ORIGENCIA INSIGHT

Global Energy Markets Under Stress

Why Today's Stability May Be Misleading

> How temporary buffers are masking a major supply shock,
> And what happens when they expire

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Analysis reflects information available as of June 1, 2026.

Origencia

Executive Summary

The critical issue for decision-makers is not only the disruption itself. It is the delayed transmission of its effects.

The closure of the Strait of Hormuz on February 28, 2026, triggered one of the largest disruptions to global oil and LNG flows in modern energy market history. While strategic reserves, cargoes already in transit, and expectations of a diplomatic resolution have delayed the full economic impact, global supply remains significantly below pre-conflict levels. By April 2026, global oil supply had fallen to approximately 95.1 million barrels per day, with cumulative losses reaching 12.8 million barrels per day relative to pre-conflict levels.

Most economies have not yet felt the full impact. That is the core risk this report addresses.

What decision-makers are currently experiencing is not resilience; it is the effect of three finite buffers operating in parallel: pre-disruption cargoes still in transit, emergency strategic reserve releases coordinated across IEA member governments, and futures markets that continue to price in a near-term diplomatic resolution. Each buffer is real. Each is being drawn down. None is permanent.

> *When these buffers are sufficiently depleted, adjustment could arrive more rapidly and across more sectors simultaneously than current conditions suggest. The mechanism will not be limited to higher energy prices. It will include demand destruction: a reduction in the volume of economic activity that energy-intensive industries can sustain at prevailing costs.*

This report maps the transmission mechanism, identifies the sectors most exposed, and outlines the observable signals that precede the transition from buffered disruption to full market adjustment. Its purpose is not to describe what has happened, but to clarify what is in motion and what options remain before they narrow.

~20 mb/d	~20%	400 mb	$138/b	95.1 mb/d
Oil flows exposed through Hormuz	Share of global oil consumption affected	Strategic reserves committed (32 member countries)	Brent peak price (April 7 2026)	Global oil supply (April 2026)

Sources: IEA Oil Market Report (April 2026); EIA Short-Term Energy Outlook (May 2026); mb/d = million barrels per day.

Approach and Analytical Basis

This report is an intelligence assessment, not a deterministic forecast. It combines publicly available market data, sector exposure analysis, historical analogs, and structured judgment to assess how a major chokepoint disruption may transmit through energy, industrial, trade, and food systems. The report assesses directional risk exposure and transmission dynamics rather than predicting a single market outcome.

Analytical frame

The report focuses on delayed transmission: how temporary buffers can mask physical scarcity before adjustment becomes visible in prices, production, and supply chains.

Source base

The analysis combines Origencia's internal research and structured assessment with publicly available data from the IEA, EIA, UNCTAD, CF Industries, USGS, Farmdoc, Reuters, and other market and industry sources available as of June 1, 2026.

Time horizon

The primary horizon is the next two to four quarters, with selected implications for agriculture and food prices extending into the 2026/27 season.

Limitations

The analysis is sensitive to conflict duration, reserve-release execution, insurance conditions, rerouting capacity, and diplomatic developments. It does not assign probabilities to geopolitical outcomes.

The report does not assume current stability will persist. It asks what happens when the mechanisms that suppress visible impact weaken simultaneously.

The Disruption

The scale of the shock is visible in physical supply, but not yet fully visible in economic activity.

The Strait of Hormuz is the most consequential energy chokepoint in the world. A 21-mile-wide passage connecting the Persian Gulf to the Arabian Sea, it is the only practical export route for most Gulf producers. In 2025, it carried approximately 20 million barrels per day of crude oil and petroleum products, roughly 20 percent of global oil consumption and 25 percent of all seaborne oil trade, as well as around 20 percent of global LNG trade (EIA, June 2025; UNCTAD, 2025). Qatar alone accounts for approximately 20 percent of global LNG exports, with roughly 93 percent of that volume transiting through the Strait of Hormuz.

