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ENERGY MARKETS UNDER CHOKEPOINT STRESS: THE 2026 HORMUZ SHOCK

by Alessandro D'Orazio*, Simone Emiliozzi*, Fabrizio Ferriani*,
Andrea Gazzani*, Marco Taboga* and Giovanni Veronese*

Abstract

In this paper, we analyze the energy-market consequences of the 2026 Middle East conflict and the associated disruption of traffic through the Strait of Hormuz. The conflict created the largest physical supply disruption in the history of global energy markets, with effects extending beyond crude oil to refined products, petrochemical feedstocks and liquefied natural gas. Energy prices rose sharply, but less than the scale of the physical disruption alone would have suggested, thanks to high pre-war inventories, emergency stock releases, the rerouting of commodity flows, and demand compression. The shock was global but differed from previous energy shocks along several dimensions: its unprecedented size, its propagation across refined product markets, the asymmetric exposure of Asian and European importers, and its uncertain persistence (especially regarding the restoration of Hormuz flows and damaged infrastructure). Compared with the 2021–22 European energy crisis, the events of 2026 affected oil and gas more homogeneously and were more global than regional. Our analysis covers developments up to 30 June 2026 and therefore provides an assessment of the initial phase of an ongoing shock rather than of the episode as a whole.

JEL Classification: F51, Q41, Q43, Q48.

Keywords: crude oil, natural gas, Middle East war, Hormuz crisis, energy shocks.

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1 Introduction¹

The conflict in the Middle East in 2026, a regional military confrontation involving Iran, Israel and the United States, generated an unprecedented global commodity shock. At the center of the crisis lies the Strait of Hormuz, one of the world's most critical energy chokepoints, through which around 20 million barrels per day of crude oil and oil products transit, equivalent to roughly one quarter of global seaborne oil trade, together with about 110 billion cubic meters of liquefied natural gas (LNG), close to one fifth of global LNG trade. For decades, policymakers and military analysts regarded a prolonged disruption of Hormuz as a low-probability but high-impact risk scenario. Yet this scenario materialised with remarkable speed in the first days of March 2026, when maritime traffic through the Strait rapidly collapsed from an average of around 120 vessel crossings per day to near zero.

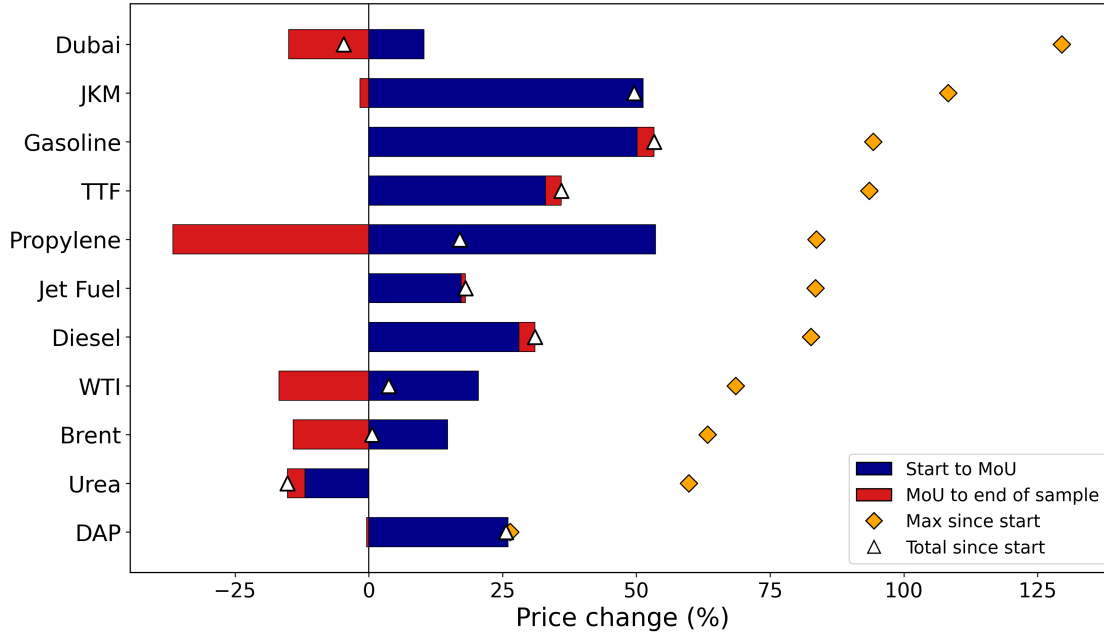
The escalation of the conflict immediately reverberated through the prices of major energy commodities (Figure 1). Brent oil prices, which had already been steadily rising since the end of 2025 amid mounting risks of military intervention in the region, increased from 72 \$ per barrel (\$/bbl) at the end of February to almost 120 \$/bbl in a few weeks, a level last seen in the aftermath of Russia's invasion of Ukraine. The European natural gas benchmark TTF (Title Transfer Facility), which was hovering slightly above 30 euro/MWh before the outbreak of the conflict, almost doubled by the end of March, briefly approaching 62 euro/MWh before partially retracing, although remaining persistently above pre-war levels.² The shock also extended to a broader set of production inputs beyond energy, as the Gulf has become an important supplier of critical inputs such as urea, ammonia, sulphur, aluminum, helium and other chemical products that are highly strategic because they sit upstream of food production, semiconductors, construction, and manufacturing (Hinz et al., 2026).

Yet the price response, while severe, was smaller than a mechanical reading of the lost volumes would imply. The shock hit a market where oil inventories were high, supply was expected to exceed demand in 2026, and part of the immediate disruption was tem-

¹We thank seminar participants at Bank of Italy for useful comments. The views expressed in this paper are those of the authors and do not necessarily reflect those of the Bank of Italy. All remaining errors are our own responsibility.

²The abrupt increase in commodity prices exhibited marked differentiation across geographical areas, with Asian benchmarks recording even larger increases, reflecting the region's sizable exposure to commodity exports from Middle Eastern countries.

FIGURE 1: Price variations in selected commodities



Note: the chart shows price changes since the start of the conflict (28 February 2026) to end of the sample (30 June 2026), along with the maximum variation recorded during the period; MoU identifies the announcement date of the Memorandum of Understanding (14 June 2026). Brent, WTI, and Dubai refer to crude oil benchmarks for the global, US, and Asian market; TTF and JKM represent benchmark natural gas prices for the European and Asian markets. Jet fuel, diesel, and gasoline refer to US Gulf Coast benchmarks. Both DAP (Diammonium Phosphate) and Urea are based on the New Orleans benchmark.

porarily absorbed by oil already in transit and by the IEA emergency stock release. China provided an additional buffer through lower oil imports, reducing the need to replace a substantial share of the lost Gulf barrels.

This paper studies both sides of the episode: the anatomy of the physical shock and the mechanisms through which energy markets absorbed part of it. The analysis covers developments from the outbreak of the war at the end of February 2026 through 30 June 2026. The US–Iran Memorandum of Understanding (MoU), announced in mid-June, marked an important turning point within this period, temporarily reducing the perceived risk of a prolonged closure of the Strait. Subsequent developments, including the renewed escalation in July, are mentioned where relevant for context but fall outside the period covered by the analysis.

Although the closure of the Strait of Hormuz has consequences that extend beyond energy markets, we explicitly focus on the latter in order to provide a comprehensive

Table 1: Timeline of the main events during the 2026 energy shock

Date	Event
28/02/26	Start of Operation Epic Fury: Israel and the US attack Iran
01/03/26	Several tankers are hit near Hormuz; major shipping firms begin suspending transits
04/03/26	Iran announces that Hormuz is closed to unsafe or hostile shipping traffic
11/03/26	IEA members announce a record 400 million barrel emergency oil stock release
13/03/26	Saudi Arabia cuts oil production after shutdowns at major offshore fields
23/03/26	Iran states that Hormuz is not fully closed but subject to Iranian supervision
27/03/26	Iran restricts passage for US-, Israel- and allied-linked vessels
08/04/26	US and Iran agree to a temporary ceasefire mediated by Pakistan
13/04/26	US begins a naval blockade of Iranian ports and coastal areas
21/04/26	US extends the truce to allow more time for an Iranian peace proposal
04/05/26	US starts Operation Project Freedom to escort merchant ships through Hormuz
10/05/26	Iran warns that restrictions on Hormuz could continue unless pressure on Tehran ends
19/05/26	US threatens renewed strikes after rejecting Iran's latest peace proposal
14/06/26	Iran and the US announce an agreement in principle on a Memorandum of Understanding to end the war

Note: The table reports the main events from the start of the conflict until 30 June 2026.

overview of energy-market developments following the outbreak of the conflict in the Middle East in 2026 (see Table 1 for a list of the main events). Specifically, we focus on the key consequences of the war for oil and natural gas markets and on the comparison with previous crises, especially for Europe, which only a few years earlier had already suffered from a major energy crisis triggered by Russia's invasion of Ukraine (see Emiliozzi et al., 2025 for an overview).

The war in Iran in 2026 occurred against a background of already high geopolitical confrontation, with some of the world's largest oil producers subject to sanctions and various forms of embargo, making energy-commodity trade logistics more complex (Fattouh

and Economou, 2026). The closure of the Strait of Hormuz added further pressure and fits into the increasingly recurrent pattern of commodity weaponisation, whereby countries use restrictions on the supply or transit of strategic goods as leverage to obtain political and economic concessions (IMF, 2023; OECD, 2025). However, the 2026 supply disruption has several distinguishing features that have transformed it into a fully-fledged energy crisis with deep and persistent implications.

The first feature is the magnitude of the shock, with the International Energy Agency (IEA) describing the 2026 conflict in the Middle East as the largest supply disruption in the history of the global oil market (IEA, 2026a). The consequences of this already sizeable event are compounded by the fact that the region at the epicentre of the conflict is also the one where most of the world's pre-war spare oil capacity was located. Moreover, while there are some alternative routes to the passage through Hormuz, especially Saudi Arabia's East-West pipeline and the UAE's pipeline to Fujairah, their available capacity is limited and unevenly distributed across petroleum products and Middle Eastern countries. As a result, global oil supply recorded a substantial drop of about 11–12 mb/d in the months following the outbreak of the conflict compared with pre-war levels. As regards the gas supply shock, its magnitude is comparable to the disruption that followed the halt of Russian gas exports to Europe in 2022. It is smaller than the oil shock in volume terms, but much more rigid in logistical terms, as the scope for rerouting is almost absent, because the main producers in the area (Qatar and United Arab Emirates) have no maritime alternatives to Hormuz transits.

The second distinctive feature of the 2026 energy crisis is the geographical distribution of the shock. While the 2022 shock was centered on Europe's direct dependence on a single supplier of pipeline gas and on the need to replace Russian volumes with LNG, the 2026 Hormuz shock is more global in nature. By far the largest share of crude oil, oil products and LNG transiting Hormuz is shipped to Asian markets, while Europe receives a smaller direct share. However, direct import exposure is only a partial guide to actual macroeconomic exposure. Although some cross-regional spreads may emerge in the short term, the crude-oil market is global: shortages of barrels in Asia can therefore raise prices also in regions with lower direct exposure, including Europe. The same applies to LNG. Since the 2022 energy crisis, LNG has increasingly acted as the marginal source of supply, accelerating the transformation of the global gas market from a set of segmented regional markets into a more integrated system (Emiliozzi et al., 2025). While Asia is more directly exposed in the 2026 episode, pressures are transmitted globally, pri-

marily through increased competition for flexible LNG cargoes rather than through an immediate physical shortage.

The third difference concerns the breadth of the shock within the energy complex. The 2026 crisis is not only a crude-oil disruption; it also propagated downstream to refined products and petrochemical feedstocks, reflecting the growing role of Gulf producers as global exporters of petroleum products. Technical constraints on crude-quality substitution and logistical challenges limit the ability of refineries to switch across crude grades, making refined-product supply chains less fungible than the crude market itself.

The fourth difference concerns the unusually uncertain exit scenario from the 2026 energy shock. As of 30 June, the MoU had reduced immediate concerns but had not eliminated uncertainty over the durability of the agreement or the restoration of normal commodity flows. Even a sustained reduction in hostilities would not automatically imply a return to the previous energy-market equilibrium. The reopening of the Strait of Hormuz would require not only the resumption of navigation, but also a credible framework for safe passage, together with lower insurance premia and freight rates. This would not be sufficient, however, for a full return to normality, as the restart of upstream, downstream and LNG infrastructure, some of which was severely disrupted, will take time. One prominent example is the strike on Ras Laffan in Qatar, the world's largest LNG facility, where a full restoration of capacity may require years. In this respect, the crisis raises a governance problem that goes beyond the end of military confrontation, as markets must assess whether freedom of navigation through Hormuz can again be treated as a stable background condition, or whether transit through the Strait will remain subject to political bargaining and recurrent threats. This distinguishes the 2026 crisis from shorter-lived geopolitical price spikes caused by relatively time-limited supply disruptions and makes it a test of the resilience not only of energy markets, but also of the institutional arrangements that underpin global commodity trade.

Structure of the paper. The rest of the paper is organized as follows. Sections 2 and 3 analyse the oil and gas dimensions of the Hormuz shock, starting from pre-war market conditions and then examining the transmission of the disruption through quantities, prices, trade flows and adjustment margins. Section 4 compares the 2026 shock with the energy crisis triggered by Russia's invasion of Ukraine, focusing on differences in scale, geography, persistence and market transmission. Section 5 reviews the main policy responses, including emergency stock releases, supply-side measures, consumer support,

energy conservation and structural interventions. Section 6 concludes and discusses policy implications.

