 5% in Q4 2025 alone. The Hormuz disruption layers freight and insurance cost inflation on top of structural tightening.

The Gulf's green hydrogen and ammonia projects were first in line to bring large-scale capacity online — and are now caught in the crossfire. Saudi Arabia, the UAE, and Oman were the anchor producers for the emerging green hydrogen and ammonia export economy, including as future marine fuels. Drone strikes have already hit Oman's ports at Duqm and Salalah, and Sohar now falls within the expanded war-risk insurance zone. [NEOM](#), [ACWA Power](#), and other megaprojects face a security environment that will complicate FID timelines and financing.

The shipping industry has bigger concerns right now than decarbonization. The IMO's Net-Zero Framework was already stalled before the crisis (we covered the delay in detail [here](#)). Now, with the industry managing reroutes, absorbing insurance costs, and dealing with stranded vessels, the political appetite for a global carbon tax on shipping is near zero. Yet the crisis makes the strategic case for alternative marine fuels undeniable: ships running on fossil fuel from Gulf chokepoints are the ones most exposed.

Winners and losers

Winners: domestic clean fuel producers. Ethanol and domestically sourced biofuels have the least exposure to chokepoint risk and the most to gain from the energy security narrative. US gasoline at \$3.58/gal improves the economics for E15 and E85 blending. The Renewable Fuels Association has already [called for](#) year-round E15 in response to the crisis. The ethanol-to-SAF (AtJ) pathway also gets more attractive as UCO-based feedstock costs spike — a tailwind for projects like Gevo's [Net-Zero 1](#) and LanzaJet's [Freedom Pines](#).

Losers: European and US SAF producers dependent on imported UCO. With UCO imports constrained by tariffs, traceability rules, and now shipping disruption, HEFA-based SAF producers face a triple squeeze on their primary feedstock. The EU's ReFuelEU Aviation mandate (2% SAF from 2025, rising to 6% by 2030) does not change, but compliance becomes dramatically more expensive. This strengthens the case for producers to pivot toward non-UCO pathways. Projects to watch include those advancing AtJ (such as [LanzaJet](#), [Gevo](#), and [Summit](#)) and power-to-liquid e-fuels (SkyNRG's [Delfziki](#)

in the Netherlands, [Norsk e-Fuel](#)). SAF, biofuels, and renewable diesel are all competing for the same limited waste-oil pools, and inter-sector feedstock [competition is intensifying](#).

Losers: Gulf-anchored hydrogen and ammonia export projects. NEOM, ACWA Power, and Oman's green hydrogen corridor were the highest-profile clean fuel megaprojects globally. A prolonged security crisis delays FID timelines, reprices financing, and redirects offtaker interest toward producers in Australia, Chile, and the US Gulf.

What's next

Balancing a price signal for investment against capital-freezing uncertainty. Historically, sustained oil price spikes (2004–2008, 2010–2014) correlated with biofuels investment booms; short-lived shocks (2020, mid-2025) did not. The EIA has [revised](#) its 2026 Brent forecast from \$58 to \$79/bbl, and Goldman Sachs is [warning](#) of \$98+ through April. If these levels hold for more than a few weeks, expect real capital to move, particularly into domestic ethanol-to-SAF, renewable diesel from US-sourced fats and oils, and state-level clean fuel programs like the LCFS.

Clean fuels seen as security infrastructure, not just climate tools. The 1973 embargo gave the world the IEA, strategic petroleum reserves, and fuel economy standards. The 2026 Hormuz crisis could do the same for clean fuels if policymakers connect the dots between energy independence and decarbonization. The ingredients are there: bipartisan support for biofuels in the US, SAF mandates in the EU and UK, record RFS volume proposals, and a shipping industry that just learned what fossil-fuel chokepoint dependence actually costs.