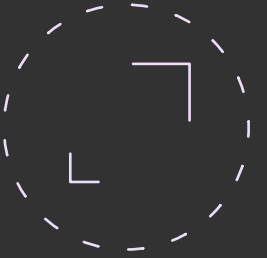




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Geopolitics



Conflict in the Middle East

Business Implications

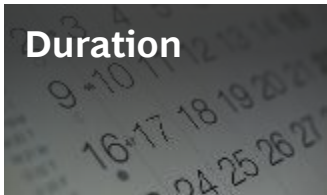
BCG

2nd April, 2026

Conflict in the Middle East evolves along several dimensions

Interrelated dimensions

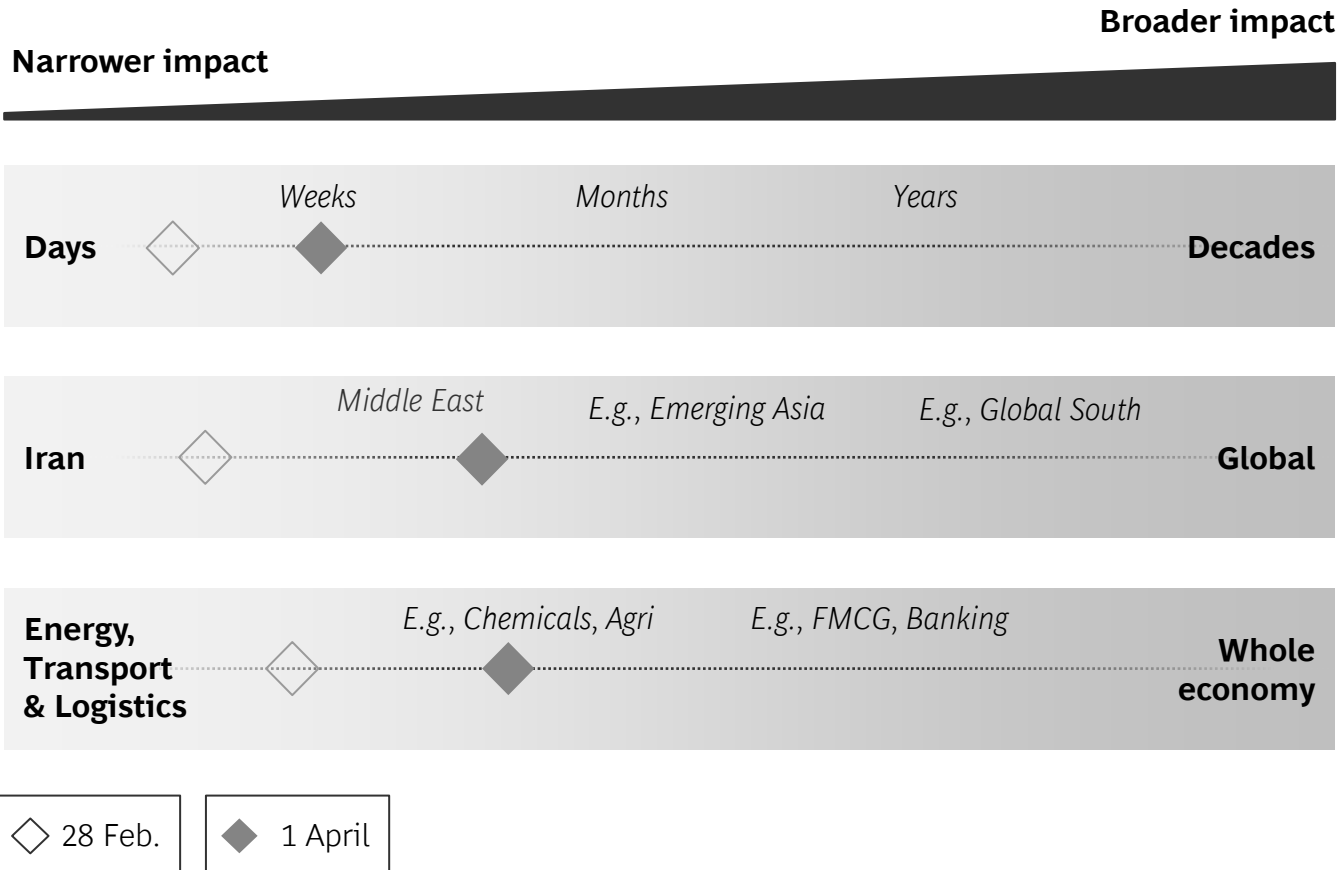
Duration



Geographic scope



Sectoral scope

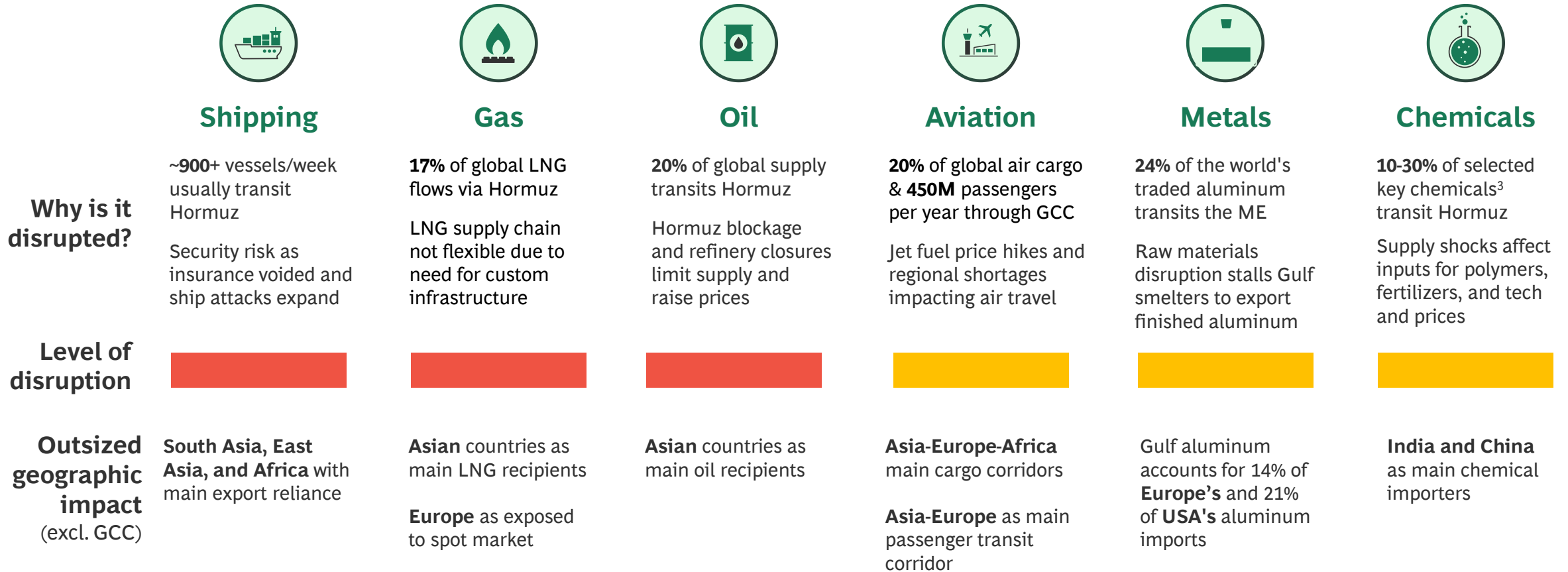


War is in its 4th week – open question on potential de-escalation options

Geo scope can expand in several ways – e.g. military action within borders, commitment of military resources, econ impact, migration

