

Iran offer raises prospect of a Hormuz breakthrough but rising oil flows complicate the path to a deal

Saxo Bank · 2026-09-22 · English original

Key Points:

- Iran offers a potential path to reopening Hormuz, reportedly proposing to restore passage within seven days if Washington eases military pressure and lifts its blockade of Iranian ports.
- Energy prices fall as supply risks ease, with Brent dropping from around USD 102 to below USD 99 and diesel falling around 3% as markets respond to both the Iranian proposal and improving Saudi supply prospects.
- Saudi Arabia restarts its East-West Pipeline, initially at a low rate, potentially allowing exports from Yanbu to resume and providing an important alternative route that bypasses Hormuz.
- Washington faces competing incentives over a deal, with domestic pressure favouring de-escalation while rising Hormuz flows and the restoration of alternative Saudi exports may reduce the urgency to compromise with Iran.

Iran has reportedly offered to reopen the Strait of Hormuz within seven days if the United States takes initial steps to ease military pressure, including lifting its blockade of Iranian ports. According to Kyodo News, citing a senior Iranian government official, the proposal has already been conveyed to Washington through intermediaries and is intended to restart negotiations aimed at reaching a more permanent end to hostilities. Note, the report has yet to be independently confirmed.

Together with news that Saudi Aramco is restarting operations at its East-West pipeline, the report triggered a sharp reaction in the oil market, with Brent dropping from around USD 102 to below USD 99 at the time of writing, while prices in the already supply-constrained diesel market fell by around 3%. The moves highlight how much geopolitical risk premium remains embedded in energy prices and how sensitive the market has become to any prospect of a breakthrough.

The question now is whether Washington sees Iran's proposal as an opportunity or concludes that time is increasingly on its side. On the one hand, the political incentive for President Trump to pursue a deal is becoming stronger. A Reuters/Ipsos poll published Monday showed Trump's approval rating falling to 32%, with dissatisfaction over living costs and the Iran war weighing on support, including among Republicans. Two Republican Senate candidates in competitive races have also publicly called for a swift end to the conflict.

On the other hand, Washington may see less reason to compromise if it believes its strategy is beginning to work. Oil flows through Hormuz have increased despite the continuing blockade of Iranian exports, while Saudi Arabia is restoring an important alternative export route. Reuters reports that Saudi Arabia has restarted operations on its East-West Pipeline, which had been shut following the recent drone attacks, with crude currently flowing at a low rate. Exports from the Red Sea port of Yanbu could

resume later on Tuesday, according to three sources briefed on the matter. Before the shutdown, the pipeline had been rerouting around 4 million barrels per day to Yanbu, bypassing the Strait of Hormuz.

That creates an interesting negotiating dynamic. Iran arguably needs a deal more urgently if its own exports remain blocked while competing Gulf producers progressively restore theirs. Washington, meanwhile, must balance the economic and political benefits of lower oil and fuel prices against the possibility that accepting Iran's conditions too readily could surrender leverage just as the blockade appears to be exerting maximum pressure.

For crude, this leaves the market facing sizeable two-way headline risk. A US willingness to engage with Iran's proposal could quickly remove additional geopolitical premium, particularly if accompanied by a credible timetable for reopening Hormuz. A rejection, or demands for further Iranian concessions, could just as quickly reverse today's sell-off. The initial plunge below USD 99 followed by the rebound therefore looks appropriate: the probability of a diplomatic breakthrough may have increased, but an agreement is still some distance from being secured.

- Ole S Hansen's articles on Saxo
- For market commentary and insights - not trading advice - follow me and join the conversation on Twitter and Substack

Source: <https://www.home.saxo/content/articles/commodities/iran-offer-raises-prospect-of-a-hormuz-breakthrough-but-rising-oil-flows-complicate-the-path-to-a-deal-22092026>