

22.06.2026

Global Oil's Hormuz Trap: Is Russia the Winner?

The closure of the Strait of Hormuz—the choke point of international trade logistics—has plunged commodity markets into a semi-comatose state. According to International Energy Agency estimates, more than 14 million barrels of crude oil per day cannot leave the region, and producers' cumulative losses since the beginning of March have exceeded 1 billion barrels. The IEA assesses the situation as an "unprecedented supply shock." And there is no end in sight to this shock.

“We can see that the deepest crisis in the industry continues, and a huge amount of oil is not entering the market today,” remarked Russian Deputy Prime Minister Alexander Novak regarding the situation. According to him, because demand exceeds supply, this leads to an imbalance against the background of logistical difficulties and tensions in the Middle East.

However, demand will also sag under the pressure of circumstances: the IEA expects it to decrease by 418 thousand barrels per day by the end of 2026, down to 104 million bpd. The organization's report also indicates that global oil inventories fell by 129 million barrels in March, and by another 117 million in April, amid the military-political crisis surrounding Iran and supply disruptions. To stabilize prices fluctuating in a wide range of $100–120 per barrel, IEA member countries had to release these volumes from their emergency reserves. Concurrently, oil-producing nations are taking steps to mitigate the impact on markets. For instance, Saudi Arabia has rerouted part of its exports through terminals located outside the strait, while the US has increased supplies to Asia.

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But this does not change the overall picture; today, it is generally composed of many multidirectional fragments, "pro" and "con" factors. Realities are changing rapidly, and this chaotic movement, this daily flurry of events, renders any long-term forecasts meaningless.

Production and Exports

The new situation affects absolutely all market players, and Russia is no exception. Today, it is impossible to understand whether it has gained from what is happening or, rather, lost. Time will tell. However, there are already highly significant figures that are not directly related to the events surrounding Iran. According to the IEA data, Russia's oil production in April amounted to just 8.83 million bpd, which is 130,000 bpd less than the March figure (and 5% less than the figure from a year ago). The country has not produced this little since May–July of the COVID-19 year of 2020. Back then, as a result of an agreement with OPEC+, Russia had to sharply cut production to 8.53–8.65 million bpd following a collapse in global oil demand due to the pandemic and lockdowns introduced by many countries.

The current decline is due to a series of airstrikes on export infrastructure facilities, including port terminals, pipelines, and oil refineries. Due to shipping bottlenecks, storage facilities are filling up faster than usual. Specifically, as noted by the Center for Macroeconomic Analysis and Short-Term Forecasting (CMASF), Transneft—which pumps 80% of all extracted oil—could not fully accept crude into its system from producers who planned to export it through the Baltic port of Ust-Luga.

But production is one thing, and exports are another. In April, daily average crude oil exports rose by 250,000 barrels compared to March, reaching 4.9 million barrels. This figure includes pipeline supplies to Hungary and Slovakia, which resumed after a three-month hiatus. The remaining growth was driven by the Baltic ports of Ust-Luga and Primorsk, which restored operations after some of their facilities were damaged by drone strikes. Meanwhile, the Russian government expects that oil production this year will remain at the previous level—around 511 million tons of crude oil and condensate (according to the Ministry of Economic Development's baseline scenario). This is equivalent to approximately 10.26 million bpd; condensate (which is not included in IEA statistics) accounts for about 10% of total Russian production.

The CMASF has revised downward its forecast for oil and petroleum product export volumes for 2026–2029, taking into account, in particular, the factor of the EU's 20th sanctions package agreed upon in late April. Among other things, it included restrictions on the operations of energy sector companies (such as Bashneft, Slavneft, and others), more than 40 vessels

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(linked to the Russian shadow fleet), and two seaports—in Tuapse and Murmansk. These measures lay the groundwork for a future full-scale ban on the maritime transport of Russian crude oil and petroleum products.

April Shift

Meanwhile, in May, the export price of the flagship Urals crude oil, calculated for tax purposes, reached its highest level since October 2023 at $94.87 per barrel. Obviously, the situation with the blockade of the Strait of Hormuz and the subsequent rise in commodity prices provided certain support to the Russian budget. The influx of petrodollars has already allowed Siluanov's ministry to resume replenishing the National Wealth Fund and postpone cuts to non-priority expenditures. But the government's plans were partly disrupted by the rouble, which strengthened due to high interest rates, import cuts, and an increased supply of foreign currency from exporters. A stronger national currency, as is well known, leads to lower tax revenues from oil barrels traded in dollars.

According to the Ministry of Finance, oil and gas revenues in April exceeded the March figure by 38.7% (reaching ₽855.6 billion), but for the first four months of 2026, they fell by 38.3% compared to the same period last year. Thus, the grounds for optimism are highly conditional. This is especially true given that the budget deficit for January–April reached an impressive ₽5.9 trillion (2.5% of GDP). It remains unclear how significant the contribution of raw material revenues will ultimately be to the comprehensive state measures aimed at covering it.

“April became the first month when the federal treasury felt the impact of skyrocketing global oil prices driven by the Middle East conflict and the closure of the Strait of Hormuz,” says Denis Astafyev, head of SharesPro fintech platform. - At the same time, the damper mechanism consumed a significant portion of the growth—total compensations to oil refiners for the oil feedstock excise tax, the fuel damper, and the investment premium amounted to about ₽377 billion, compared to ₽55 billion in March. This is an inevitable price to pay for stability in the domestic fuel market, but it significantly reduces the net impact on the budget”.

