GoldSquawk

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UAE builds a layered Hormuz hedge, but not a full substitute

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Key takeaways

- Among Gulf producers, only Saudi Arabia and the UAE currently have operational crude routes that can materially bypass Hormuz, with roughly 3.5-5.5 mb/d of available capacity combined depending on operating conditions; that remains small against the 21.6 mb/d of crude and petroleum liquids that moved through Hormuz on average in 4Q25.[1,2]
- The UAE's current crude bypass rests on the Habshan-Fujairah/ADCOP line and Fujairah infrastructure. EIA gives current pipeline capacity at 1.8 mb/d, while ADNOC documents describe a 1.5 mb/d design with scope to rise to 1.8 mb/d; the IEA estimates around 1.1 mb/d was being exported via the route, leaving up to 700 kb/d of additional room in a Strait-closure scenario.[3,1,4]
- ADNOC is formally expanding that system. EIA says a second 1.5 mb/d pipeline is under construction for 2027, while ADNOC and Abu Dhabi official statements say it will double export capacity through Fujairah.[3,5,6]
- The UAE is pairing routing with storage. EIA says Fujairah's underground crude storage facility holds 42 million barrels, while ADNOC also leases strategic storage in South Korea, Japan and India; ADNOC states cooperation in South Korea provides access to up to 24 million barrels, and its India agreement established 5.86 million barrels at Mangalore.[3,7,8]
- The main risk is that vulnerability is being redistributed, not eliminated. Fujairah loadings were temporarily halted after a drone attack and fire in March 2026, while the IEA says congestion, rerouting and ship-to-ship transfers have lengthened delivery times and reduced fleet efficiency.[9,10]

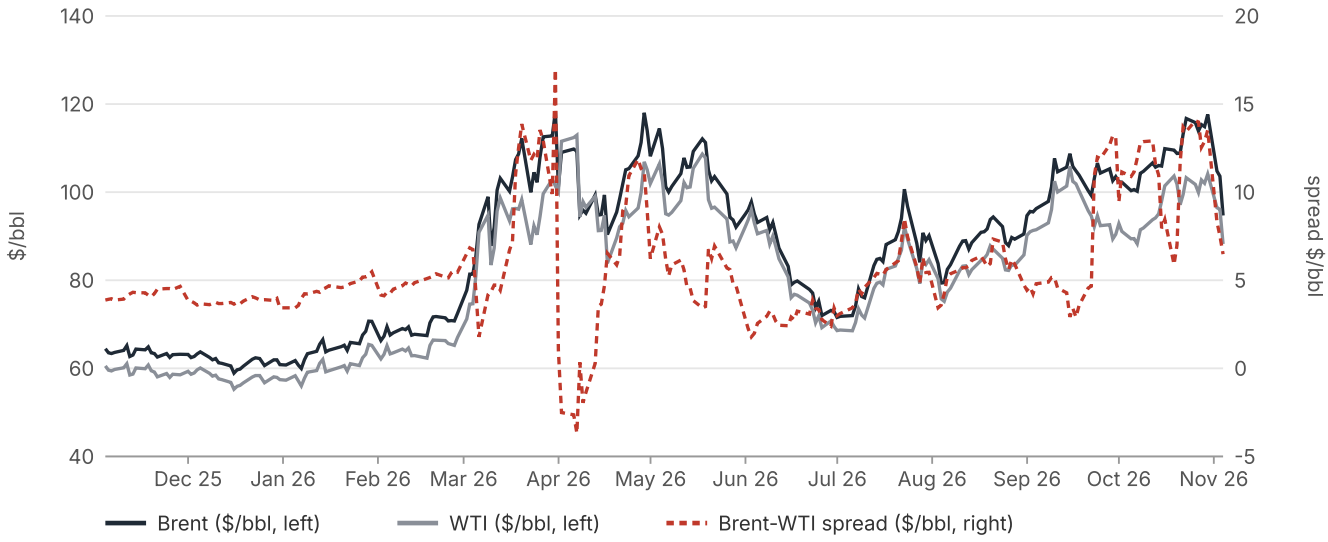
Hormuz disruption has shifted the debate from bypass to resilience

- Hormuz remains the dominant energy chokepoint. The IEA says any disruption has huge consequences for world oil markets, and EIA data show crude oil and petroleum liquids transiting the Strait averaged 21.6 mb/d in 4Q25 before dropping to 4.9 mb/d in 2Q26 during the disruption.[1,2]
- This scale matters because bypass capacity is limited. The IEA says only Saudi Arabia and the UAE have operational crude pipelines that can reroute flows around Hormuz, with roughly 3.5-5.5 mb/d of available combined capacity depending on operating conditions.[1]
- The strategic lesson is broader than pipeline capacity alone. ADNOC said in May that too much of the world's energy still moves through too few chokepoints and argued for more investment in pipelines, storage and upstream capacity; its March operations update also said it used bypass export capacity and international storage facilities during the disruption.[6,11]

