

# Navigating Supply Chain Disruption Arising from The Strait of Hormuz Blockade

## Introduction

Commercial transactions are typically founded on the expectation that the prevailing conditions at the time of agreement will remain sufficiently stable to allow each party to fulfill its obligations. Contracts are entered into in good faith, supported by assumptions of reliable trade routes, stable commodity prices, and a well-functioning international order. However, when geopolitical tensions intensify or conflicts arise, these assumptions may prove invalid, resulting in businesses, governments, and economies facing unforeseen and often unavoidable challenges.

The situation in the Strait of Hormuz (“Strait”) clearly exemplifies this risk. The escalation of hostilities between the United States, Israel, and Iran on 28 February 2026 resulted in the closure of the Strait, which constitutes the world’s most vital oil transit chokepoint, through which approximately 21 million barrels of crude oil and petroleum products are transported daily, representing roughly 21% of the global supply. Typically, about 3,000 vessels transit the Strait each month; however, this number significantly declined during recent hostilities, with Iran threatening to attack tankers and other ships.

The Strait, a narrow passage measuring merely 33 kilometres at its narrowest point, is not an ordinary expanse of water. It serves as a crucial conduit for the global energy economy, enabling the transit of approximately 25 percent of the world’s seaborne oil trade and 20 percent of the world’s liquefied natural gas (LNG) prior to the conflict.

Furthermore, the Strait constitutes a vital conduit for the export of fertilizer from the Middle East, a region heavily dependent on natural gas for manufacturing processes. Typically, approximately one-third of global fertilizer trade traverses this route. This article employs the crisis in the Strait of Hormuz as a case study to explore the concept of supply chain risk, its particular impacts on Nigeria, and the strategies that enterprises and governments should implement to manage such crises in the future.

## Understanding Supply Chain and its Risk

*What is a supply chain?*

A supply chain encompasses all the steps necessary to convert raw materials into finished goods and deliver them to end-users. It comprises procurement, production, warehousing, transportation, distribution, and retail consumption. Each link within this chain must operate seamlessly to ensure that products are delivered to customers in an efficient and cost-effective manner.

Supply chains are of paramount importance as they directly influence a company’s profitability, competitiveness, and resilience. An efficiently optimized supply chain can reduce costs, enhance

delivery timeliness, and increase customer satisfaction. Conversely, disruptions within the supply chain, including delays, shortages, or geopolitical events, may result in substantial financial losses, reputational harm, and operational risks.

#### *Supply Chain Risk*

Successive and overlapping shocks from public health emergencies, climate impacts, and geopolitical tensions have rendered the global supply chain vulnerable. The ongoing crisis in the Strait introduces additional risks by threatening energy flows and elevating the potential for increased costs, delays, and ongoing disruptions for businesses. This situation has compelled decision-makers to critically evaluate potential risks, both domestically and globally, and to consider how these may practically affect supply chains and business operations.

### **Lessons from the Strait Blockade**

#### *a. Building Resilience before the Crisis*

Supply chain resilience denotes the capacity of a supply chain to revert to its original state or transition to a more advantageous state following a disruption. The paramount lesson derived from the Strait crisis is that resilience must be cultivated prior to the occurrence of a crisis, rather than during it. Resilient supply chains depend on adaptability and redundancy, achieved through backup resources such as alternative suppliers, excess capacity, and safety stock, as well as trust, information sharing, visibility, velocity, leadership, and innovation to mitigate risk. Furthermore, supplier diversification is essential. Excessive dependence on a single region or route, as evidenced by the crisis, introduces unacceptable risk; geographically diverse supplier relationships enable operations to adapt when a source is compromised. Additionally, building resilience extends to contract drafting and risk allocation. Every commercial contract within an exposed supply chain should incorporate a clearly articulated force majeure clause, delineating the qualifying events, the obligations of the parties, the consequences of invoking the clause, and the circumstances excluded. This clause must be grounded in the four fundamental principles of force majeure: unforeseeability, uncontrollability, causation, and mitigation.

#### *b. Immediate Response during the Crisis*

In the event of a crisis, the immediate priority for impacted organizations is to activate pre-established contingency plans, evaluate their legal standing under existing contractual agreements, and communicate proactively with all relevant counterparties. Legally, organizations should promptly review all affected contracts to identify force majeure clauses and determine whether the prevailing circumstances meet the stipulated criteria. Commercially, organizations should investigate all available alternative performance options.

#### *c. Recovery and Reform after the Crisis*

Reopening the strait immediately would not lead to instant recovery. Analysts estimate container traffic could take four to six weeks to stabilize, while LNG carriers might need eight to thirteen weeks to return to normal. Businesses should plan for a prolonged and uneven recovery, not a quick return to normal once the conflict ends. This includes preparing for persistent shipping delays, fluctuating freight costs, and limited vessel availability as supply chains gradually recover.

## **Conclusion**

In conclusion, the situation in the Strait serves as a reminder of the critical importance of proactively managing supply chain risks within an unpredictable global environment. Businesses are advised to enhance resilience by diversifying their supplier networks, preparing for various contingency scenarios, and establishing robust contractual protections. During a crisis, the ability of companies to swiftly adapt operationally in real time is paramount. Furthermore, it is essential to acknowledge that recovery processes typically occur gradually; therefore, both businesses and governments can more effectively mitigate the impacts of geopolitical disruptions and maintain the continuity of vital supply chains by implementing the strategies outlined above.

## Contributor



**Adesola  
Ogunbanjo**

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**+234 708 165 7271**  
**[info@roukco.com](mailto:info@roukco.com)**