Traffic through the strait fell sharply, and major commercial transit was significantly disrupted immediately following the February 28 conflict. EIA data show production shut-ins across the region averaged 7.5 million barrels per day in March 2026 and reached approximately 10.5 million barrels per day in April, making it one of the largest single-event supply disruptions on record. Middle Eastern Gulf producers, including Saudi Arabia, Iraq, Kuwait, the UAE, and Qatar, collectively reduced output by at least 10 million barrels per day. The IEA's April 2026 Oil Market Report confirms that global oil supply fell by 10.1 million barrels per day in March to 97 million barrels per day, with OPEC+ production down 9.4 million barrels per day month-over-month.

Subsequent IEA data indicate that supply losses deepened further in April. Global oil supply fell to approximately 95.1 million barrels per day, while cumulative disruption reached 12.8 million barrels per day compared with pre-conflict levels. Gulf production remained approximately 14.4 million barrels per day below pre-conflict levels, while global supply losses were estimated at 12.8 million barrels per day after partial offsets from non-Gulf producers and other market adjustments. The market's continued dependence on temporary mitigation measures, rather than restored Gulf production, is the core structural risk.

Historical context:
The 1973 Arab Oil Embargo removed approximately 4.3 million barrels per day (~9% of world consumption). The Iranian Revolution of 1978–79 removed roughly 3–4 million barrels per day. On a barrels-per-day basis, the current disruption is larger than either of those events.

Saudi Arabia and the UAE operate pipeline infrastructure that bypasses the strait, but combined bypass capacity covers only around 33 percent of aggregate Gulf export flows. Approximately 14 million barrels per day has no viable large-scale alternative route.

Exhibit 1 | Shock Transmission Model

DISRUPTION	BUFFERS	DELAYED SIGNALS	ADJUSTMENT
Hormuz closure Feb 28, 2026	Cargoes at sea | SPR releases | Futures pricing	Muted prices | Normal output | Calm headlines	Price reset | Demand destruction | Cross-sector disruption

The global energy shock is not absent. It is buffered. This model illustrates the three mechanisms that delay visible impact and what follows when each expires.

The Buffer Phase

Three structural features of global energy systems are absorbing the shock. All three are temporary. The question for decision-makers is not whether they will expire, but when.

Why the impact is delayed

Oil in transit: the physical lag

Approximately 60 percent of the world's traded oil moves by sea (UNCTAD, Review of Maritime Transport 2025). Very large crude carriers typically travel at 12 to 15 knots; transit times on major routes range from roughly two weeks from the Middle East to India to six weeks or more on longer intercontinental routes. Continued Red Sea insecurity has also forced some non-Gulf cargoes onto Cape of Good Hope routings, adding time and cost to already strained trade flows.

A significant share of cargoes that cleared the strait or departed Gulf ports before February 28 continue arriving at their destinations. Refineries are still processing them. Once that pipeline of pre-disruption barrels is exhausted, the absence of replacement supply becomes apparent relatively quickly.

Futures markets: priced for resolution

Futures prices embed expectations, not only current physical conditions. Reports of diplomatic activity or potential workarounds have periodically suppressed near-term price expectations even as physical supply has not changed. This disconnect matters: when prices do not reflect actual scarcity, demand adjustment is postponed. The gap between financial market signals and physical reality, when it closes, tends to close sharply.

Brent crude averaged approximately $117 per barrel in April 2026 and reached an intraday peak of roughly $138 per barrel on April 7 before retreating as renewed diplomatic efforts raised expectations of eventual reopening. The volatility itself underscores the extent to which current prices reflect both political expectations and physical supply conditions. Current pricing appears to reflect expectations of eventual normalization rather than ongoing physical

scarcity. If normalization does not arrive, that gap may close abruptly.