Extended disruption in key transportation route and energy infrastructure is a key factor in expanding the sector scope

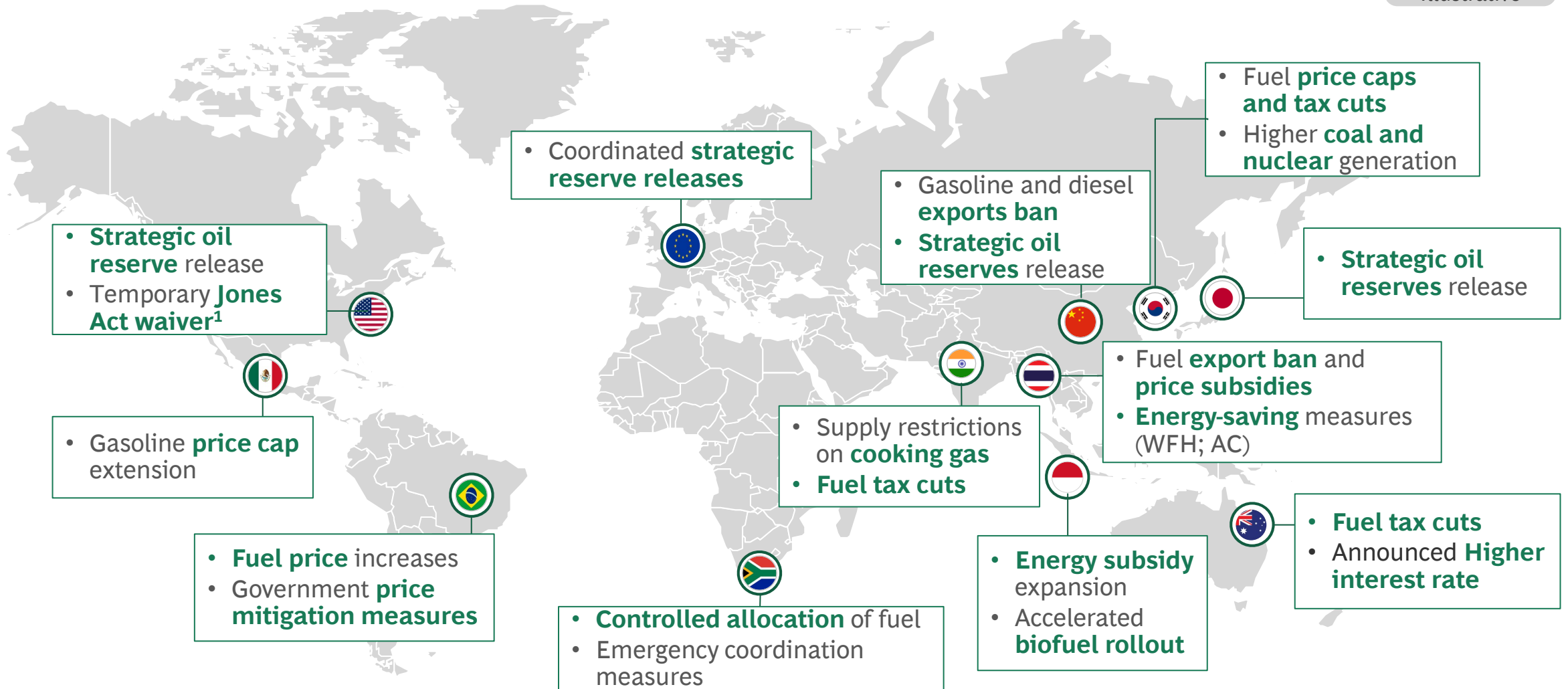
Several sectors already disrupted and the list is growing



1. Select examples, non exhaustive 2. Sulphur 30%, helium 21%, ethylene derivatives 16-17%, methanol 15%, ammonia and urea 10-15%. Source: Platta, Kpler, Globaldata, SIPRI; BCG analysis

Governments around the world are implementing demand- and supply-side measures to manage energy disruptions

Illustrative



1. Jones Act waiver allows foreign flagged ships to transport goods between US ports; Note: WFH = Work from home; AC = Air Conditioning
 Source: Desk research; BCG analysis



