



Sention

Threat Briefing

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Oil Crisis 2026 Pathway to Disruption

This Threat Briefing assesses the potential impacts of the Iran conflict on Australian businesses, focusing on immediate cost pressures from higher fuel, freight and travel expenses, and the growing risk that a prolonged disruption could evolve into a more serious fuel supply challenge for the country.

Executive Summary

The disruption pathway is already active. Australian businesses are operating in a higher-cost, higher-volatility environment as the conflict affects crude and refined fuel flows through the Gulf.

The first-order impact is being felt through higher diesel, petrol and jet fuel prices, rising freight costs, elevated war-risk premiums, and broader pressure on logistics, travel and operating margins. This is not yet a broad physical fuel shortage in Australia, but it is already a material business cost issue.

The risk becomes more serious if the conflict continues. Australia is heavily dependent on imported refined fuels, particularly diesel, petrol and aviation fuel sourced from Asian refining systems. In 2025, diesel accounted for 57.6% of Australia's refined fuel imports, petrol 20.8%, and aviation turbine fuel 15.5%. Petrol imports were led by Singapore, diesel by South Korea, and jet fuel by China, which supplied approximately 32% of Australia's aviation turbine fuel imports in 2025.

That import structure matters because the refineries supplying Australia remain highly exposed to Gulf crude. Around 20–21 million barrels per day of crude and petroleum liquids normally transit the Strait of Hormuz, with roughly 80–89% bound for Asian markets. The Strait carries roughly one-fifth of global petroleum supply and about a quarter of seaborne oil trade, making it one of the most critical energy chokepoints in the global economy.

If those flows remain constrained, Asian refiners may reduce crude processing runs, preserve stocks and

prioritise domestic markets ahead of export customers such as Australia, tightening the exportable fuel surplus available to international buyers. In that environment, Australia does not need Asia to experience visible domestic shortages before it feels the impact. The pressure is likely to appear first through fewer export cargoes, higher premiums, longer replacement times and tighter availability of key fuels, especially diesel and jet fuel.

That is the core pathway to disruption for Australian businesses. In the short term, the issue is cost. In the medium term, the question becomes whether sufficient exportable fuel surplus remains available to Australia, rather than simply the price at which it can be purchased. In a prolonged disruption, Australia faces a growing risk of delayed shipments, tighter inventories, higher volatility in diesel and jet availability, and increasing pressure on transport, logistics, agriculture, mining, construction and travel-dependent sectors.

The situation is also highly volatile and unpredictable. Military escalation, shipping disruptions, infrastructure attacks, insurer decisions, government export controls and emergency stock releases can all alter market conditions rapidly and with little warning. For Australian businesses, this means the risk should be viewed as a dynamic escalation pathway: cost shock first, potential export tightening next, and genuine supply disruption risk if the conflict is prolonged or Gulf production infrastructure is damaged.

Threat Rating: **Very High**



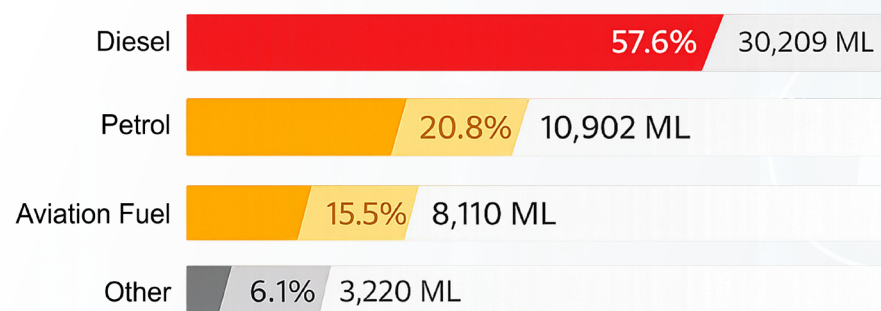
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Context

Australia is structurally exposed to Gulf energy disruption even though it does not depend directly on oil from the Gulf. Australia imports more than 90% of its liquid fuel supply, leaving the economy vulnerable to disruptions affecting regional refining systems or international shipping routes.

