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COMMENT

The fuels industry and a global crisis

At the time of writing, the US had just delivered a 14-point, one-page memorandum that, if accepted by Iran, would have formally ended the US-Iran war. Discussions were to follow to unblock shipping through the Strait of Hormuz, lift US sanctions on Iran and curb Iran's nuclear programme.

On this optimism, the oil price 'plunged', with Brent crude again falling to below \$100 a barrel, while global share prices 'leapt'. "We will close this very soon. We are getting close," the source was quoted as saying in a Reuters article by Ariba Shahid, Steve Holland and Alexander Cornwell. But all this, says Trump, after having paused his two-day-old Project Freedom to escort merchant ships through the Strait of Hormuz: "is dependent on Iran agreeing to give what has been agreed to".

The war has resulted in chaos across the Middle East, with Iran's closure of the Strait of Hormuz and attacks on infrastructure across the region throttling supplies of crude oil and refined petrochemical products from the region. Thousands of merchant and container ships, along with over 20 000 sailors, remain stranded.

While initial hopes were that the war would be over within weeks, economic problems are now mounting: soaring petrol, diesel and fertiliser prices, and, due to severe shortages of Jet A-1 fuel, cancelled flights causing travel disruption not seen since the Covid pandemic.

The cost of fertiliser – which depends on by-products of oil refining, such as urea and ammonia – is rising sharply, hurting farmers and driving up global food prices. Most notably, though, shipping costs for imports and exports have soared, not only due to fuel price increases but also due to step-changes in risk-mitigation and insurance costs.

And even if this latest 14-point plan ends the war, the impact on the global economy is likely to be long-term. Destroyed refinery infrastructure will have to be rebuilt, as will global oil and shipping networks.

As Warren Patterson, the Head of Commodities and Energy Strategy at the Dutch bank, ING, points out: "With the march of globalisation and just-in-time supply chains, global trade in goods and services has swelled from 42% of world GDP in 1980 to more than 60% by the mid-2000s. But an interdependent world, in an age of rising conflict and geopolitical tensions, is a riskier one, and no basis for a sustainable economic model," he says.

In response, he suggests 'nearshoring' and 'friendshoring', terms now used by multinational companies striving to redirect supply chains towards politically

aligned and neighbouring countries to bolster their resilience. The results of this war, says Patterson, along with several shipping-related incidents in recent years, have "caused fragmentation of the global economy that could add permanent additional costs, stoking inflation in the short term, while weighing on growth in the long term".

With regard to South Africa, a recent South African Chamber of Commerce and Industry Business Confidence Index showed a slight decline from February to March 2026, with further downward pressure expected for May. This is off the back of a "fortunate position" thanks to an exceptional increase in business confidence late last year, which, to some extent, was mitigating the impact of the Iran conflict.

Food inflation in South African shops is not yet a problem, due to local surpluses of agricultural products, most notably maize. Farmer's margins are under pressure, though, particularly for exporters, who face the double whammy of massive increases in shipping costs and increased fertiliser costs from now on.

On the positive side for our fuel security, Sasol, which produces petrol, diesel and, very importantly, jet fuel, is looking healthy, with its share price more than doubling since the start of the conflict. Production performance at its Secunda CTL and Natref refineries in the first quarter of 2026 increased by 9% compared to the same period in 2025. In response to the war in Iran, production is being increased by a further 10% to 15% to meet expected demand.

At this critical time for the global oil industry, the South African Fuels Industry will come together at the Sandton Convention Centre for the 2026 Fuels Industry Imbizo, with transformation in sharp focus. From 10 to 11 June, under the theme Embracing the Future of Energy Mobility, this year's conference will focus on the industry's transition towards a diversified energy mix, spanning conventional fuels to rapidly emerging alternatives.

Accelerating the transition of global and local energy ecosystems is now a global imperative. This conference offers an ideal opportunity to explore how South Africa can reposition its fuel offerings for a sustainable, efficient and low-carbon future.

Inside this magazine, you will find opportunities to register for and attend the Imbizo if you want to be part of developing the strategic direction needed to survive and thrive amid the fast-changing logistical, technological, environmental and policy environments currently shaping our fuel industry and our world.



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