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Supply Shock

Illuminating a more resilient future for aviation

Introducing insights on the implications of the global fuel crisis for airlines and aviation-dependent industries, from the aviation team at Deloitte Asia Pacific. Part of a series exploring the multifaceted impacts of the energy shock across industry sectors.

The surge in jet fuel cost and subsequent weakening of passenger demand requires decisive action from Asia Pacific airlines. In the near term, cost discipline, strategic capacity reallocation, and dynamic pricing are necessary to conserve cash and protect yields. Next, airlines should accelerate their transition to modern airline retailing, unlock latent productivity, reassess fleet plans, and pursue lucrative cargo segments. In the long term, they should diversify fuel supply chains to build lasting resilience.

The year 2026 bears the hallmarks of another systemic shock to air transport, triggered by what the International Energy Agency (IEA) has called the "largest supply disruption in the history of the global oil market".[1] Airline cash reserves and operating margins are being compressed from both sides: a sharp increase in fuel-related operating costs, and a slow but unambiguous weakening of passenger demand.

On the cost side, our analysis of Platts data shows that the dated Brent crude oil price in April reached exactly twice the 30-day average before the Iran war began on February 28 2026. Over the same period, the global jet fuel price index rose more sharply, by 2.3 times, indicating a widening crack spread attributable to lost refining capacity.[2] The Asia jet fuel price index rose further still, by a factor of 2.6[3], underscoring the region's acute exposure to the Strait of Hormuz: although Asia accounts for only 22% of global jet fuel consumption, it absorbs approximately 80% of the oil flowing through the Strait.[4] This exposure has led to a remarkable inversion: jet fuel prices in Asia were below the global average on all 30 days before the war, but on only five of the following 30 days. **Asia Pacific airlines are therefore disproportionately affected by the oil crisis.**

On the revenue side, our analysis of airline schedule data points to uneven but unmistakable impacts on capacity, a second-order indicator of airlines responding to dips in forward bookings.

At the time of writing, summer capacity is being cut entirely, or well below 2025 levels, on many secondary routes across Asia Pacific, while remaining high on trunk routes with sustained demand.

This crisis is also defined by its volatile, uncertain, complex, and ambiguous (VUCA) nature: volatility in oil prices, uncertainty over military resolution, complexity in the geopolitical landscape, and ambiguity in the day-to-day operational status of the Strait.

Even in the best-case scenario of an early resolution, **a return to normal fuel supply will not happen this year**, given the lead time needed to rebuild lost refining capacity and resynchronise global fuel logistics. The tail risk is that acute supply disruption turns into chronic shortage, testing airline endurance and resilience in ways reminiscent of COVID-19 border closures.

As with previous black swans, there will be winners and losers from the reconfiguration of aircraft capacity, airport slots, passenger demand across routes and travel classes, and competitive positioning.

This paper offers tangible recommendations for airlines to protect cash, build resilience, and emerge relatively stronger. These options are organised into three horizons: now, to respond within six months; next, to recover in the following 12 months; and future, to thrive into the future.

1 International Energy Agency, 2026 (*https://www.iea.org/news/new-iea-report-highlights-options-to-ease-oil-price-pressures-on-consumers-in-response-to-middle-east-supply-disruptions*)
2 S&P Global, 2026 (*https://www.spglobal.com/energy/en/pricing-benchmarks/assessments/refined-products/jet-fuel*)
3 S&P Global, 2026 (*https://www.spglobal.com/energy/en/pricing-benchmarks/assessments/crude-oil/dated-brent-price-explained*)
4 International Air Transport Association (IATA), 2026 (*https://www.iata.org/en/iata-repository/publications/economic-reports/middle-east-conflict-exposes-jet-fuel-supply-vulnerabilities/*)

Impacts on aviation-adjacent industries

While this first paper in our series focuses on aviation, we also acknowledge the impacts of the energy crisis on adjacent sectors. In the **now** horizon, tourism, hospitality, and destination retail will be most affected by fuel surcharges, flight cancellations, and security concerns, especially on long-haul routes previously served by Middle Eastern hubs and secondary routes served by Southeast Asian hubs.

In the **next** horizon, we expect consumer discretionary retail to be affected as households absorb higher energy, transport, and food prices. This will affect both airport retail and air cargo volumes, particularly for price-sensitive fast-moving consumer goods (FMCG) and agrifood products disrupted by fertiliser shortages.

Further into the **future**, we anticipate structural shifts in corporate travel toward virtual and hybrid meetings (a continuation of the COVID-19 trend) and shorter industrial supply chains that weaken long-haul goods flows.

Now: Position for relative advantage with cost discipline and dynamic offers

Recent International Air Transport Association (IATA) analysis shows that high jet fuel prices are not fundamentally incompatible with airline profits: operating margins averaged 3% in 2011–2014, when jet fuel prices were at then-historic highs.[5] What makes today's situation uniquely challenging is both the sudden increase in jet fuel prices and the uncertainty over future supply.

In the near term, most airlines should already have adopted hygiene measures to prioritise cash conservation and margin protection.

The VUCA nature of the crisis calls for continuous monitoring through a "war room" governance forum empowered to make rapid decisions across fuel procurement (including an ongoing review of the hedging posture), flight operations, schedule and capacity planning, and revenue management.

Addressable fuel burn should be minimised through flight planning (direct routing, direct descent, tankering, etc.) and flight operations, including cabin weight removal, single-engine taxiing, lower cost index, and Auxiliary Power Unit (APU) avoidance.