Strategic reserve releases: a bridge, not a replacement

On March 11, 2026, IEA member countries agreed to release 400 million barrels from emergency reserves—the largest coordinated release in the agency's history. This is injecting real supply into real markets. But it is a drawdown of finite inventory, not new production. At 10.5 million barrels per day of shut-in production, the committed reserves represent approximately 38 days of equivalent volume: not full replacement of lost supply, since reserve releases supplement rather than substitute for physical production, but a meaningful buffer against the most acute near-term shortfalls.

The U.S. alone released 17.5 million barrels from its Strategic Petroleum Reserve between March 20 and April 24, 2026, reducing U.S. SPR stocks to 397.9 million barrels (EIA Weekly Petroleum Status Report, April 24, 2026). The drawdown pace is consistent with the IEA's coordinated schedule, but leaves declining headroom as the disruption continues.

The current stabilization window is not evidence of resilience. It is the interval in which preparation remains possible.

Exhibit 2 | Buffer Mechanism Summary

None of the current stabilizing mechanisms represents a durable resolution.

Buffer Mechanism	Current Status and Limitations
Pre-disruption oil in transit	Supply continuity maintained now; not replaceable once consumed at current closure rates
IEA strategic reserve release	400 mb committed; roughly 38 days against 10.5 mb/d shut-ins; draws cannot be quickly replenished
Futures market expectations	Partially moderating prices; risk of rapid repricing if resolution expectations fade or fail
Gulf bypass pipelines	Cover ~33% of Gulf export flows; ~14 mb/d remains structurally locked with no viable bypass

Sources: IEA (March-April 2026); EIA Short-Term Energy Outlook (May 2026); Standard Chartered Commodity Research (May 2026).

The Risk of Misreading Surface Stability

Fuel is still available at most filling stations in most countries. Airlines are still flying. Industrial output in developed markets has not yet fallen sharply. By the metrics most organizations use to monitor economic health, conditions look stressed but manageable.

This is what a buffer phase looks like. The danger is structural: when multiple buffers operate simultaneously, each one individually appears to be managing the problem. Their collective depletion rate, assessed together, reveals the underlying exposure. By the time that exposure becomes obvious, the window to act has typically closed.

The 2022 European gas crisis offers the closest available reference point. When Russia reduced gas flows, high storage levels and mild weather initially obscured the severity of the situation. By the time storage drew down and winter demand arrived simultaneously, the adjustment was both sudden and costly: industrial gas consumption across Europe fell by around 15 percent, and ammonia production in some countries dropped by more than 70 percent as producers shut plants rather than operate at a loss. The current disruption is larger in scale and more geographically concentrated.

> *Apparent stability reduces urgency. Organizations that would otherwise accelerate substitution, diversify supply chains, or reduce exposure continue operating on pre-disruption assumptions. Every week that passes without visible impact is a week in which preparation capacity goes unused.*

The Adjustment Mechanism

The shock will not be resolved by price alone. It will transmit through activity levels, contracts, inventories, and sector-specific input constraints.

More than higher prices

Energy shocks of this magnitude do not resolve solely through price. They resolve through a reduction in the volume of energy-dependent activity that the economy can sustain.

In moderate disruptions, the price signal mechanism works: higher prices reduce consumption, markets find a new equilibrium at elevated cost, and activity continues at a reduced but sustainable pace. In a disruption of this magnitude, price increases alone are insufficient. Physical availability constraints, combined with cost increases, render certain activities uneconomic rather than merely more expensive.

The EIA forecasts demand will be approximately 1 million barrels per day below pre-conflict estimates during March and April 2026, driven primarily by fuel shortages and government conservation programs in Asia (EIA Short-Term Energy Outlook, April 2026). Based on IEA and EIA supply data through April 2026, cumulative production losses since the February 28 closure are estimated at 400 to 550 million barrels, depending on assumptions about disruption duration, refined product losses, and offsetting supply.

This is demand destruction in the technical sense: a contraction in the number of things produced and in the distances goods travel, not simply an increase in what those things cost. Energy-intensive industries reduce output when continued production crosses into uneconomic territory; the output stops rather than continuing at higher prices.