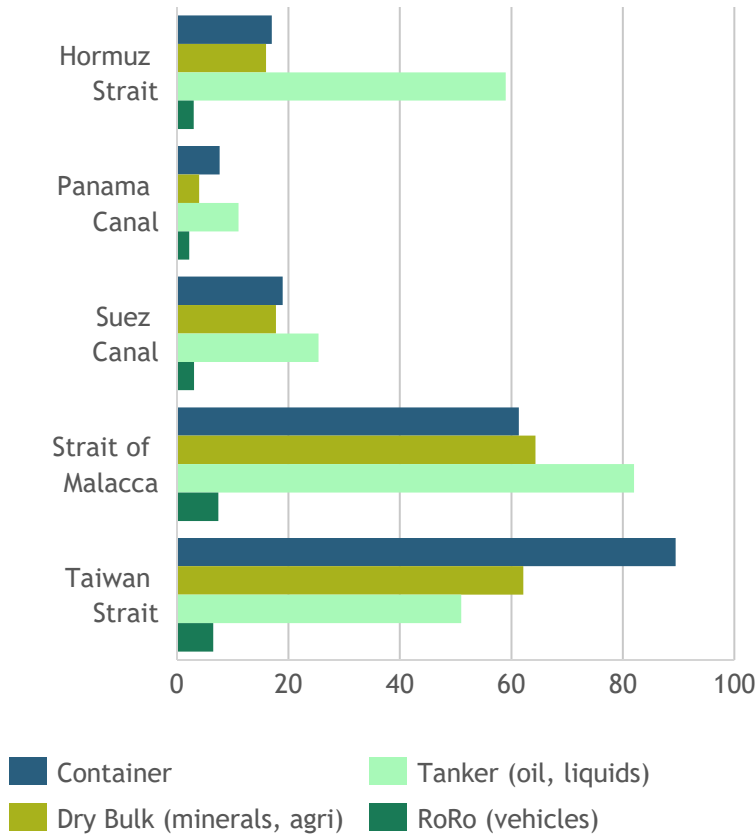
Cross-Industry Perspective



The Strait of Hormuz is impacting trade around the globe

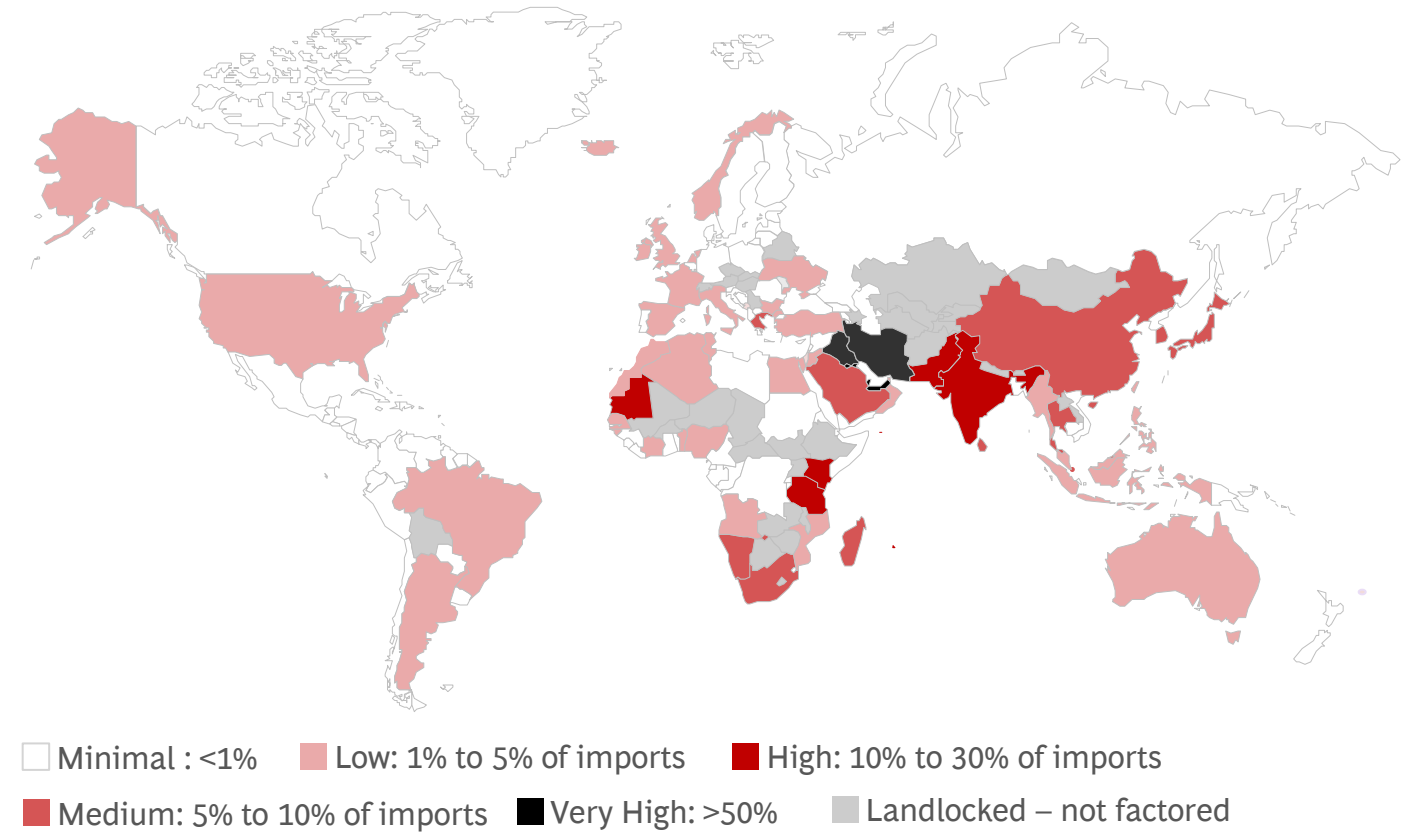
Hormuz transits 2x tankers of Panama, Suez