The exposure arises because Australia relies heavily on imported refined fuels from Asia, while many Asian refineries rely heavily on Middle Eastern crude. Japan sources roughly 94-95% of its crude imports from the Middle East, while South Korea also relies heavily on Gulf producers. A large share of crude moving through the Strait of Hormuz is therefore destined for the same Asian refining system that supplies Australia with imported fuel.

Australia's Refined 2025 Fuel Imports (52,441 ML)



Australia's petrol imports are sourced primarily from Singapore, diesel imports from South Korea, and aviation fuel imports from China, Singapore and South Korea. While these countries maintain significant commercial and strategic fuel stocks that can help stabilise domestic supply and sustain refinery operations in the short term, Australia's fuel security remains closely tied to the continued availability of crude supply to Asian refineries and their ongoing willingness and capacity to export refined fuels.

Australia is also beginning to source some refined fuel from the United States and other non-Asian suppliers. While this provides some diversification and additional flexibility, these supply chains are longer, more expensive and less responsive than regional imports. As a result, Australia remains primarily dependent on Asian refineries for timely and reliable fuel supply.

Key Insights

- Australian businesses are already exposed to higher fuel, freight and travel costs as the conflict drives market volatility and raises the cost of crude and refined products.
- There is currently no underlying fuel supply shortage in Australia, with recent disruptions largely driven by panic buying and fuel hoarding. Notwithstanding this, the Australian Government has only publicly committed to maintaining fuel supply availability through to the end of April.
- The first material impact is a margin and cost issue, but the longer the disruption persists, the greater the risk that Australia faces reduced access to imported refined fuels rather than just higher prices.
- The next escalation point is Asian refinery stress: if crude flows through the Strait of Hormuz remain disrupted, refineries that supply Australia are likely to reduce output and protect domestic customers first. Export customers such as Australia are likely to feel tightening before domestic shortages become visible in those markets.
- China has already moved to restrict refined fuel exports, particularly gasoline and diesel cargoes scheduled for export, reinforcing that governments may intervene quickly to preserve domestic supply if the situation worsens.
- If Gulf oil infrastructure is damaged or destroyed, the disruption would become more severe and prolonged because the issue would shift from temporary shipping interruption to the loss of production, storage, processing or export capacity. In that scenario, the risk to Australian fuel availability would increase materially.

The role of onshore fuel stocks and local distribution

While Australia is heavily reliant on imports, the immediate physical impact on local distribution is buffered by domestic inventories. Under the government's Minimum Stockholding Obligation (MSO), industry is required to hold baseline stock levels onshore, typically equating to roughly 20 to 24 days of national consumption for diesel, and up to 27 days for petrol and jet fuel.

It is important to note that Australia does not have a large government-owned strategic petroleum reserve like the United States. Instead, fuel security relies on a combination of:

- Commercial industry stocks held by refiners and importers.
- Minimum Stockholding Obligation (MSO) rules requiring companies to maintain minimum levels of petrol, diesel and jet fuel.
- Limited government-controlled strategic stocks, including some crude stored overseas and emergency fuel releases if needed.

In total, Australia currently holds roughly one month of liquid fuel reserves, around 36 days of petrol, 34 days of diesel and 32 days of jet fuel (less current planned distribution).

However, these onshore stocks are not a cure for a prolonged disruption. If Asian import cargoes are delayed or cancelled, local distributors will not wait until tanks are empty to act. To preserve existing onshore stocks, major fuel suppliers are likely to implement fuel allocation measures, restricting bulk purchases, limiting terminal gate sales, and prioritising contracted emergency services, long before a nationwide physical shortage occurs. Therefore, businesses could face local distribution bottlenecks and rationing well before Australia's 20-day national buffer is mathematically exhausted.

The disruption pathway for Australia is indirect but high-impact.

Scenario 1

Event: Short-term market shock and cost escalation

Timing: Already underway

This scenario is no longer hypothetical. Australian businesses are already operating in a higher-cost, higher-volatility fuel environment as the Iran conflict disrupts crude and refined product flows through the Gulf. Oil prices, diesel premiums, jet fuel prices, freight costs and war-risk insurance have all risen sharply, and these increases are now feeding into transport, travel, logistics and input costs across the economy.

