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Working Paper

China's Strait of Hormuz Oil Security and Escalation Playbook

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Executive Summary

China faces a roughly 4–5 million barrels per day (bpd) deficit on Gulf-origin crude (sensitivity range: 3.6–5.4 million bpd), created by Iran's closure of the Strait of Hormuz and the U.S. counter-blockade of Iranian ports. Ukrainian DeepStrike damage to Russian export infrastructure exacerbates supply pressure. China's crude oil stockpiles of roughly 1.4 billion barrels nominally cover 120 days of imports but in practice likely yield closer to 60–90 days of working time before refiners would cut runs to protect minimum stocks. The runway extends from now to roughly mid-July, and because tanker transit from the Gulf to East Asia takes about three weeks, some decisions will need to be made sooner.

Beijing's responses will be governed by a four-part priority hierarchy: 1) regime survival, 2) avoidance of a U.S.-China military action, 3) strategic concessions on Taiwan, semiconductors, and trade, and 4) Iran's survival as a partner.

These priorities are largely shaped by four inflection points:

- Sustained supply deficits.
- Domestic fuel price strain.
- U.S. interdiction of PRC-bound shipments.
- Strategic question of whether the Iran and Venezuela campaigns are precursors to a broader campaign against China itself.

This working paper catalogs 39 discrete options across diplomatic, supply-side, demand-side, maritime logistics, economic counter-pressure, and kinetic counter-pressure categories, ordered by escalation risk and feasible response time.

The upcoming Xi-Trump summit on May 14–15, 2026, is a less valuable lever than it appears: The natural trade — Hormuz de-escalation in exchange for Washington pressing Kyiv to pause strikes on Russian oil infrastructure — is likely nonviable given current U.S. positioning on Ukraine. With that linkage unavailable, Beijing's most strategically sophisticated path may well be the least confrontational one: absorb the blockade with restraint; accelerate de-oiling and supply diversification at home; harden Russian energy infrastructure quietly; and allow Washington to continue financing its third prolonged Middle East engagement of the past 25 years.

This “do less, harder” posture preserves optionality for China, compounds U.S. costs faster than Chinese ones, and avoids handing the United States a distant-escalation moment that would restore perceptions of American primacy in the way the capture of Venezuelan President Nicolás Maduro largely did. The coming weeks will determine whether Beijing chooses this path or escalates.

Introduction

For many years, Chinese energy security strategists have fretted over the vulnerabilities of oil shipped to China through the Strait of Malacca. But the biggest system test now occurs much further east, in the Strait of Hormuz.

The global oil market now faces a potentially unprecedented level of kinetic threats to oil supplies, with Iran closing the Strait of Hormuz, the U.S. blockading Iranian ports and kinetically interdicting Iran-linked vessels in “Operation Economic Fury,” and Ukraine’s DeepStrike campaign seriously impeding Russian oil exports through both Baltic and Black Sea ports. By mid-April, Russia had cut production itself by 300,000 to 400,000 bpd — the sharpest monthly decline since the COVID-19 pandemic — because its degraded export and storage infrastructure can no longer absorb what its fields were pumping.[1]

In total, nearly 25 million bpd of crude oil flows globally face extant physical threats in the form of drones, missiles, and warships. The proportional level of disruption measured by barrels kept from market is at least twice as large as the 1973 Arab Oil Embargo. Physical commodity markets and physical sanctions are colliding, with consumers caught in the middle.[2]

