# Geopolitical tensions around the Strait of Hormuz escalate risks to global and Indian energy security



Think of the Strait of Hormuz as the world’s most critical and high-stakes energy corridor. This narrow 21-mile stretch of water between the Persian Gulf and the Gulf of Oman functions as a vital passage through which approximately one-fifth of the world's oil supply transits daily. Nestled among major energy-producing nations such as Iran, Saudi Arabia, and the UAE, the strait acts as a strategic chokepoint that sustains global energy flows and, by extension, the functioning of economies worldwide. Any interruption here could have immediate and far-reaching consequences, rippling from gas stations in New York to factories in Mumbai.

The significance of the Strait goes beyond simple geography. It is, in many ways, the heartbeat of global energy security. According to data from 2023 and 2024, around 20 to 21 million barrels of crude oil pass through this passage daily, accounting for roughly 20% to 21% of global petroleum liquids consumption. The bulk of this flow—about 83 to 84% of crude oil and condensate—heads towards the booming energy markets of Asia. Countries such as China, India, Japan, and South Korea dominate as recipients, with China alone taking a substantial share of Iranian oil exports. This concentration underscores the strait’s critical role in supporting Asia's growing economic engines, from industrial manufacturing to booming urban transportation networks.

However, geopolitical tension, particularly between Iran and Israel, adds a layer of volatility to this lifeline. Iranian threats to close the Strait in retaliation for external conflicts have alarmed energy markets and policy makers worldwide. Such a closure would effectively choke the global oil supply, potentially triggering a sharp surge in crude prices and causing widespread inflationary pressures at consumer levels. India, which relies on imported crude oil for over 80% of its consumption—with more than 84% of these imports passing through the Strait—is especially vulnerable. Rising oil prices would not only escalate India’s import bill but also exacerbate its current account deficit, weaken the rupee, and place additional strain on an economy already navigating global uncertainties.

The economic fallout for India would be multifaceted: higher fuel costs would feed across transportation, manufacturing, and agriculture, leading to broad inflation that impacts both consumers and businesses. Industrial output could slow as energy becomes more expensive, and consumer spending might contract, putting the brakes on overall economic growth. This vulnerability has intensified discussions about India's need to diversify energy sources, including increasing imports from alternative suppliers such as Russia, the US, Africa, and Latin America. The nation is also bolstering its strategic petroleum reserves and exploring alternate routes and infrastructure, such as pipelines and port facilities outside the Persian Gulf, to mitigate risks.

India’s energy strategy is reflective of broader regional concerns. The wider Asian market, including China and Japan, shares India’s reliance on the Strait of Hormuz. A disruption could trigger a scramble for alternative supplies, leading to erratic global demand and extreme volatility in oil prices. This dynamic poses a challenge not only to energy importing countries but also to global energy markets, intensifying geopolitical competition and complicating trade patterns.

Experts emphasize that while alternative routes exist, they are limited and would entail substantial logistical challenges and increased costs, underscoring the precariousness of the current supply chain. The United States Energy Information Administration highlights that these chokepoints demand systemic geopolitical stability to prevent global economic disruption. In anticipation of potential insecurities, India's approach combines diversification of energy imports, investment in renewable energy, and enhancement of maritime security capabilities to protect vital trade routes.

In a rapidly evolving geopolitical landscape, the Strait of Hormuz remains a linchpin in global energy security. Its strategic significance extends far beyond its geographic boundaries. For investors, policymakers, and businesses, understanding and preparing for the risks associated with this corridor is crucial. The implications of any disruption echo through inflation rates, currency valuations, economic growth trajectories, and international relations, making the Strait a defining element of 21st-century energy geopolitics.

