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Maritime Transport Challenges in Iraq in Light of Disruptions in Maritime Transport Chains (Reality, Solutions, and Challenges)

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● **Policy Paper**



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Executive Recommendations

- The Iraqi government's orientation towards purchasing used crude oil tankers with an operational age not exceeding (5) years, of the (VLCC) type with a capacity reaching more than two million barrels, and tankers of the (Supermax) type with a capacity reaching more than one million barrels, with the prices of these tankers being around (140) million dollars and (95) million dollars each, respectively, as the purchasing process does not require a long time to implement. According to the monthly loading schedule announced by the State Organization for Marketing of Oil (SOMO), the number of tankers transporting Iraqi oil is about (85) tankers per month; therefore, it is unreasonable for Iraq to remain at the mercy of foreign shipping companies without owning a single crude oil tanker.
- Negotiating with Iran to allow Iraqi tankers to export their oil through the strait, especially since Iraq's stance is supportive of the Islamic Republic and rejects the war against it, despite Iran having repeatedly declared that it would not interfere with

tankers carrying the Iraqi flag.

- Increasing the export capacity of the Turkish Ceyhan port line and utilizing its full capacity, which stands at around (1,100,000) barrels per day, as well as expediting the maintenance and re-operation of the second Ceyhan line, which passes outside the borders of the Region, with an export capacity of (500) thousand barrels per day.

Introduction

Maritime transport of oil in Iraq is considered the most important vital and economic artery, as it is the main window through which it overlooks global markets. Through the oil ports in the south, crude oil, petroleum products, and condensates are exported via the Arabian Gulf, passing through the Strait of Hormuz, and then to various world markets, to secure more than 90% of the state's general budget revenues. This gives this sector top priority in supplying the economy and keeping pace with the growing global demand for crude oil, especially in light of the Zionist-American war against the Islamic Republic of Iran. Therefore, the closure of the strait causes a major

deterioration by halting the production and export of Iraqi crude oil, as a result of Iraq's reliance on foreign shipping companies to transport its crude oil and products, and its lack of a fleet of specialized tankers for transporting crude oil.

First: The Strategic Importance of the Strait of Hormuz

The Strait of Hormuz is considered the only maritime entrance to the Arabian Gulf, as it is the sole maritime outlet for (Qatar, Iraq, Kuwait, Bahrain), while (Saudi Arabia, Iran, the UAE, the Sultanate of Oman) possess other maritime outlets outside the waters of the Arabian Gulf. Since these countries are oil producers, most of their oil exports pass through the strait, amounting to around (16) million barrels per day. Added to this are the gas exports from the UAE and Qatar, which reached (130) billion cubic meters during the year 2024.

In light of this, the Strait of Hormuz is the strategic artery of global energy, representing about (25-30%) of seaborne oil exports, and it also constitutes (20%) of the liquefied gas trade globally.

Second: Some Important Points Related to the Strait of Hormuz

- Primary destination of exports through the strait: More than 85% of these exports go to Asian markets, with China leading the list of importers at a percentage exceeding 37%, followed by India, Japan, and South Korea.
- The strait's geostrategic location: Any disruption in this corridor immediately affects global energy prices, given the massive quantities and the difficulty of finding sufficient land alternatives to absorb the entire oil production in the Gulf states and Iraq. This is what is currently happening, as international oil and gas markets have been affected by supply shortages through this strait.
- The current status of the strait: After the strait witnessed a near-total halt in the passage of tankers and the accumulation of more than (2,000) ships on both sides of the strait as a result of geopolitical tensions and the Iranian forces' declaration to strike any tanker carrying the flag of a country allied with America and Israel, which prompted some countries

to increase reliance on alternative pipelines such as the (Saudi East-West Pipeline), and in Iraq (the Kirkuk-Ceyhan line), and the (Habshan-Fujairah line) in the UAE.

Third: Economic Damages to Iraq as a Result of Closing the Strait

1. The closure process of the Strait of Hormuz led to the suspension of most oil-producing fields as a result of the fullness of oil storage tanks and the inability to export.
2. The departure of some foreign companies investing in the oil sector, such as (Malaysian Petronas, Schlumberger, Halliburton, Italian Eni), as well as companies operating in the Region that were subjected to missile attacks by Iranian forces.
3. The cessation of crude oil exports of more than (3,200) million barrels per day since the date of March 3, 2026.
4. The cessation of petroleum product exports of more than (9,000) tons per day of fuel oil, naphtha, and Qayyarah crude oil, which is equivalent to (65,000) barrels per day since the date of March 14, 2026.

Fourth: Financial Losses to the Oil Maritime Transport Sector in Iraq as a Result of Closing the Strait

1. Loss of crude oil export revenues, which are estimated at around (320) million dollars daily, in addition to not benefiting from the opportunity of rising oil prices.
2. Loss of petroleum product export revenues, which are estimated at around (5,850,000) dollars daily.
3. Loss of revenues and fees of oil ports, which amount to (1.8) dollars/GRT, and can be estimated at around (290,000) dollars for each tanker of the (VLCC) type.
4. Loss of revenues and fees of Khor Al-Zubair and Um Qasr ports, amounting to around (8) dollars/ton, which can be estimated at around (72,000) dollars daily.
5. Loss of revenues by the Iraqi Oil Tankers Company as a result of the suspension of its owned tankers' activities, which can be estimated at around (220,000) dollars daily.
6. Loss of revenues by the Maritime Transport Company from its fuel oil transport activity, which is estimated at around (53,000) dollars daily.