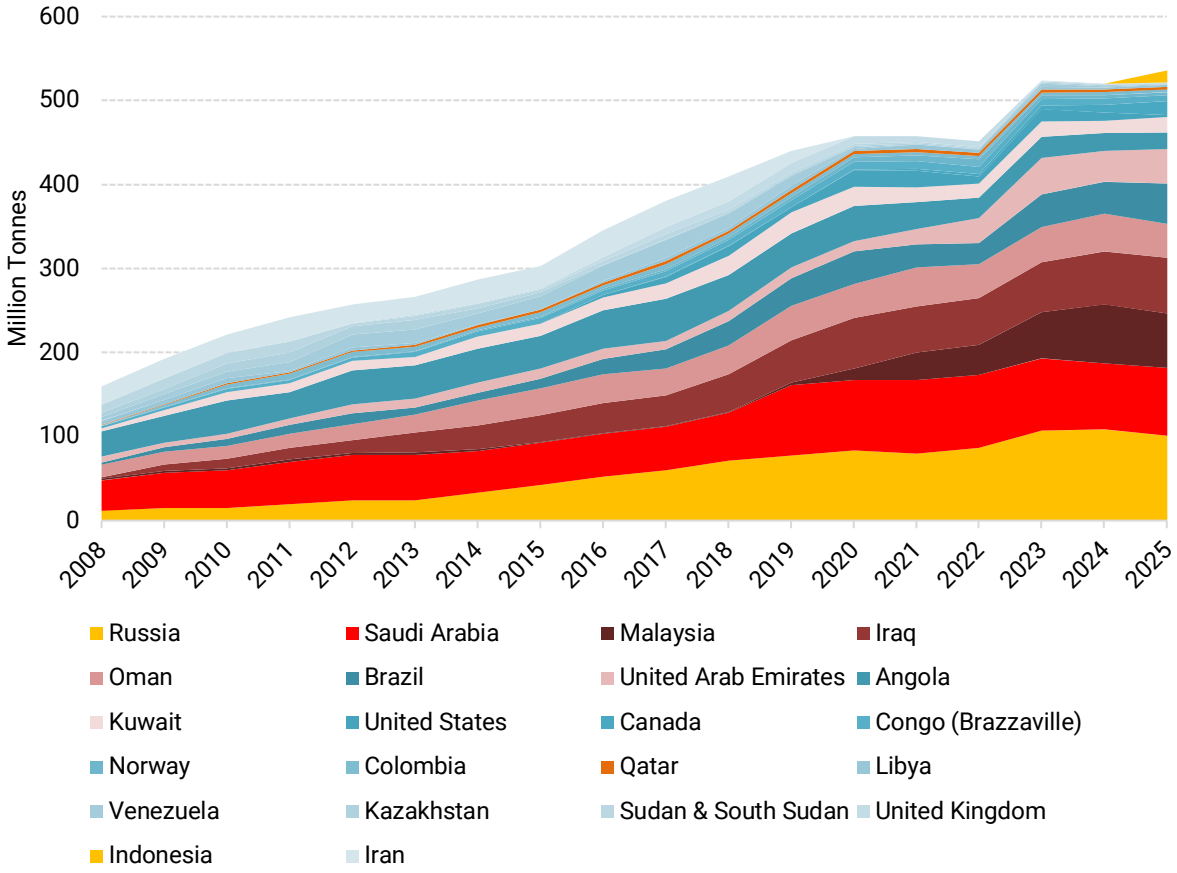
In raw volumetric terms, no country has more at stake in this convergence than the People’s Republic of China. Columbia’s Center on Global Energy Policy puts the share of China’s total crude imports that transit Hormuz at 45–50%, with an additional 31% of China’s LNG coming from the Middle East.[3] Some of these barrels are being re-routed, primarily through the Saudi East-West Pipeline and the UAE’s Fujairah bypass. But there are still likely 4–5 million bpd of missing Gulf supply to offset — the financial and operational gap Beijing wants to close.

Beijing will almost certainly be able to get its barrels in a global deficit environment, but those will come at a steep cost the leadership prefers to avoid. Otherwise, it will have to draw down strategic stocks, accept higher domestic energy prices, order a halt to certain activities, or else escalate near the Strait of Hormuz and the Indian Ocean. Physical commodity balances are about to start more decisively meeting politics in the Middle Kingdom.

Each day that passes with Iran in de facto control of transit through the Strait of Hormuz is one more day in which Tehran’s ability to politically condition flows through an ostensibly international waterway hardens. The chart below shows the importance of

Gulf oil supplies to China. Crude oil shut-in data for Gulf countries, which reflect the reality of stranded barrels that cannot get to market, put the red and orange portions of the chart (which represent Gulf-origin supplies) in perspective (Figure 1).

Figure 1 — China Oil Imports by Country, 2008–25



Source: Primary sourcing from General Administration of Customs of China. Secondary sourcing from CNBC, Center on Global Energy Policy (Columbia University), Energy Institute Statistical Review of World Energy, Reuters, Shanghai International Studies University, and U.S. Energy Information Administration.
Note: The red and orange shades indicate oil exporters facing kinetic risk and curtailments. Oil from Malaysia and Indonesia in practice means barrels from Iran and Venezuela. The source information was compiled with assistance from Anthropic's Claude AI tools.

According to the April 2026 OPEC Monthly Oil Market Report, Iraq has reduced crude oil production by almost 2.6 million bpd, Saudi Arabia by 2.3 million bpd, the UAE by 1.5 million bpd, and Kuwait by almost 1.4 million bpd. That sums up to about 7.8 million bpd.[4]

Add roughly 1 million bpd of impairment to Russian exports from Ukrainian attacks, and the total rises to about 9 million bpd.[5] If one assumes China would have been taking half of that aggregate total from that set of exporters, then the numbers settle at a 4–5 million bpd deficit relative to what Chinese importers would have lifted. Note that this estimate is sensitive to the assumed China share of the lost exporter volumes; at 40%, the deficit would narrow to roughly 3.6 million bpd, and at 60%, it would widen to 5.4 million bpd.

Beijing has oil reserves for emergency situations like the current disruption. China's strategic petroleum reserve held an estimated 1.4 billion barrels in late 2025 per the U.S. Energy Information Administration, enough to cover 120 days of the country's total crude imports at 2025 levels.[6] China has restricted oil product exports to balance its domestic market.[7] In the first quarter of 2026 (which included a wind-down in March), Chinese refiners exported 12.74 million tonnes of refined products — roughly 1.1 million bpd of one assumes 8 barrels per tonne.[8]

But even with that effective reduction in crude oil use, reserves remain a clock, not a solution because the net deficit endures. Indeed, reserves are not drawn all the way down from "Day 120" until "Day Zero" because working minimum stock requirements must be maintained.

