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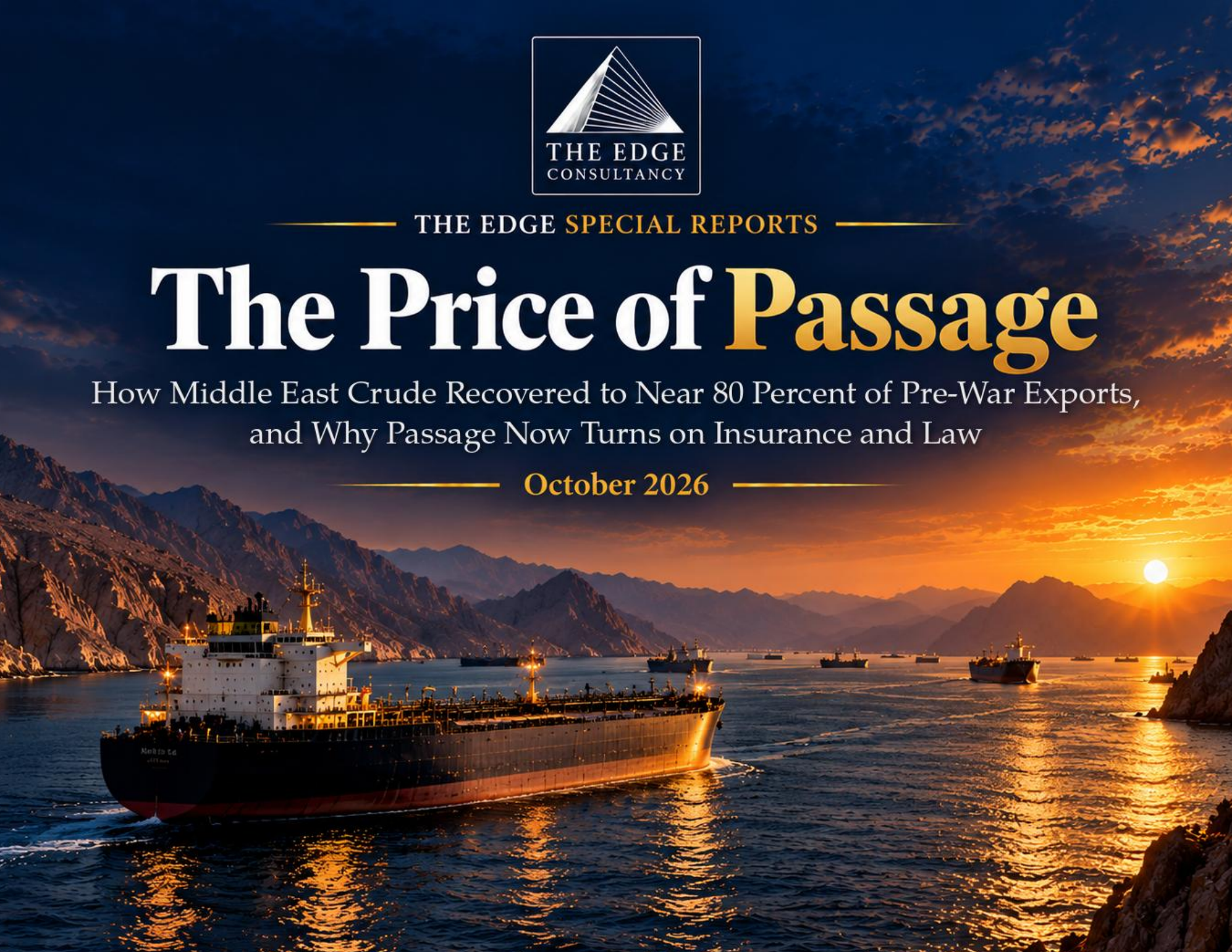
THE EDGE SPECIAL REPORTS

The Price of Passage

How Middle East Crude Recovered to Near 80 Percent of Pre-War Exports, and Why Passage Now Turns on Insurance and Law

October 2026



Executive Summary

Gulf crude is moving in volume again. Kpler put Middle East crude exports at just under 80 percent of pre-conflict levels in a note on 28 September, around their highest since the war began on 28 February, and on 2 October the International Energy Agency's executive director, Fatih Birol, told G7 leaders that crude exports from the region had recovered significantly. What it costs to get each cargo out is a separate question. That cost now turns on insurance and law as well as freight.