7. Total financial amounts lost are around (326,485,000) dollars daily, i.e., approximately (10) billion dollars monthly.

Fifth: Alternative Solutions Currently Followed for Exporting Crude Oil and its Products in Iraq

In light of the suspension of tanker passage through the Strait of Hormuz, the Iraqi government followed two land routes for export, namely (land transport via pipelines) and (land transport via tank trucks) to compensate for part of the financial losses suffered by the general budget, as follows:

- 1- Land transport via pipelines: and it is carried out through:
 - Export via the (Kirkuk - Ceyhan) pipeline at a rate of 200 - 250 thousand barrels per day.
 - The Iraqi Ministry of Oil is maintaining and rehabilitating the second pipeline of the Kirkuk - Ceyhan route, with an export capacity reaching 200 thousand barrels per day.
 - In addition to opening discussions regarding a project to extend a pipeline from southern ports to

the Syrian port of Baniyas, and the Basra - Aqaba pipeline project to ensure a permanent outlet on the Mediterranean Sea and the Red Sea.

2- Land transport via tank trucks:

- The Syrian line: operating convoys of tank trucks reaching around (500 - 750) tank trucks daily to transport crude oil and petroleum products to the port of Baniyas and from there to global markets, at a rate of (100 - 150) thousand barrels per day, subject to increase.
- The Jordanian line: exporting by land via tank trucks under memoranda of understanding, at discounted prices, and in small quantities of around (10) thousand barrels per day.

Sixth: Challenges Facing the Mentioned Alternative Solutions:

The solutions followed by the Iraqi government to export crude oil and its derivatives face several challenges, which can be detailed as follows:

1- Challenges facing transport via pipelines

- Although transport via pipelines has economic feasibility in diversifying oil export outlets, it also

- entails a high transit cost estimated at around (10-12) dollars per barrel, compared to the cost of maritime transport via tankers, which stands at around (2.5 - 3) dollars per barrel.
- Periodic and continuous maintenance of pumping stations, tracking and monitoring of pipelines, and providing protection points for very long distances, which increases the transport cost per single barrel.
 - Transport via pipelines leads to the immobilization of large quantities of crude oil inside the pipeline during pumping, the value of which can be estimated at around (1,875,000) dollars; from an economic perspective, these funds are considered idle capital.
 - Export sometimes stops due to technical and legal disputes between the Region and the central government.
 - Transport via pipelines allows the passage of small quantities compared to the large oil production in Iraq.
- 2- Challenges facing transport via tank trucks:
- Export using tank trucks is highly expensive, at around (110) dollars/ton, and the load of a single

tank truck ranges around (30) tons, equivalent to approximately (200) barrels, meaning that the transport cost per barrel ranges from (16-17) dollars per barrel.

- Trucks cannot transport massive quantities of crude oil, as a single truck's load is around (200) barrels, meaning that a single crude oil tanker requires 10,000 trucks to replace it, hence the difficulty of providing this large volume of trucks.
- Transport via tank trucks leads to congestion and causes traffic accidents, in addition to the depreciation caused by tank trucks to the roads they pass through.
- Lack of fuel stations, restaurants, and rest areas for tank truck drivers on the border roads with Syria and Jordan, causing great suffering to the drivers.
- Security threats targeting tank trucks loaded with crude oil or petroleum products.

Despite the existence of these alternatives for oil exports, they constitute only (11%) of the crude oil quantities that used to be exported via southern ports in Basra Governorate, passing through the Strait of Hormuz.

Seventh: Future Proposals Necessary for the Sustainability of Oil Exports in Iraq

The crisis of closing the Strait of Hormuz represents an existential challenge buffeting the rentier Iraqi economy, which relies on oil exports; therefore, lessons must be learned from this crisis, and focus must be redirected toward sovereign projects such as the Grand Faw Port and the Development Road.

The Grand Faw Port represents the most important strategic project at both the regional and local levels. It was designed by the Italian consultant with an annual capacity of (99) million tons, including (66) million tons for handling container cargo and (30) million tons for handling bulk cargo, in addition to adding a crude oil export platform with a capacity of (240) thousand barrels per day. Moreover, the draft of the Grand Faw Port, which exceeds (20) meters, allows it to receive mega ships and giant oil tankers.

The strategic location of the Grand Faw Port, overlooking the Arabian Gulf with great depths, gives it greater flexibility through logistical independence, with advanced

stages of it completed during the year 2026. Consequently, Iraq seeks through it to connect the berths of this port directly to the Development Road, making the port the main artery supplying the European continent with Asian goods via Turkey, without passing through long distances via the Suez Canal and other routes.

Operating this port according to the planned designs and capacities works to turn Iraq into a global transit hub, thereby reducing the sensitivity of the Iraqi economy to fluctuations in the global oil market or the risks of closing international maritime channels and waterways.

Conclusion

The Iraqi government must benefit from the crisis of closing the Strait of Hormuz and identify the flaws that buffeted the Iraqi economy as a result, by transforming the proposals and projects discussed from promising projects into an urgent economic necessity and national sovereignty projects. These projects transcend geopolitical knots, as they enhance the Iraqi economy's ability to face crises, in addition to diversifying the paths through which the sustainability of its oil exports and commodity trade is maintained, by owning a diverse fleet of oil tankers and providing land paths via railways and highways from Basra to the Turkish border, then to Europe, which means the continuous flow of goods in the event of a disruption to maritime navigation. It also provides export alternatives for crude oil and petroleum products via pipelines, tank trucks, and trains toward Turkish, Syrian, and Jordanian ports.



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