This likely means that 120 days of reserve coverage yields about 60–90 days of practical time to work with. After that, refiners will likely have to cut runs to protect strategic inventories. That means the working time runway is from now until perhaps mid-July. It also means that for some actions, implementation would have to start even sooner because it takes oil about three weeks to move from the Gulf to East Asia on a tanker.

As such, it is not long before Chinese leaders will have to take concrete actions. This working paper engages potential response options and analyzes their feasibility, the associated risks, and the plausible timeframe of action for each option.

Any decisions taken will be measured according to the Chinese Communist Party's insistent self-preservation logic and the hierarchy of priorities that flows from it. The Party's priorities in descending order of weight are: 1) regime legitimacy, which underpins survival and is inseparable from fuel and price stability at home; 2) avoidance of the junior-partner role in a bilateral U.S.-China military action; 3) extracting strategic concessions on Taiwan rhetoric, semiconductor restrictions, and trade; and 4) Iran's survival as a partner.

These four priorities will dynamically interface with four key inflection points that define PRC leadership decision-making during the pendency of the Hormuz crisis, which could endure for months or longer.

Point 1 — Sustained fuel supply deficits: The key benchmark is a net China-oriented supply deficit of 4–5 million bpd that persists for longer than 60 days from the time of

this writing. Realistic options to boost domestic and secure overland supplies at low political cost could offset several hundred thousand to perhaps a million barrels per day within the next 90 days. So the time pressure is real.[9]

The response would be to unlock strategic reserves, bring in additional crude by rail and pipe from Russia and Kazakhstan, inject fuel extenders like methanol into the system, and test maritime oil aggregation in Oman to diversify crude oil originating from Iran before ships pass through the blockade line.

Point 2 — Pain points for fuel prices: Beijing will be keenly attuned to whether fuel prices within China are rising to a point that they begin to precipitate political unrest. The response would include ship-to-ship transfers as well as diplomatic and economic mobilization against the U.S.

Point 3 — Closure to China-bound ships: U.S. forces repeatedly interdicting PRC-bound oil shipments will be a major trigger.

Responses would include re-flagging tankers, coordinated resistance to blockade stops, embarking armed security crews, deploying Coast Guard escorts, deploying the PLAN Navy, and escalating horizontally in Asia.

Point 4 — U.S. campaigns' effect on China: If PRC leadership concludes that the Venezuela and Iran campaigns were not only focused on those countries per se, but rather, are the potential openings for a broader campaign focused on China itself, this turn would change China's position significantly.

This would mark the greatest escalatory point of departure and would fully reset the risk landscape. Responses would be expected to entail all of those included in this working paper and more. It would mark a period of uncertainty and threats between Great Powers, likely not seen since key inflection points in the Cold War.

Each of these triggers is tied to the same clock of oil being inexorably drawn down from storage tanks. The question is largely not whether Beijing will face them, but which ones arrive first.

I. Diplomatic Options

President Xi and President Trump are scheduled to meet in Beijing on May 14–15, 2026, in what would be the first U.S. state visit to China since 2017. That summit appears, on the surface, to create Beijing's most valuable lever: A place where both sides could extract concessions through diplomatic choreography.

The summit could transpire as follows: Beijing offers U.S.-facing cooperation on Hormuz de-escalation; and Washington in turn presses Kyiv to pause strikes on Russian oil infrastructure. Two of China's most pressing problems could be solved at once: The

Russia-to-China oil supply chain gets unclogged when Beijing most needs it, and both leaders get concrete summit deliverables without appearing to capitulate on the headline crisis.

The issue is that this linkage likely cannot be utilized as such.

The ability to negotiate a diplomatic outcome for both Washington and Beijing on Iran now is largely nonviable because of the current U.S. administration's decision to curtail military support for Ukraine, publicly favor Russian positions on the disposition of occupied Ukrainian territory as well as future of Ukrainian statehood, and publicly criticize Ukrainian leadership.

If the Ukraine-strikes linkage is unavailable — and the evidence suggests it is — then the summit window is worth much less than it appears, and Beijing will have to consider a range of other options to secure its oil supplies.

Ukrainian help with the Hormuz problem is very likely available, but it would be in the form of equipment and tactics Kyiv mastered to hold Russia at bay when Moscow moved in 2022 to try and dominate the Black Sea just as Iran is trying to do with Hormuz now. Ukraine would be invited to help with Hormuz not as a service to Kyiv but as a service the world needs from Kyiv. That gives President Zelenskyy leverage and maneuvering space and means he would not be asked to stop strikes on Russian oil infrastructure.

Here are seven diplomatic options for China to facilitate a resolution to the Hormuz crisis or at least restore a greater level of energy flows through the strait. They are grouped by complexity of execution and escalation risk.

Group 1: Bilateral Engagements With Low Escalation Risk

- **Option 1: Initiate private diplomacy with Tehran.** If Iran does not yield, China can pressure Tehran more effectively than the U.S. China is likely the only country that could credibly offer credit lines and infrastructure reconstruction commitments in exchange for Iran's acceptance of the ceasefire terms.