Three layers decide it. The first is the Joint War Committee's listed areas, which still cover the Gulf, the Gulf of Oman and the southern Red Sea and every state on the Gulf's shores; its current circular, JWLA-035 of 16 September, changed only the Black Sea entry. The second is the law. The US Treasury's Office of Foreign Assets Control warned on 24 August that US and non-US persons risk sanctions by dealing with the three designated bodies named in its alert on passage through the strait, including by accepting insurance or other services from them, even when nothing is paid; and where the model clause the Lloyd's Market Association published on 23 July is written into a hull policy, a qualifying payment to pass discharges the insurer from its obligations for the vessel. The third is whether a toll ever becomes a condition of passage. A US official said on 6 August that temporary routes would carry no tolls or charges; Iran's Fars agency reported, as carried on 6 August, that Iran plans penalties of up to 20 percent of cargo value for those who violate the terms of an agreement still under review; and on 4 October the speaker of Iran's parliament said the strait would not open until Iran's conditions were met.

Our reading is that the insurance market has stayed in the Gulf. The committee has stated that hull war cover remains in place and available in the London market, reviewed case by case, and Gallagher said in July that cover remained available, priced by vessel type, cargo and route. What no underwriter can price is a payment that discharges the policy, which is why the toll question, more than the oil price, will decide when premiums come down. Valued at Brent's close of 102.25 dollars a barrel on 2 October, a 2 million barrel cargo is worth 204.5 million dollars on our calculation, so a 20 percent charge on cargo value would cost 40.9 million dollars.

War Risk Cover Remains Available

War risk cover is priced privately: the rate is a matter for negotiation between underwriter and broker, and the committee that lists the areas where voyages must be notified to underwriters plays no part in setting it. What is on the record is availability. The committee has stated that hull war cover remains in place and available in the London market, through both Lloyd's syndicates and companies of the International Underwriting Association, though it can be reviewed case by case to reflect the perception of risk, and it describes the situation as highly unpredictable. A Gallagher spokesperson told CNBC on 30 July that war risk insurance was still available, that its cost varied with vessel type, cargo and routing, and that marine insurers were continuing to provide cover.

The risk being priced is on the official record. The International Maritime Organization counted 88 confirmed incidents and 24 seafarer fatalities in the Strait of Hormuz and the wider Middle East as at 30 September. Rates can move fast, too. In June 2025 Marsh McLennan put Middle East war risk rates among insurers still offering cover at 0.25 to 0.45 percent of ship value, up from 0.125 percent a few weeks earlier: a doubling at the low end and 3.6 times the earlier rate at the top, on our calculation, before this year's war took the strait out of normal commercial use. No approved originator has published a current Gulf hull war rate, and this report does not estimate one.

The Listed Areas

Cover starts from the listed areas. The committee publishes them in conjunction with its independent security advisers, Herminius, and a ship sailing into one is required to notify its underwriters. The current circular, JWLA-035, is dated 16 September 2026 and amended the Black Sea entry only. The Gulf entries stand as before: the Persian or Arabian Gulf, the Gulf of Oman, the Indian Ocean, the Gulf of Aden and the southern Red Sea, as defined in the circular, together with Bahrain, Iran, Iraq and its offshore oil terminals, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates.

