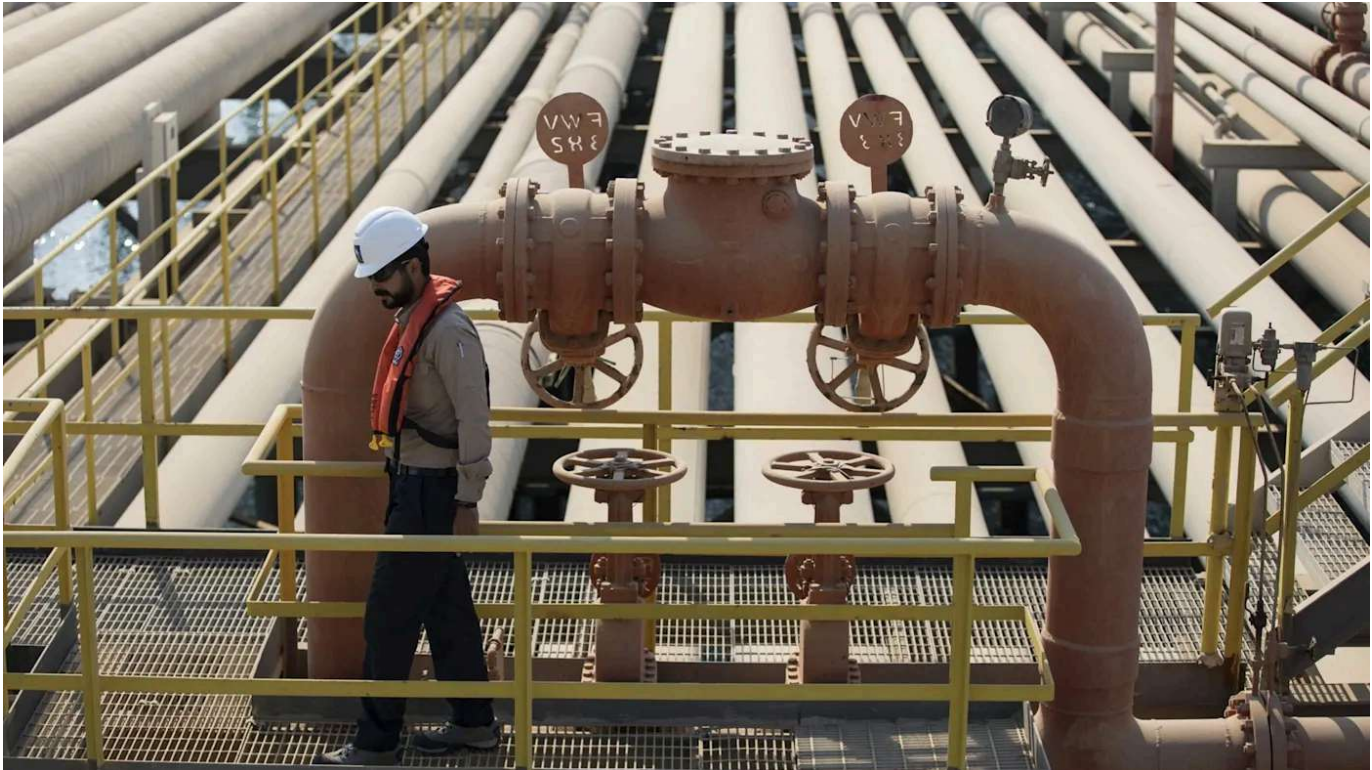


Oil & Gas industry**Gulf states consider new pipelines to avoid Strait of Hormuz**

Conflict prompts countries to revisit plans that replicate Saudi Arabia's East-West pipeline despite huge cost and complexity



Saudi Arabia's 1,200km East-West pipeline was built in the 1980s after fears the Iran-Iraq war would close the strait and is now a key lifeline © Simon Dawson/Bloomberg

Malcolm Moore in London, **Mehul Srivastava** in Tel Aviv and **Abigail Hauslohner** in Washington

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The threat of open-ended Iranian control over the Strait of Hormuz is pushing Gulf countries to revisit costly plans for pipelines to bypass the choke point so they can continue to export oil and gas.

Officials and industry executives say new pipelines may be the only way to reduce Gulf countries' enduring vulnerability to disruption in the strait, even though such projects would be expensive, politically complex and take years to complete.