Average daily vessels through key chokepoints, 2024¹



South and East Asia, Africa lead downstream impact of Hormuz disruption

Share of total imports disrupted



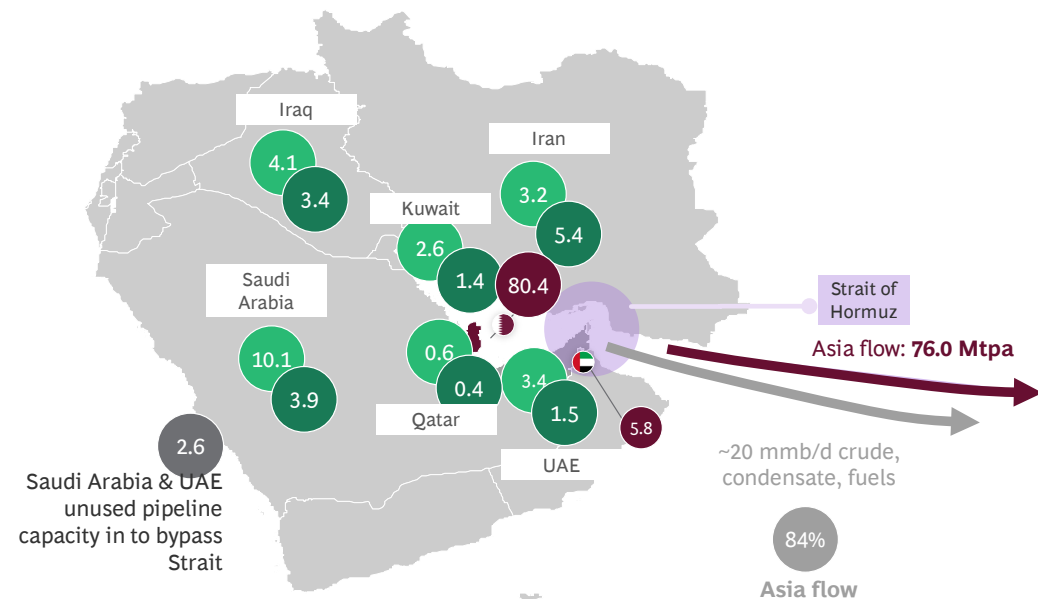
1. Suez Canal transit averages are 2023 2. Algorithm requires destination port, landlocked countries without direct port access excluded from model.

Sources: IMF/Oxford Port Watch; BACI; BCG Analysis, Trade is based on UN COMTRADE reporting conventions, which reflect different tariff and trade policies by customs territory

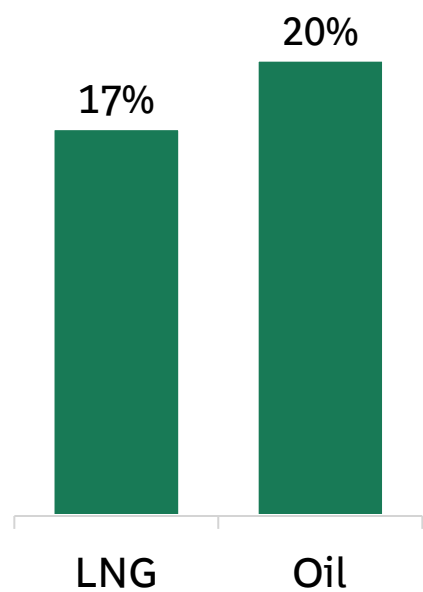


Energy impact: Global oil and LNG markets at significant risk

Limited ship movements through the Strait of Hormuz



Percent of global imports that pass through the Strait of Hormuz



The conflict is disrupting flows

- Multiple energy facilities shut due to caution or damage
- Restart back to pre conflict levels will likely take months
- The longer the conflict, the greater the impact and time to full recovery
- Unladen ships waiting outside Strait of Hormuz are as critical as those inside as they can offload building stocks in onshore facilities
- Shutting fields is a significant and costly decision, with risks posed to the geologic structure

xx Oil production mmb/d

xx Refinery capacity

xx LNG volumes from MEG countries in the last 12 months (Mtpa)

1. Select examples, non exhaustive
Source: Platta, Kpler, Globaldata; BCG Analysis

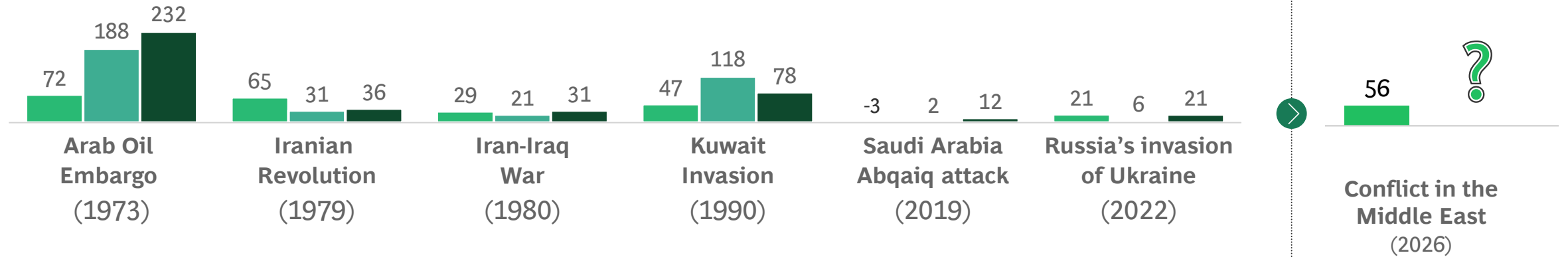


Oil impact: Historically, oil price impact of previous major conflicts has been significant

