

THE 2026 HORMUZ CRISIS AND PAKISTAN'S ENERGY SECURITY

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Introduction

Pakistan's dependence on imported fuel exposes its energy system and foreign-exchange position to external shocks. State Bank of Pakistan (SBP) data show petroleum-group import payments of about \$1.55 billion in June 2026, including \$812.03 million for crude oil, \$506.86 million for petroleum products and \$221.47 million for liquefied natural gas (LNG).¹ Pakistan Bureau of Statistics (PBS) data place the FY2025–26 petroleum-group import bill at \$16.86 billion, up 5.76 percent. Crude imports rose 31.58 percent to \$7.17 billion and petroleum products 7.05 percent to \$6.39 billion, while LNG fell 36.10 percent to \$2.22 billion.²

Strait of Hormuz is a critical route for Gulf energy exports. In the first half of 2025, it carried 20.9 million barrels of oil daily, around one-quarter of global seaborne oil trade, and over 20 percent of global LNG trade, largely from Qatar.³ Qatar's LNG exports have no practical maritime alternative, whereas Saudi Arabia can divert some crude through its East-West pipeline to Yanbu. Pakistan's exposure therefore combines supplier concentration with dependence on vulnerable shipping routes.

¹ "Import Payments by Commodities and Groups," State Bank of Pakistan, Accessed on August 18, 2026, https://www.sbp.org.pk/ecodata/Import_Payments_by_Commodities_and_Groups.pdf

² "Monthly Summary / Advance Release on Foreign Trade Statistics, June 2026," Pakistan Bureau of Statistics, Accessed on August 18, 2026, <https://www.pbs.gov.pk/external-trade-statistics/>

³ "World Oil Transit Chokepoints," U.S. Energy Information Administration, March 3, 2026, https://www.eia.gov/international/content/analysis/special_topics/World_Oil_Transit_Chokepoints/

Pakistan's Petroleum and LNG Exposure

Saudi Arabia is a longstanding oil partner, while Qatar anchors Pakistan's contracted LNG supply. Oil has a broader supplier base and some alternative routes. LNG procurement is more constrained by liquefaction capacity, specialised terminals and contracts. Damage to an LNG plant can disrupt supply long after shipping resumes, requiring distinct approaches to petroleum and gas security.

The fall in Pakistan's annual LNG import bill cannot be attributed solely to the March attacks on Qatar. In January 2026, the Petroleum Division announced arrangements to divert surplus Qatari cargoes because domestic demand was below contracted supply.⁴ The pre-crisis demand management and cargo adjustments therefore complicate interpretation of the annual figure. Import values alone cannot establish the scale of physical supply losses caused by the conflict.

The 2026 Hormuz Crisis

The conflict that began on February 28, 2026, sharply restricted Hormuz traffic. The U.S. Energy Information Administration (EIA) estimates that oil and petroleum-liquid transit averaged 4.9 million barrels daily in the second quarter of 2026, down from 21.6 million in the final quarter of 2025. Traffic improved following a June U.S.–Iran understanding, but renewed summer attacks constrained shipping again.⁵ For Pakistan, route security, freight and insurance costs became immediate energy-policy concerns.

March 18–19 attacks damaged Qatar's Ras Laffan LNG Trains 4 and 6. Qatar Energy's chief executive estimated that 12.8 million tonnes of annual capacity, about 17 percent of LNG exports, would be unavailable for three to five years.⁶ Qatar Energy subsequently said it needed to declare force majeure on affected contracts with customers in Italy, Belgium, South Korea and China; Pakistan was not named in that announcement.⁷ On May 14, Pakistan's Petroleum Minister confirmed that

⁴ "Gas Prices to Remain Unchanged; LNG Cargo Diversion Arrangement with Qatar," Petroleum Division, Government of Pakistan, January 6, 2026, <https://petroleum.gov.pk/NewsDetail/NzZiMzM5ODItZDk3ZC00MjhkLTg3Y2MtMDhIMTZmOWIxYThm>

⁵ Short-Term Energy Outlook: Global Oil Markets," U.S. Energy Information Administration, August 11, 2026, <https://www.eia.gov/outlooks/steo/archives/aug26.pdf>

⁶ Maha El Dahan, Andrew Mills and Yousef Saba, "Iran Attacks Wipe Out 17% of Qatar's LNG Capacity for Up to Five Years, QatarEnergy CEO Says," Reuters, March 19, 2026, <https://www.reuters.com/business/energy/iran-attack-damage-wipes-out-17-qatars-lng-capacity-three-five-years-qatarenergy-2026-03-19/>

⁷ "QatarEnergy Says It Needs to Declare Force Majeure on Some LNG Contracts," Reuters, March 24, 2026, <https://www.reuters.com/business/energy/qatarenergy-declares-force-majeure-lng-contracts-2026-03-24/>

coordination with Qatar had secured two cargoes amid Hormuz congestion and rising summer demand.⁸ These deliveries demonstrated cooperation, rather than uninterrupted LNG supply.

Saudi Arabia's February 2026 oil exports rose 0.6 percent year-on-year.⁹ Since the conflict began at the month's end, this figure cannot establish subsequent resilience. The East-West pipeline provides an alternative to Hormuz, but does not eliminate maritime risk. EIA's September outlook reported attacks on Saudi exports through Bab el-Mandeb and lower Yanbu shipments.¹⁰ Saudi routing flexibility therefore offers partial protection, not immunity from regional disruption.

