RLA Chemical Market Insights – Monday, 15 June 2026

Hormuz reopening: What It Could Mean for Chemical Trade Flows

The reopening of the Strait of Hormuz would be broadly positive for Middle East chemicals trade, but the market should not expect an immediate return to pre-crisis conditions. The main benefits would be lower risk premiums, improved vessel availability, easing freight and insurance costs, and better visibility on feedstock supply. However, geopolitical risk would remain embedded in pricing until the US-Iran deal is tested in practice.

Middle East chemical exporters are highly dependent on Gulf shipping routes. Producers in Saudi Arabia, Qatar, UAE, Kuwait, Bahrain, Iran and Iraq use the region’s ports to move major petrochemical and fertilizer products such as polyethylene, polypropylene, MEG, methanol, urea, ammonia, sulphur and aromatics. As shipments resume, export volumes should improve, but port congestion, vessel repositioning, delayed nominations and insurance clearances may slow normalization.

Freight and insurance costs are likely to ease as the immediate war-risk premium declines. Chartering activity should improve, and demurrage or security-related surcharges may reduce. Still, tanker and chemical parcel operators may remain cautious about entering the Gulf until the political situation is more stable. This means freight costs may fall from crisis highs but not necessarily return quickly to pre-war levels.

Globally, the biggest impact would come through feedstocks. Lower crude, naphtha, LPG and LNG prices would reduce cost pressure for petrochemical producers, especially in Asia, which is heavily exposed to Gulf energy flows. Asian naphtha crackers, Chinese methanol-to-olefins (MTO) units, Indian fertilizer producers and Southeast Asian converters could benefit from lower costs.

The effect will vary by product. Polyethylene and polypropylene prices may face downward pressure as Middle East cargo availability improves. Methanol trade could also normalize, easing pressure on downstream formaldehyde, acetic acid, resins, coatings and plastics chains. Fertilizers could see meaningful relief, particularly urea, ammonia, phosphate and sulphur, although delayed cargoes may still create short-term tightness in some regions.

The crisis may also reshape buying behaviour. During the disruption, some buyers shifted to US, Chinese, European or domestic suppliers. While Middle East suppliers may regain volumes due to cost advantage, buyers are likely to diversify sourcing, keep higher inventories and build more flexible contract terms.

Subscribers can access the full appendix of affected plants, capacities, products, and restart/trade implications.

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WADE MARITIME GROUP

SINGAPORE OFFICE
10 Anson Road
#10-11 International Plaza
SINGAPORE 079903
T: +65-6950 7561

LONDON OFFICE
Terminal House
52 Grosvenor Gardens
London, UK SW1W 0AU
T: +44-20-3386 9413

INDIA OFFICE
SCO 10, First Floor
Sector - 79, Mohali,
Punjab, INDIA 140308
T: +91-172-4105887

E: info@wademaritime.com | research@richardsonlawrie.com
W: www.wademaritime.com | www.richardsonlawrie.com