TRILATERAL ENERGY SECURITY COMMITTEE

The 2026 Strait of Hormuz Disruption:

Impacts on the United States, Japan, and the Republic of Korea, and a Trilateral Path to Resilience

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Current State of Affairs

Following the U.S. and Israeli strikes on Iran that triggered Tehran's de facto closure of the Strait of Hormuz, the global energy system has absorbed the largest supply shock since the 1973 oil embargo, as roughly 13 and 20 percent of seaborne oil and LNG, respectively, that normally transit the Strait have been removed from the market (IMF 2026a). Brent crude breached $100/barrel on March 8 and peaked at $126/barrel during April. While the Henry Hub natural gas benchmark has remained largely insulated from the disruption, continuing to trade at relatively low levels of around $2-3/MMBtu as of late April, prices in Asia and Europe have surged. As a result, the International Monetary Fund has cut its 2026 global growth forecast accordingly (IMF 2026b).

In addition to oil and gas costs, there are also substantial and expanding knock-on effects that are cascading downstream and into other industries. In the U.S., the Dallas Federal Reserve estimates that a three-quarter closure would lift headline personal consumption expenditures inflation by 1.47 percentage points in 2026 (Federal Reserve Bank of Dallas 2026). One example of the breadth of impact is the use of thermal coal as an interim solution to the missing barrels. However, even in this chain, the availability and price of the diesel oil used to fuel upstream production and to aid downstream combustion in coal power plants is in turn impacted, constraining operation. These types of impacts extend across multiple industries, including agriculture and fisheries (fertilizer and diesel inputs), construction (materials dependent on naphtha-based solvents), and healthcare (plastic gloves and absorbent products).

Unilateral and Regional Responses

The U.S. authorized the release of 172 million barrels from the Strategic Petroleum Reserve over 120 days as part of a coordinated, International Energy Agency member 400-million-barrel release (IEA 2026). Simultaneously, U.S. Gulf Coast crude exports surged: over 200,000 barrels/day now transit the Panama Canal bound for Asia, with 171 tankers en route to U.S. Gulf Coast load ports in April and 28 very large crude carriers (VLCCs) already fixed for May (BOE Report 2026; P&GJ 2026). Washington has leaned on supply expansion and market signaling, while continuing to pressure Iran to open the Strait, which has included blocking Iranian port access via blockade.

Japan's Ministry of Economy, Trade and Industry (METI) instructed ten domestic storage bases to begin the country's largest-ever strategic release—80 million barrels beginning March 16, equivalent to roughly 45 days of reserves and preparing for an additional release equivalent to 20 days (Japan Times 2026; METI 2026a). With the Gulf countries via Hormuz Strait (i.e. excluding Oman) supplying 93 percent of Japan's crude, 74 percent out of its naphtha import, and 6 percent of its LNG (METI 2026b), METI has also greenlit emergency cargo purchases from the U.S., Mexico, and West Africa. Japan also announced the "POWERR Asia" framework in April, under which the Japan Bank for International Cooperation (JBIC) and Nippon Export and Investment Insurance (NEXI) will be providing $10 billion of financial assistance in loans and guarantees to local companies facing challenges in their supply chains to Japan to help stabilize prices in Southeast Asia (Reuters 2026; METI 2026c).

The Republic of Korea, which sourced 61 percent of its crude and 54 percent of its naphtha through the Strait of Hormuz last year, has executed the most aggressive diversification drive. Through a special presidential envoy, Seoul has secured 273 million barrels of crude from suppliers delivering outside the Strait—including 50 million barrels from Saudi Arabia via Red Sea ports and priority allocation of 200 million barrels through year-end, plus fresh tonnage from Kazakhstan and Oman (Bloomberg News 2026; UPI 2026). The Ministry of Trade, Industry and Energy (MOTIE) for the Republic of Korea has also imposed a five-month prohibition on naphtha exports in principle—permitting them only with ministerial approval starting March 27—while securing 2.1 million tons of replacement naphtha from alternative sources (KBS 2026). The Korea Gas Corporation (KOGAS)-JERA Memorandum of Understanding signed March 14, providing for LNG cargo swaps and joint shipping optimization, has emerged as the most concrete bilateral crisis response to date.

A Trilateral Path Forward

While the stockpile releases provide short-term relief, they could easily be exhausted and do not contribute to long-term stability. The Triad should now convert crisis cooperation into durable, structural resilience along three axes.

Near-term: Implement Price-Stabilization Policies and Diversify the Energy Portfolio

Market volatility during crises is often exacerbated by constraints in insurance and reinsurance underwriting. To reduce volatility and transaction bottlenecks, strategic, government-backed insurance support mechanisms should be established to backstop these markets during energy crises. Additionally, action should be taken to reduce overreliance on any single fuel, which is essential for price stability. Joint initiatives for such energy portfolio diversification could include the development of U.S. coal export capacity on the West Coast as an interim diversification measure. Parallel joint investments in long-term alternatives such as small modular reactors (SMRs), hydrogen, biofuels and renewable energy would also contribute to a diversified portfolio, enhancing resilience and dampening volatility across global energy markets.

Medium-term: Establish Cooperative Ownership of Strategic Energy Reserves

Japan, Korea, and the U.S. should pursue cooperative ownership and management of key strategic reserves to improve flexibility via two key mechanisms. First, they should establish ship-based LNG strategic reserves equipped with reliquefaction facilities. This would be more cost-efficient than land-based storage; it could be redeployed to regions experiencing acute shortages, and function as mid-chain swap or balancing terminals during normal market conditions. Second, the three governments should negotiate a reserved "energy security booking tranche" for vessels carrying critical industrial feedstocks and priority access to allied ports during times of market disruption. Recent crises have shown that products such as naphtha can pose greater risks to industrial stability than primary energy fuels.

Long-term: Expand Upstream, Transport, and Export Infrastructure for U.S. LNG and Energy

Despite elevated global LNG spot prices, U.S. LNG export volumes have not increased proportionally due to liquefaction and transport constraints. As a result, Japan and Korea face structural limitations in securing additional U.S. LNG cargoes in the near term. To address these challenges, Japan, Korea, and the U.S. should establish a joint trilateral infrastructure fund focused on expanding flexible oil and LNG export and transport capacity.

- Panama Canal bottleneck mitigation via investment to manage drought and water level constraints, expand capacity, and secure priority transit contracts for Japanese and Korean LNG carriers during peak demand periods. Most U.S.

LNG projects are concentrated in the Gulf of Mexico, making the Panama Canal a critical chokepoint for exports to Japan and Korea.

- U.S. West Coast export capacity development - including Alaska - and cooperation with Canada to reduce reliance on the Panama Canal, shorten shipping times, and lower transportation costs to Japan and Korea. This would increase flexibility for both LNG and oil (including VLCC-compatible infrastructure) and enable broader U.S. energy infrastructure expansion.
- Expanded offtake capacity in Japan and Korea, including refinery reconfiguration to adopt U.S. oil, and shared bilateral storage capacity around Japan's western coast and Korea, including virtual storage via contractual arrangements. This would strengthen regional energy security, extend benefits to Southeast Asia, and lock in long-term U.S. cargo routing, thereby sustaining investment incentives in new U.S. export infrastructure.

Together, these measures would convert the current ad hoc emergency response into a standing trilateral energy-security architecture - one that both mitigates the 2026 disruption and compresses the strategic value that any actor could extract from threatening transport chokepoints in the future.

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