2 Oil market

This section focuses on the oil market, starting from the preexisting conditions and then delving into the effect of the shock. It considers implications for both the crude and oil products markets.

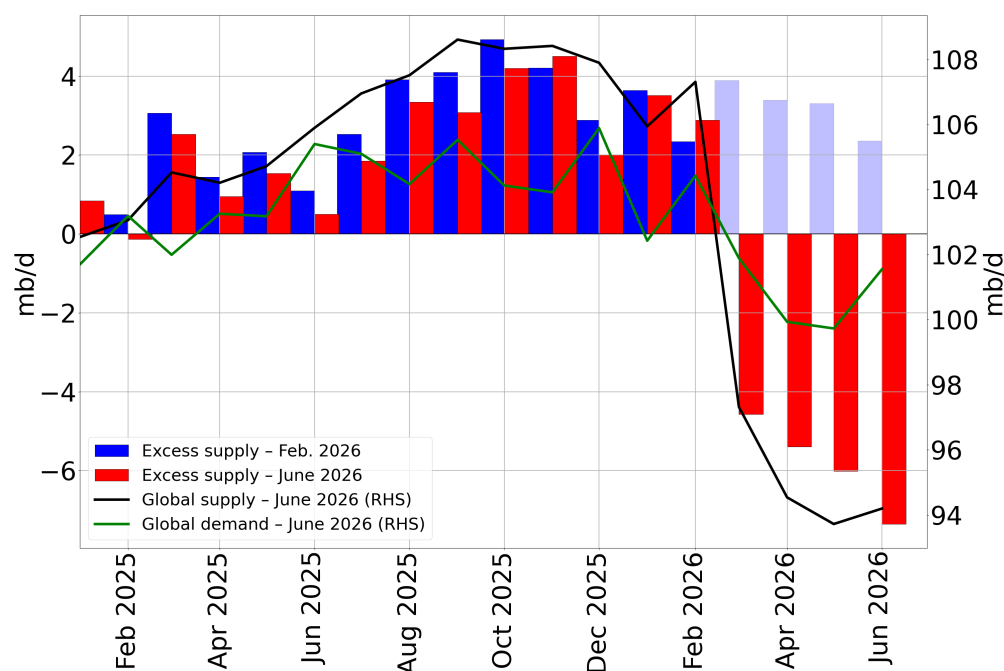
2.1 Pre-war oil-market conditions

Before the closure of the Strait of Hormuz, the global oil market was relatively well supplied. Throughout most of 2025, oil-market fundamentals pointed to a growing surplus, which became increasingly visible towards the end of the year. By the fourth quarter, the IEA and the EIA estimated that supply exceeded demand by about 3.1 mb/d and 3.8 mb/d, respectively, roughly equivalent to 3.5% of global oil consumption.³ Both agencies expected the surplus to persist into 2026 and to widen further in the first quarter, implying continued inventory builds over the year (Figure 2).

These favorable pre-crisis conditions reflected both supply- and demand-side forces. On the supply side, OPEC+ had started to reverse the voluntary production cuts introduced since 2023 to support market stability. Throughout 2025, the group gradually unwound part of these cuts and, by the end of October, had added roughly 2.6–2.7 mb/d of supply to the market, marking a shift from price-supporting restraint towards a strategy aimed at recovering market share. At the same time, non-OPEC+ supply continued to expand, led by the United States: between 2023 and 2025, U.S. oil production increased by more than 7 per cent, bringing the U.S. share of global oil production to about 22 per cent. On the demand side, oil consumption was slowing markedly (Figure 3). In July 2025, the IEA expected global oil demand to increase by only 700 kb/d in 2025, the weakest pace since 2009 excluding the Covid pandemic year, and projected a similarly subdued expansion in 2026 (IEA, 2025c). A central element of this weaker outlook was the structural deceleration of Chinese oil consumption. After accounting for more than half of the increase in global oil demand between 2005 and 2023, China saw oil demand growth

³See IEA (2025b) and EIA (2026c). For comparison, during the Covid-19 oil-market collapse, global liquid-fuels inventories built at an estimated 11.5 mb/d in the second quarter of 2020.

FIGURE 2: *Global oil market balance*



Notes: our elaborations on data from EIA’s Short-Term Energy Outlook (STEO), February 2026 and June 2026 vintages. Data refer to crude and refined oil products; positive values indicate an implied supply surplus, while negative values indicate an implied supply deficit. Shaded bars denote forecasts.

slow to just 0.8 per cent in 2024, well below its historical pace (IEA, 2025a). The slowdown was especially pronounced in transport fuels, reflecting the rapid uptake of electric vehicles and other low-carbon technologies (Bencivelli et al., 2025). At the same time, part of China’s apparent demand was supported by a large accumulation of crude inventories, reflecting not only weaker domestic absorption but also a broader effort to build resilience buffers. EIA estimates suggest that China added around 0.9 mb/d to crude oil inventories between January and August 2025 and continued to expand strategic stocks into 2026.⁴

These favorable market conditions were largely reflected in crude oil prices, which trended down over most of the year, averaging around \$68/bbl in 2025, their lowest annual average since the 2022–23 energy crisis. The pre-war market was therefore amply supplied, but not immune to risk. During 2025, tensions involving Israel and Iran (during the so-called *Twelve-day war*) had already triggered repeated, albeit short-lived,

⁴These estimates are subject to considerable uncertainty, as China does not publish official inventory data. See (EIA, 2025, 2026a).

oil-price spikes. Although these episodes did not overturn the comfortable pre-war balance, they showed that prices were still sensitive to geopolitical developments in the region. Moreover, further sources of fragility and tensions came from sanctioned oil. In recent years, Russia, Iran and Venezuela, which accounted for around one fifth of global seaborne crude supply in 2025, had increasingly relied on less transparent channels, including the so-called shadow fleet, to avoid sanctions imposed by Western countries.⁵ While these channels helped keep sanctioned barrels on international markets, cushioning the effect of sanctions on physical supply, they also made the market harder to read and raised geopolitical, operational and environmental risks in global commodity flows.

2.2 The Hormuz shock impact on the oil market

The outbreak of the war hit an oversupplied oil market with the largest physical disruption in history. Crucially, the conflict was not confined to Iranian production. The closure of the Strait disrupted the main export artery of the Gulf, a region that includes several of the world's largest oil producers and most of the spare capacity normally available to stabilise the market. The scale of disruption reflected the centrality of the Strait of Hormuz in global oil trade: around 20 mb/d of oil transits through the Strait, of which about 15 mb/d are crude oil and condensates and 5 mb/d refined products (Table 2).

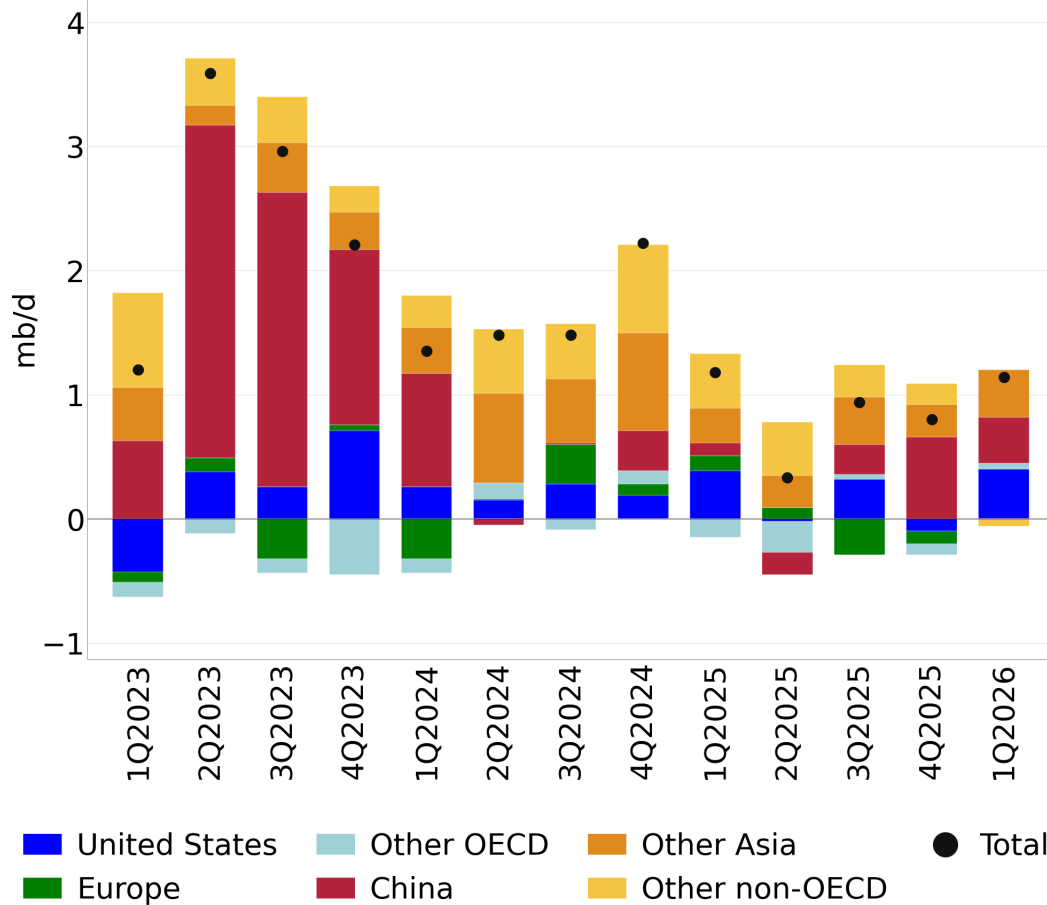
Table 2: Oil flows through the Strait of Hormuz by country

	Crude oil	Products	Total
Bahrain	0.00	0.21	0.21
Iran	1.69	0.72	2.41
Iraq	3.32	0.31	3.63
Kuwait	1.40	0.97	2.37
Qatar	0.73	0.69	1.43
Saudi Arabia	5.43	0.80	6.23
Saudi-Kuwaiti Neutral Zone	0.35	0.00	0.35
United Arab Emirates	2.02	1.22	3.24
Total Hormuz	14.95	4.93	19.87

Notes: Data from IEA expressed in million barrels per day. Crude oil includes condensates.

⁵The shadow fleets are networks that commonly rely on ship-to-ship transfers, the concealment or falsification of vessel movements, frequent changes in vessel ownership or registration, and intermediaries and maritime services located outside sanctioning jurisdictions.

FIGURE 3: Oil demand growth by region

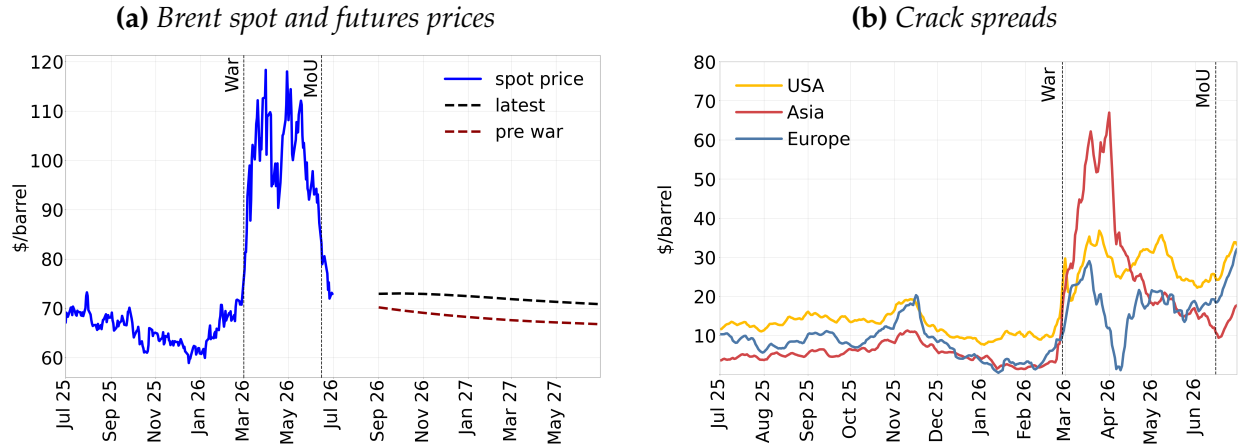


Notes: Year-on-year changes in quarterly oil demand, by region. Source: Authors' elaboration on IEA data.

The shock immediately reverberated in both spot and futures prices. Brent rose sharply, reaching almost 120 \$/bbl at its peak, while the entire futures curve shifted significantly above its pre-war level, signaling expectations of persistent disruptions and elevated prices through mid-2027 (Figure 4a). At the same time, the scarcity of immediately available barrels and the rising probability that Hormuz would remain constrained for longer than initially expected widened the spread between physical grades for prompt delivery and futures benchmarks.