The propagation lag matters for planning. Sectors most affected will not feel the full impact at the moment of disruption. They will feel it when input inventories are exhausted, contracts roll over, and customers begin to reflect higher costs in reduced orders. The effects documented during the 2022 European gas crisis, including fertilizer shortages and elevated agricultural costs, propagated through food systems well after energy markets had partially stabilized. The same dynamic is already in motion.

Where the Impact Will Be Felt

The disruption does not transmit evenly. Asia-Pacific economies face the most immediate exposure: China, India, Japan, and South Korea collectively received 69 percent of all crude oil that transited the Strait of Hormuz in 2024 (EIA, June 2025). European and North American economies face secondary effects through commodity markets, trade flows, and industrial supply chains.

Agriculture and Food Systems

The most direct cross-sector link runs from energy to nitrogen fertilizers. The Haber-Bosch process uses natural gas both as a feedstock for hydrogen and as fuel; for most global producers, natural gas accounts for more than 70 percent of the variable cost of ammonia production (CF Industries, March 2026). The Middle East is a major producer and exporter of nitrogen fertilizers precisely because of its low-cost gas, and that gas is now disrupted.

North American producers have some capacity to compensate, but new ammonia capacity requires three to four years to build, and U.S. plants were already operating at roughly 90 percent utilization in 2024 (USGS Mineral Commodity Summaries 2025). As a baseline, anhydrous ammonia was trading at approximately $786 per ton in Illinois in August 2025, already 6 percent above the prior year before the Hormuz disruption began. Fertilizer prices are likely to face further upward pressure as the supply shock works through global fertilizer markets and into the 2026 planting season, with consequences for food prices that will not fully appear until 2027.

Fertilizer markets are already reflecting tightening conditions. Recent World Bank analysis suggests global urea prices could rise by nearly 60 percent during 2026 if disruptions persist. Such increases would raise production costs for major grain producers and could contribute to food inflation extending into the 2026/27 and 2027 growing seasons.

Shipping and Global Trade

The disruption in the Strait of Hormuz, combined with continued insecurity in the Red Sea, has forced some trade flows onto longer Cape of Good Hope routes, adding weeks to voyage times and increasing bunker fuel costs. Dubai's Jebel Ali port, which handles 15.5 million TEUs annually and serves as the Middle East's primary transshipment hub for East Africa, South Asia, and beyond, could face reduced vessel calls and transshipment delays if the disruption persists. Approximately 65 percent of Jebel Ali's cargo is transshipped onward, meaning disruption here cascades across supply chains well beyond the Gulf. Higher freight rates amplify the cost of energy disruption into the delivered price of a wide range of goods.

Industrial Manufacturing and LNG-Reliant Sectors

Qatar and the UAE together supply close to 20 percent of global LNG trade. Qatar alone

exported over 112 billion cubic meters in 2025, with approximately 93 percent transiting Hormuz (IEA, February 2026). LNG importers in Japan, South Korea, and parts of South and Southeast Asia are among the most exposed. For energy-intensive industries in these markets—steel, cement, chemicals, and aluminum—the combination of reduced physical availability and sharply higher spot prices is beginning to produce the output-reduction pattern observed in Europe in 2022.

Asian LNG markets have experienced some of the sharpest adjustments. Reported spot LNG prices in Asia have risen substantially since the onset of the conflict, intensifying competition among importers and raising the risk of fuel switching, industrial curtailments, and electricity price increases across LNG-dependent economies.

Construction and Infrastructure

Diesel is the primary fuel for construction equipment, logistics vehicles, and agricultural machinery. The EIA forecasts retail diesel prices to peak above $5.80 per gallon in April 2026 and average $4.80 per gallon for the full year (EIA Short-Term Energy Outlook, April 2026). At these levels, project economics deteriorate significantly for infrastructure and real estate development, particularly where contracts were priced against pre-conflict fuel cost assumptions.