Listed area	Entry in JWLA-035	Status
Persian or Arabian Gulf, Gulf of Oman, Indian Ocean, Gulf of Aden and southern Red Sea	Waters as defined in the circular	Unchanged
Gulf states	Bahrain, Iran, Iraq including all Iraqi offshore oil terminals, Kuwait, Oman, Qatar, Saudi Arabia, United Arab Emirates	Unchanged
Red Sea and Horn of Africa	Djibouti, Eritrea, Somalia, Sudan, Yemen	Unchanged
Europe	Black Sea, excluding the territorial waters of adjoining countries other than Russia and Ukraine	Amended 16 September 2026

Table 1. Selected listed areas. Entry requires notification to underwriters; rates are negotiated separately. Source: Joint War Committee, circular JWLA-035, 16 September 2026.

The Clause And The Toll

The legal layer starts with sanctions. In an alert dated 24 August, updating one of 1 May, the Office of Foreign Assets Control warned that US and non-US persons risk sanctions or penalties by engaging with the designated Persian Gulf Strait Authority, Persian Gulf Marine Insurance Company or HormuzSafe Marine Services Authority, including by accepting insurance or other services or by answering demands for guarantees of safe passage, even where no payment is made. Tolls, it added, could take many forms, from currency and digital assets to swaps, in-kind payments and nominally charitable donations, and the risk exists whatever the method.

The insurance wording sits alongside it. On 23 July the Lloyd's Market Association published LMA5708, the Strait of Hormuz Transit Fee Condition, a model clause for marine hull underwriters dealing with a transit fee, toll or other charge paid for a vessel to pass through Iranian territorial waters or otherwise transit the strait. Under it, insurers have no liability to indemnify such a payment and, where one has been made, are discharged from their obligations in respect of the vessel. The clause carves back charges levied only for specific maritime or navigational services that are legally permissible under the United Nations Convention on the Law of the Sea and any sanctions clause, and it sits alongside existing sanctions wording. Like every model clause, it applies only where underwriters choose to use it, and parties may amend it. Arabella Ramage, the association's legal and regulatory director, said it gives insurers and insureds a clear contractual position and evidences the insurer's due diligence and compliance.

On the toll itself, the statements point different ways. A US official told CNBC on 6 August that any temporary routes would need no approvals or permissions and carry no tolls or charges. An Iranian official linked to a temporary arrangement with Oman said shipping on it would face no fees or tolls, while Fars reported that Iran plans penalties of up to 20 percent of cargo value for those who violate the terms of the agreement, which is still under review. On 4 October Mohammad Bagher Ghalibaf, the speaker of Iran's parliament, said the strait would not open until Iran's seven conditions were met.

The shipping industry and its regulator set out their position in the summer. The International Maritime Organization's council, meeting from 6 to 10 July, stressed that any arrangement between the littoral states must guarantee the non-discriminatory and unimpeded right of transit passage for all ships through the traffic separation scheme adopted in 1968, and reaffirmed that passage should remain free of any tolls and charges in accordance with international law. On 3 August eight maritime associations, among them BIMCO, INTERTANKO, the International Chamber of Shipping and the World Shipping Council, wrote to the secretaries general of the United Nations and the organization that compulsory transit charges, or service fees that are a toll in all but name, would be a significant departure from established international practice.

A premium can be priced and passed along the chain; on our reading, a payment that discharges the cover cannot be priced, only avoided. Where the July clause is in a policy, the way back to normal rates therefore runs through passage free of charges, not through a negotiated fee.