The reaction was even more pronounced in product markets where average refinery cracking margins widened markedly (Figure 4b), even more for middle-distillate cracks such as jet fuel (Figure A1). Light-product markets also tightened, with naphtha especially affected by its importance as a petrochemical feedstock in Asia, while gasoline

FIGURE 4: Oil prices and crack spreads



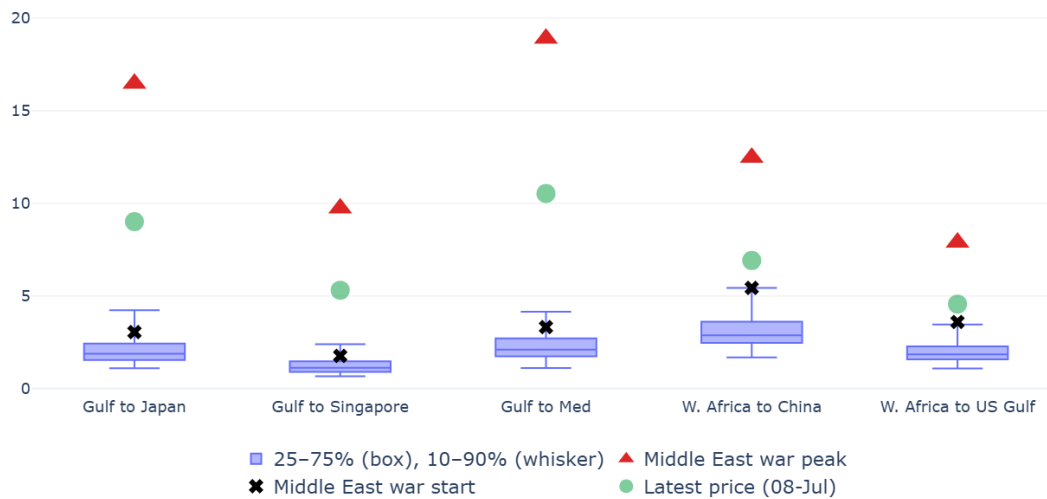
Notes: our elaborations on LSEG and IEA data. Panel (a) reports Brent daily spot and futures prices. For the futures curve, the black line refers to the curve observed on 30 June 2026, while the red to the pre-war curve observed on 28 February 2026. Panel (b) reports weekly refinery cracking margins associated with different refining regions expressed in \$/barrel. These spreads represent the difference between the value of the product slate yielded by a standard cracking refinery, net of the cost of crude and refining costs. The vertical dashed lines mark the outbreak of the war, on 28 February 2026, and the announcement of the Memorandum of Understanding, on 14 June 2026.

cracks were supported by constrained refinery output and resilient transport demand. Gulf exporters are important suppliers of medium-to-heavy sour crudes, whereas Atlantic Basin producers, including the United States, tend to supply lighter and sweeter grades.⁶ This matters because refineries are not perfectly flexible, but subject to technical and logistical constraints: switching crude grades can reduce efficiency, alter product yields and raise processing costs. As refinery runs were cut and replacement barrels did not fully match existing refinery configurations, the availability of specific products tightened more than the aggregate crude balance. Crack spreads therefore increased not only because crude oil became more expensive, but because the market repriced the relative scarcity of refined fuels that are harder to substitute and are held in thinner inventories.

The closure of the Strait of Hormuz not only displaced a sizable share of oil and gas supply from the market, but also triggered major disruptions in maritime logistics, hitting

⁶Crude quality is commonly classified by API gravity, which measures density, and sulphur content. Lower-API crudes are heavier; higher-sulphur crudes are sourer. See Figure A2. Light sweet crudes are generally easier to refine, while heavier and sourer grades require more desulphurization and upgrading capacity. In general, lighter crudes generally yield more light products, such as gasoline and naphtha, whereas heavier crudes are better suited to producing middle distillates, such as diesel and jet fuel, see EIA (2012).

FIGURE 5: VLCC freight rates (USD/bbl)



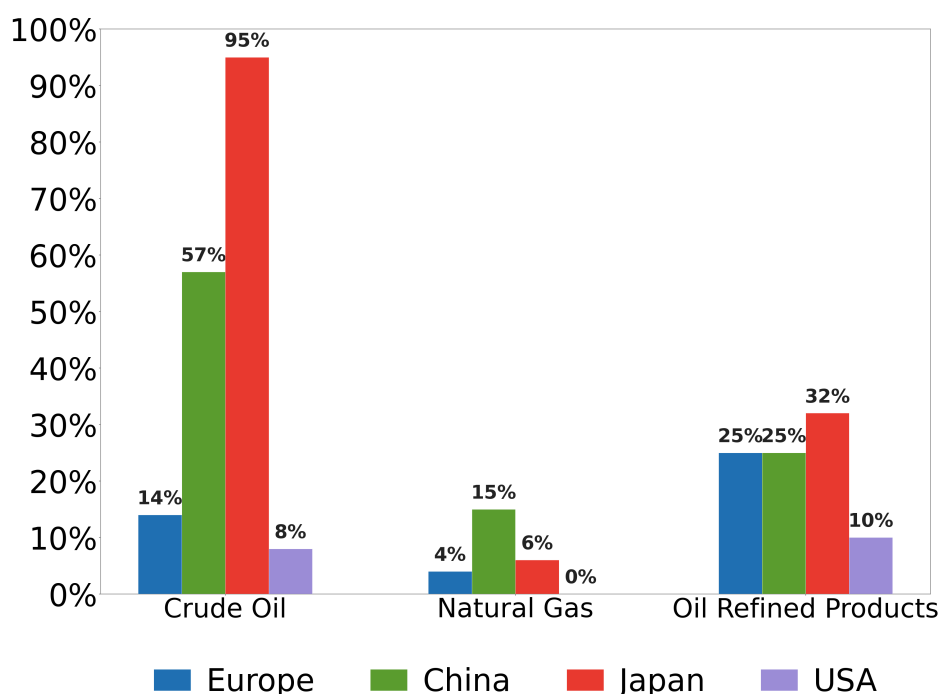
Notes: The figure compares VLCC freight rates at the start of the Middle East war, their subsequent peak and the latest observation with their historical distribution. Rates surged far above the 90th percentile on all routes at the peak of the crisis and had partially declined by 30 June, while remaining well above their typical historical ranges, particularly on routes from the Gulf.. Sources: authors' calculations based on Bloomberg data.

especially countries such as Iraq, Kuwait and Qatar, which have limited or no access to alternative export routes via pipeline and were forced to shut in the production. Crude oil tanker freight rates rose sharply since the beginning of the war, signaling reduced vessel availability and higher logistical costs, and reached levels well above their historical ranges across all routes, especially those for the so called Very Large Crude Carriers (VLCCS) transporting oil out of the Middle East (Figure 5).⁷

While the disruption was global in its price effects, its immediate physical impact was geographically concentrated, as around 90% of crude oil and condensates moving through the Strait were destined for Asian markets, with China, India, Japan and South Korea as the main destinations (Figure 6). Europe was much less directly exposed to crude flows, but it was not insulated from the shock, especially through refined-product markets. Even the United States, despite being a net energy exporter, was not immune and faced sensibly higher gasoline and diesel prices, as global price formation and integrated product markets transmitted the shock globally. In this sense, while Asia bore

⁷VLCCS are large tankers, typically capable of transporting around two million barrels of crude oil over long-distance routes. Their freight rates measure the cost of moving crude and reflect, among other factors, vessel availability, voyage duration and other operational costs.

FIGURE 6: *Country dependence on Persian Gulf countries by product*



Notes: authors' calculations based on Eurostat, EIA and the Energy Institute data. The figure reports imports from Persian Gulf countries as a share of total imports by product and importing country or region in 2024. Crude oil refers to crude oil and condensates; products refer to refined petroleum products.

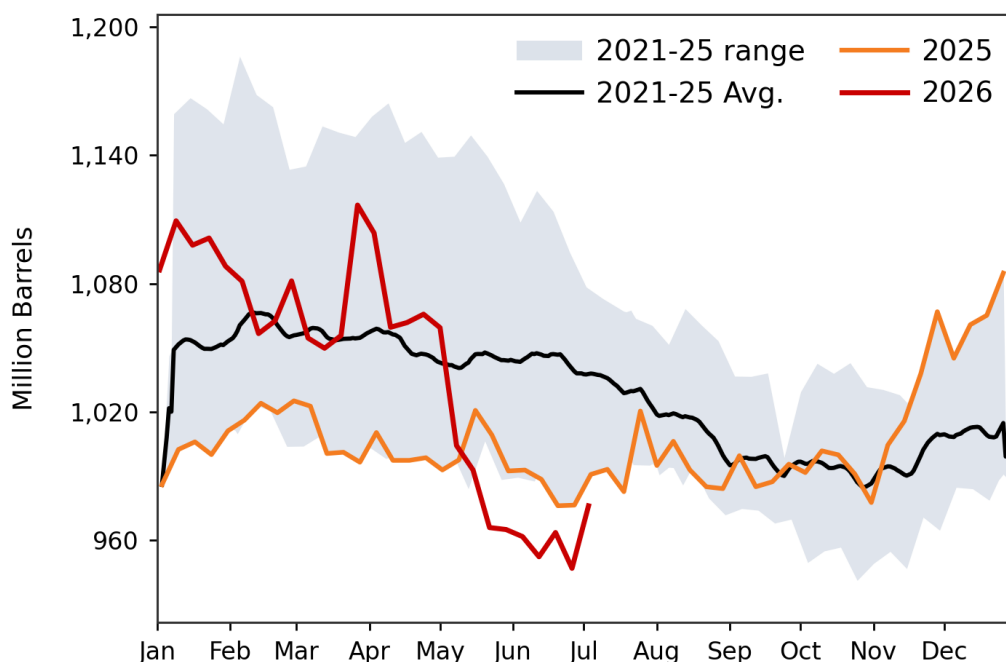
the brunt of the physical shortage, other regions were also affected through higher prices, competition for replacement barrels and tighter product balances.

The global oil market adjustment in the first months of the crisis took place through several margins. In particular, with spare capacity largely unavailable, as being mainly located in the same region affected by the conflict, inventories became the main buffer for cushioning the immediate disruption (Figure 7).⁸ Initially, some relief also came from oil already in transit before the closure; however, the sharp decline in oil in transit in March and April shows that this buffer was inherently short-lived rather than a durable source of replacement supply.

The main policy response was the announcement by IEA member countries, on 11 March, of a record emergency stock release of almost 400 million barrels, of which 273.5

⁸The IEA estimates that global spare crude oil production capacity exceeded 4 mb/d in the fourth quarter of 2025, excluding sanctioned producers, and notes that it was held primarily by Saudi Arabia (IEA, 2026).

FIGURE 7: *Selected commercial oil inventories*



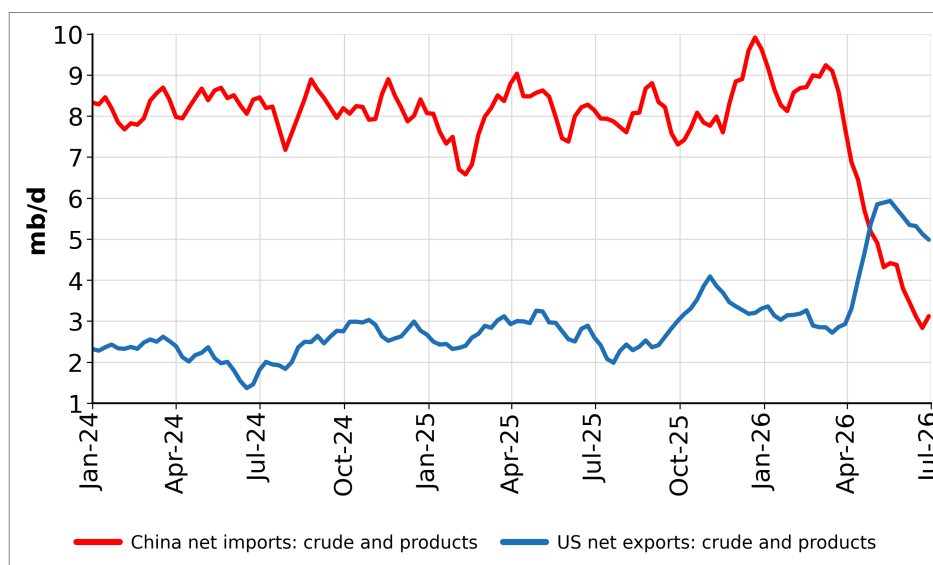
Notes: authors' elaborations on Bloomberg data. Inventories include the United States excluding the Strategic Petroleum Reserve, Japan, Singapore, the Amsterdam–Rotterdam–Antwerp hub, and floating storage. Last weekly observation: 3 July 2026; this observation is retained solely because of the weekly frequency of the series

million barrels were crude oil and around 125 million barrels refined products.⁹

While the scale of the release was large in absolute terms and helped smooth price pressures in the aftermath of the shock, it remained small relative to the potential cumulative supply loss in the absence of a rapid resolution of the conflict. Moreover, the composition of inventories also did not fully match the nature of the disruption: crude stocks do not automatically solve refined-product shortages, and product inventories are thinner and more unevenly distributed across regions. Finally, inventory releases can provide only temporary relief. By drawing down stocks, they increase available supply in the short run, but they may also defer price pressures, since those same stocks will

⁹This was the largest collective action in the IEA's history, far exceeding previous interventions. The IEA had activated emergency stock releases on five earlier occasions: a coordinated plan of around 2.5 million barrels per day at the outset of the Gulf War in January 1991; 60 million barrels following Hurricane Katrina in 2005; 60 million barrels during the Libyan crisis in 2011; and two releases totalling 182.7 million barrels in response to Russia's invasion of Ukraine in 2022.

