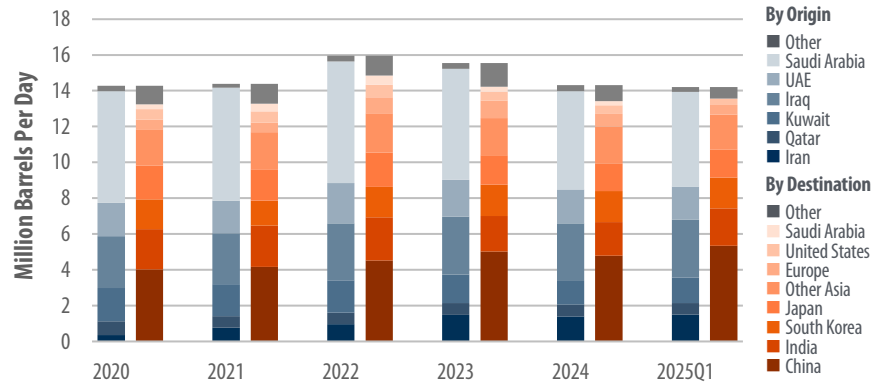


Hormuz, Oil Flows, and the U.S. Strategic Petroleum Reserve

Geopolitics have once again collided with global energy markets. Escalating tensions with Iran and the potential closure of the Strait of Hormuz, a narrow waterway through which roughly 20% of the world's oil supply passes each day, have pushed oil prices sharply higher and raised concerns about a sudden disruption in global supply. While the United States is now the world's largest oil producer, the Strait of Hormuz remains one of the most critical chokepoints in global energy trade, with more than four-fifths of the crude moving through it ultimately destined for Asian economies such as China, India, Japan, and South Korea. As a result, any sustained disruption would reverberate far beyond the Middle East, tightening global supply and putting upward pressure on prices worldwide. In this week's Three on Thursday, we examine where the oil flowing through the Strait of Hormuz typically goes, how much supply could be at risk if flows are disrupted, and whether the U.S. Strategic Petroleum Reserve could help cushion the impact domestically. For more details, see the three charts below.

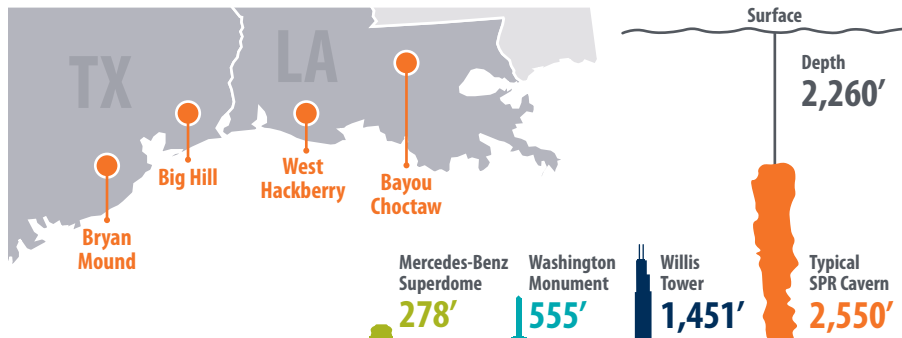
Volume of Crude Oil and Condensate Transported Through the Strait of Hormuz



Source: U.S. Energy Information Administration (EIA), Vortexa, First Trust Advisors. Annual data 2020-2024, quarterly data for Q1 2025.

Located between Oman and Iran, the Strait of Hormuz connects the Persian Gulf to the open waters of the Indian Ocean, serving as the only maritime passage for the region's petroleum exports. Of the 77 million barrels of crude oil produced globally per day in the first quarter of 2025, 14 million passed through the Strait of Hormuz. This corridor is a lifeline for Asian energy security in particular. In the first quarter of 2025 (the latest data available from the EIA), approximately 89% of the crude oil and condensate moving through the Strait was destined for Asian markets, led by China (37.7%), India (14.7%), South Korea (12.0%), and Japan (10.9%). By contrast, the U.S. has significantly reduced its reliance on the passage, with these flows representing only 2.5% of the Strait of Hormuz's total volume and approximately 6.0% of total U.S. crude imports in that timeframe.

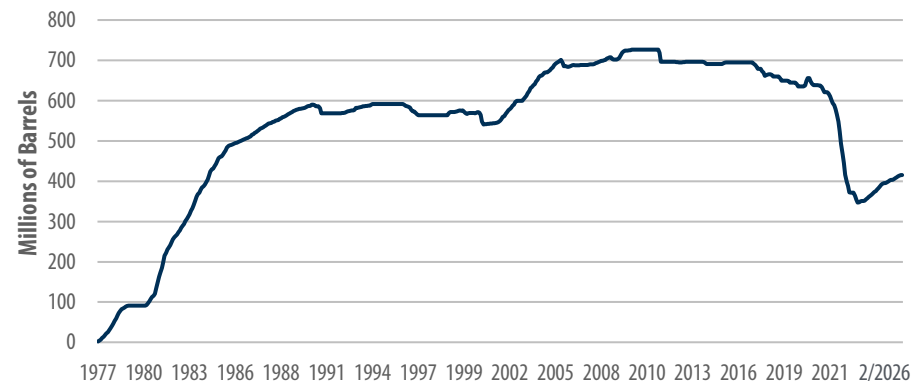
Strategic Petroleum Reserve



Source: Energy.gov, First Trust Advisors. Data as of 8/31/2025.

The U.S. Strategic Petroleum Reserve (SPR) comprises 60 salt caverns strategically situated across four locations along the Gulf Coast, with two sites in Texas (Bryan Mound and Big Hill) and two in Louisiana (West Hackberry and Bayou Choctaw). These central locations facilitate the efficient distribution of oil to nearly half of all U.S. oil refineries through interstate pipelines or barges. The salt caverns are roughly cylindrical in shape with an average height of 2,550 ft (almost half a mile) and diameter of 200 feet. As of last week, the average price paid for the oil in storage is \$29.70 per barrel. In total the SPR has the authorized ability to hold 714 million barrels of oil, but the current level is nowhere close to that.

U.S. Ending Stocks of Crude Oil in SPR



Source: U.S. Energy Information Administration, First Trust Advisors. Monthly data from 10/1977-2/2026.

As of March 6, 2026, the Strategic Petroleum Reserve (SPR) held 415.4 million barrels, up 19.8% from the recent low of 346.8 million barrels reached on July 7, 2023. Even so, inventories remain 34.9% below the 638.1 million barrels in storage when President Biden took office. Despite oil prices easing at times over the past few years, neither administration has made rebuilding the reserve a clear priority. At the end of 2025, the SPR's 411 million barrels of crude equated to roughly 125 days—more than four months—of U.S. crude oil net imports. While the reserve can help offset supply disruptions, it is not an immediate solution: after a presidential authorization, it typically takes about 13 days for oil to begin reaching the market, with a maximum drawdown capacity of roughly 4.4 million barrels per day. This could help lower oil prices temporarily, but it would not be a long-term solution.