Item	Position	Source and date
War risk cover	In place and available in London; reviewed case by case	Joint War Committee statement; Gallagher, 30 July
Listed areas	Gulf waters and Gulf states listed; Gulf entries unchanged	Joint War Committee, JWLA-035, 16 September
US sanctions	Risk for US and non-US persons dealing with the designated passage bodies, even without payment	OFAC alert, 24 August
Payment to pass	Not indemnified; insurer discharged for the vessel; carve-back for permitted navigational services	LMA5708, 23 July
Tolls, US position	No tolls or charges on temporary routes	US official, 6 August
Penalty in proposed agreement	Up to 20% of cargo value for violators; agreement under review	Fars, 6 August
Reopening	Not until Iran's seven conditions are met	Speaker of Iran's parliament, 4 October

Table 2. Positions on cover and passage, July to October 2026. Rates are agreed privately; the listing body plays no part in setting them. Sources: Joint War Committee; Office of Foreign Assets Control; Lloyd's Market Association; Gallagher, a US official, Fars and the speaker of Iran's parliament as reported by CNBC.

Flows Are Coming Back

The recovery started from August. The International Energy Agency put flows through the strait at 7.6 million barrels a day in August, 13.1 million below the pre-war level, which puts that level at 20.7 million and August at 36.7 percent of it, on our calculation. Saudi Arabia and the UAE moved quickly to divert what they could: exports from Yanbu on the Red Sea and Fujairah on the Gulf of Oman rose from 4.1 million barrels a day in February to 7.8 million in June, and by the agency's count the bypass routes had made up more than 500 million barrels of lost Hormuz supply since the conflict began. Attacks in the Red Sea brought those flows back to 5.5 million in August, and the East West pipeline to Yanbu was shut in early September after it was attacked, the agency said.

