Middle East war

Saudi Arabia shuts East-West pipeline that bypasses Hormuz after attacks

Move is likely to put further momentum behind fast-rising oil prices

Oil markets have been rattled this week by the Houthi attacks on Saudi Arabia and the rebels' advance in Yemen © Yahya Arhab/EPA/Shutterstock

Malcolm Moore in London

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Saudi Arabia has shut down its crucial East-West pipeline after it was attacked on Thursday, threatening a vital alternative route for crude exports from the Gulf and putting more upward pressure on oil prices.

The official Saudi Press Agency quoted an energy ministry source as saying it had halted operations along the pipeline as a "precautionary measure" after attacks in the Riyadh and Madinah regions caused a "number of injuries".

The ministry source said it would announce further developments in due course and did not say how long it would take to restore operations.

The Saudi foreign ministry said the pipeline had been hit by drones from Iraq and added that the kingdom would not retaliate "at this stage" after a request from the Iraqi prime minister.

Iran-backed militias in Iraq have previously fired missiles and drones at the kingdom during the US and Israel's war with Iran.

The attack on the pipeline came as Iran-backed Houthi rebels this week fired waves of missiles and drones into Saudi Arabia, targeting energy facilities in the kingdom's south. The kingdom has for decades been the world's largest crude oil exporter.

The 1,200km pipeline, which carries crude from Saudi Arabia's main oilfields in the east to the port of Yanbu on the Red Sea, has allowed the kingdom to continue to export millions of barrels of crude a day despite Iranian restrictions on tankers passing through the Strait of Hormuz.

"Emergency and specialised technical teams responded immediately following the attacks, taking the necessary measures to secure the pipeline and assess its safety," the ministry said.

Benchmark Brent crude settled at $104.56 a barrel on Friday, having risen more than 8 per cent over the week. Prices climbed sharply after reports of the pipeline attack and satellite images began circulating on Thursday.

US diesel prices hit a record $6 a gallon this week, piling political pressure on the Trump administration just weeks ahead of midterm elections that will decide who controls the US Congress.

Oil markets have been rattled this week by the Houthi attacks on Saudi Arabia and the rebels' advance in Yemen, which has cemented their control over the Bab al-Mandeb Strait. The militant group's offensive has strengthened its ability to threaten shipping through the narrow waterway connecting the Red Sea with the Gulf of Aden.

"The Houthi blitzkrieg near Bab al-Mandeb is threatening to close the main oil relief valve for the seven-month war," said Helima Croft, an analyst at RBC Capital Markets.

"The real question is whether the US will step in to try to avert the worst-case outcome for this critical waterway or if Washington will remain reticent about wading into this metastasising second front," she added.

A Saudi official declined to comment on whether the US had decided not to help in the fight against the Houthis and said the kingdom was "working closely with its partners, including the US, to ensure freedom of navigation in the Arabian Gulf and Red Sea".

Speaking in Dublin on Saturday, US President Donald Trump said he thought Iran was behind the attack on the pipeline. "The Houthis called us and they don't want to fight with us . . . they don't want me to go after them," he said. "They would much prefer not having us involved and they're letting most ships go through [the strait]."

He said that he had not spoken to Saudi Crown Prince Mohammed bin Salman, but added that "he's a good friend of mine and I can just say everything's going to work out just fine and dandy, it's going to be very good".

The East-West pipeline was previously attacked in April, but operations were rapidly restored by Saudi Aramco, the national oil company.

Saudi Arabia increased the volume of oil flowing through the pipeline after the start of the conflict with Iran, helping its exports bounce back to a high of around 6mn b/d in June, according to estimates by the International Energy Agency.

But the use of the pipeline has been constrained in recent weeks after the Houthis began attacking Saudi tankers in the Red Sea. Only 2.5mn b/d were exported from Yanbu in August, according to the IEA's latest monthly report, leaving total exports at their lowest level since 2013.

Traffic through the Strait of Hormuz appears to be increasing, although levels remain far below the 20mn b/d of oil and fuel that passed through the chokepoint before the war.

Analysts at TankerTrackers.com said oil exports by Iraq, Kuwait, Saudi Arabia, Qatar, the United Arab Emirates and Oman were now averaging more than 10mn b/d, while Iranian exports are zero.

Additional reporting by Andrew England, Abigail Hauslohner and Jude Webber

This article has been amended after publication to clarify the level of Saudi oil exports

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