The average price of the Urals blend over the four-month period has already settled at around $64 per barrel, which is higher than the $59 initially budgeted. In May, oil and gas revenues will grow even further, as Russian oil cost an average of about $95 per barrel in April. Due to large-scale destruction of energy infrastructure in the Gulf countries, this market configuration—favorable to exporters—will persist for quite some time, making it realistic to expect that the annual budget

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target of ₽8.9 trillion for oil and gas revenues will be met. According to Astafyev, if the scenario plays out, the deficit will be contained within the projected parameters. However, once the Strait of Hormuz reopens, the price momentum will start to subside.

Solution to the Problem?

“In January–March, oil and gas revenues amounted to only ₽1.44 trillion and were 45.4% lower than last year's level,” notes Vladimir Chernov, an analyst at Freedom Finance Global. - At the time, the Ministry of Finance directly attributed this very weak result to unfavorable conditions in foreign markets. However, in April, according to the Ministry of Economic Development, the average price of Urals used to calculate the mineral extraction tax (MET) reached $94.87 per barrel, compared to $77 in March, $44.59 in February, and $40.95 in January, which is already noticeably higher than the baseline price of $59 per barrel set by the fiscal rule”.

This provides significant support to the treasury, but it is clearly not a solution to the ₽5.9 trillion deficit problem. In Chernov's view, oil and gas revenues will remain elevated in the foreseeable future if Urals stays significantly above $80 per barrel, and if the Strait of Hormuz is not unblocked anytime soon. Thanks to these revenues, pressure on the budget will ease; however, the need to control spending and increase borrowing will persist.

“The April increase of 38.7% is largely due to technical factors: a quarterly recalculation of MET Tax and AIT (Additional Income Tax) traditionally takes place in this month, while the low Urals quotes in February and March are reflected in the tax base with a time lag, explains Ahmed Yusupov, partner at the Goldman & Po. – Therefore, this is more likely a recovery effect after a weak start to the year rather than a sign of a sustainable trend reversal. It is still difficult to assess the situation as entirely positive for the budget. Oil and gas revenues remain significantly below last year's level, and it is these revenues that provide a substantial portion of federal inflows”.

Against this background, a high pressure on the non-oil and gas sector of the budget persists, and the deficit continues to be offset by domestic borrowing and the use of the National Wealth Fund (NWF). Its further dynamics, according to Yusupov, will depend on several factors: global oil prices, OPEC+ policies, the rouble exchange rate, and the overall state of the global economy.

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Anton Siluanov urged not to overestimate the impact of rising oil prices on the budget, stating that for March and April, the levels of 'revenues and shortfalls' were practically identical. It turns out that the actual profit over these two months was microscopic. But what lies ahead, over a longer horizon?

The World Is Moving Toward Fragmentation

“The history of the Strait of Hormuz as an international corridor of free navigation seems to be over,” says Igor Rastorguev, leading analyst at AMarkets. – Iran has established a system of “political face-control”: Russia, China, and India are granted access as friendly nations, the US and Israel are completely blocked, and everyone else pays for passage or negotiates terms. I would not rush to call this a total victory for Tehran—de facto influence exists, but de jure international recognition of these rules does not and will not, as the UN Convention on the Law of the Sea explicitly prohibits charging transit fees. However, while negotiations are ongoing and guns are firing, the law of the mighty prevails over the law of the sea”.

And oil hovering above $100–110 is the market's logical response to an unprecedented supply disruption. Even with a formal truce, a quick return to normalcy should not be expected: insurance premiums have multiplied, shipowners are in no hurry to take risks, and trust in the strait has been seriously and permanently undermined. The market is now pricing in not only the current crisis but also a permanent premium for the risk of its recurrence. Paradoxically, this situation plays to Russia's advantage, Rastorguev believes. The key buyers of its oil—China and India—still heavily rely on alternative supplies; furthermore, the crisis has unexpectedly given a second wind to the stalled negotiations on pipeline routes to the PRC. This is a strategic window of opportunity that must not be missed.

However, on April 1, a powerful counter-factor emerged, creating risks for both Russia and the entire oil-producing community: the completely no-nonsense exit of the UAE from OPEC and the OPEC+ deal. This is pointed out by Mikhail Nikitin, Head of International Business and Finance Practice at 5D Consulting. According to the analyst, Riyadh's decision marks the beginning of the end of OPEC in its previous format as a tool for collective pricing. The Emirates' motive is understandable: they have long been irritated by the obligation to restrain production to 3.2–3.4 million barrels per day, given their actual capacity of nearly 4.8 million and their goal to reach 5 million by 2027. However, this step creates the prerequisites for a "domino effect": following the UAE, other countries may also terminate their membership in the cartel.

“For Russia, Hormuz stabilizes the situation in the short term—as long as the strait remains closed, additional Emirati barrels

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will not enter the market," Nikitin summarizes. - Problems will arise when the conflict in the Middle East concludes and the UAE begins to increase production free from any commitments. Global supply will gain a sustained additional influx, causing oil prices to drop, which will hit our country hard. Concurrently, the world is heading toward fragmentation—namely, long-term bilateral contracts, fixed pricing, and regional buyer blocs. In this rationale, Russia has room to maneuver by establishing direct ties with Asian consumers.

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