Economic and Energy-Security Implications

Higher prices transmit the shock even when fuel remains available. On March 9, the SBP reported rising global fuel prices, freight and insurance costs, alongside disruption to cross-border trade.¹¹ With annual petroleum-group imports exceeding \$16 billion, sustained increases can widen the trade deficit, intensify foreign-exchange demand and raise transport, electricity and industrial costs. Domestic pricing decisions determine how these costs are shared between consumers and public finances.

Existing stocks provided a temporary buffer. On March 30, the government reported 23–24 days of diesel cover and around 11 days of crude cover, with further cargoes in transit.¹² SBP-held reserves stood at \$16.35 billion on March 13 and total liquid reserves at \$21.70 billion.¹³ These snapshots indicate short-term capacity to manage disruption, rather than protection against a prolonged crisis. Stocks and supplier cooperation bought time without removing dependence on imported fuel.

Future Risks

Pakistan remains exposed to both supply and price risks in global energy markets. Qatari LNG capacity losses could persist for years, and even if contracted cargoes continue to reach Pakistan, tighter global supply may raise spot prices and replacement-cargo costs. Renewed restrictions in the Strait of

⁸ "Ali Pervaiz Malik Thanks Qatar for Providing LNG Cargoes; Both Sides Agree to Continue Close Coordination on LNG Supplies," Press Information Department, May 14, 2026, https://pid.gov.pk/site/press_detail/32744

⁹ "International Trade in Goods Publication," General Authority for Statistics, April 23, 2026, <https://www.stats.gov.sa/en/w/news/185>

¹⁰ "Short-Term Energy Outlook: Global Oil Markets," U.S. Energy Information Administration, September 9, 2026, https://www.eia.gov/outlooks/steo/report/global_oil.php

¹¹ "Monetary Policy Statement," State Bank of Pakistan, March 9, 2026, <https://www.sbp.org.pk/press/2026/Pr-09-Mar-2026.pdf>

¹² "Cabinet Committee Reviews Fuel Stocks, Notes Stable Supply Amid Global Volatility," Press Information Department, March 30, 2026, https://pid.gov.pk/site/press_detail/32268

¹³ "Weekly Statement on the Position of Liquid Foreign Reserves," State Bank of Pakistan, March 13, 2026, <https://www.sbp.org.pk/ecodata/forex.pdf>

Hormuz could further increase freight and insurance costs without necessarily halting shipments. Simultaneous disruption in the Red Sea could also constrain Saudi Arabia's alternative export route. Therefore, the availability of physical supplies does not necessarily ensure affordability.

Sustained increases in oil and LNG prices would place additional pressure on Pakistan's foreign exchange position, public finances and household purchasing power. While long-term LNG contracts provide greater certainty for supply planning, they can also create surplus-cargo obligations when domestic demand declines, highlighting the need for greater contractual flexibility to manage both supply disruptions and periods of oversupply. Pakistan's limited commercial petroleum stocks provide only short-term protection against a prolonged disruption. Although a feasibility study for strategic petroleum reserves was launched in August 2026, a dedicated reserve system remains at the planning stage.¹⁴

Policy Recommendations

- Develop phased strategic reserves for crude, petrol and diesel using the feasibility study. Set stock targets, financing arrangements and release rules according to import dependence, storage capacity and fiscal cost.
- Improve LNG contract flexibility through diversion rights, emergency-cargo provisions and alternative suppliers. Assess additional terminal capacity against realistic demand and costs.
- Diversify fuel procurement beyond the Gulf, evaluating supplier reliability, refinery compatibility and shipping routes rather than geographical diversity alone.
- Accelerate refinery upgrades to expand domestic Euro-V production and crude-processing flexibility. These can reduce dependence on imported products, while imported-crude exposure remains.¹⁵
- Establish a permanent energy-crisis mechanism integrating stock levels, port and tanker movements, freight, LNG availability and foreign-exchange requirements, with clear responsibilities for emergency procurement.

¹⁴ "Petroleum Division Kicks Off Strategic Reserves Study," Petroleum Division, August 25, 2026, <https://petroleum.gov.pk/NewsDetail/NWQ4ODhmYjltOTlINS00YmZjLTg2NDItMzQ5NWVlZTc2MzY1>

¹⁵ "Petroleum Minister Reviews Refinery Modernisation, Energy Security and Supply Resilience," Petroleum Division, August 28, 2026, <https://www.petroleum.gov.pk/NewsDetail/ZTRjNDNkNjAtMmIxYi00ZDIyLTk3NzUtZGRmODU4MzQ1ODU3>

- Reduce oil demand through mass transit, efficiency standards and transport electrification, supported by reliable and affordable electricity.

Conclusion

The Hormuz crisis exposed Pakistan's dependence on concentrated suppliers, vulnerable sea lanes and costly fuel imports. Qatari infrastructure damage creates prolonged LNG supply risk, while Saudi Arabia's alternative routing offers only partial protection. Petroleum and LNG therefore require separate contingency plans within a coordinated energy-security strategy.

Maintaining petroleum availability during the initial shock did not resolve longer-term vulnerabilities. Strategic stocks, flexible contracts, diversified procurement and refinery upgrades should complement measures that lower fuel demand. Success should be assessed through supply continuity, affordability and reduced exposure to foreign-exchange shocks.