- **Option 2: Offer funding for alternative oil transport routes.** Under kinetic pressure, the geography of oil logistics is periodically rewritten, and this could be another such period.[10] Chinese firms and banks are well-positioned to underwrite and build assets such as pipelines to bypass the Strait of Hormuz. If the Gulf states and Iraq accepted Chinese proposals, it would deepen Beijing's influence. PRC-linked proposals also potentially force the U.S. to provide financial support for geoeconomic competition reasons, making the approach a win-win approach for China.

- **Option 3: Propose a joint U.S.-China naval safe-passage mechanism.** This could be a face-saving off-ramp that de-escalates without formally ending the blockade. From Beijing's perspective, it would be a strategic maneuver that while not adversarial, makes China appear to both be a responsible power and a true peer of the United States. Such a proposal would be made credible by the PLA Navy's 48th Escort Task Force, based in Djibouti, which already performs exactly this mission in anti-piracy mode.

  Notably, this mechanism does not depend on the unavailable Ukraine-strikes linkage — it is a standalone diplomatic construct. The U.S. Navy would likely resist this on principle, but a sufficiently constrained version — escort coordination rather than co-stewardship — could be politically tolerable to a White House that publicly calls for greater burden sharing by other oil consumers, especially China.

- **Option 4: Approach the Gulf states.** The blockade harms Gulf producers too. Beijing can offer to broker a partial lift that re-opens Saudi and UAE flows while keeping Iranian flows restricted (and discounted for Chinese teapot refiners to continue lifting with shadow fleet tankers). Such a split would fracture U.S.-Gulf alignment, quietly protect Chinese economic interests, and position China as the responsible mediator. Riyadh and Abu Dhabi have hedged between Washington and Beijing before.

Group 2: Multilateral Engagements With Medium Escalation Risk

- **Option 5: Mobilize the Shanghai Cooperation Organisation.** A joint statement condemning the blockades puts Russia, Iran, Central Asia, Pakistan, and potentially India on record. This would be symbolic but coalition-building and implicitly legitimize future Chinese moves.

- **Option 6: Propose a UN Security Council resolution against any force interfering with traffic through Hormuz.** Given the ongoing U.S. blockade, this would most likely force Washington to veto, making the blockade look unilateral and extraterritorial. Such a move would play well in the Global South and feed the "rules-based order" critique Beijing has been developing for a decade. It would be adversarial to hardline elements in Iran, a reality which suggests this is a lower probability option.

Group 3: Confrontational Engagements With High Escalation Risk

- **Option 7: Pressure littoral states to not allow U.S. naval forces to resupply from their ports.** Near the strait, U.S. forces can replenish ship fuel and food supplies in Oman, which has historically prided itself on neutrality. If the U.S. continues interdicting tankers further east — which is beginning to happen — Beijing could bring significant diplomatic and geoeconomic pressure to bear on states such as

Indonesia, Malaysia, and Singapore to deny blockade forces the ability to refuel and replenish in those countries' ports.

The U.S. Navy is working to make its sustainment capacity less dependent on local ports in the theater of operations, but it would still need to resupply somewhere locally at some point, particularly for food.[11] Use of this option would suggest that Beijing has concluded it has no choice but to confront the U.S and second, that absent the U.S. blockade, much more oil would flow through the strait under tolling or negotiated agreements with the Iranians.

II. Supply-Side Options: Low-Escalation Moves Currently Underway or Simple To Execute

- **Option 1: Draw down strategic and commercial reserves (ongoing).** China has built roughly 1.3 billion barrels of crude storage over two decades, precisely for emergencies like the one now unfolding. A 60-day drawdown to cover China's 5–6 million bpd of missing Gulf supply is 300–360 million barrels — comfortably within capacity. Drawing down reserves to buy time is the baseline response because it can be performed entirely within a national territory and political context monopolized by the Party.

- **Option 2: Accelerate imports from non-Gulf suppliers (ongoing).** These imports include West Africa (Nigeria, Angola), Brazil, Guyana, and — where U.S. enforcement permits — Venezuela. The structural limit here is Chinese refinery configuration: Legacy Sinopec refineries are tuned for Middle Eastern heavy sour grades and cannot easily swing to sweet West African crude. Modern integrated complexes are more flexible. U.S. crude oil exports have dramatically increased, but it is unlikely that China would take U.S. barrels directly given political sensitivities.

- **Option 3: Encourage Russia and Kazakhstan to maximize ESPO and Kazakh Atasu-Alashankou throughput (30 day response time).** The ESPO spur to China can carry 700,000 bpd but already runs at or near full capacity.[12] The Atasu-Alashankou line from Kazakhstan has about 200,000 bpd of nominal slack. It is possible that these numbers could be boosted with drag-reducing agents. Incremental pipeline volume of approximately 200,000–300,000 bpd combined is not trivial but would only offset perhaps 5% of the lost Gulf oil supply.