Oil price changes after start of key events

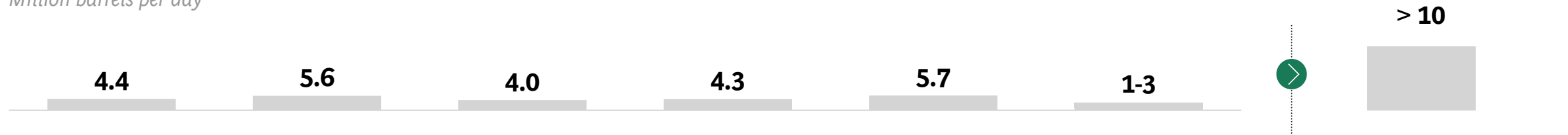
Percent change

30 days after 60 days after 90 days after



Scale of disruptions after start of key events

Million barrels per day

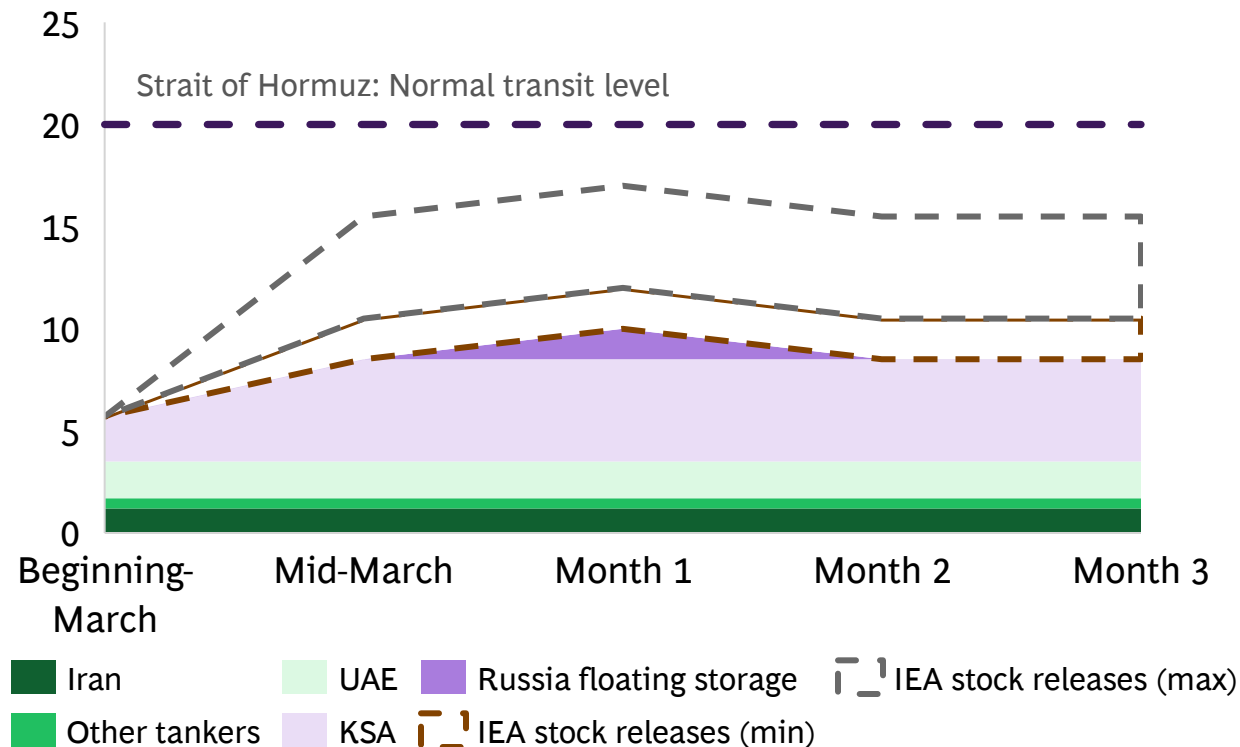




Energy impact: About 50% oil volumes typically transiting Hormuz Strait (~10 Mmb/d) can be made up, but the gap is still significant

Potential volumes available to make up Hormuz shortfall

Million barrels per day (Mmb/d)



Source: BCG analysis

Saudi Arabia

- East-West Pipeline total capacity: ~7 Mmb/d
About 2 Mmb/d typically allocated for domestic use, and ~5 Mmb/d potentially available for export via Red Sea (Yanbu terminal).
- But unclear if full capacity of pipeline is operational

UAE

- Fujairah crude export pipeline capacity: ~1.5 Mmb/d

IEA stock releases

- ~400 Mmb emergency release announced - likely release pace: ~2 Mmb/d, with max. theoretical pace up to ~7 Mmb/d for short durations

Russia floating storage / redirected flows

- ~1–1.5 Mmb/d potentially available for ~1 month
- US allowing temporary Indian access to certain Russian cargoes

China

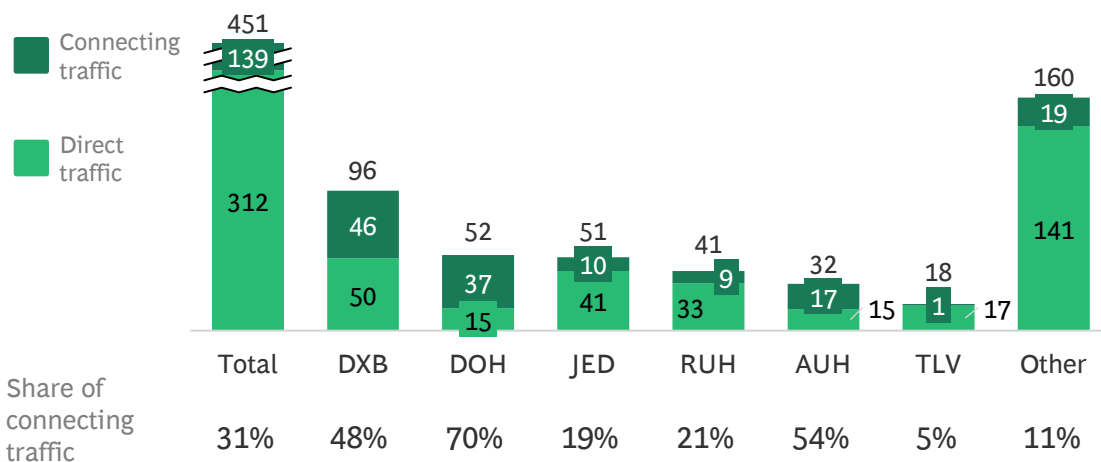
- Estimated ~1.2 billion barrels of accumulated crude stocks
- Could offset ~5.8 Mmb/d exposure for several months