Reuters has reported that the conflict has already caused a severe disruption to global energy markets, with refined fuels under pressure, while the IEA has coordinated a major emergency stock release in response to the supply shock.

For Australian businesses, the immediate impact is primarily a cost and margin shock, not yet a broad physical shortage. Higher diesel costs are increasing freight and supply chain expenses, higher jet fuel prices are pushing up airfares and travel costs, and rising transport costs are flowing through to goods, services and household spending.

The situation remains highly unpredictable. Price movements, shipping conditions, insurer behaviour, military escalation and government intervention can all shift rapidly, meaning organisations should expect continued volatility rather than a stable adjustment.

Business implications:

- Higher freight and logistics costs.
- Pressure on margins and budgets.
- More expensive travel and field operations.
- Flow-on cost increases across goods and services.
- Weaker consumer demand in discretionary sectors.



Scenario 2

Event: Medium term export tightening and import stress

Timing: 4 to 8 weeks

This scenario is also beginning to emerge. The key risk for Australia is not simply high oil prices, but the tightening of refined fuel exports from Asian suppliers as they move to protect domestic energy security. Reuters has reported that China has already ordered an immediate halt to March fuel exports that had not yet cleared customs, affecting gasoline, diesel and aviation fuel exports, while other Asian refiners are cutting crude runs as Middle Eastern feedstock disruptions intensify.

This matters because Australia relies heavily on imported refined fuels from Asia. If the conflict persists, Asian refineries are likely to prioritise domestic demand ahead of export customers such as Australia. While refiners will try to source replacement crude from other regions, making up the shortfall is difficult: alternative barrels are limited, take longer to arrive, cost more to transport, and may not match the crude slate many Asian refineries are designed to run. Australia does not need supplier countries to run short of fuel before it feels the impact. The pressure is likely to appear first through fewer available cargoes, longer replacement times, higher spot premiums and tighter inventories, particularly for diesel and aviation fuel. This is the point at which the disruption shifts from being mainly a pricing problem to a developing availability problem for Australian businesses.

While alternative supply of refined product from regions such as the United States can partially offset reduced exports from Asia, these volumes are limited, slower to arrive, and subject to global competition, meaning they are unlikely to fully replace lost regional supply in the short term.

Business implications:

- Harder and more expensive fuel procurement, along with greater risk of delayed deliveries and fuel allocation.
- Introduction of fuel rationing.
- Tighter diesel availability for freight, mining, agriculture and remote operations.
- Higher risk of aviation disruption and rising travel constraints.
- Growing pressure on just-in-time operations and supply chain reliability.



Scenario 3

Event: Protracted conflict and supply disruption risk

Timing: 2 to 6 months +

This is the most serious escalation pathway. If the conflict continues for an extended period and/or expands further and major Gulf oil infrastructure, including export terminals, offshore loading facilities, pipelines, storage tanks, refineries or processing plants, is damaged or destroyed, the impact will extend well beyond short-term price volatility.

In this scenario, the issue is not only whether shipping routes reopen, but whether damaged infrastructure can resume normal operations at all. Attacks on key energy assets could remove significant production or export capacity for an extended period and deepen the supply shock across Asia.

Even if military activity later eases, repairs to major energy assets, the return of tanker traffic, restoration of insurance coverage and rebuilding of commercial confidence could all take considerable time. At this point, global fuel markets would likely enter a period of structural deficit.

For Australian businesses, this would raise the risk of sustained intermittent physical supply disruption, fuel prioritisation, freight bottlenecks, project delays, reduced service reliability, and broader economic slowdown.

Business implications:

- On-going fuel rationing and fuel prioritisation toward essential sectors.
- Freight disruption and reduced transport reliability.
- Project delays and operational slowdown across fuel-intensive sectors.
- Reduced economic demand across multiple sectors.
- Sustained inflationary pressure.



Overall Assessment

This is no longer a theoretical fuel risk scenario. Australia is already experiencing the first phase through higher energy, freight and travel costs, and the outlook remains volatile and unpredictable. The longer the conflict continues, the greater the risk that the disruption progresses from a cost shock to an availability shock, particularly if Asian refiners continue to cut runs, governments tighten exports, or Gulf oil infrastructure suffers major damage.