  To manage the risk of the U.S. re-imposing sanctions on Russian oil, Chinese entities could build entities that are ring-fenced from the U.S. financial system. An overland oil supply network between Russia and China could employ a PRC corporate shell housed in a special vehicle segregated from the U.S. financial system, which would not need insurance from Western providers, would use domestic steel and components, and would price the delivered oil in Chinese yuan.[13]

- **Option 4: Add crude imports by rail from Russia and Kazakhstan (30–45 day response time).** In the event of a blockade, Chinese traders would likely move rapidly to secure supplies via rail. Prior to the construction of the Skovorodino-Daqing pipeline spur, Russian producers delivered as much as 228,000 bpd of crude by rail into China.[14]

  The ultimate surge capacity during a crisis would depend primarily on three factors: 1) congestion on key Siberian rail routes between the West Siberian oil fields and the Chinese and Kazakh borders; 2) the availability of tank cars on each side of the border; and 3) the speed with which Russian and Chinese rail operators could calibrate their train cycle times to maximize rolling stock utilization.

  Globaltrans, one of Russia's primary freight rail operators, reported at the end of 2016 that the country had approximately 260,000 operational tank cars — a number that has not materially changed over time.[15] To put that number in perspective, the United States had approximately 371,000 operational tank cars at the end of 2014, at which point railroads were moving more than 950,000 bpd of crude within U.S. borders.[16]

  A reasonable baseline for rail shipments would be 250,000 bpd at full scale in the next 180 days and perhaps closer to 400,000 bpd in a year, if Chinese importers pursued this option.

- **Option 5: Expand the use of fuel extenders such as methanol and liquid fuels from coal (60–90 day response time).** Chinese fuel providers could blend methanol produced from abundant domestic coal reserves into the country's gasoline and diesel fuel supplies to offset crude oil supplies strapped behind the Strait of Hormuz. Modern fuel-injected gasoline engines can generally tolerate a blend of 15% methanol and 85% gasoline, also known as M15.[17]

  As of 2017, China blended approximately 500,000 bpd of methanol into its gasoline and motor fuel pools, displacing the equivalent of 250,000 bpd of crude oil.[18] Since then, battery-powered vehicles have been the major oil substitution pathway, and evidence that methanol blending has increased has not been located. China's total methanol production capacity now approaches 110 million tonnes per annum (mtpa) — roughly 2.6 million bpd.

  If Chinese policymakers chose to replace 10% of the refined blendstocks from crude oil in the country's total gasoline pool with coal-derived methanol, this would suggest a requirement for approximately 750,000 bpd of methanol (adjusting for the fact that methanol has about half the energy content by volume as gasoline).[19]

The country's estimated domestic coal-based methanol production capacity of roughly 1.8 million bpd could in theory accommodate this number. This step would be about diversion more than expanded production and would mean temporarily moving methanol away from chemical production. Chinese policymakers would probably only take this step under serious pressure.

- **Option 6: Increase Chinese domestic crude production (90 day response time).** Daqing, Changqing, and Shengli could potentially push production upwards by an additional 5% over the short-term at higher marginal cost, offsetting perhaps 200,000 bpd. This would likely require a mobilization time of more than 90 days, as even the fast-moving U.S. shale sector can take 30–45 days to respond to price and other movements.[20]

- **Option 7: Prohibit the export of passenger EVs and electric heavy trucks to boost sales in China; require at least 60% of new vehicle sales each month to be plug-in electric.** Every million battery EVs that enter the fleet in China can reduce gasoline demand by 15,000–20,000 bpd.[21] Electrifying a million heavy trucks displaces far more fuel use, potentially by an order of magnitude or more.[22] China already has the EV manufacturing base and battery supply chain in place and could lean heavily on this advantage to structurally buy down oil usage.

- **Option 8: Offer to expand offtake of Russian crude through expansion/use of drag-reducing agents in the ESPO Pipeline and construct additional southbound spur capacity into China (180 days+ response time).** China was able to build the initial Russia-to-China pipeline at an average rate of approximately 1.6 km per day and has built crude oil pipelines in Western China at rates approaching 2.25 km per day.[23] The Jinzhou-Zhengzhou oil products line was welded at an average rate of 3.6 km per day. In a time of national emergency, pipelines can potentially be built much more quickly as builders would likely marshal a much larger proportional share of their equipment and manpower for a select few "national priority" projects than would be the case under normal conditions.

  Perhaps the closest historical analogy comes from the American construction of the "Big Inch" oil pipeline during WWII. The Big Inch enabled the secure overland movement of crude oil from Texas oilfields to East Coast refineries. Oil had formerly been moved from the Gulf of Mexico in coastwise tankers, but German submarine attacks jeopardized this maritime supply line and forced the U.S. to find alternative routes.

  At 1,254 miles long (2,000 km), the Big Inch covered roughly twice the distance a line from the Russian border to Daqing would and construction crews managed to complete it in just 350 days: an average construction rate of nearly 6 km per day.[24] Against that backdrop, it is not inconceivable that a 1,000 km pipeline from Russia capable of moving several hundred thousand barrels per day of crude oil — perhaps as much as 700,000–800,000 bpd — into the Daqing area could be

built in six months or possibly less.[25] Russia would likely welcome this as a way to secure oil sales resistant to Ukraine strikes through interior Eurasian supply corridors, although it would deepen Moscow's strategic dependence on Beijing.