FIGURE 8: US net exports and China net imports of oil



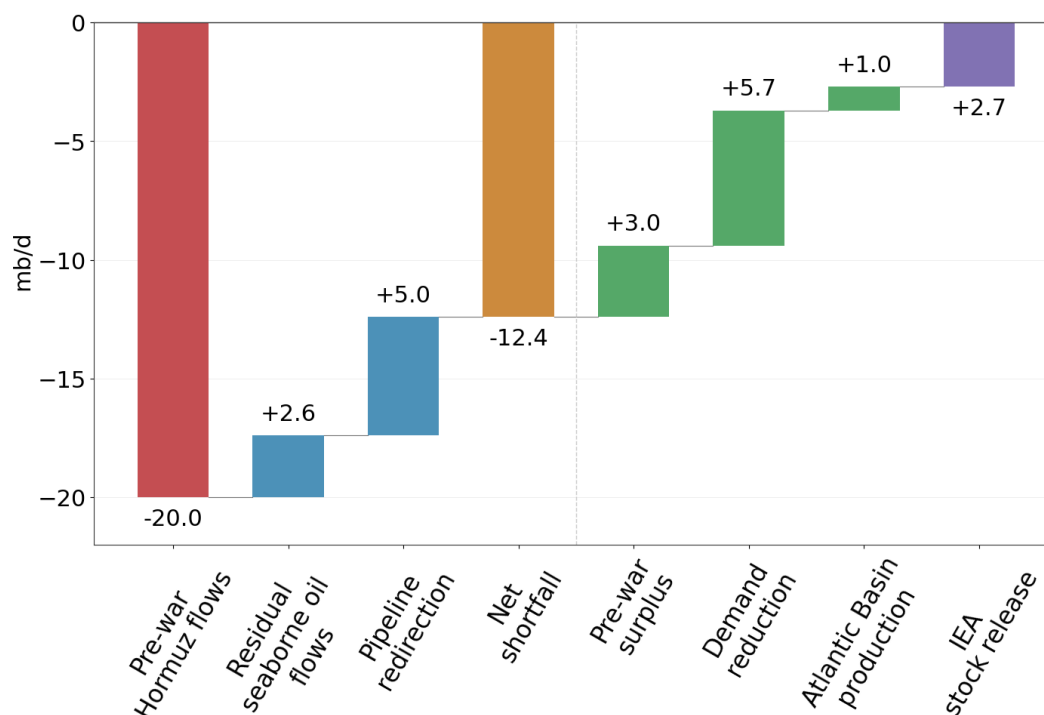
Notes: our elaborations on Bloomberg data. The figure reports weekly seaborne oil trade flows, expressed in million barrels per day. Net exports and imports are computed as seaborne exports minus imports and imports minus exports, respectively. The series include crude oil and petroleum products. Data are shown as monthly moving averages.

eventually have to be rebuilt once flows normalise.

A second margin of adjustment came through demand compression in importing economies and supply substitution from alternative producers, which together reshaped global trade flows. On the demand side, the adjustment was especially visible in China, where net seaborne oil imports fell from roughly 9 mb/d to 3 mb/d (Figure 8). This decline should not be interpreted simply as evidence of weaker final demand. It reflected reduced access to Gulf cargoes, lower refinery runs, and policy-directed measures to preserve domestic fuel availability, including limits on the use of crude stocks and restrictions on refined-product exports. China's large oil inventories made this adjustment possible by reducing the need to replace lost Gulf barrels immediately. On the supply side, the United States became one of the main sources of replacement barrels increasing net exports by almost 3 mb/d compared with pre-war levels. This helped Asian and European buyers fill part of the gap left by the Gulf, although only partially, given refining and export-infrastructure constraints linked to different crude quality.

A further factor mitigating the physical loss of barrels normally shipped through Hormuz was the partial rerouting implemented by Saudi Arabia, through the East–West

FIGURE 9: Global oil market adjustment after Hormuz disruption



Notes: authors' calculations based on IEA data. The figure reports estimated changes in global oil-market flows and adjustment margins, in million barrels per day (mb/d). Estimates compare average values observed in the period from March to May 2026 with pre-war levels. Demand destruction includes non-OECD stock drawdowns.

Pipeline to Yanbu, and by the United Arab Emirates, through the Habshan–Fujairah Pipeline, allowing around 5 million barrels per day of crude oil and refined products to continue reaching international markets during the first months of the conflict. Lastly, temporary U.S. sanctions waivers supported the availability of alternative supplies, including by allowing Russian oil already at sea to be sold and by easing restrictions on selected Venezuelan oil transactions.

All in all, the disruption of roughly 20 mb/d of Hormuz oil flows was therefore partly offset by residual seaborne flows and by the redirection of crude and products through alternative pipelines, leaving an estimated net shortfall of around 12 mb/d which was absorbed through the pre-war supply surplus, demand reduction, additional supply from the Atlantic Basin and the coordinated IEA emergency stock release (Figure 9).

The announcement on 14 June of a MoU between the United States and Iran eased

supply concerns, prompting a decline in spot prices and a downward shift in the futures curve, although both remained above their pre-war levels.¹⁰ Uncertainty over global oil-market conditions nevertheless remained elevated after the agreement was formally signed on 17 June, as renewed fighting in early July casts major doubts on the restoration of commodity flows in the area, despite the US pledge to keep the Strait open.¹¹

3 Natural gas market

This section focuses on the natural gas market, starting from the preexisting conditions and then delving into the effects of the shock. It considers implications for quantities involved and the response of regional gas price benchmarks.

3.1 Pre-war conditions in the global LNG market

Before the closure of the Strait of Hormuz, the global Liquefied Natural Gas (LNG) market was already loosening. Global LNG trade between October 2025 and February 2026 increased by 12% compared to the same period a year earlier, supported by new liquefaction capacity concentrated in North America.

Regional gas prices declined markedly: in the first two months of 2026, European TTF prices were 24 percent lower than one year earlier, while Asian JKM prices fell by 27 percent (IEA, 2026). Immediately before the conflict, TTF was trading around 30 euro/MWh, well below the levels reached during the 2021–22 European energy crisis. Taken together, the expansion in traded volumes and the decline in regional benchmarks suggest that the global LNG balance was gradually loosening before the outbreak of the conflict, as new supply additions reduced the degree of market tightness.

In 2025, approximately 112 bcm of Qatari LNG and 6.9 bcm of LNG from the United Arab Emirates passed through the Strait of Hormuz, together accounting for close to one fifth of global LNG exports, see Figure 10. Most Qatari and Emirati cargoes were delivered to Asian markets, especially China, India, Taiwan and South Korea. By contrast,

¹⁰The agreement envisaged an extension of the pause in hostilities for 60 days, the reopening of the Strait of Hormuz and further negotiations on outstanding issues.

¹¹Unless otherwise stated, the data and quantitative analysis are cut off at 30 June 2026. Subsequent events are mentioned only where useful for contextualizing the ongoing nature of the crisis and do not form part of the period analysed.

Europe, while increasingly reliant on LNG as a source of gas supply after the interruption of Russian flows, had only limited dependence on LNG imports from the Middle East, which accounted for about 8% of total European LNG imports in 2025, compared with around 58% of European LNG imports supplied by the United States.

While the global LNG market entered the crisis in a relatively comfortable cyclical position, the lack of alternative export corridors to the maritime passage through Hormuz, unlike part of the Gulf's oil exports, made any disruption to LNG flows in the region difficult to replace in the short run. This difficulty was compounded by the limited spare capacity available to offset a shock hitting a highly concentrated export corridor. Existing liquefaction plants outside the region could raise output only marginally, while additional projects were expected to expand global supply gradually over the course of 2026, but not to provide an immediately dispatchable reserve in the event of a sudden interruption of Gulf loadings.

3.2 The impact of the Hormuz shock on the gas market

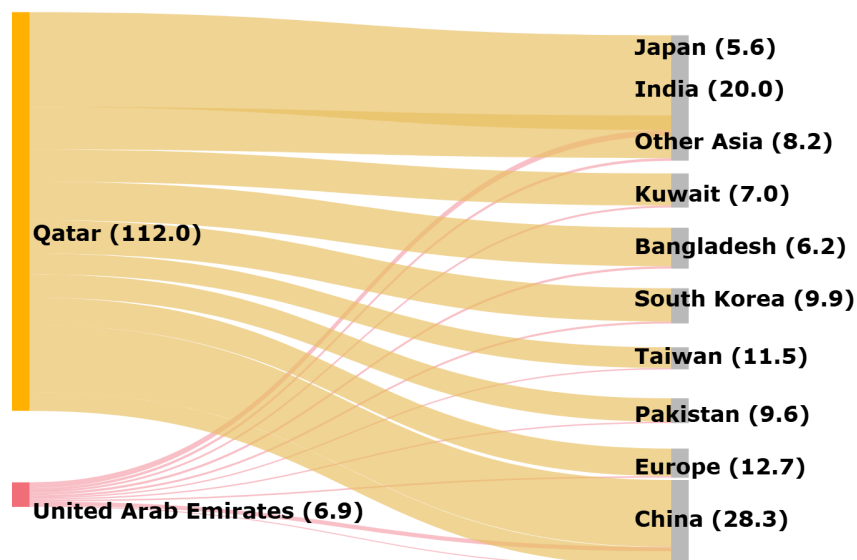
The shock to global LNG markets combined two distinct disruptions. The effective closure of the Strait of Hormuz constrained the movement of LNG carriers out of the Gulf, while Qatar's precautionary shutdown of gas production and liquefaction facilities on 2 March reduced the volumes available for loading. These transport and production constraints affected global LNG flows and generated an uneven repricing of regional gas benchmarks.

Before the outbreak of the conflict, global LNG loadings had remained broadly stable at around 50 bcm per month between October 2025 and January 2026. In response to attacks in the area, global monthly exports declined from approximately 48 bcm in February to around 41-43 bcm per month between April and June (Figure 11) with exports from the Middle East and North Africa falling from roughly 11 bcm in February to about 2 bcm per month from April onward. By contrast, LNG cargos exported from North America and Australia and Oceania marginally increased at approximately 15-16 bcm and 8-9 bcm per month, respectively, providing only a partial offset to the loss of Gulf LNG.

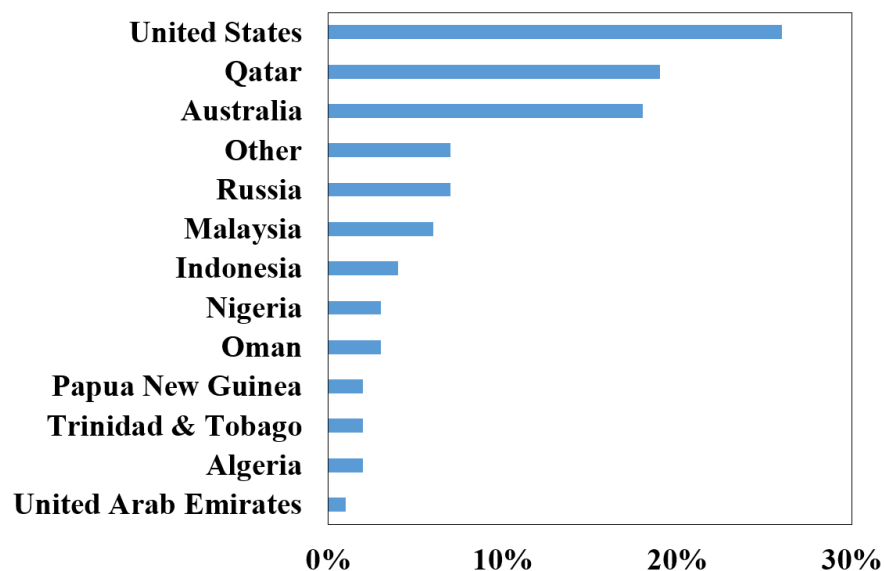
Importantly, the reduction in exports from the Middle East had a non-temporary component that was not tied to the reopening of the Strait of Hormuz per se. In particular, facilities accounting for around 15 per cent of Ras Laffan's liquefaction capacity in Qatar were physically damaged and were expected to take substantially longer to return to ser-

FIGURE 10: *The role of the Strait of Hormuz in global LNG trade*

(a) *LNG flows via Hormuz by destination (bcm)*

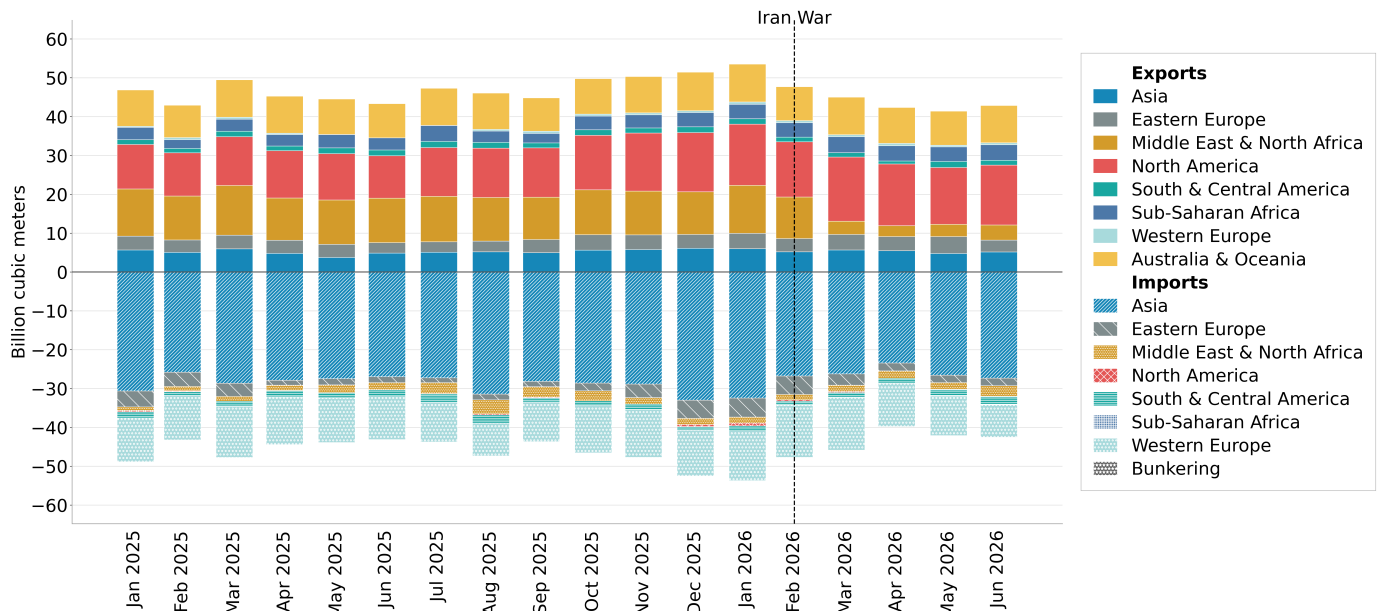


(b) *Global shares of LNG exports by country*



Notes: authors' elaborations on ACER data. Panel (a) reports LNG flows transiting through the Strait of Hormuz in 2025, by origin and destination, in bcm. Panel (b) reports global LNG exports by country as a percentage of total exports in 2025.