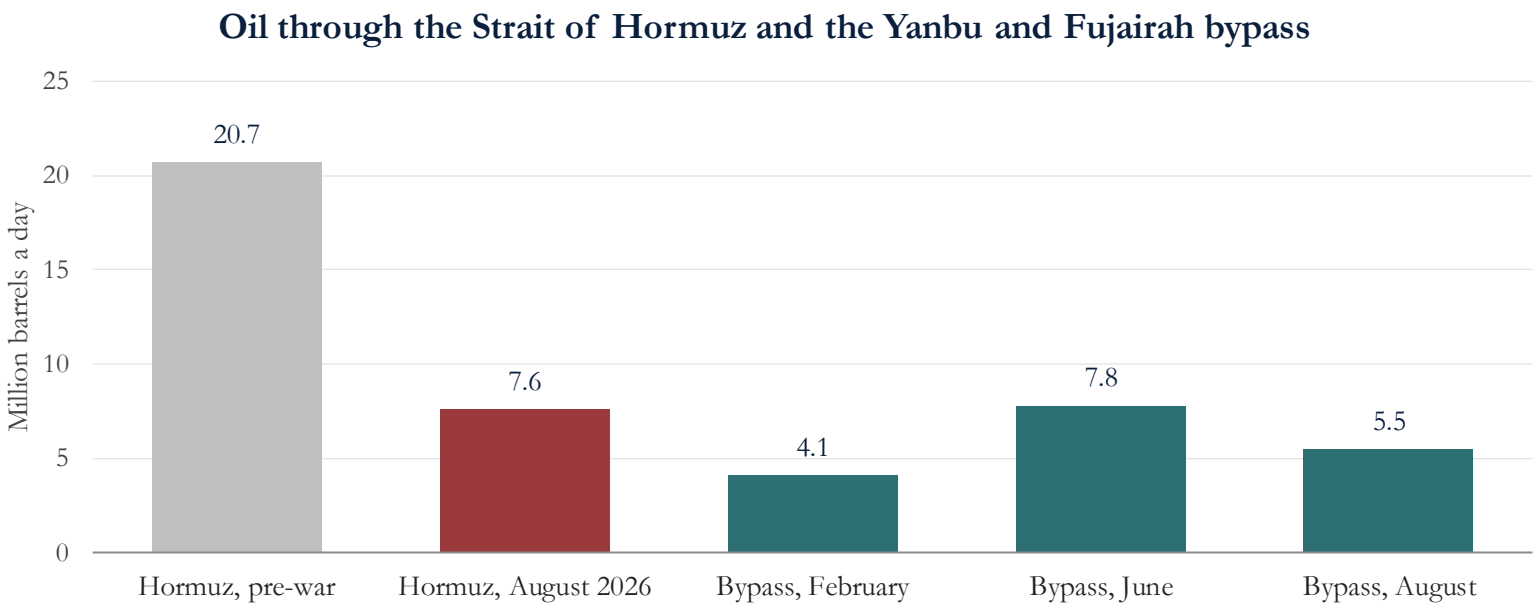


Figure 1. The Yanbu and Fujairah bypass nearly doubled between February and June, with Hormuz flows for comparison, million barrels a day. Source: International Energy Agency, commentary of 18 September 2026; pre-war level on The Edge calculation (7.6 plus 13.1).

The strait itself then began to carry more, helped, the agency noted, by US military support for transits. Kpler counted confirmed transits, a separate measure, at an average of 6.98 million barrels a day in the seven days to 20 September, and its real time tracking put total clearance through the strait at 10.591 million barrels a day on 26 September, against a pre-war baseline of 17.133 million. That day ran at 61.8 percent of the baseline, on our calculation. The firm's 28 September note put Middle East crude exports just under 80 percent of pre-conflict levels, and JPMorgan had estimated total Middle East oil flows at 17 million barrels a day on 18 September, more than 70 percent of the 2025 average. The tracking firm's baseline of 17.133 million and the agency's implied 20.7 million are different series, so the two shares are not directly comparable; both show the strait recovering.