- **Option 9: Construct coal to liquid facilities.** Scaling these facilities would take years. The decision to do so may well follow the current oil crisis, but it would not deliver incremental fuel supplies in a decision timeframe relevant to present shortages.

III. Demand-Side Options

- **Option 1: Implement rationing and driving restrictions (unlikely if crisis duration is 90 days or less).** The experience of the United States during WWII offers perhaps the most applicable case study for assessing potential parameters for rationing in China. WWII-era America was — and contemporary China is — a world-class industrial power that is heavily mechanized and for which petroleum is an irreplaceable strategic economic input.[26]

  Between 1941 and 1944, the United States utilized a mix of voluntary and compulsory measures to decrease private and commercial highway gasoline consumption (i.e. transportation-driven gasoline demand) by 32%.[27] China could readily impose such measures.

- **Option 2: Shift more freight to rail.** Railroads are highly fuel efficient. If 10% of Chinese trucking activity could be shifted to rail transport, diesel fuel use could potentially be reduced by 200,000–300,000 bpd.

- **Option 3: Restrict civilian air travel and emphasize use of the electrified high-speed rail system.** Like passenger car use, air travel is also often discretionary. In China, travelers have an especially attractive alternative option in the form of high-speed rail. China now has more than 40,000 km of high-speed rail, linking most large cities with trains that in some cases can travel as fast as 350 km per hr. Depending on the level of restrictions, reducing civilian air travel could free up 200,000–250,000 bpd of jet fuel use.[28]

IV. Maritime Logistics Options

These options are listed according to the PRC leadership's likely order of preference:

- **Option 1: Organize Iran-Oman tanker shuttle as an end-around.** This would entail moving short-sea shuttles from Iranian coastal terminals to non-Iranian Gulf ports — Sohar or Duqm in Oman — where cargoes are "laundered" and re-lifted onto VLCCs that did not originate from an Iranian port and therefore should not be blockaded.

This capability already likely exists at small scale and could be scaled with Omani acquiescence. Oman has historically been the Gulf's geopolitical neutral, with working relationships with Tehran, Washington, and Beijing simultaneously. The U.S. Navy could interdict between Oman and Malacca, but accurately tracking a large-scale STS operation over a prolonged period would place addition strain on U.S. blockading forces and the finite intelligence-surveillance-reconnaissance assets supporting them.

- **Option 2: Conduct ship-to-ship transfers using the dark fleet in the Gulf of Oman ahead of the blockade.** While this is a tested technique from the post-2022 Russian sanctions era, this option is also expensive ($1–2 per barrel premium), slow, but hard to interdict without kinetic action against non-flagged tankers.

- **Option 3: Send PRC-owned or flagged tankers into the Gulf.** Chinese shippers have spent decades building up a largely PRC-flagged oil tanker fleet.[29] Part of the initial logic for doing so was to ensure a sovereign-flag oil transportation option for periods of heightened geopolitical tension — precisely the current environment. Given that interfering with a state-flagged tanker could at a minimum precipitate a diplomatic incident and, in a more serious case, could constitute an act of war, the stakes for using this option are high.

  It is unlikely that Iranian actors would use kinetic force against a Chinese-owned or PRC-flagged vessel. But the U.S. could do so, and the probability of such action is high enough that Beijing is likely to seriously consider the possibility. In January 2026, U.S. special operations forces boarded and took control of the Russian-flagged shadow fleet tanker M/V Marinera on the high seas off the coast of Iceland.[30] In April 2026, the USS Spruance employed its 5-inch gun to stop the Iran-linked containership M/V Touska in the north Arabian Sea.[31] In other words, PRC decision-makers would likely view the U.S. as willing to use force against a vessel that did not comply with its blockade of Iran.

  The Rich Starry episode in mid-April — a Chinese-owned tanker that approached the strait twice and turned back both times after U.S. Navy warnings — suggests that Beijing is not yet ready to commit.[32] If China chose to purposefully dispatch tankers to the Gulf, there would be three core options: 1) Chinese-owned, convenience-flagged "shadow fleet" vessels (current approach, lowest escalation risk); 2) COSCO-owned, PRC-flagged but unarmed tankers (medium escalation risk); or 3) PLA Navy-escorted Chinese-flagged tankers (highest escalation risk). PLA naval escorts would mark a turning point. [33]

- **Option 4: Use Gwadar, Pakistan as Iranian oil trans-shipment node.** Iranian crude moves by truck or rail through short land routes to Gwadar, then by highway toward Kashgar in Xinjiang. Local Xinjiang refineries — Dushanzi, Karamay — can absorb modest volumes. A Gwadar-centric, Iran-to-China corridor would also advance long-standing Chinese strategic goals in Pakistan. The route

would not be economically advantageous but could have political signaling value.[34]

The options surveyed up to this point are ones in which Beijing is working to stretch existing oil stocks, obtain alternative supplies, and adapt to a potential long-term oil supply constraint. These are the options in which China is fundamentally in the same boat as the rest of the world — affected by the crisis but not singled out.