FIGURE 11: *Monthly global LNG loadings and arrivals around the Hormuz shock*



Notes: Authors' calculations based on Bloomberg and IEA data. The figure reports monthly LNG loadings by region of origin and arrivals by destination, expressed in bcm of natural gas. Positive bars denote exports, while negative bars denote imports. Bunkering denotes LNG supplied directly to vessels for use as marine fuel.

vice. As a result, part of Qatari LNG supply would remain unavailable even after the shipping constraint had been removed, since restarting gas production and liquefaction facilities after a precautionary shutdown is a gradual and technically complex process.

On the import side, the adjustment differed markedly across destination markets. Asian arrivals declined from around 27 bcm in February to approximately 24 bcm in April, before recovering in May and June. Western European arrivals fell more persistently, from approximately 15–16 bcm in February to around 9–10 bcm in June. The regional composition and redirection of LNG imports played an important role: the loss of Qatari cargoes affected Asia more strongly and directly, while tighter global LNG availability progressively reduced deliveries to Europe.

The geographical distribution of the missing supply and the limited scope for immediate substitution generated uneven regional price responses. Asian buyers were directly exposed to the interruption of regular Qatari deliveries and had to bid aggressively for replacement cargoes. By 6 March, one week after the outbreak of the conflict, the main regional gas benchmarks had risen markedly from their 28 February levels: JKM increased by approximately 80 per cent to 56 euro/MWh, TTF by around 70 per cent to 53

euro/MWh, and Henry Hub by only 13 per cent to 14 euro/MWh. The stronger response of JKM reflected Asia's greater direct exposure to the loss of Gulf LNG supply. Europe was nevertheless affected through competition for replacement cargoes. The widening of the JKM–TTF spread strengthened the incentive to redirect flexible Atlantic Basin cargoes towards Asia, transmitting part of the Asian scarcity premium to European gas prices.

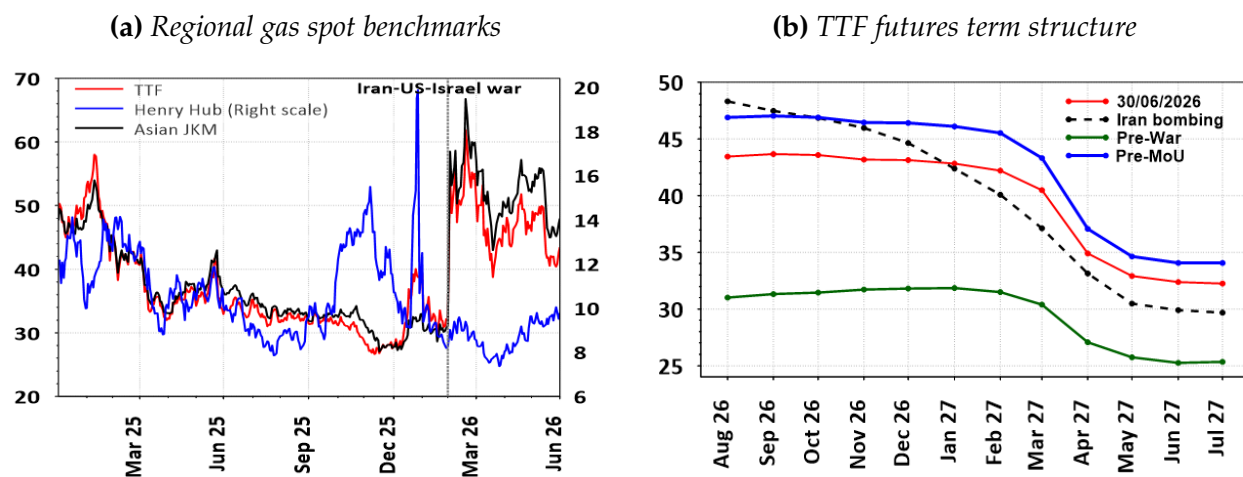
Europe's underground storage limited the immediate physical consequences of the disruption. European buyers could draw further on inventories or defer the start of storage injections, whereas many Asian importers depended more continuously on incoming LNG cargoes. Relatively low European inventories at the end of the 2025–26 heating season nevertheless shifted part of the pressure to the subsequent injection season. The shock, therefore, reached Europe primarily through a competition channel via the higher marginal cost of LNG to secure sufficient gas to rebuild storage, rather than through an abrupt collapse in physical deliveries.

In contrast, Henry Hub prices, the US gas benchmark, remained comparatively insulated, rising only modestly after one week from the start of the war, compared with increases of more than 70 per cent in JKM and TTF. US liquefaction plants were already operating close to their export capacity, so stronger international demand could generate only a limited immediate increase in LNG exports. The global shock transmitted only weakly to the domestic US market, leaving Henry Hub primarily determined by the US supply-and-demand balance (EIA, 2026b) (Figure 12, panel a).

Following the attacks, the entire TTF futures curve shifted upward and became strongly backwardated, with front-end contracts rising more sharply than longer-dated quotes (Figure 12, panel b). Contracts for deliveries in summer 2026 remained unusually elevated and did not exhibit the normal summer to winter discount, as Europe had to compete more intensely for LNG during the storage-injection season. By contrast, contracts for spring and summer 2027 rose less, as the market assigned a higher probability to the normalisation of maritime traffic, the partial recovery in Qatari production, and the growing availability of new non-Gulf liquefaction capacity.

The announcement of the US–Iran Memorandum of Understanding reduced the front-end risk premium as markets assigned a higher probability to a gradual recovery in maritime traffic. The futures curve nevertheless remained above its pre-war level. Reopening Hormuz could remove the immediate transport constraint, but would not immediately reverse the production shutdown or repair the physical damage to energy infrastructure in the region.

FIGURE 12: Regional gas prices and TTF futures around the Strait of Hormuz shock



Source: Authors' calculations based on LSEG data. Notes: Panel (a) reports the European TTF benchmark, the Asian JKM LNG benchmark and the US Henry Hub benchmark. All prices are expressed in euro/MWh using standard energy-unit conversions and contemporaneous exchange rates. Panel (b) reports the TTF futures curves up to December 2027 at selected dates.

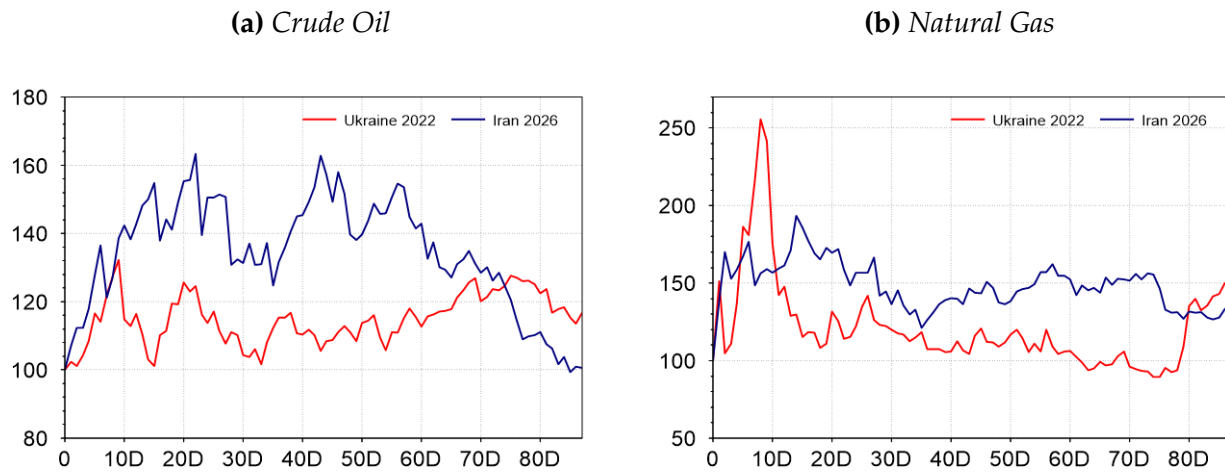
4 Why this time is different? Comparison between the 2022 and 2026 energy shocks

The Hormuz crisis came less than five years after another major energy shock had hit the global economy. Yet the two crises differed across several dimensions, including their starting conditions, geographical exposure and transmission channels. The comparison with the energy shock following Russia's invasion of Ukraine in 2022 (see Figure 13) shows how geopolitical shocks can generate different price and adjustment dynamics across oil and gas markets.

4.1 Oil response: comparison with the 2022 energy shock

For oil, a first difference between the two episodes lies in the magnitude and origin of the shock. In 2022, the initial price response reflected fears that Russia, which accounted for roughly 10% of global supply, could be partly or fully removed from the market. By contrast, the 2026 Hormuz crisis involved much larger volumes and disrupted the export routes of several oil producers simultaneously, affecting flows from countries that normally account for a substantial share of global crude and refined-product exports.

FIGURE 13: Oil and gas price dynamics in the 2022 and 2026 energy shocks



Notes: The figure compares the evolution of oil and gas prices during the first months of the 2022 Russia's invasion of Ukraine shock and the 2026 Hormuz crisis. Panel (a) reports Brent crude oil prices, while panel (b) reports European natural gas prices (TTF). The two episodes are aligned at the eve of each shock, (23 February 2022 and 28 February 2026); prices are indexed to 100 at day 0.

Moreover, the 2022 crisis was not caused by a physical disruption, but from a sanctions-driven shock. In practice, Russian barrels continued to be produced and exported, but were redirected away from Europe and other sanctioning economies towards alternative buyers, mainly China, India, and Turkey, which were willing to purchase large volumes of Russian crude at discounted prices.

A second, and closely related, difference concerns the expected persistence of the supply loss. The restrictions introduced after Russia's invasion of Ukraine were designed to exclude Russian oil from Western markets and resulted in a lasting redirection of trade flows towards countries outside the sanctions coalition. The loss of Gulf oil, by contrast, reflects a physical constraint rather than a loss of market access, and can in principle be reversed once exports resume and navigation through the Strait is restored. However, the key uncertainty in the 2026 episode concerns the future governance and security of the Strait: how quickly transit can normalise, whether a toll system will be introduced and whether safe passage can be restored under conditions that allow freight rates and insurance premia to return towards pre-war levels.

A third difference concerns the geographical distribution of the physical shortage. In 2022, Europe was at the epicentre of the crisis and progressively lost direct access to Russian crude oil and refined products, whereas Asian economies did not experience a com-

parable reduction in available supply. The Hormuz shock, by contrast, caused a physical supply loss for both Europe and Asia, but especially for the latter, which receives the bulk of Gulf oil exports. At the same time, the global integration of crude-oil and refined-product markets exposed both regions to higher benchmark prices, tighter product markets and stronger competition for alternative barrels. This is especially relevant for refined products, where markets are less fungible than crude-oil markets and shortages can emerge in specific fuels even when aggregate crude availability appears more comfortable. For the United States, the shock was transmitted mainly through prices, with only a very limited direct quantity effect, also reflecting its status as a net energy exporter (Kilian et al., 2026).

A final difference concerns the conditions prevailing at the onset of the two crises. In 2022, the oil market was tight at the onset of the shock. In 2026, by contrast, the market entered the crisis in more comfortable conditions: supply had been expected to exceed demand and inventories were relatively high. Also from a macroeconomic perspective, the two crises occurred in very different times. The invasion of Ukraine occurred during the strong post-pandemic recovery, when energy demand was expanding rapidly, supply bottlenecks remained widespread and input-cost and inflationary pressures were already elevated. The Hormuz shock instead hit an oil market where the broader macroeconomic environment was also less likely to amplify the initial price shock: inflation was closer to target, demand was weaker and labour markets were less tight than in early 2022 (Arce et al., 2026).¹²

Taken together, these differences imply a distinct risk profile. The 2022 oil shock was smaller in global volume terms, but potentially more persistent, especially for Europe, because sanctions led to a lasting reallocation of Russian flows away from Western markets. The 2026 Hormuz shock was larger and more abrupt in physical terms, but it hit a better-supplied and weaker macroeconomic environment, which helped contain the initial price response. Its main risk therefore lies in duration: if the shock persists, the adjustment will increasingly have to come through higher prices and lower consumption.