IATA has identified that carrying one extra ton of fuel burns 30 kg per hour, so reducing uplift compounds in value.[6] Such measures typically yield around 2% fuel-burn avoidance, equivalent to 0.6–0.8% of operating costs in the current jet fuel market.[7] Airlines lacking accurate fuel monitoring should close that gap urgently. In the face of looming scarcity, they should also develop tankering alternatives to usual uplift hubs and coordinate closely with fuel suppliers to protect schedule integrity on strategic routes.

Third, airlines should use dynamic pricing to pass through some fuel cost increases to passenger segments and routes able to absorb them, prioritising yields over load factors.

Premium and corporate passengers are less price-sensitive, though corporates may still reduce non-essential travel. Trunk routes with capacity shortfalls and no modal alternative offer opportunities for record yields and may even cross-subsidise fragile but strategically important routes. Dynamic bundling can adjust the passenger experience without compromising revenue and at low marginal cost. Airlines can learn from online retail, which excels at real-time price adjustments in response to, or in anticipation of consumer behavior.

5 International Air Transport Association (IATA), 2026 (*IATA - Chart of the Week - 13 March 2026*)
6 International Air Transport Association (IATA), 2026 (*https://www.iata.org/en/publications/newsletters/iata-knowledge-hub/fuel-efficiency-in-aviation-why-it-matters-more-than-ever/*)
7 Assuming jet fuel costs account for 30-40% of an airlines operating cost after the price increase

Airlines should also **reconfigure networks** to reflect the new economics.

Existing routes can be grouped into four categories: core strategic trunk routes to defend; profitable but fuel-sensitive routes to temporarily down-gauge; marginal routes to suspend; and opportunistic routes to enter if competitors retreat. The goal is to preserve competitive position where slot access, premium/corporate share, or feed relevance to hub operations would be costly to rebuild, rather than cut capacity indiscriminately.

Finally, airlines should engage creatively with partners and vendors to negotiate cash headroom, including temporary adjustments to aircraft leases, payment terms, volume commitments, and performance clauses.

COVID-19 showed that it is in the long-term interest of lessors, original equipment manufacturer (OEM), maintenance, repair, and overhaul (MROs), airports, and ground handlers to share part of the airlines' burden.

Strategic scan:

- Have you set up a crisis management governance team empowered to make quick airline-wide decisions?
- Have you fully optimised your fleet's addressable fuel burn?
- Are you repricing and rebundling inventory dynamically in response to market conditions?
- Have you taken a 360° view of network value in choosing where to reduce capacity?
- What opportunities exist to renegotiate terms with your top five cash-flow-critical suppliers?

Next: Diversify revenue and keep investing in core capabilities

Airlines should accelerate adoption of Offers & Orders to improve market responsiveness through dynamic pricing, lower distribution costs through new distribution capability (NDC), increase ancillary attachment through dynamic bundling, and unlock the full benefits of modern airline retailing.

Capital scarcity should not deter airlines from investing in this capability; continued investment in core differentiating capabilities creates the conditions to emerge from the crisis in a stronger relative position. Leading Asia Pacific airlines are already using Orders, rather than passenger name records (PNRs), as their master record, in line with the IATA industry roadmap. Competitors' paralysis will only accentuate their advantage through superior pricing power, smoother booking experiences, a larger ancillary revenue base, and finer control over customer data for loyalty monetisation.

In parallel, airlines should avoid undiscerning headcount cuts that delay recovery, as post-COVID staff shortages showed.

Instead, they should **focus on productivity** across human capital, technology, and business processes, including crew rostering, turnaround times, maintenance planning, digital self-service, streamlined irregular operations (IROPS) handling, and back-office simplification and automation.

Consistent with network reconfiguration, airlines should reassess fleet plans around long-term fuel resilience, spare inventories, and pilot training.

This includes accelerating retirements of fuel-inefficient aircraft, balancing lease extensions and returns, streamlining the fleet mix, and down-gauging where possible to structurally lower Cost per Available Seat Kilometer (CASK).

Lastly, cargo revenue was a lifeline during COVID-19, but the present crisis is affecting trade lanes unevenly. Thin routes within Asia Pacific are seeing drastic belly capacity cuts, while Asia-Europe cargo rates are being affected by rerouting and higher fuel burn.

We anticipate modal shifts and inventory buffering among deferrable and low-margin cargo; airlines should focus on categories likely to keep paying a premium for speed, such as semiconductors, pharmaceuticals, and perishables.

Strategic scan:

What is your practice maturity against the Offers & Orders roadmap? What capability can you unlock next?

Do you have a cross-divisional task force ideating and executing on productivity gains?

What is the opportunity cost of your current fleet mix relative to an optimal mix?

Are you positioning your airline proactively to capture the highest-value cargo categories?

Future: Diversify fuel sources and improve supply resilience

The current crisis adds impetus to the industry's Net Zero roadmap, not only to achieve carbon neutrality by 2050 but also to reduce reliance on Middle Eastern oil much sooner.

It is in Asia Pacific airlines' interest to promote regional production of alternative fuels and diversify supply chains. Gas-to-liquid fuel offers a technologically mature pathway to produce flexible liquid fuels from methane gas reserves in countries such as Australia, China, and Indonesia, suitable for blending up to 50% with conventional jet fuel. Likewise, feedstocks for Sustainable Aviation Fuel are widely available in India, Malaysia, and Thailand. Airlines should actively pursue strategic offtake agreements and commercial partnerships to unlock this supply over a longer horizon as a source of resilience, particularly in countries without sovereign oil and gas reserves.

Strategic scan:

Which alternative-fuel partnerships would best support your supply chain and energy resilience?

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