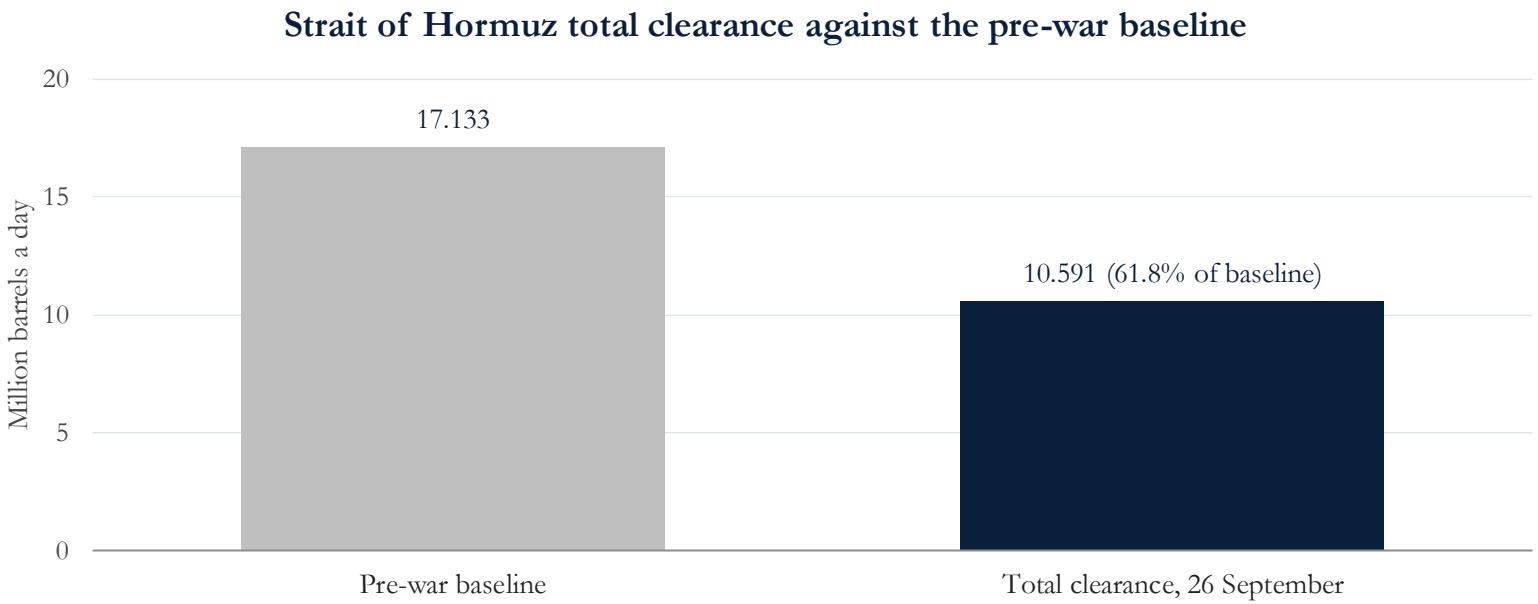


Figure 2. Hormuz clearance at 61.8 percent of its pre-war baseline on 26 September, million barrels a day. Source: Kpler, as reported by CNBC on 29 September 2026; share of baseline on The Edge calculation.

Consumers have had a cushion while the trade rebuilt. Around 325 million barrels of the 400 million pledged under the agency's collective action of 11 March had been released by 2 October, over 80 percent of the total, leaving about 75 million barrels of the pledge on our calculation. Birol told G7 leaders the same day that refined product flows from the region remained severely constrained even as crude recovered.

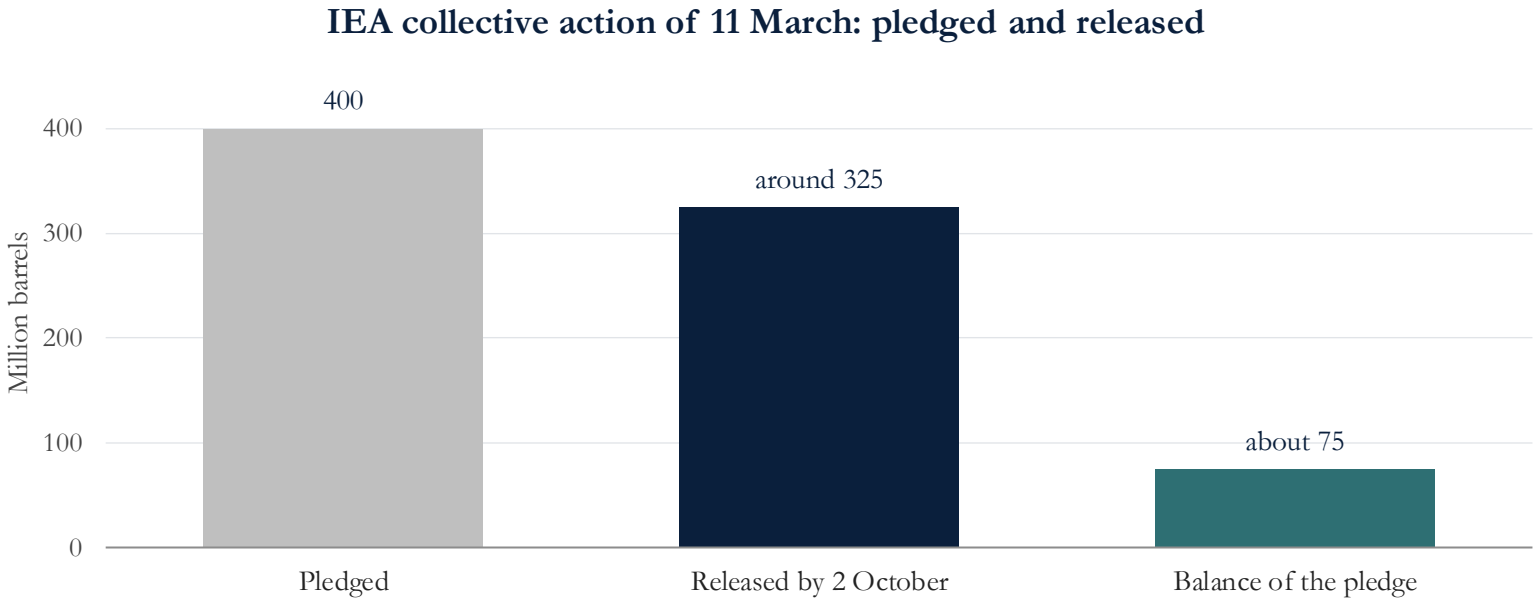


Figure 3. The IEA collective stock action, million barrels. Source: International Energy Agency, statement of 2 October 2026 (around 325 million barrels released); balance on The Edge calculation.