¹²The transmission of the 2026 energy shock to consumer prices has also differed substantially across countries, reflecting differences in energy exposure and domestic pass-through mechanisms. See (Carpinelli et al., 2026b) for evidence on inflation pass-through in the United States, United Kingdom and Japan, and (Carpinelli et al., 2026a) for a historical perspective on the macroeconomic transmission of oil and gas shocks in the same economies.

4.2 Natural gas: comparison with the 2022 energy shock

In gross terms, the two shocks were of a similar order of magnitude: the interruption of Gulf LNG flows removed around 120 bcm per year from the global LNG market, comparable to the roughly 125 bcm of supply that Europe lost during the 2021–2022 Russian gas crisis (Emiliozzi et al., 2025). The similarity in gross volumes, however, masks three important differences concerning the timing and persistence of the supply disruption, the initial state of the gas market and the fact that fewer countries were feeling the brunt of the disruption. Together, these differences explain why during the period considered here the Hormuz shock was less directly damaging for Europe and why European gas prices rose sharply but remained far below its 2022 peak.

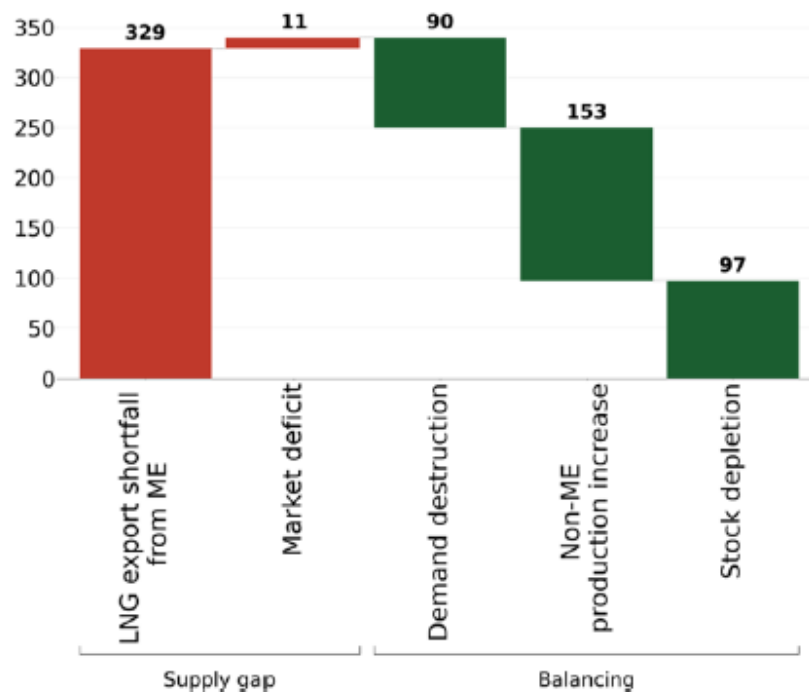
The first difference concerns timing and persistence. The Russian shock unfolded gradually, as pipeline flows were progressively reduced over 2021 and 2022, but ultimately proved permanent: Russian pipeline gas never returned to Europe in meaningful volumes. The Hormuz shock was instead immediate, as the closure of the Strait abruptly removed Qatari and Emirati LNG from the global market. Part of this loss could be reversed once safe navigation is restored, although damaged liquefaction facilities, notably at Ras Laffan, imply that the recovery of Gulf supply may remain incomplete for some time. The 2026 shock was therefore more abrupt, but its medium-term persistence remains more uncertain.

The second difference concerns the conditions in the gas market when each shock struck. The Russian shock came on top of an already tight market, with gas demand still elevated in the post-Covid recovery and supply slow to adjust. Crucially, it also coincided with a broad deterioration of Europe’s non-gas power supply.¹³ These failures raised gas demand in power generation precisely when gas was scarcest. By contrast, the 2026 shock hit a global LNG market that was expanding markedly, supported by new liquefaction capacity, especially in the United States. Nor did Europe face the Hormuz shock alongside comparable disruptions to its other main sources of electricity generation.

The short-run global balance in Figure 14 illustrates how these more favorable initial conditions absorbed roughly half of the gas shortfall from the Hormuz shock. Relative to March 2025, the interruption of Middle Eastern loadings generated an LNG export short-

¹³For instance, Germany had shut down half of its remaining nuclear reactors at the end of 2021, French nuclear output fell to its lowest level in decades, and the severe 2022 drought reduced hydropower generation and limited the cooling water available to some thermal and nuclear plants, see Zeniewski et al. (2023).

FIGURE 14: *Short-run global LNG balance, March 2026*



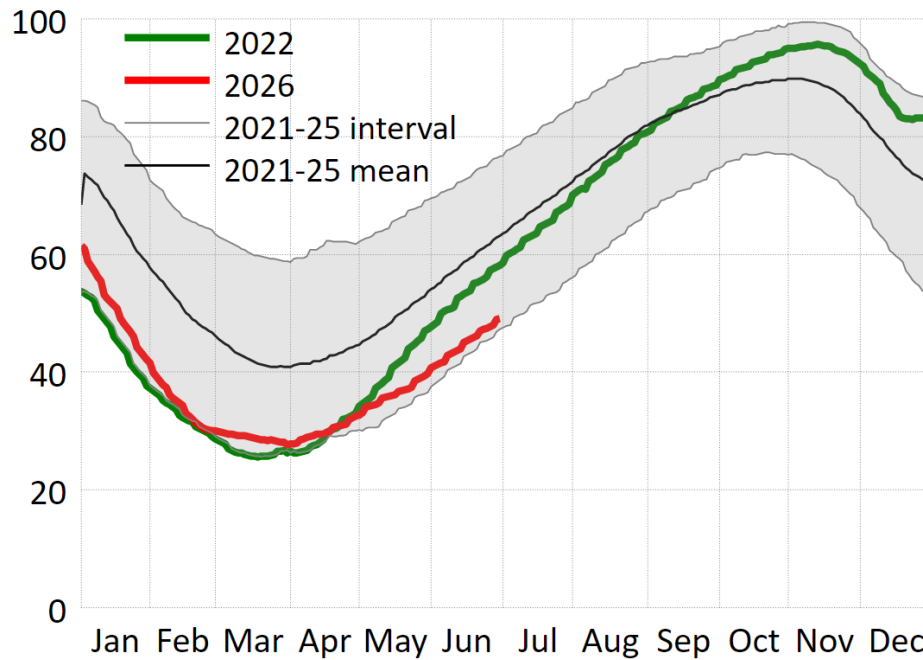
Notes: Our elaborations on EIA, IEA, Citigroup, JP Morgan, JODI, ACER and Statistical Review of World Energy. The figure decomposes the LNG balance in million cubic metres per day (mcm/d). The Middle East LNG export shortfall is measured relative to March 2025 to control for seasonality.

fall of around 329 mcm/d. Higher production outside the Middle East, mainly supported by recently commissioned liquefaction capacity in the US, absorbed 153 mcm/d; demand destruction and stock depletion accounted for a further 90 and 97 mcm/d, respectively.

The third difference concerns the geographic incidence of the shock. In 2021–2022, the physical disruption hit Europe directly, as the main destination for Russian pipeline gas, while the infrastructure needed to replace those flows—regasification capacity, LNG contracting, and shipping arrangements—had to be expanded under stress. The loss of an inflexible pipeline supplier accounting for more than 40% of European pipeline gas imports generated a persistent repricing of European gas, which intensified as the supply loss became durable and culminated in TTF reaching around 340 euro per megawatt-hour at the harshest point of the crisis. Those high prices helped redirect LNG cargoes towards Europe, but they also triggered a sharp compression in domestic consumption, with EU gas demand falling by about 55 bcm, or 13%, in 2022 (Emiliozzi et al., 2025; Zeniewski et al., 2023).¹⁴ In 2026, by contrast, the direct exposure is concentrated mainly in Asia,

¹⁴The balance decomposition reported in Figure A4 in the Appendix makes the regional nature of this

FIGURE 15: EU gas storage levels in the 2022 and 2026 energy shocks



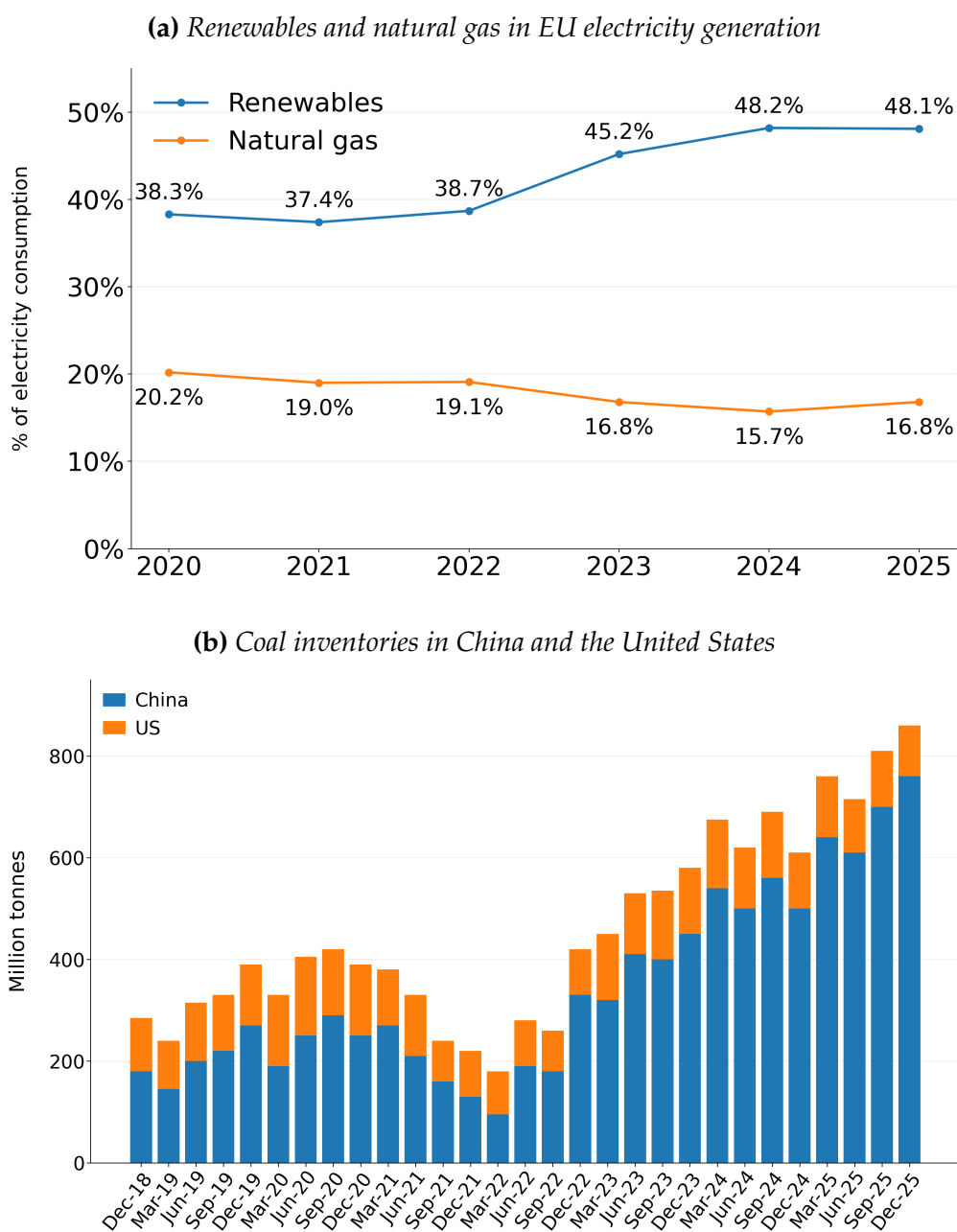
Notes: The figure reports EU aggregate gas storage filling levels as a percentage of total storage capacity. Authors' calculations on AGSI/GIE data. Latest data as of 30 June 2026.

the destination of most Gulf LNG. However, the shock is not purely regional — LNG is traded globally, and the loss of Gulf cargoes tightens the balance for all importing regions — but the adjustment mechanism differs: the infrastructure to attract alternative LNG is now largely in place, and expanding non-Middle East supply covers a substantial part of the missing cargoes. European demand compression is therefore a second-order margin in 2026 rather than the central adjustment mechanism: high prices mainly allocate scarce cargoes across regions rather than forcing a contraction of European consumption as they did in 2022.

However, despite Europe being less directly hit and better placed than in 2022, it is far from insulated. One dimension, in particular, does not work in Europe's favour: the starting level of storage. In both episodes Europe entered the injection season with inventories close to the lower end of the recent historical range (Figure 15). To refill before winter, European buyers must secure LNG and pipeline gas during the summer even when global LNG availability is tight. Despite the recovery of injections since April, EU storage was

adjustment explicit. Higher LNG imports absorbed about 50 bcm and higher non-Russian pipeline flows a further 10 bcm, but the remaining 65 bcm had to come from lower European gas consumption (Zeniewski et al., 2023).