Airspace and airline disruptions could affect ~450M passengers per year

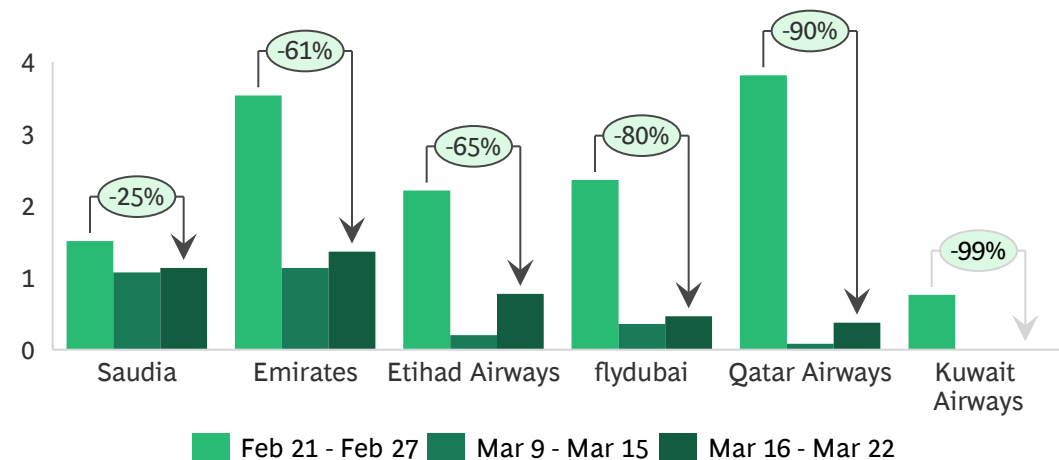
Top 15 Middle East airports by traffic, 2025

Million passengers



Flight activity of main ME airlines since conflict start

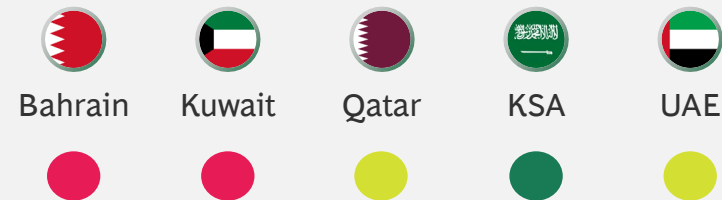
Thousand flights tracker (inbound and outbound)



Airport status



Airspace status



Note: Diio Mi is an estimated/market-modelled dataset; values may differ from airport-reported official statistics (typically lower) and may be revised retroactively; data is for scheduled travel only and excludes charters
 Source: 1. Cirium Diio Mi 2.TAC Space. BCG analysis

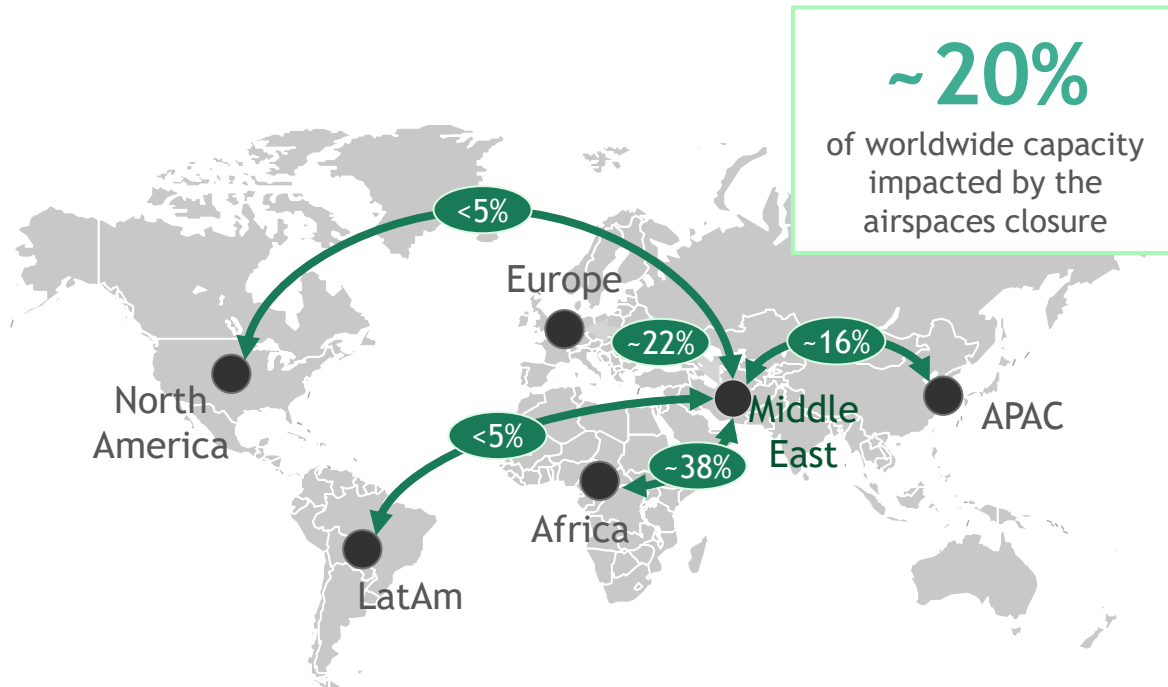
● Full closure ● Open, potential route disruptions
 ● Partial operations