### 📌 Reference Map:

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## Bibliography

1. <https://www.newsx.com/business/strait-of-hormuz-the-worlds-energy-lifeline-on-the-brink-amid-geopolitical-turmoil-a-global-oil-supply-crisis-in-the-making-8536/> - Please view link - unable to able to access data
2. <https://www.eia.gov/international/content/analysis/special_topics/World_Oil_Transit_Chokepoints/> - The U.S. Energy Information Administration (EIA) provides detailed analysis on global oil transit chokepoints, highlighting the Strait of Hormuz as a critical passage. In 2023, oil flows through the Strait averaged 20.9 million barrels per day, accounting for approximately 20% of global petroleum liquids consumption. The report also notes that 83% of the crude oil and condensate transiting the Strait were destined for Asian markets, with China, India, Japan, and South Korea being the top destinations. Additionally, the EIA discusses the limited alternative routes available for oil transport if the Strait were to be closed, emphasizing the strategic importance of this chokepoint in global energy security.
3. <https://www.breakwaveadvisors.com/insights/2024/10/9/the-strait-of-hormuz-a-critical-transit-point-for-global-oil-supplies> - Breakwave Advisors discusses the strategic significance of the Strait of Hormuz in global oil supplies. The article highlights that in 2024, the majority of tankers carrying Iranian oil were Very Large Crude Carriers (VLCCs), accounting for 86% of the trade. It also notes that Iran's oil exports are predominantly directed towards China, which accounted for 89% of Iranian exports in 2024. The piece emphasizes the challenges in tracking actual shipments due to U.S. sanctions and the use of ship-to-ship transfers in regions like the Riau Archipelago. The article concludes by noting that any escalation in hostilities could significantly disrupt global oil supplies, affecting market dynamics and shipping operations.
4. <https://www.livemint.com/economy/israeliran-tensions-threaten-to-send-oil-lng-prices-soaring-experts-warn-of-volatility-in-indian-markets-11713706617958.html> - This article from Mint discusses the potential impact of escalating Israel-Iran tensions on global oil and liquefied natural gas (LNG) prices, with a particular focus on India. The Strait of Hormuz is identified as a critical transit point for global oil supplies, with approximately 20 million barrels per day passing through it. The article highlights that India imports 85% of its crude oil requirements from countries like Saudi Arabia, Iraq, and the UAE, and LNG from Qatar, all of which pass through the Strait. Experts warn that any disruption in this passage could lead to a surge in oil and LNG prices, causing volatility in Indian markets and potentially impacting inflation and economic stability.
5. <https://www.ajot.com/news/the-strait-of-hormuz-the-worlds-most-important-oil-transit-chokepoint> - The American Journal of Transportation (AJOT) article emphasizes the strategic importance of the Strait of Hormuz as a global oil transit chokepoint. In 2022, the oil flow through the Strait averaged 21 million barrels per day, accounting for about 21% of global petroleum liquids consumption. The article notes that while alternative routes exist, they are limited and would result in significant delays and increased shipping costs. The piece underscores the potential global economic impact of any disruption to this vital passage, highlighting the need for geopolitical stability in the region to maintain uninterrupted energy supplies.
6. <https://www.outlookbusiness.com/economy-and-policy/strait-of-hormuz-why-disruption-of-key-trade-route-can-worry-india> - Outlook Business explores the implications of potential disruptions in the Strait of Hormuz on India's energy security. The article highlights that India meets nearly 85% of its oil needs through imports, with a significant portion transiting the Strait. It notes that 84% of the country's oil imports pass through this route, making India particularly vulnerable to any disruptions. The piece discusses the potential for rising oil prices and the broader economic impact on India, emphasizing the need for strategic planning and diversification of energy sources to mitigate risks associated with this critical chokepoint.
7. <https://www.nbcnewyork.com/news/business/money-report/why-oil-and-gas-markets-are-dreading-the-risk-of-supply-disruption-in-the-strait-of-hormuz/5866638/> - NBC New York reports on the potential risks of supply disruptions in the Strait of Hormuz, a vital oil transit chokepoint. The article notes that in 2022, oil flow through the Strait averaged 21 million barrels per day, representing about 21% of the global crude trade. It discusses the strategic importance of this passage and the potential global economic impact of any blockade or significant disruption, including the possibility of oil prices climbing far above $100 a barrel. The piece highlights the concerns of energy analysts regarding the worst-case scenario of a blockade and its implications for global energy markets.