FIGURE 16: Renewables and natural gas in EU electricity generation and coal buffers



Notes: our elaborations on Ember and LSEG data. Panel (a) reports the contribution of natural gas and renewable sources to EU electricity consumption. Panel (b) reports coal inventories in China and the United States, in million tonnes. Higher inventories are interpreted as evidence of a less constrained short-run fuel-switching margin, especially in Asia.

still around 50 per cent full at the end of June, below the 2021–25 average and well short of the levels normally required before the heating season. Low inventories therefore am-

plify the transmission of the Hormuz shock to European prices: the forward curve prices not only the risk of missing Gulf cargoes, but also the cost of attracting marginal LNG while storage has to be rebuilt. However, on the positive side, compared with the 2022 crisis, Europe now has a more resilient electricity mix, with renewables accounting for almost half of EU electricity consumption, and the share of natural gas in generation falling from about 20 per cent in 2022 to less than 17 per cent, see Figure 16a. The global system also has more room to absorb part of the adjustment, including through fuel switching in Asia: coal markets, which are particularly relevant for this margin, are not replicating the extreme tightness observed during the 2022 crisis, see Figure 16b.

5 Policy measures

Policy interventions at both the international and national levels developed along two main dimensions: stabilising physical energy markets and minimising supply shortages, while cushioning the impact of higher energy costs on households and firms.

From a supply perspective, the main internationally coordinated response was the release of emergency oil stocks by IEA members, already discussed in Section 2.2; Table 3 reports the contributions of the main countries. This emergency release helped contain the first phase of the price adjustment and signalled a collective commitment to avoid disorderly shortages. Country contributions reflected, among other factors, the different composition of national inventories between crude and refined products, a particularly relevant distinction: crude releases support refinery feedstock availability, while product releases are more directly useful when the constraint is the availability of diesel, jet fuel, LPG or other end-use fuels. Other supply-side measures were mainly national. For example, the United States granted temporary sanctions waivers on Russian and Iranian sanctioned barrels already loaded or in floating storage, with the aim of bringing stranded oil into consuming markets. Moreover, the United States used regulatory flexibility to ease domestic logistics, including a temporary Jones Act waiver issued in March, which allowed foreign ships to transfer critical commodities such as crude oil, petroleum products, liquefied natural gas and fertilizers between U.S. ports,¹⁵ as well as measures to expand LNG availability, such as the ones from Venture Global's Plaquemines LNG terminal.

¹⁵The Jones Act (Merchant Marine Act of 1920) is a federal law requiring vessels moving goods and cargo between U.S. ports to be built in the U.S., flagged in the U.S., and crewed by Americans.

Table 3: Main contributions to the IEA collective action of 11 March 2026

Country	Contribution (mb)	Crude oil (mb)	Oil products (mb)	Oil consumption in 2024 (mb/d)	Days of consumption
US	172.2	172.2	0.0	19.00	9.1
Japan	79.8	54.0	25.8	3.24	24.6
Korea	22.5	n.a.	n.a.	2.89	7.8
Germany	19.5	n.a.	n.a.	2.05	9.5
France	14.6	n.a.	n.a.	1.36	10.7
UK	14.0	4.3	9.7	1.33	10.6
Spain	11.6	0.0	11.6	1.27	9.1
Italy	10.0	0.0	10.0	1.26	7.9

Notes: Contributions are expressed in million barrels. Oil consumption refers to 2024 average oil consumption, expressed in million barrels per day. Days of consumption are computed as the total contribution divided by 2024 daily oil consumption. The breakdown between crude oil and oil products was not yet available for Korea, Germany and France in the IEA country table. Source: IEA; CEIC/Energy Institute.

At the national level, several measures were adopted to counter the impact of soaring energy prices on households and firms, see the dedicated policy tracker developed by the IEA for further details.¹⁶ These policy measures can be grouped into three broad categories. *Energy-conservation* measures aimed at reducing fuel or electricity use; *Consumer support* including price caps, subsidies, and tax reductions; *Structural policies* promoting energy efficiency, electrification or changes in market design (Figure 17). Among the measures implemented, energy-tax reductions were the most widely adopted measure, with 55 recorded cases, followed by broader support measures for households and firms (41), energy-conservation campaigns (40), and fuel subsidies (32).¹⁷

Among Asian countries, which were the most exposed to the crisis, China relied primarily on large oil inventories and on administrative control of its domestic oil system, reducing refinery runs, limiting the use of crude stocks and restricting refined-product exports, especially transport fuels. These measures cushioned the domestic impact of the shock, but also shifted part of the adjustment to neighbouring Asian economies that relied on China for refined-product supplies. Japan's response was more explicitly built around energy-security management, given its high dependence on Middle Eastern crude oil and

¹⁶The tracker is available at the following website <https://tinyurl.com/yck37tf6>.

¹⁷The IEA tracker covers measures adopted in nearly 80 countries, including both IEA members and non-member economies; the figures refer to individual policy measures rather than to distinct countries, as one country may adopt several interventions. The broader support measures for households and firms mentioned above include cash transfers, energy vouchers, bill rebates and other targeted financial assistance to vulnerable households and energy-intensive firms.

FIGURE 17: Policy measures after the Hormuz shock

A. Global diffusion of policy measures

Policy area	Energy conservation						Consumer support				Structural policies		
Sub-category	Remote work	Cooling limits	Travel limits	School closures	Energy-saving campaigns	Public transport	Price caps	Fuel subsidies	Energy-tax cuts	Other support	Energy efficiency	Electrification	Market reforms
Number of countries implementing	17	8	20	7	40	25	23	32	55	41	12	19	11

B. Main measures in selected economies

Economy	Energy conservation						Consumer support				Structural policies		
	Remote work	Cooling limits	Travel limits	School closures	Energy-saving campaigns	Public transport	Price caps	Fuel subsidies	Energy-tax cuts	Other support	Energy efficiency	Electrification	Market reforms
United States													
China							✓						
India	✓		✓		✓	✓	✓		✓	✓		✓	✓
Japan					✓		✓				✓		✓
South Korea	✓		✓		✓	✓	✓	✓		✓			✓
Italy									✓	✓			✓
United Kingdom								✓	✓	✓	✓	✓	✓
European Union						✓				✓		✓	✓

Source: our elaboration based on IEA, *2026 Energy Crisis Policy Response Tracker*, based on data as of 30 June 2026, supplemented with official national and European sources. For exhaustive references and definitions see the dedicated IEA webpage.

imported LNG. It adopted consumer-support measures, including fuel subsidies aimed at stabilising gasoline prices and support for electricity and city-gas bills, alongside conservation measures such as summer power-saving initiatives and restrictions affecting public-sector and transport-related consumption. Japan also expanded support for business investment in energy efficiency.

In Europe the policy response was shaped by the region's different exposure profile to the Gulf and it was less focused on immediate oil shortages than on limiting the macroeconomic and distributional effects of higher energy prices. At the EU level, two main

measures were adopted. First, the AccelerateEU package was structured around a multi-pillar framework aimed at strengthening the resilience of the energy system through enhanced emergency coordination, accelerated electrification, and support for energy investment. This was complemented by the Middle East crisis Temporary State Aid Framework, which allowed temporary support to sectors exposed to higher fuel, fertiliser and electricity costs, including agriculture, fisheries, transport and energy-intensive industries. Among European countries, fiscal measures were sizeable but much smaller than during the 2022–23 energy crisis. According to the European Commission’s Spring 2026 Forecast (European Commission, 2026), budgetary measures adopted by May 4th amounted to EUR 14.5 billion, or about 0.07% of EU GDP; if extended until the end of 2026, their cost would rise to EUR 38.6 billion, or 0.2% of EU GDP. Although sizeable, this amount was well below the cost of the 2022–23 energy crisis, when fiscal support reached around 2% of the bloc’s GDP, see Emiliozzi et al. (2025). Nevertheless, also during the 2026 crisis, the large majority of measures were untargeted, mainly taking the form of cuts in excise duties and other indirect taxes on fuels. These measures provided rapid and visible relief and could temporarily reduce inflation, but they also weakened the marginal price signal precisely when demand adjustment might be needed.

6 Conclusions and policy implications

The 2026 Hormuz crisis transformed a regional military conflict into the largest energy shock in history, triggering a global quantity shock that affected crude oil, refined products and LNG at the same time. Despite the scale of the disruption, the price response was not dramatic: energy prices rose sharply, but by less than the physical loss of supply alone would have suggested. This reflected the interaction of several buffers, including favourable pre-war oil-market conditions, high inventories, oil already in transit, emergency stock releases and the partial rerouting of Gulf flows. While these mechanisms bought time, they did not eliminate the underlying supply loss. More broadly, the crisis underscored how energy security is increasingly shaped by the interaction between physical supply constraints, geopolitical risks and the resilience of global trade networks. Several broader observations and policy implications emerge from this episode.

First, the duration of the shock remained the main source of uncertainty. The renewed hostilities following the US-Iran Memorandum of Understanding underscored the

fragility of diplomatic arrangements and the difficulty to identify a clear endpoint to the conflict. Even if maritime traffic through the Strait gradually resumes, a durable normalisation of trade flows would require a credible governance framework for the Strait of Hormuz, proper security guarantees, lower insurance premia and freight rates, as well as the repair and restart of upstream, refining and liquefaction infrastructure. Uncertainty over the timing and credibility of a return to normal conditions will continue to support geopolitical risk premia. A stable normalisation of flows therefore could not yet be treated as the baseline scenario.

Second, the resilience observed through mid-2026 should not be interpreted as evidence that the costs of a more prolonged disruption would be similarly contained. The relatively contained macroeconomic effects observed in the first months of the crisis reflected not only more favourable initial conditions than in previous energy disruptions (Arce et al., 2026), but also the activation of a range of costly adjustment margins. Importers drew down inventories, refiners reduced throughput, households and firms curtailed energy consumption, and commodity flows were redirected across regions. The availability of these margins differed substantially across economies, reflecting differences in exposure to Middle Eastern supplies, inventory availability, import dependence and fiscal space (IMF, 2026b). Moreover, many of these adjustment mechanisms are inherently temporary: if the disruption were to persist, inventories would be depleted, repeated emergency stock releases would become increasingly difficult and costly, and further adjustment would have to come through stronger demand compression. In such a scenario, a larger share of the shock would be absorbed through persistently higher energy prices and weaker economic activity, raising the risk of more pronounced macroeconomic effects. More broadly, the episode confirms that the economic consequences of energy shocks depend not only on the magnitude of the initial disruption, but also on the availability, distribution and durability of buffers, as well as on economies' capacity to adapt as the shock unfolds (Kilian et al., 2026; Lane, 2026; Cipollone, 2026).

Third, the episode illustrates the growing weaponisation of commodities as instruments of international coercion (OECD, 2025; IMF, 2023). In the 2026 Hormuz crisis, the strategic importance of the Strait reflects not only the volume of oil and LNG transiting through it, but also the leverage associated with controlling access to a critical trade chokepoint whose relevance extends well beyond hydrocarbons. Disruptions affecting a relatively small number of facilities or shipping routes can therefore propagate across multiple value chains, amplifying the economic effects of an initially localised shock.

More broadly, the crisis highlights how energy security can no longer be considered in isolation from food, industrial and digital security. This interdependence is particularly evident in rapidly expanding sectors such as data centres and artificial intelligence, where growing computing capacity depends increasingly on reliable energy supplies, critical minerals and resilient infrastructure (Ferriani and Gazzani, 2026).

Fourth, through the end of June 2026, the fiscal response to the Hormuz shock had been substantially smaller than during the 2022–23 energy crisis. Its composition, however, displayed a familiar pattern, with governments relying predominantly on broad-based interventions, including fuel-tax reductions and untargeted subsidies (Bouabdallah et al., 2026; Dabla-Norris et al., 2026; IMF, 2026a; Mramor et al., 2026). Such measures are administratively simple and can reduce measured inflation quickly, but they also weaken the price signal precisely when adjustment in energy demand may be needed. Their use is particularly problematic in the 2026 episode because fiscal conditions are less favourable than in 2022, with higher refinancing costs and mounting expenditure pressures related to defence, ageing, infrastructure and the energy transition. Fiscal support should therefore remain temporary, targeted and tailored, protecting the most vulnerable without unnecessarily supporting energy demand, weakening fiscal buffers or complicating the task of monetary policy (Lagarde, 2026).

Lastly, the crisis highlights the need to build a broader strategy of structural resilience. Emergency inventories can smooth temporary shortages, but their effectiveness diminishes as stocks are depleted and depends critically on their composition: crude oil reserves, for instance, cannot fully address shortages of specific refined products, nor can oil stocks compensate for disruptions to LNG, fertilisers, helium or petrochemical inputs. Similarly, the scope for rerouting depends on the availability and spare capacity of alternative infrastructure and varies substantially across commodities. Strengthening resilience therefore requires a combination of geographical diversification of suppliers and import routes, an appropriately calibrated mix of strategic inventories, greater flexibility in energy infrastructure and deeper integration across regional energy markets (OECD, 2025; IEA, 2026b). Over the longer term, structural changes in the energy system can provide more durable protection against geopolitical supply shocks. Greater electrification of transport, heating and industrial processes, combined with increased renewable generation, energy storage and grid investment, can reduce dependence on imported fossil fuels and strengthen the capacity of the energy system to absorb disruptions to individual suppliers, fuels or transit routes (Cipollone, 2026; Arlia and Hutchinson, 2026; Salmon

et al., 2026).