Similarly, the region accounts for ~20% of global air cargo capacity, further amplifying the impact on global logistics

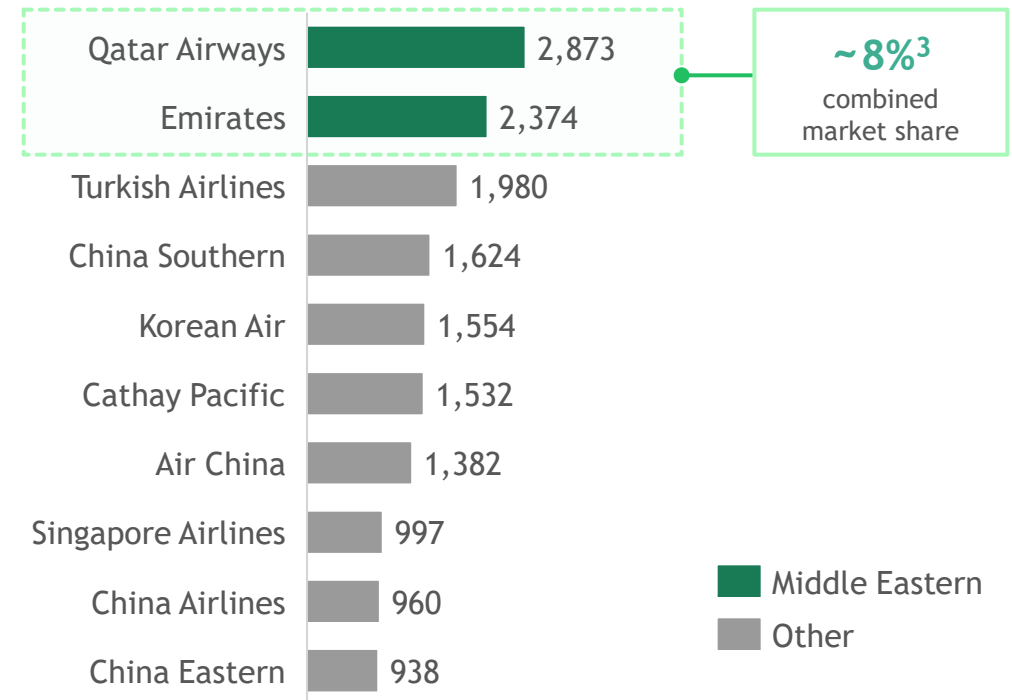
Global capacity share, 2025

Percent of total capacity in the region¹



Air cargo carried by airline², 2025

Thousand tons per year

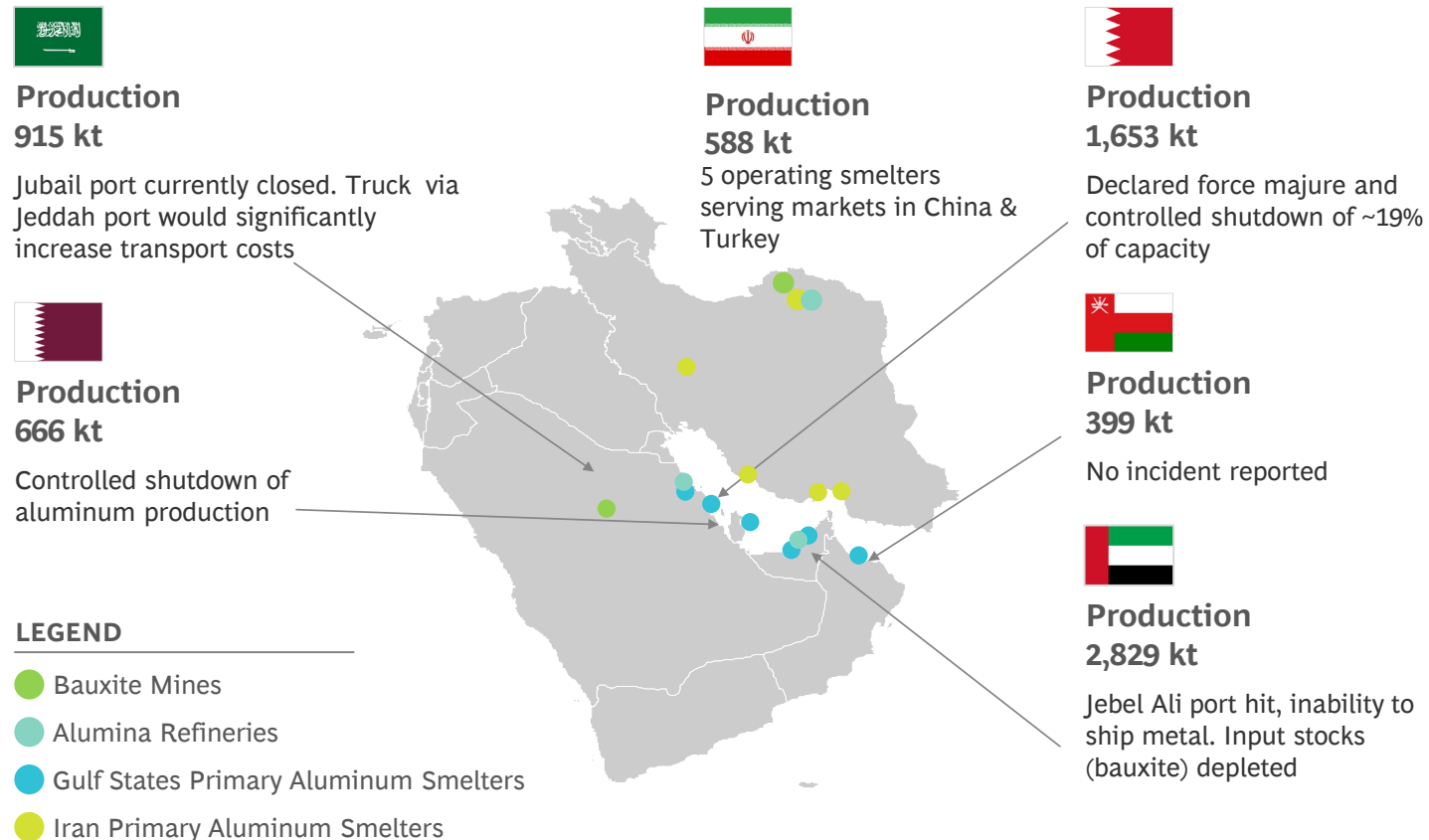


1. Inbound and outbound capacity estimated in Tons using Airbus and Boeing widebody pax and freighter flights; 2. Excluding B2C Integrators 3. Market estimated at ~68mTons in 2024 (incl. integrator volumes). Market share ~15% if excluding integrator activity
Source: Cirium; TAC; IATA WATS; BCG



The Middle East is a critical aluminum hub with sector exposed to higher prices, increased costs, and diminished supply options

Aluminum smelters located in the Middle East, 2025



Aluminum value chains exposed

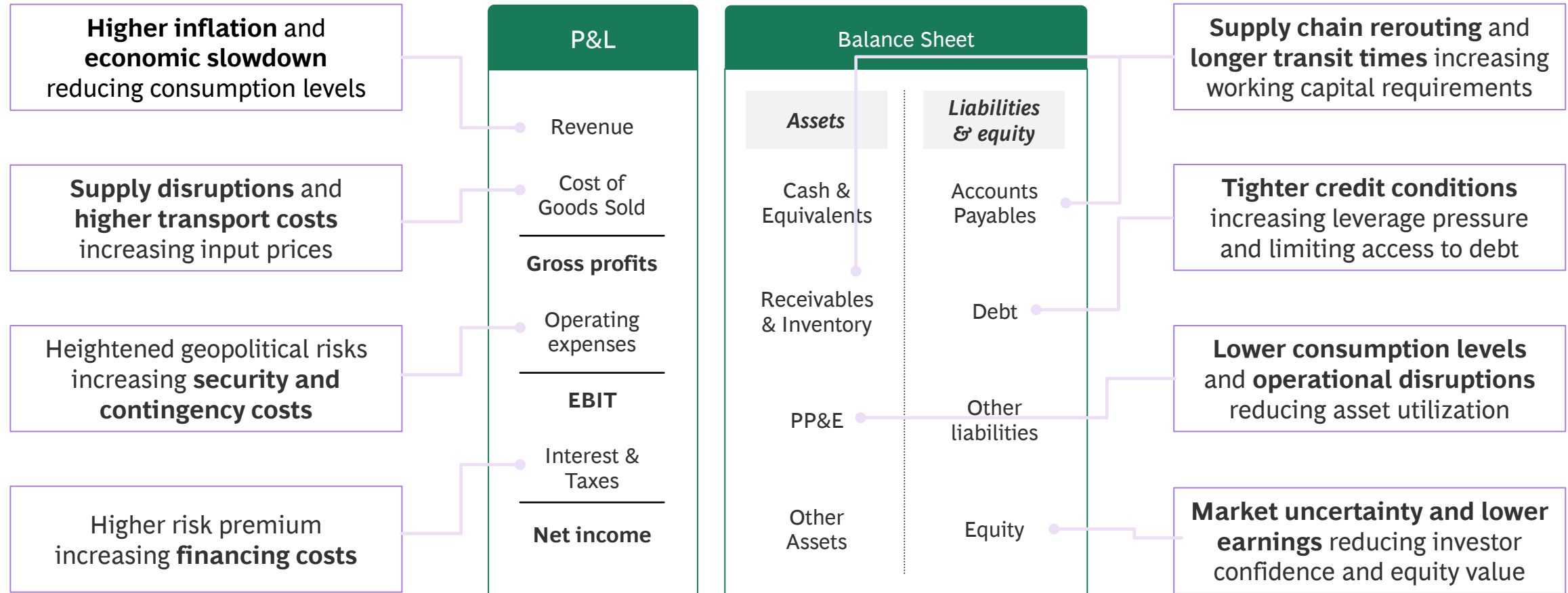
- The ME accounts for **8% of the global aluminum supply** (23% exc. China)
- ~80% of the ME countries global aluminum trade is primary with the **USA, Turkey & Japan accounting for 35% of the total**
- Global deficit aluminum production forecast for 2026 is compounded by loss of ME metal with **no viable alternatives available to offset loss** (especially with China approaching cap and current Russian sanctions)
- Aluminum prices¹ have **risen 8% and recorded a 4-year high (\$3,546)**, and premiums for physical supply chain have increased in Europe, US, and Asia

1. London Metal Exchange's 3-month forward prices, CMAL3
Sources: WoodMacKenzie, CRU, Company websites, LSEG, BCG Analysis



Company Actions

Companies around the world can be impacted with direct and spillover effects



Impact to business can range from manageable cost pressures to liquidity and solvency crises, depending on exposure and duration

Key no regret moves for businesses

Immediate actions

Diagnose direct & indirect implications

Map geographic interdependencies of flow of goods including second order impacts across value chains

Run scenarios and digital simulations

Map exposure to different scenarios and prepare for their impacts on business

Stabilize operations and financials

Build buffers, alternate sourcing, and actively manage cash flows

Orchestrate cross-functional capabilities

Establish a central coordination layer to align decisions across functions and business units

Long-term actions

Review business strategy & operating model

Long-term implications on product portfolio, operating model and target customers

Reconfigure supply chains

Explore diversification and re-localization of vulnerable inputs as core risk management mechanisms

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Thank you

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