The current conflict has underscored the strategic value of Saudi Arabia's 1,200km East-West pipeline. Built in the 1980s after fears that the Iran-Iraq "tanker war" would close the strait, it is now a key lifeline, delivering 7mn barrels of oil a day to the Red Sea port of Yanbu, bypassing Hormuz entirely.

"In hindsight the East-West pipeline looks like a genius masterstroke," said one senior Gulf energy executive.

Amin Nasser, chief executive of Saudi's state-run oil giant Aramco, told analysts last month that the pipeline is the "main route that we are capitalising on right now".

Now the kingdom is considering how it can export more of its 10.2mn barrels of daily production by pipeline, rather than through Iranian-controlled waters. This includes examining whether it should expand the capacity of the East-West pipeline further or build new routes.

Previous plans for pipelines across the region have repeatedly stalled, undone by high costs and complexity. But Maisoon Kafafy, a senior adviser to the Atlantic Council's Middle East programmes, said the mood in the Gulf has now changed.

"I'm sensing a shift from hypotheticals into operational reality," she said. "Everyone is looking at the same map and they are drawing the same conclusions."

Rather than individual projects, the most resilient option "is not a single alternative pipeline but rather a network, a web of corridors", said Kafafy, although she added that it would also be the hardest to achieve.

Current and potential pipelines in the Middle East



Source: FT research
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In the longer term, any new pipelines are likely to form part of trade routes through which a wider range of goods beyond oil and gas can flow.

One option is the revival of US-led plans for an ambitious corridor that would run from India through the Gulf and then to Europe, called IMEC, one Gulf official said, although part of this project originally included a politically tricky pipeline that ran to the Israeli port of Haifa.

Yossi Abu, the chief executive of Israeli company NewMed Energy, said he was confident that pipelines to the Mediterranean Sea would be built, whether they terminated at Israeli or Egyptian ports. “People need to control their own destinies, with their friends,” he said. “You need oil pipelines, railway connectivity, throughout the region, onshore, without giving others bottlenecks to choke us.”

Christopher Bush, the chief executive of Cat Group, the private Lebanese company that was one of the main builders of Saudi’s East-West pipeline, said there was plenty of interest in new projects even before the war began. “We have had enquiries about various different pipelines,” he said. “I have multiple different presentations on my desk.”

But the obstacles remain immense, he added. The cost of replicating the East-West pipeline today, which involved blasting through the hard basalt of the Hijaz mountain on Saudi’s Red Sea coast, would be at least \$5bn, Bush estimated. Proposals for more complicated multi-country routes from Iraq through Jordan, Syria or Turkey would cost \$15bn to \$20bn.

“It has been looked at. There are even front-end engineering studies for [such routes from] Iraq. There is an opportunity that has been discussed,” he said.

But security risks include “a lot” of unexploded bombs in Iraq and the continuing presence of Isis or other militants. Pipelines running south to ports in Oman would also face the difficulty of passing through both desert and hard-rock mountains, Bush warned.

Ports in Oman are not immune from Iranian security threats. Drone attacks on the key port of Salalah in recent days forced it to shut temporarily.

Political challenges also include who will operate the pipeline and control the flow. A network of pipelines would require Gulf countries “to abandon their individualist policies and combine. It was always deemed cheaper and safer to bring a ship, load a ship and sail a ship,” Bush added.

In the near term, the most viable options may be to expand the East-West pipeline and also Abu Dhabi’s existing route to Fujairah. This would increase capacity without the complications of new cross-border infrastructure.

Saudi Arabia could also develop additional export terminals on its Red Sea coast, including at the deepwater port being built for the Neom project. “I am sure they are looking at it as a possibility,” said Bush. “You have a lot of smart minds looking at all of this now. It is a big problem.”

Saudi Arabia’s energy ministry did not respond to a request for comment.

One senior energy executive said Abu Dhabi had “always had a plan B for a second pipeline to Fujairah”. But they added that no decisions are likely to be made until the long-term status of the Strait of Hormuz becomes clear. Adnoc, Abu Dhabi’s state oil company, declined to comment.

The UK is [leading talks](#) between 35 countries aimed at forming a coalition to reopen the strait.

Kafafy agreed that Gulf states will take a while to assess the situation with the waterway, but said they now recognise that the scale of the current energy crisis demands a new way of thinking. “The conversations have moved further along the chain,” she said. “I do not expect [the status quo] to return to where it was pre-conflict.”

Cartography by Cleve Jones

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