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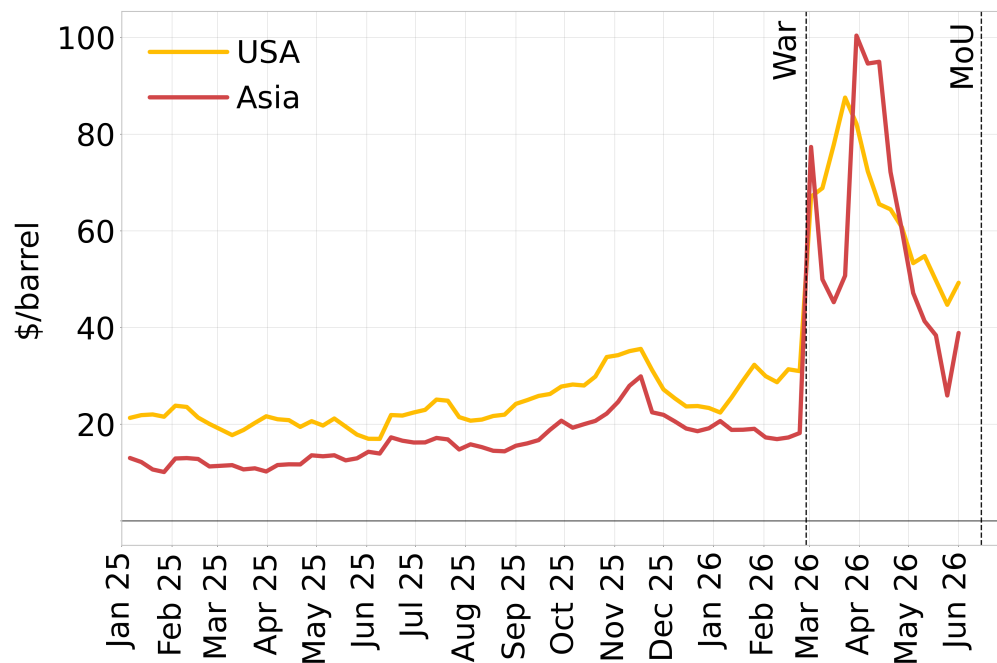
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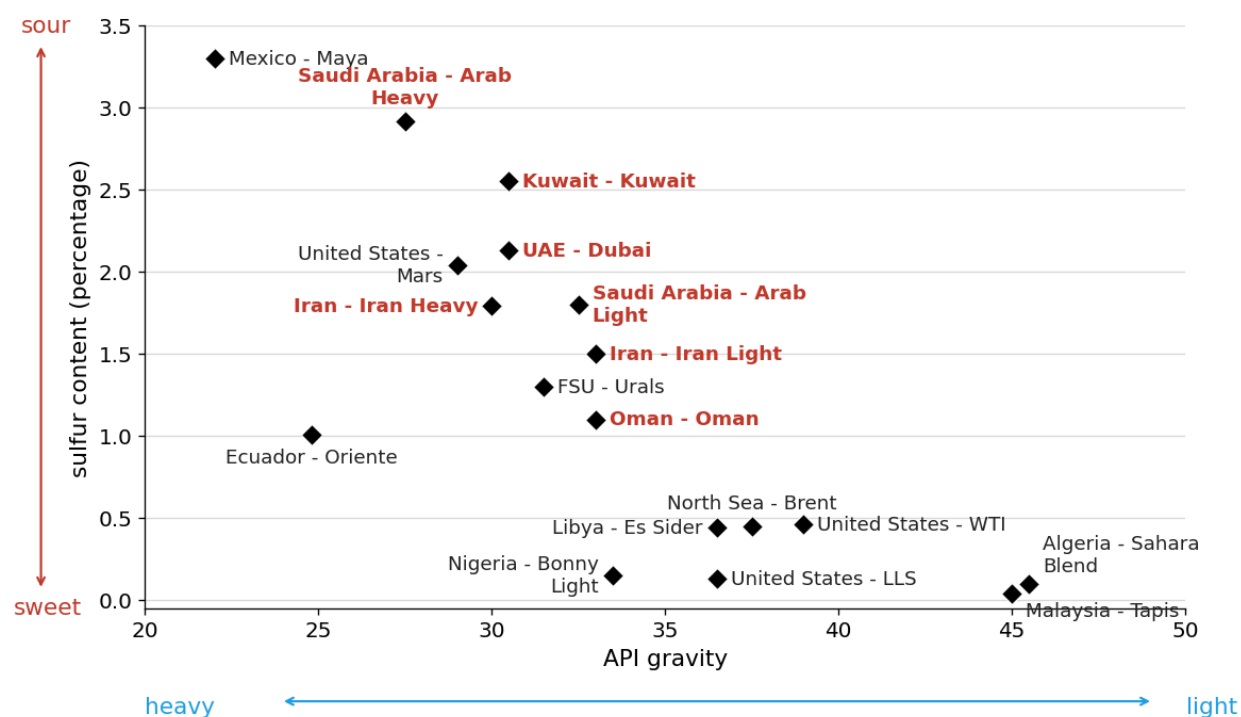
A Appendix

FIGURE A1: Jet fuel crack spreads by region



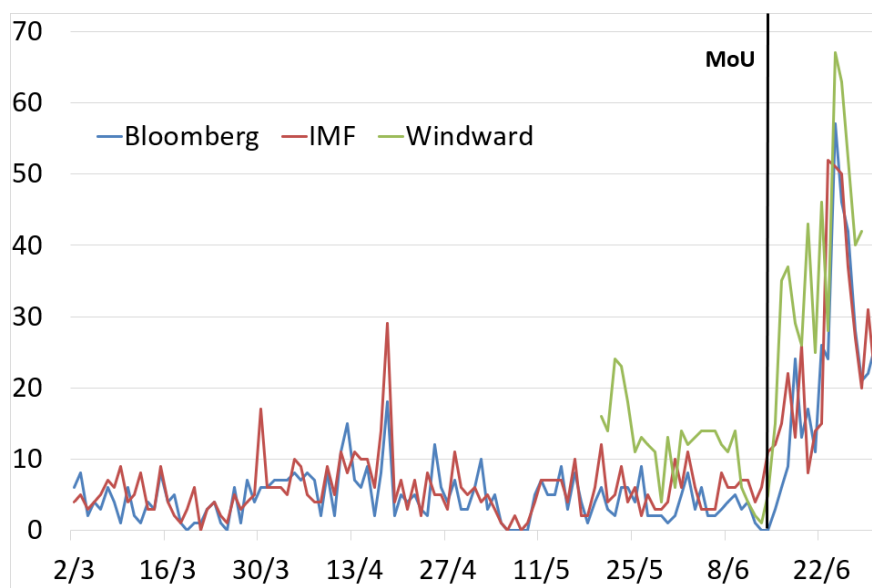
Notes: The figure reports weekly jet/kerosene crack spreads, computed as product prices minus the relevant crude benchmark. The vertical dashed lines mark the outbreak of the war on 28 February 2026 and the announcement of the US-Iran Memorandum of Understanding on 14 June 2026. Source: Author's elaborations based on IEA.

FIGURE A2: Oil qualities by density and sulfur content



Notes: The figure reports the density and sulphur content of selected crude oils. API gravity is a measure of crude oil density and is shown on the horizontal axis, with lower values indicating heavier crude and higher values indicating lighter crude. Sulphur content is shown on the vertical axis, with higher values indicating sourer crude. Crudes highlighted in red are Middle East Gulf grades directly relevant to the Hormuz-related shortfall. They are mostly medium-to-heavy and sour grades. Source: EIA.

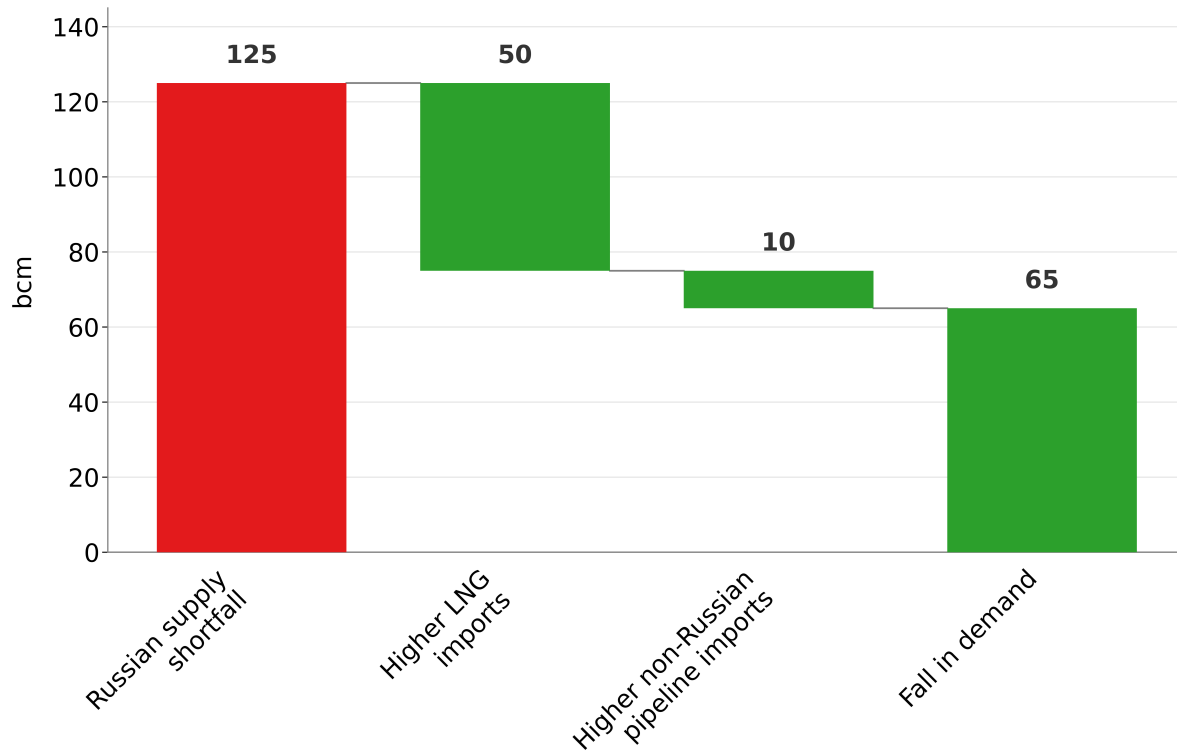
FIGURE A3: *Number of ships transiting the Strait of Hormuz*



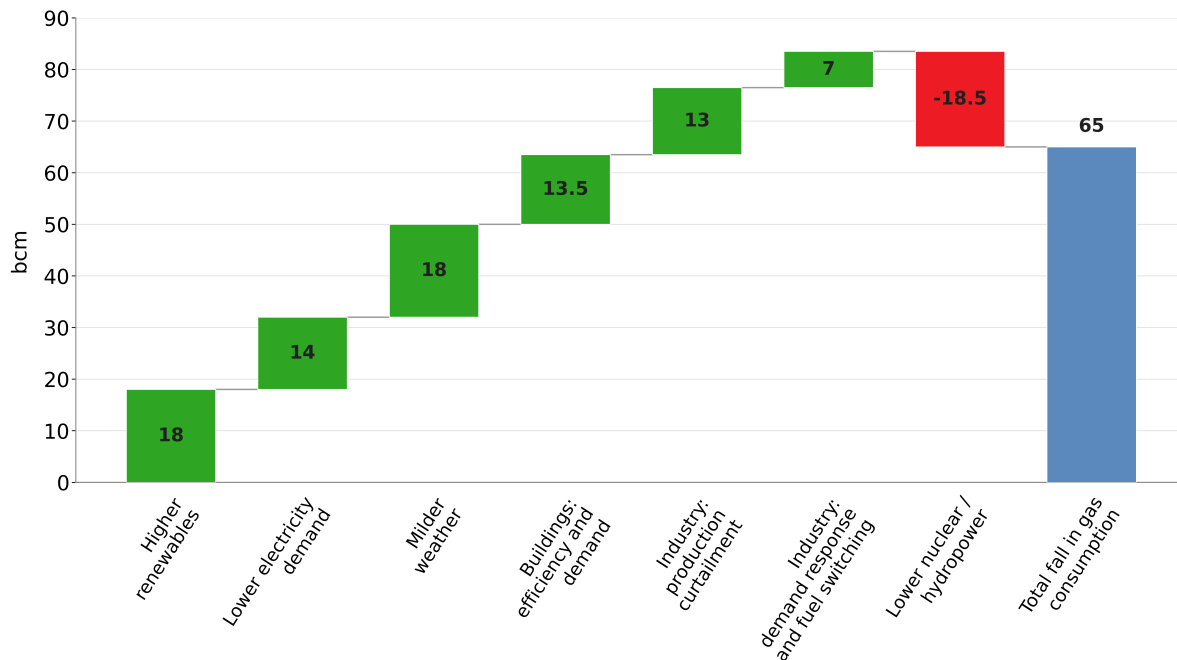
Source: Source: Bloomberg, IMF PortWatch and Windward.

FIGURE A4: EU gas shock rebalancing during the Russian crisis, 2022–23

(a) Absorption of the Russian gas supply shortfall



(b) Decomposition of the fall in gas consumption



Notes: our elaborations on European Commission and IEA data. The left panel decomposes the adjustment to the approximately 125 bcm decline in European gas supply during the 2021–22 Russian gas crisis. The right panel presents the decomposition in natural gas consumption.