Semiconductor Production

Semiconductor fabrication is not directly fuel-intensive, but it is acutely sensitive to two second-order effects of the current disruption. First, helium, used in wafer cooling, fiber optic production, and leak detection, is produced in significant quantities in Qatar and the broader Gulf region; supply disruptions could tighten an already constrained specialty gas market. Second, fabrication facilities require highly stable, uninterrupted power; LNG-dependent electricity grids in Japan, South Korea, and Taiwan face elevated curtailment risk under sustained supply pressure. The exposure is secondary and contingent, but for an industry with no tolerance for process interruption, it warrants monitoring.

Exhibit 3 | Sector Exposure Summary

Impact timing and severity will vary by region and by the duration of the Strait of Hormuz closure

Sector	Primary Exposure	Key Risk
Agriculture	Natural gas (fertilizer feedstock)	Input cost spike; 2027 food price pass-through
Global Shipping	Bunker fuel; routing economics	Rerouting cost inflation; Jebel Ali transshipment disruption
Industrial Manufacturing	Gas (heat/power) + LNG	Output reductions in Asia; cost-driven shutdowns
Construction	Diesel (equipment/logistics)	Project delays; contract cost overruns
LNG Power Generation	Qatar/UAE LNG supply	Spot price surge; potential curtailment in Japan/Korea
Semiconductor Production	Stable power + specialty gases	Secondary risk via helium supply and power reliability

Reopening Is Not Normalization

Much of the current market response assumes that reopening the Strait of Hormuz will quickly restore normal trade flows. That assumption may prove optimistic.

Energy systems do not restart instantaneously. Production facilities require inspection, shipping schedules must be rebuilt, insurance markets must normalize, and inventories throughout the supply chain must be replenished.

The 2022 European gas crisis provides a relevant reference point: even after Russian flows partially resumed via alternative routes, European gas storage did not return to pre-crisis seasonal norms until mid-2023, more than a year after the initial supply shock. Physical infrastructure and contracting relationships do not reconstitute on the timeline suggested by diplomatic announcements.

Even under an optimistic diplomatic scenario, several Gulf producers have indicated that restoring full production could take weeks or months rather than days. As a result, the distinction between reopening and normalization is critical. The end of the disruption does not necessarily mark the end of its economic effects.

> *Reopening is not normalization. The recovery phase may carry its own supply, price, and logistics risks.*

Decision-makers should therefore evaluate both disruption risk and recovery risk when assessing future exposure. Recovery itself may introduce new constraints. Shipping schedules will need to be rebuilt, insurers may maintain elevated war-risk premiums, and buyers will compete to replenish inventories depleted during the disruption. These factors can prolong market tightness even after physical transit resumes.

Signals that Precede the Transition

The shift from buffered to exposed will produce observable signals before it becomes acute. Several of these indicators are already moving as of June 2026.

Exhibit 4 | Early Warning Signal Framework

Signal	What It Indicates
Brent futures backwardation widening	Markets repricing sustained scarcity; expectations of near-term resolution fading
Accelerating SPR drawdown rate	Buffers being consumed faster than modeled; coverage window narrowing
LNG spot price spreads (Asia vs. Europe)	Physical LNG shortages materializing in Asian markets; cargo competition intensifying
Ammonia and urea price movements	Fertilizer supply tightening; agricultural cost increases for 2026/27 season locked in
Freight rate indices (Drewry WCI, BDIY)	Shipping cost inflation reflecting rerouting economics and effective vessel scarcity
Industrial output data (Asia-Pacific)	Demand destruction visible in manufacturing statistics; leading indicator for broader activity
War-risk insurance premiums on Gulf voyages	Physical risk pricing suppressing tanker supply further; self-reinforcing dynamic

WCI = World Container Index. BDIY = Baltic Dirty Tanker Index.

Brent crude reached $138 per barrel on April 7, and the Brent-WTI spread peaked at $15 per barrel, reflecting the direct Hormuz exposure of internationally priced crude. Industry reports indicated that war-risk insurance premiums on Gulf voyages rose from approximately 0.125 percent to between 0.2 and 0.4 percent of insured vessel value per transit in the weeks following the February 28 closure. At those levels, the economics of Gulf transits deteriorated sharply for commercial operators, accelerating the withdrawal of shipping from the route—a self-reinforcing dynamic that reduces available tanker supply independent of the physical closure itself.

