Middle East war

Oil hits $109 after Saudi Arabia closes vital export pipeline

Riyadh pulls out of regional talks to de-escalate hostilities over Strait of Hormuz in wake of drone attack last week

Iran has throttled shipping through the Strait of Hormuz since the US and Israel launched their war © Vahid Salemi/AP

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Oil prices surged higher after a wave of attacks on Saudi Arabia's oil infrastructure last week forced Riyadh to shut a vital export pipeline.

The kingdom, the world's top oil exporter, then pulled out of a regional meeting with Iran scheduled for Monday, setting back regional efforts to de-escalate hostilities over the Strait of Hormuz.

Brent crude, the international oil benchmark, rose as much as 5 per cent to $109.80 a barrel on Monday. It later settled at $109.80, up 1 per cent for the day.

Riyadh announced late Friday that it was shutting the pipeline — which became crucial to the kingdom's ability to export crude from its oil-rich east to its west coast after Iran throttled shipping through the Hormuz Strait — following a drone attack from Iraq, where Iran-backed Shia militias and Iran's Revolutionary Guards are active.

Iranian and Gulf foreign ministers had been set to meet in Salalah, an Omani coastal city, to discuss a deal between Tehran and Muscat to temporarily manage shipping through the strait.

Two people familiar with the matter said Saudi Arabia objected to language in a draft statement prepared by Muscat and Tehran. Gulf states have been worried that Iran is seeking to exert its control over the strait — which they depend on for imports and exports — and charge ships fees in the future.

Riyadh late on Friday announced it was shutting the pipeline after a drone attack from Iraq © Vantor/AFP

One of the people said the language "would have created precedents that could come back to bite us in the future".

Another person said the strike on the pipeline and waves of attacks against Saudi Arabia's energy infrastructure by Iran-backed Houthi rebels last week were also a factor behind Riyadh's decision to pull out of a meeting.

The Houthis launched repeated missiles and drones at Saudi Arabia last week amid renewed fighting in Yemen's more than decade-long civil war.

The rebels have advanced south along Yemen's Red Sea coast, pushing back Yemeni forces aligned to the government — and supported by Saudi Arabia — to strengthen their grip on the Bab al-Mandeb Strait, another waterway crucial to international shipping.

The meeting between Iran and its Arab neighbours was postponed, Oman's foreign minister Badr Albusaidi said, in "the interests of consensus".

"We remain committed to fostering dialogue that supports stability and lasting co-operation in our region," he wrote on X, giving no further details.

Iran's foreign ministry said on Monday that the postponement had come at the request of Saudi Arabia.

Oman now hopes a similar meeting between Iran and its neighbours could be held on the sidelines of the UN General Assembly in New York later this month, the second person familiar with the matter said.

Iran has throttled shipping through the waterway since the US and Israel launched their war against the Islamic republic in February. A fifth of the world's oil and gas passed through the strait before the war. Iran has also launched repeated missile and drone attacks against its Arab neighbours.

Iranian authorities, who have increased their threats against ships carrying Gulf cargoes through the strait in an effort to squeeze oil supplies, on Monday published an expanded list of 77 so-called “non-compliant vessels” they said “face restrictions on future passages, including fines, detention or confiscation”.

The vessels on the list were mostly owned by Gulf states or have been engaged in shuttling oil in and out of the Strait of Hormuz under the cover of darkness.

Monday’s meeting would have been the first time top diplomats from the six members of the Gulf Cooperation Council — Saudi Arabia, the United Arab Emirates, Kuwait, Qatar, Oman and Bahrain — had sat down as a group with their Iranian counterpart in almost two years, with Iraq also expected to attend.

However, Bahrain, which has been among the Gulf states hardest hit by Iran’s retaliatory attacks, said on Saturday that it would not take part.

Oman and Iran had hoped that the planned meeting, an Omani initiative, would secure regional backing for their temporary agreement to manage shipping through Hormuz, under which vessels would enter the strait through Iranian waters and exit mostly through Omani territory without facing fees.

Muscat and Tehran had spent weeks negotiating the interim agreement, which was intended to last until Iran and its Gulf neighbours agreed on the future status of the chokepoint, and had been viewed as a possible route to ease the US-Iranian hostilities over the waterway.

It was also hoped that the Iranian-Omani agreement could be a path back to the shortlived memorandum of understanding signed by Iran and the US in June.

The MoU was intended to extend a ceasefire by 60 days, gradually reopen the strait and lead to talks on a final settlement to end the war, including a deal on Iran’s nuclear programme.

But Tehran and Washington accused each other of violating the agreement, in part because of a dispute over how ships should transit the strait — Iran’s main source of leverage — triggering a cycle of escalating tit-for-tat strikes.

The US has told mediators that it will not return to the MoU and will only agree to a more comprehensive deal that also covers an element of the nuclear programme.

Iran, meanwhile, has insisted that even if it finalises an agreement with Oman, it will fully reopen the strait only if the US meets its conditions. These include lifting the blockade on Iranian ports, reinstating a waiver to allow it to sell oil and giving it access to some of its assets frozen overseas.

While US President Donald Trump has claimed that the strait is open, Gulf energy exports have been heavily restricted and goods cannot be imported through the waterway.

Additional reporting by William Sandlund in Hong Kong and Alice Hancock in London

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