The next two sections shift gears significantly. They address what Chinese decision-makers might choose to do if China-bound oil shipments and PRC-owned/flagged vessels begin to be systematically targeted by the United States. Deliberate U.S. pressure would put PRC leadership credibility, not just PRC oil supply, on the line. The escalation logic accordingly tightens: Each rung now carries the weight of a public great-power signal, and the cost of inaction shifts from economic to reputational.

V. Chinese Response Options if US Interdicts PRC-Bound Oil Shipments

- **Option 1: Impose extraterritorial sanctions against U.S. companies (low escalation risk).** This mechanism would entail the Unreliable Entity List (不可靠实体清单), used sparingly to date. Belt and Road jurisdictions — where China has ports, telecom infrastructure, or sovereign lending leverage — are the natural arenas. This option could prove particularly potent against U.S. firms competing in Southeast Asia, Africa, and the Gulf itself.

- **Option 2: Sell Treasurys (low escalation risk).** Threatening to do so could be as impactful as executing given the present sensitivity of markets to high materiality macro signals. Thus, the credible threat is more valuable than the act. China has been a net seller of Treasurys since 2022, so the signal is credible. Unsettling bond markets would be a move that gets Washington's attention very quickly.

- **Option 3: Push the yuan into dollar spaces (low escalation risk).** Doing so includes suspending dollar-clearing cooperation and pushing CIPS and e-CNY adoption for Gulf petro-transactions. The RMB would not become the world's next reserve currency soon, but deeper penetration into the oil market pressures the dollar and likely would not be welcomed by Washington.

- **Option 4: Direct Chinese support for hardening Russian energy infrastructure (low escalation risk).** If Washington cannot deliver Ukrainian restraint, then the most valuable approach Beijing can take for its own energy security is help Russia defend the infrastructure Ukraine is degrading. Concrete mechanisms might include: air defense systems routed through Iran-Russia-China triangulation with plausible deniability; counter-drone jamming and electronic warfare equipment; rapid-repair engineering support; and financing and

construction capacity for accelerated dispersal of Russian refineries eastward beyond Ukrainian drone range.

This entire supply-side option sits outside Washington's diplomatic machinery. It is escalatory toward Kyiv but not toward Washington, which creates asymmetric bargaining leverage Beijing currently lacks.

- **Option 5: Seize U.S.-owned properties in China (medium escalation risk).** U.S. companies' FDI stock in China was approximately $127 billion as of 2023, so there is significant value at risk.[35] Moreover, a material portion of this asset value is held by firms with high political influence within the U.S. system. Meaningful targets might include Apple's Foxconn contract manufacturing, Tesla's Shanghai Gigafactory, and pharmaceutical JVs. A Chinese counter-sanctions list exists and has been used against Lockheed, Raytheon, and others.

- **Option 6: Tighten rare earth export restrictions (medium escalation risk).** This is already in use at graduated levels. The next steps would likely include: full embargo on heavy rare earths (dysprosium and terbium) used in defense applications; antimony and gallium (both already restricted in 2024–25); tungsten; and graphite for EV batteries. Each has a distinct U.S. defense or industrial dependency.

- **Option 7: Impose export controls on key pharmaceutical ingredients (medium-high escalation risk).** The U.S. pharmaceutical supply chain is deeply dependent on Chinese active pharmaceutical ingredients. Quiet tightening of export licenses is a graduated, plausibly deniable tool that would produce significant impacts within the U.S.[36]

- **Option 8: Launch cyber operations against U.S. oil and gas assets (medium-high risk of escalation).** This would be a low cost option with high plausible deniability for imposing reciprocal costs in the event U.S. kinetic actions were perceived to have harmed Chinese oil and gas interests. As the 2021 Colonial Pipeline ransomware takeover demonstrated, malign cyber activities focused on the energy space can seriously disrupt daily life. Moreover, previous cyberattacks such as the Russian NotPetya attacks on Ukrainian infrastructure in 2017 have propagated in unexpected ways and became global cyber events with impacts far beyond their original targets.

VI. Responses if the US Seized PRC-Linked or Flagged Oil Tankers

- **Option 1: Unilaterally offer mine clearance assistance to Iran in the strait (low escalation risk).** This could be framed as "freedom of navigation support." It would wrap itself in U.S. (and international) calls for freedom of navigation, while creating a PLA Navy presence in and near the strait.

- **Option 2: Exert horizontal pressure in other theaters (medium escalation risk).** This could include ramping up air and sea missions around Taiwan, intimidation of Filipino fishermen and forces near the Second Thomas Shoal, and incursions near the Senkaku Islands. Establishing a Chinese maritime intelligence presence near Diego Garcia and overflight incidents would also play a role in this strategy. Each would disperse U.S. attention. None requires an explicit linkage to Hormuz, and each has plausible deniability as routine exercise or posture activities.