Organizations that build this monitoring infrastructure now are not predicting a specific outcome. They are positioning to act faster than those reading the same headlines after the fact.

Implications for Decision-Makers

The temporary absorption period is not a planning reprieve. It is the planning window.

For organizations with material energy exposure, the following actions are relevant now, not at the point of visible disruption.

Map energy exposure beyond direct fuel costs

The most significant second-order effects - fertilizer costs, freight rates, and industrial gas supply - will surface upstream before direct fuel shortages become visible. This requires extending visibility beyond Tier 1 suppliers to upstream dependencies, where constraints are most likely to emerge first.

Prioritize supply continuity over cost optimization

In disruption environments, the lowest-cost supplier is often the least reliable. Procurement decisions should be calibrated to ensure supply assurance under conditions of volatility, even where this implies short-term cost increases.

Restructure contracts for sustained volatility, not normalization

Contracts priced against 2025 energy cost assumptions carry material repricing risk over the next two to four quarters. The current market cushioning provides a narrowing window to secure alternative suppliers and more flexible contract structures before scarcity is fully priced in.

Adjust inventory strategies for longer replenishment cycles

Cape of Good Hope rerouting, especially for trade flows avoiding Red Sea/Suez risk, adds weeks to transit times on key routes. Supply chain planning that assumes pre-disruption lead times will increasingly result in stockouts and production interruptions.

Account for delayed second-order effects in capital allocation

The propagation lag between energy disruption and its effects in agriculture and energy-intensive manufacturing means that cost pressures and output constraints in these sectors will peak after, not during, the period of maximum energy price volatility. Capital allocation plans should reflect this timing.

> *Organizations that act during the buffer phase will adjust gradually. Those that wait for visible disruption will adjust abruptly at higher cost, with fewer options, and against competitors who moved earlier.*

Conclusion

Stability, in this context, is not a condition. It is a temporary consequence of buffers that are finite, declining, and increasingly difficult to replace.

The Strait of Hormuz disruption ranks among the most significant shocks to global energy supply in the modern market era. Its effects are already moving through oil, LNG, shipping, industrial production, and fertilizer markets, even if they are not yet fully visible in headline economic indicators.

The central risk is not only whether the strait reopens. It is whether markets are overestimating how quickly energy flows, shipping schedules, inventories, insurance conditions, and industrial supply chains can normalize after reopening. Strategic reserves can soften the shock, but they cannot replace lost production indefinitely. Futures markets can price optimism, but they cannot remove physical scarcity.

As of early June 2026, prices have retreated from April highs as expectations of reopening and production recovery have improved. That retreat does not invalidate the risk. It reinforces it. Current pricing still depends heavily on confidence that normalization will arrive before buffers weaken further.

The sectors and geographies most exposed are identifiable. The warning signals are already moving. The window for proactive positioning remains open. It will not remain open indefinitely.

About This Report

This report was prepared by Origencia Research and reflects information available as of June 1, 2026. The analysis combines Origencia's internal research and structured assessment with publicly available data from the International Energy Agency (IEA), the U.S. Energy Information Administration (EIA), the United Nations Conference on Trade and Development (UNCTAD), CF Industries, USGS, Farmdoc, Reuters, and other market and industry sources.

The report examines the implications of the February 2026 closure of the Strait of Hormuz on global energy markets, industrial supply chains, and downstream sectors. Its purpose is to provide decision-makers with an analytical framework for understanding the evolving disruption, the mechanisms currently buffering market impacts, and the risks that may emerge as those buffers weaken.

Contributors

Cedric Habiyaremye, Ph.D.
Chris L. Woods
Leticia M. James, Ph.D.
Meghan Lee
Solana S. Martinez