

The Strait Was the Weapon: How the Iran War Reshaped the Global Energy System

The conflict that began as a strike on Iran's nuclear programme has become the most severe energy supply disruption in recorded history, and the ceasefire framework now under negotiation may resolve the military phase without restoring the infrastructure damage.

EXECUTIVE TAKEAWAYS

- Operation Epic Fury transformed a targeted military strike into the longest sustained Strait of Hormuz closure in the waterway's modern history. By early May, a large share of Gulf production was still offline and oil prices remained far above pre-conflict levels. The economic damage has already materialised; the ceasefire diplomacy now underway does not reverse it.
- The Ras Laffan strike introduced a second, structurally separate shock to global gas markets. Because the facility is a load-bearing LNG hub with a multi-year repair timeline, the gas supply disruption is unlikely to track the calendar of any military settlement. A peace agreement could close the Strait without restoring the supply wave that global markets were counting on later this decade.
- Europe entered this shock with depleted buffers. Gas storage was already below crisis-era comfort levels as Middle East LNG availability tightened. The EU now faces a refilling season under structurally constrained supply and a fiscal response that is still leaning heavily on broad cushioning rather than targeted adjustment.
- The ceasefire negotiation carries an internal sequencing tension. The reported framework would settle Hormuz access before nuclear questions. This ordering satisfies Iran's near-term demand but leaves the issue that triggered the conflict, nuclear programme constraint, structurally unresolved, creating risk of a future iteration of the same confrontation.
- Alternative routes are a cushion, not a substitute. Bypass pipelines can soften the disruption but do not replace normal Hormuz throughput at scale. Whatever diplomatic settlement emerges, the strait's physical reopening remains the non-negotiable variable for global oil market normalisation, and shipping confidence may lag formal reopening by weeks or months.

1. THE SITUATION

The latest

February 2026 — The United States and Israel launched coordinated airstrikes on Iran under Operation Epic Fury, targeting military facilities, nuclear sites, and Iranian leadership. Supreme Leader Ali Khamenei was killed in the opening salvo, triggering an immediate Iranian retaliatory response of missile and drone strikes against Israel, US military bases, and Gulf Arab states.¹

March 2026 — Iran formally closed the Strait of Hormuz to commercial shipping, announcing that any vessel attempting passage would be targeted. Brent crude futures crossed \$100 per barrel for the first time in four years, rising to \$126 per barrel at their peak, the largest monthly oil price increase ever recorded. The IEA characterised the disruption as the largest supply shock in the history of the global oil market. IEA member countries responded with a unanimous decision to release 400 million barrels from emergency reserves, the agency's largest-ever emergency stock draw.²

March 2026 — Iran struck Qatar's Ras Laffan LNG complex following Israeli strikes on Iranian natural gas infrastructure. Ras Laffan is the world's largest liquefaction facility, responsible for approximately 20% of global LNG production; damage is estimated to require three to five years to repair.³

April 2026 — A conditional two-week ceasefire between the US and Iran was declared, arranged via Pakistani mediation. Despite the announcement, ship traffic through the Strait of Hormuz remained far below pre-war levels, with loadings of crude, natural gas liquids, and refined products averaging approximately 3.8 million barrels per day against more than 20 million before the crisis.⁴

April 2026 — The European Commission's Oil Coordination Group confirmed no fuel shortages in the EU but noted that commercial oil stocks were decreasing. The Commission recommended member states prepare for further consequences if the situation continued beyond end-May.⁵

May 2026 — Axios reported that the US and Iran were closing in on a one-page framework memo that would address Hormuz access before nuclear questions, suggesting possible sequencing that defers the core proliferation issue.⁶

May 2026 — Bruegel's European natural gas imports dataset recorded EU gas storage at 36% of capacity, below the level seen during the 2022 Russia-Ukraine energy crisis, with LNG imports from the Middle East at their lowest level since 2019.⁷