Measure	Level	Source and date
Hormuz flows, August 2026	7.6 million b/d	IEA, 18 September
Hormuz flows, pre-war	20.7 million b/d	IEA; The Edge calculation
Yanbu and Fujairah exports, February, June, August	4.1, 7.8, 5.5 million b/d	IEA, 18 September
Hormuz confirmed transits, 7 days to 20 September	6.98 million b/d	Kpler, 23 September
Hormuz total clearance, 26 September	10.591 million b/d against a 17.133 million baseline	Kpler, 29 September
Middle East crude exports	Just under 80% of pre-conflict levels	Kpler, note of 28 September
Total Middle East oil flows	17 million b/d, more than 70% of the 2025 average	JPMorgan, 18 September
Emergency stocks released	About 325 of 400 million barrels pledged	IEA, 2 October

Table 3. Flows, transits and stocks, February to October 2026. b/d is barrels a day. Sources: International Energy Agency; Kpler and JPMorgan as reported by CNBC; The Edge calculations.

What a Charge Costs One Cargo

Percentages become money on a single ship. Take a tanker carrying 2 million barrels, valued for illustration at Brent's close of 102.25 dollars a barrel on 2 October: the cargo is worth 204.5 million dollars, on our calculation, and each percentage point of cargo value charged on passage, whether called a fee or a penalty, costs 2.045 million dollars. A penalty at the 20 percent ceiling in the proposed agreement reported in August would come to 40.9 million dollars.