The UAE's hedge is centred on Fujairah

- The core asset is the Habshan-Fujairah/ADCOP crude line. ADNOC describes an approximately 406 km pipeline, with financial documents specifying a 404-km, 48-inch line commissioned in July 2012; ADNOC materials describe design capacity of 1.5 mb/d with ability to increase to 1.8 mb/d, and EIA uses 1.8 mb/d as current capacity.[12,13,4,3]
- The export route depends on terminal infrastructure as well as the pipe. ADNOC documents say Fujairah export facilities include a tank farm linked to three single-point moorings, while ADNOC's 2022 terminal update said more than 2 mmbpd of production capacity was connected to Fujairah and Jebel Dhanna through more than 1,000 km of pipeline.[13,14]
- Storage is the key buffer. EIA says the UAE completed a 42 million barrel underground crude storage facility at Fujairah in 2023, and VTTI said ADNOC already had 8 million barrels of storage in Fujairah before that addition.[3,15]
- Fujairah also sits inside a wider commercial storage ecosystem. VTTI says its Fujairah terminal has 1.943 million cubic metres of capacity across 66 tanks and 11 jetties, while GP Global lists 412,000 cubic metres in its first phase. This does not all translate into dedicated UAE crude export capacity, but it expands optionality for staging, blending and logistics.[16,17]

Figure 1: Brent-WTI spread remains elevated versus WTI inland pricing



Source: ICE Brent and NYMEX WTI front-month futures via Yahoo Finance; GoldSquawk calculations, as of 04 November 2026.

New capacity improves continuity, but bottlenecks shift elsewhere

- The confirmed expansion is a second west-east pipeline. EIA says ADNOC is constructing a second 1.5 mb/d pipeline for 2027, while ADNOC and Abu Dhabi official statements say it will double export capacity through Fujairah; ADNOC said on 20 May that the project was 50% complete.[3,5,6]
- There is public reporting about a possible third crude pipeline, but verified official detail is limited in the source set here. The cautious formulation is that a third line is under consideration, while the hard facts remain the existing bypass line, the 42 million barrel Fujairah underground storage facility, and the confirmed second pipeline due in 2027.[18,3]
- The 2026 disruption showed these assets support continuity rather than full replacement. EIA says the UAE continued producing and exporting some crude during the effective closure, and the IEA says Saudi Arabia and the UAE maintained most shipments thanks to bypass investments, while regional crude exports via alternative routes and ship-to-ship transfers rose to 13.9 mb/d in September, above 75% of pre-war levels.[3,19,20]

- But the bottleneck can simply move. Fujairah loadings were temporarily halted after a drone attack and fire in March 2026, Bloomberg later reported supertankers turning away from Fujairah amid attacks, and the IEA noted higher freight costs after drone attacks on Saudi Arabia's East-West pipeline on 11 September 2026.[10,21,9]

Qatar shows the limits of Gulf rerouting

- The LNG contrast is stark. The IEA says disruption to LNG flows through Hormuz is a major global gas supply shock because Qatar has a large role in LNG trade and no true maritime bypass.[1]
- The closure hit gas harder than crude in routing terms. The IEA says the war and de facto closure disrupted LNG flows that had accounted for almost 20% of global LNG supply, while its 3 November commentary said around 97% of Qatar's LNG exports were affected.[22,19]
- This helps explain the wider Gulf push toward a resilience stack of routing, storage, shipping control and downstream placement closer to end-users. ADNOC's India agreements tied supply partnerships to energy storage opportunities, and the company has argued for more stockpiles and refining closer to users.[23,6]

Scenarios

- **Resilience build-out gains traction:** Progress on the UAE's second west-east pipeline, added Fujairah hardening and expanded overseas stockpiles would strengthen the UAE's ability to sustain exports outside Hormuz and improve its relative position against Gulf producers with no crude bypass route.[3,5,6,7]
- **Bottleneck migration:** If threats intensify around Fujairah, Red Sea routes or tanker availability, the benefit of extra pipeline capacity could be limited by terminal operations, marine loading, insurance and shipping constraints rather than the Strait itself.[13,21,9,10]
- **Partial continuity, not substitution:** Even with new UAE and Saudi infrastructure, bypass systems may continue to preserve only part of normal regional export flows because Hormuz baseline volumes are much larger than available alternative capacity, while LNG remains highly exposed.[1,2,19]

Levels to watch

- WTI last close: $88.24/bbl
- WTI 200-day moving average: $86.85/bbl
- WTI 50-day moving average: $95.16/bbl
- Brent-WTI spread: +$6.48/bbl
- WTI 52-week range: $55.27-$112.95/bbl

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Glossary

SPM: Single-point mooring, an offshore loading point that allows tankers to load crude from a terminal without berthing alongside a quay.

STS transfer: Ship-to-ship transfer, where cargo is moved between vessels at sea or at anchorage to manage logistics or routing constraints.

Nameplate capacity: The designed or rated operating capacity of a pipeline, terminal or plant, which may differ from actual throughput in practice.

Debottlenecking: Operational or engineering work to relieve constraints and raise effective throughput from existing infrastructure.

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