The central event

The Strait of Hormuz closure is the operational core of the crisis. Prior to the conflict, approximately 20 to 20.3 million barrels per day of crude oil and condensate transited the strait, representing 20 to 25% of all seaborne petroleum trade worldwide. A further 20% of global LNG trade, predominantly Qatari exports, transited the same waterway. By early April, loadings had fallen to approximately 3.8 million barrels per day. Global oil supply fell by 10.1 million barrels per day in March 2026 to 97 mb/d. As of the IEA's May report, approximately 10.5 million barrels per day of Gulf production remained offline.⁸

The immediate aftermath

The parallel damage to Qatar's Ras Laffan facility compounded the oil shock with a gas supply shock. Global LNG supply has been reduced by approximately 20% since the start of the war, with disruption to Qatari and UAE exports reducing European supply by over 300 million cubic metres per day since 1 March. Dutch TTF, the European benchmark gas price, rose more than 45% between late February and the start of May 2026. The European Commission launched the AccelerateEU energy emergency plan on 22 April and a Middle East Temporary State Aid Framework on 29 April, permitting member states to subsidise heavily exposed sectors through end-2026. European governments committed more than €11 billion in fiscal support measures, with more than 72% consisting of untargeted interventions.⁹

2. WHY IT MATTERS NOW

The ceasefire framework reported in May has created a narrow diplomatic window, but the window's opening does not reset the structural damage already accumulating. Two distinct clocks are now running at different speeds, and the gap between them is the analytical problem.

The first clock is political. A Hormuz framework, if formalised, could partially restore commercial transit within weeks. The second clock is physical. Ras Laffan's repair timeline is independent of any diplomatic calendar. The IEA's April gas market statement projects a cumulative loss of approximately 120 billion cubic metres of LNG supply between 2026 and 2030, a figure that persists regardless of when a ceasefire is formalised.¹⁰

For European energy planners, the timing pressure is immediate. The same low storage position matters because the summer refilling season, the window during which Europe rebuilds buffers before the following winter, is now operating under structurally reduced LNG availability. LNG imports from the Middle East dropped to their lowest level since 2019 in April 2026. The EU's 8% direct exposure to Qatari LNG understates the real problem: the global spot market, on which Europe relies for flexibility, has tightened sharply as every major Asian buyer competes for the same contracted and spot volumes from non-Gulf sources.¹¹

For investors and market participants, the question that matters now is whether the current price plateau, Brent at roughly \$105 to \$107 per barrel as of mid-May, reflects genuine scarcity or a ceasefire discount applied prematurely. The European Commission's own timeline treats end-May as the threshold beyond which stock levels become operationally problematic. That threshold is now inside the current decision window.¹²

3. THE BIGGER PICTURE

The strait as systemic leverage

The Hormuz closure is not simply a military act of retaliation; it is the deployment of energy infrastructure as a coercive instrument. Iran's formal announcement that any vessel attempting passage would be targeted converted a geographic chokepoint into a strategic weapon. The structural vulnerability was well-documented before the conflict. What the current crisis has revealed is that the theoretical risk translates, when activated, into disruptions that exceed the capacity of emergency mechanisms designed around shorter, partial interruptions.¹³

The emergency reserve release was calibrated for a disruption in the range of weeks. A closure now approaching ten weeks in effective duration has moved beyond the design parameters of existing multilateral crisis architecture. Commercial oil stocks in the EU are declining despite that intervention. The bypass capacity ceiling adds a hard physical dimension: Saudi Arabia's East-West pipeline and the UAE's Habshan-Fujairah pipeline can together carry only about one quarter of normal Hormuz throughput, even at full utilisation. There is no rerouting option at scale.¹⁴

The LNG architecture break

The gas side of the shock introduces a different structural problem. Europe's post-2022 energy architecture was built on the assumption of a growing global LNG supply wave through the late 2020s, with Qatar's North Field expansion projects as a central load-bearing pillar. The IEA's April 2026 gas market statement projects that the Ras Laffan damage will delay that supply wave by at least two years. The previously noted cumulative LNG loss is not a price problem that higher spending can resolve; it is a physical volume that will not exist.¹⁵

This matters structurally because European gas storage policy, winter adequacy assessments, and long-term procurement strategies were all built against a baseline that assumed Qatari expansion would proceed on schedule. That baseline no longer holds. The market is not yet pricing the

multi-year supply compression in the way the repair timeline implies, partly because diplomatic news flow continues to inject near-term optimism that the physical damage timeline does not support.