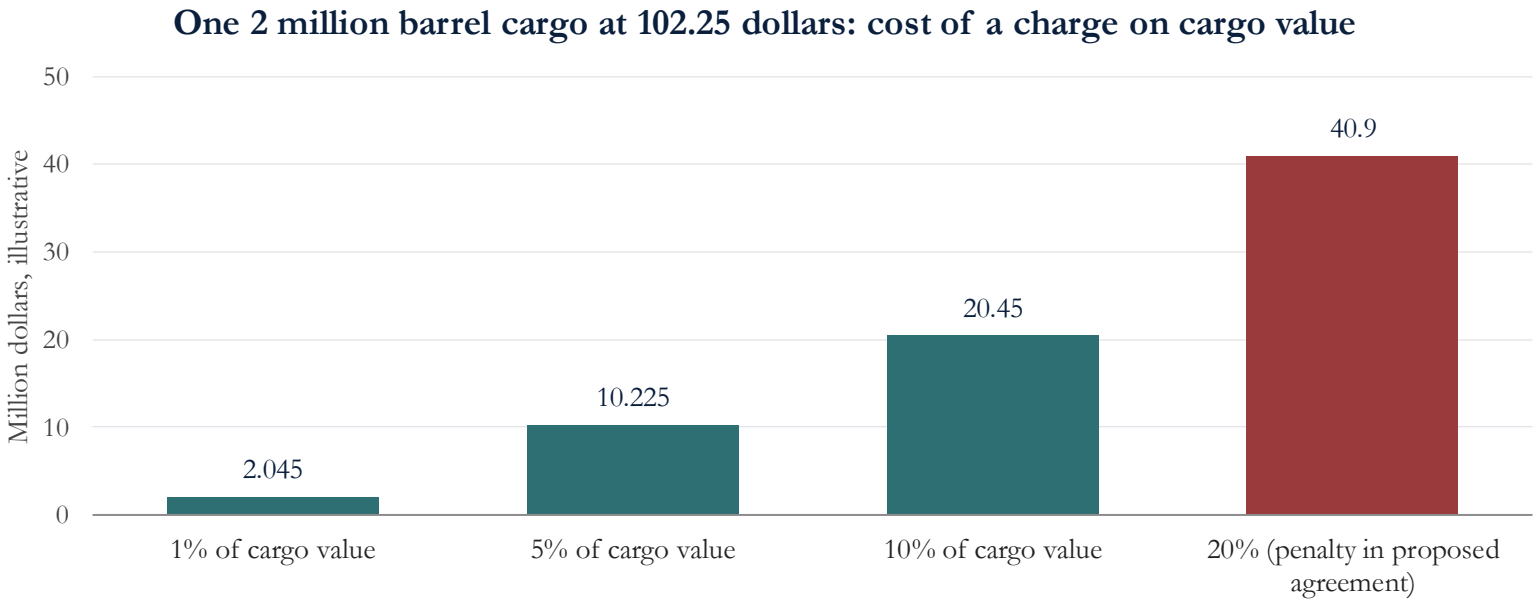


Figure 4. What a charge on cargo value costs on one 2 million barrel cargo, million dollars. Illustrative. Source: Brent close of 2 October 2026 and the 20 percent penalty level reported by Fars, both as carried by CNBC; The Edge calculations. The cargo size and the 1, 5 and 10 percent steps are illustrative.

The larger cost does not show in that arithmetic. Under a hull policy carrying the July clause, a qualifying payment to pass discharges the insurer from its obligations for the vessel, unless it is a charge for specific maritime or navigational services permitted under the Law of the Sea convention and sanctions wording. Producers that can load outside the strait, at Yanbu and Fujairah, do not face that question at all.

Why it matters: for Gulf exporters, the physical trade has adapted faster than the legal one. Saudi Arabia and the UAE turned Yanbu and Fujairah into a bypass that has offset more than 500 million barrels of lost Hormuz supply, by the energy agency's count. For Kuwait, Qatar and Bahrain, whose seaborne exports all leave through the strait, the figure that counts is clearance, and it reached 61.8 percent of its pre-war baseline on 26 September, on our calculation. With cover still on offer at a price, the cost of each cargo now turns on whether passage stays free of charges rather than on the oil market.

Outlook: the first fall in Gulf war risk rates is most likely to follow a further rise in clearance through the strait. Each step toward the pre-war baseline of 17.133 million barrels a day lengthens the run of completed voyages on which cover is written. The second signal is passage free of charges, the position of the maritime organization's council, the eight shipping associations and the US official quoted in August; where the July clause is in a policy, a fee-free reopening can bring rates down and a negotiated toll cannot. The Edge base case is that the Gulf listings are carried forward at the next review and that cover stays available at negotiated prices while incidents continue, as with the attacks UK Maritime Trade Operations recorded on 1, 2 and 3 October and the further attack warning it listed on 4 October. The US Energy Information Administration expects Middle East oil production to rise in the coming months as flows through the strait increase and alternative routes are used, although it keeps crude production below pre-conflict averages until the second quarter of 2027; its next outlook is due on 6 October. Every barrel of recovered Hormuz clearance, and every cargo that leaves through Yanbu and Fujairah, adds to the case for lower rates.

Methodology Note

The pre-war Hormuz level of 20.7 million barrels a day is the August flow of 7.6 million plus the stated shortfall of 13.1 million. Shares of baseline divide the stated level by the stated baseline. The stock balance is the pledge less the release. Rate multiples divide the June 2025 quoted rates by the earlier 0.125 percent. Cargo costs apply each percentage to a 2 million barrel cargo at the Brent close of 2 October; the cargo size and the 1, 5 and 10 percent steps are illustrative. Wire figures are as reported on the dates given in the references, and statements by officials are attributed as reported.

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Each reference links to a primary or official source or to an approved news organisation. Data as of 4 October 2026.

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