For Australian businesses, the pathway to disruption is clear. In the short term, this is a cost shock. If the conflict persists, it becomes an import availability risk as exportable fuel surplus tightens across Asia. If Gulf oil assets are seriously damaged, the disruption could become more prolonged and more severe, increasing the risk of physical supply constraints in Australia, especially for diesel and jet fuel.

Actions for Organisations:

- Monitor supplier updates, freight conditions and fuel market developments closely.
- Stress test budgets for sustained higher fuel, freight and travel costs.
- Review exposure to diesel-dependent operations, aviation, remote logistics and critical suppliers.
- Engage key suppliers early on contingency arrangements and delivery priorities.
- Prepare for longer lead times, reduced flexibility and possible allocation measures if the disruption deepens.
- Build these scenarios into crisis management and business continuity, supply chain and customer communication planning.

Australian businesses should plan on the basis that the disruption pathway is already active: cost pressure is here now, export tightening is emerging, and any major damage to Gulf oil infrastructure could push the region from volatility into genuine fuel supply disruption.

Assumptions

Scenario 1: Cost Shock (Already Occurring)

- Crude flows through the Gulf are disrupted but not fully halted, with some transit continuing under elevated risk.
- Global oil supply remains sufficient to meet demand, but at higher cost due to disruption and uncertainty.
- Asian refineries continue operating at or near normal capacity using existing crude supply and inventories.
- Regional fuel stockpiles (China, Japan, South Korea, Singapore) are sufficient to stabilise domestic markets in the short term.
- Shipping routes remain open, albeit with delays, higher freight rates and increased war-risk insurance premiums.
- No major damage has occurred to critical oil production or export infrastructure in the Gulf.
- Market behaviour (including panic buying and speculative trading) contributes to price volatility but does not materially constrain supply.

Scenario 2: Export Tightening (Emerging Risk – 4–8 weeks)

- Disruption to crude flows persists or worsens, leading to tighter feedstock availability for Asian refineries.
- Asian refiners begin to draw down inventories and/or reduce crude run rates to manage supply uncertainty.
- Governments in key refining countries prioritise domestic fuel security, including through export controls or informal restrictions.
- Replacement crude from alternative regions (US, West Africa, Brazil, Russia) is limited, slower to arrive, more expensive, and not always compatible with refinery configurations.
- Shipping constraints intensify, including longer voyage times, tanker availability issues and higher insurance costs.
- Exportable surplus of refined fuels declines before domestic shortages are visible in supplier countries.
- Australian importers face longer lead times, higher procurement costs and reduced access to spot cargoes.

Scenario 3: Supply Disruption (Escalation Scenario – 2–6 months+)

- The conflict escalates or persists long enough to result in material damage to Gulf oil infrastructure, including production, storage or export facilities.
- Crude supply losses are sustained and cannot be fully offset by alternative global producers.
- The Strait of Hormuz remains constrained or intermittently closed, significantly reducing export volumes to Asia.
- Asian refineries operate at reduced utilisation rates due to sustained feedstock shortages.
- Strategic and commercial fuel stockpiles in Asia are progressively drawn down, reducing the buffer available to support exports.
- Export restrictions become more formalised and widespread, with domestic markets clearly prioritised.
- Global refined fuel markets tighten significantly, with persistent shortages and elevated price volatility.
- Australia experiences intermittent supply constraints, particularly for diesel and aviation fuel, driven by reduced cargo availability and logistical delays.

References

- Strait of Hormuz Volumes & Global Share: US Energy Information Administration (EIA) Chokepoint Data (~20–21 million bpd; roughly one-fifth of global petroleum supply and one-quarter of seaborne oil trade).
- Australian Fuel Import Reliance: Department of Climate Change, Energy, the Environment and Water (DCCEE) / Australian Institute of Petroleum (AIP) (Australia imports >90% of its liquid fuel supply).
- Asian Crude Dependency: International Energy Agency (IEA) / Industry reporting (Japan sources ~94–95% of crude imports from the Middle East).
- Australian Petroleum Statistics 2025 Australian Government Department of Climate Change, Energy, the Environment and Water.

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