Two Readings of the Signal

The dominant institutional reading holds that a Hormuz framework agreement would trigger a rapid market normalisation, oil prices retreating from their current plateau, LNG spot premiums compressing, and European storage recovering through a normal summer refilling cycle. On this reading, the shock is severe but episodic, and the energy system's resilience mechanisms will absorb it.

The alternative structural reading holds that normalisation is asymmetric across the two energy vectors. Oil could partially recover if the strait reopens and Gulf producers restore output, though shipping confidence, insurance markets, and crew availability may lag a formal reopening by weeks or months. Gas cannot recover on any politically relevant timeline. The two readings agree on the near-term political trajectory; they diverge sharply on the 2027 to 2030 energy outlook, particularly for European winter adequacy. The synthesis that both readings underweight is this: the ceasefire negotiation is being optimised for oil market optics, while the gas supply architecture, the more structurally consequential damage, is operating on a timeline that diplomacy cannot compress.

4. NEXUS THREAD

The simplified narrative running through most institutional and market commentary is coherent: a ceasefire ends the military phase, the strait reopens, emergency reserves cushion the transition, and the energy system returns to something resembling its pre-February baseline. The narrative is not wrong about the near term. It is structurally incomplete about the medium term, and the incompleteness is not evenly distributed.

The first pressure point concerns the sequencing logic of the reported framework. The Axios account of a one-page memo that settles Hormuz access before nuclear questions reflects a negotiating outcome that Iran has sought from the opening of the conflict. Iran's demand for sequencing, physical access first, proliferation constraints later, is rational from its own position: it recovers the most important lever of economic coercion while deferring the constraint that the US and Israel went to war to impose. If the framework proceeds on this logic, the military operation will have destroyed Iran's current nuclear infrastructure while producing a diplomatic architecture that does not bind Iran's future nuclear trajectory. The scenario in which a later confrontation recurs over the same underlying issue is structurally present in the reported settlement design, though it is not highlighted in coverage focused on the immediate ceasefire.¹⁶

The second pressure point concerns the European fiscal response. More than 72% of the €11 billion in EU member state energy support measures are untargeted, meaning they subsidise consumption broadly rather than protecting the most exposed households and industries. The Bruegel analysis notes this pattern specifically. Untargeted measures applied during an energy shock characterised by physical supply scarcity, not merely price volatility, risk extending the demand signal that keeps prices elevated, while leaving the structural adaptation incentives (efficiency investment, demand reduction, alternative procurement) weakened. The previous crisis response carried the same design flaw at smaller scale. The current response reproduces it against a more severe underlying supply constraint.¹⁷

The third pressure point is the one that the dominant narrative least accommodates: the interaction between the Hormuz diplomatic timeline and the European gas storage trajectory. The previously noted storage weakness matters because the summer refilling window runs approximately from May through October. If formalisation and shipping confidence lag the political announcement, Europe enters the critical late-summer storage phase, when injection rates must peak, with a compressed supply window and no Qatari spot flexibility. The physical constraint does not require the worst-case scenario to become a problem; it requires only that the diplomatic timeline run at its current pace while storage continues its below-trend trajectory. The European Commission's end-May threshold is now active.¹⁸

5. NEXUS CALCULATION

How much pre-crisis throughput remained in motion

Metric	Value
Early-April actual throughput	~3.8 mb/d
Pre-crisis Hormuz throughput	~20 mb/d
Final Nexus Metric: Hormuz throughput retention ratio	19%

Interpretation:

The retention ratio shows that only about one-fifth of normal Hormuz oil throughput was still moving by early April. **For every 100 barrels that normally moved through the chokepoint, roughly 19 remained in motion.** Structurally, market normalisation depends first on restoring flow through the strait, not on treating the event as an ordinary disruption. Sources used: IEA April Oil Market Report¹⁹; Bruegel assessment of Hormuz energy-market exposure².

6. THE LINE

The ceasefire may reopen the strait, but it cannot repair the energy system it exposed.

SOURCES

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[19]	IEA April Oil Market Report	Open source