- **Option 3: Transfer defensive weapons to Iran overtly (medium escalation risk).** Beijing would not want to be seen as arming Iran with offensive systems that could threaten Gulf state populations and infrastructure. Yet defensive systems, such as more advanced surface to air missiles and anti-ship missiles, would greatly complicate U.S. operations in the region. These could be moved slowly overland or rapidly inserted by air via Y-20 transports flying out of bases in Western China.

- **Option 4: Deploy a China Coast Guard high-endurance cutter task force to the Gulf of Oman (medium escalation risk).** This would give China a kinetic, but less overtly inflammatory presence to conduct what effectively would amount to a tanker protection operation. The deployment could be framed as a law enforcement mission to ensure that cargoes on Chinese-owned or flagged vessels are protected from "illicit activity." This could be loosely defined to reduce diplomatic friction but, within that ambiguity, provide a rationale for protecting shipments. This would also place U.S. forces in a position where they would have to ask permission to board or otherwise physically engage with a China-linked tanker sailing with the China Coast Guard nearby.

- **Option 5: Seize a U.S. commercial vessel in Asia (medium to high escalation risk, depending on mode of execution).** This approach's escalation risk varies by provocation level: detention on "customs irregularities" (low); open Coast Guard boarding (medium); and PLA Navy interception (high).

- **Option 6: Expand PLA Navy Escort Task Force 48 from anti-piracy to tanker escort (medium to high escalation risk, depending on mode of execution).** This is already a legitimate, institutionally established mission supported by a base in Djibouti and would be an extension in scope. A PLA Navy frigate escorting a Chinese VLCC creates a forcing problem: The U.S. would be required to choose between backing down or manufacturing a Chinese "Mayaguez" or "USS Liberty" moment. Either outcome favors Beijing's longer-term narrative of U.S. imperial overreach.

- **Option 7: Organize coordinated resistance whereby multiple vessels approach the blockade line and refuse to comply (high escalation risk).** This step could be performed via PRC-flagged vessels owned by COSCO and other parastatal PRC

entities. It would force the U.S. to either employ disabling fire against PRC-flagged vessels or else accept a leaky blockade that has now become breachable to PRC-flagged ships.

- **Option 8: Embark armed protection teams on Chinese-flagged tankers, announce that boarding will not be tolerated (high escalation risk).** This would be a decisive, but higher risk option. If the U.S. decided to test China's threat, it would likely have to use disabling fire to stop vessels due to the risks that a helicopter-inserted team would face from a vessel protected by a security team with automatic weapons and, perhaps, shoulder-fired surface to air missiles. Even after stopping the ship, U.S. forces would then have to contend with armed personnel who remain on board.

Conclusion

This working paper sequences potential Chinese responses in temporal terms and assesses their potential benefits to China weighed against the risk of unwanted escalation. If the timing of this writing is Day Zero, the next 30 days are likely to center on "absorbing and preparing." Days 60–90 will likely shift toward diversifying, pressuring, and hardening. Days 90+ would focus on the ultimate decision: how to balance confronting Washington's potential actions with appropriate adaptations through time and the geopolitical impacts that favor China in relative terms.

The Trump administration's decision to extend the ceasefire for the second time in as many weeks without any visible concessions from Iran suggests the administration recognizes the existence for few advantageous military solutions.

It may also suggest an unexpectedly high comfort with the status quo on the basis that the U.S. is more insulated from the consequences of the continuing strait closure than other, less hydrocarbon-rich countries. Additionally, it signals that key U.S. decision-makers believe their reciprocal blockade of Iranian maritime traffic will exert strategic effects before the Iranian closure of the strait erodes global physical energy and commodity balances enough to trigger a set of disruptions significantly more profound than what the world has already experienced.

A key question looms, and it is one that only Beijing can ultimately answer: Is this war only about Iran, or could it mark the opening of a broader U.S. economic campaign against China itself? The answer determines how high up the escalation ladder Beijing is willing to climb.

If China absorbs the blockade with restraint, quietly builds resilience through further de-oiling its energy system and diversifying supply paths, and allows the U.S. to continue its conflict against Iran, China could plausibly emerge better positioned than if the country took escalatory action.

The crisis impacts China's internal energy ecosystem, but its source is far afield. It is therefore likely that General Secretary Xi and senior Party leaders set aside the increasing risk acceptance that governs their behavior in East Asia and instead adopt a stance of that focuses on structural work at home rather than actions abroad. In turn, this would allow China to further solidify their position in Asia, while the U.S. remains distracted in the Middle East.

The "do less, harder" option is sometimes the most sophisticated one available in a scenario where tensions between Great Powers could escalate. It preserves optionality, exploits the fact that time compounds U.S. costs more than Chinese costs, and avoids engaging in a distant escalation that restores perceptions of continued U.S. dominance in the way that the capture of Maduro largely did. The coming weeks will pose multiple key decision points for China's leadership.

Acknowledgments

Portions of this publication draw on the author's previously published research and analysis available through publicly accessible personal platforms.

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