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**MONDAY MORNING
QUARTERBACK
ENERGY MARKETS
CEO BRIEFING NOTE**

*“From Oil Shock to Systemic Risk:
Why the Energy Crisis is Only Just
Beginning whenever War Ends”*

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ENERGY MARKETS CEO BRIEFING NOTE – April 6th

“From Oil Shock to Systemic Risk: Why the Energy Crisis is Only Just Beginning whenever War Ends”

By Sean Evers, Managing Partner, Gulf Intelligence

The global oil market is undergoing a critical transition from a shock event to a systemic crisis. What began as a sudden geopolitical disruption has evolved into something deeper, more structural, and far more consequential. This shift is not being driven by supply alone. It is being accelerated by a more profound change in the global order, namely the erosion of the security architecture that has underpinned energy markets for decades.

That shift alone accelerates the move from shock to systemic crisis because markets are no longer just pricing disruption. They are beginning to price in the absence of a security guarantor.

In the first weeks, markets behaved as they often do in moments of geopolitical stress. They searched for equilibrium in expectations rather than reality. Prices spiked and then stabilized, while policymakers leaned on familiar buffers such as strategic reserves, rerouted flows, and confidence that diplomacy might outpace escalation. Brent crude hovering around \$100 to \$115 a barrel appeared to signal resilience.

Yet the closure of the Strait of Hormuz was not imposed by Iran alone. In practice, it was enforced as much by the withdrawal of risk appetite from the global insurance system as by any direct military threat. As war risk premiums surged, coverage was withdrawn, repriced, or rendered prohibitively expensive, leaving vessels stranded and transits collapsing by more than 80%.

In effect, the Strait did not need to be fully blockaded. It was priced shut. And now everything in the Supply Chain will have to be repriced as we move away from Just-in-Time delivery to security of supply inventories.

This reveals a deeper fault line in the global system. Institutions such as Lloyd’s of London are designed to price risk, but not to function when low probability events rapidly become persistent realities. The industry can model known risks and even extreme scenarios, but it struggles when “unknown unknowns” become known and recurring. In such moments, pricing breaks down,

capacity withdraws, and markets cease to function not because trade is impossible, but because it is uninsurable.

The result is a form of financial closure that is as powerful as any physical disruption. Ships do not sail not only because they may be hit, but because they cannot be insured. Capital steps back, and with it, the flow of energy.

This apparent stability masked a more uncomfortable truth. Beneath the surface, the physical market was already breaking.

Asia Reveals the Reality the Market Is Ignoring

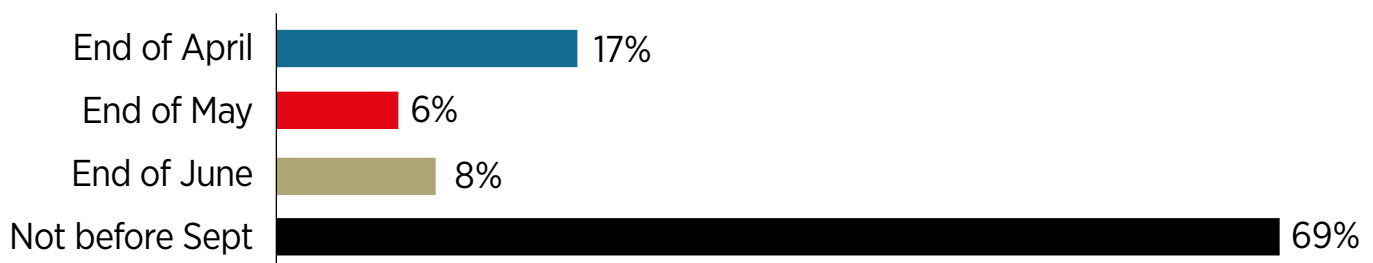
The most important shift now underway is the widening divergence between paper markets and physical reality. Benchmark prices no longer reflect the cost of securing actual barrels. Nowhere is this clearer than in Asia, where the crisis has already moved from abstraction to lived experience.

Across parts of South and Southeast Asia, governments have begun implementing measures that echo the energy crises of the nineteen seventies. Four-day work weeks, remote schooling, and restrictions on public sector energy use are no longer contingency plans. They are active policy responses. In Indonesia, limits on subsidized fuel purchases are being enforced to manage scarcity.

Elsewhere, the strain is becoming more acute. Airlines in parts of Asia are warning that access to jet fuel could constrain operations, not because demand is weak, but because supply is physically unavailable. Refiners are paying significant premiums to secure crude, often far above headline benchmark prices. This reflects a market where access, not price, is the binding constraint.

China, the world’s largest importer, has responded more quietly but no less decisively. Refiners have cut run rates, exports of refined products have been curtailed, and domestic supply is being prioritized. The result is a tightening spiral, with downstream shortages spreading faster than upstream supply can adjust.

Oil & gas flow through Strait of Hormuz to return to pre-war normal by:



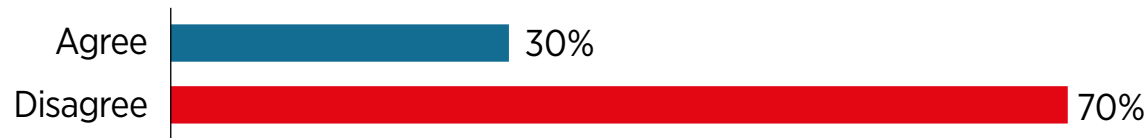
Trump's April 1st speech has now put a firm \$100 floor under Brent crude oil for remainder of US war on Iran?



Demand Destruction - the world will have to significantly reduce its oil and gas consumption due to supply shortages from Iran war?



The US-Israel war on Iran will end without a fight for control of The Strait of Hormuz?



(*nb. Polling conducted with 100+ Energy Market Stakeholders)

This is the defining feature of the current moment. The crisis is no longer about expectations. It is about availability. The futures market remains anchored in narrative, while the physical market is pricing scarcity.

A System Under Strain: Demand Destruction and the End of the Guarantor Era

The uncomfortable reality is that there is no supply side solution to this crisis. The disruption of flows through the Strait of Hormuz has removed volumes that cannot be replaced in the short term. Even with pipeline rerouting, strategic reserve releases, and marginal increases elsewhere, the global system remains structurally short.

What is new and far more consequential is that the geopolitical framework underpinning these flows is now being questioned. For decades, the global oil market has relied on an implicit guarantee that the United States would underwrite the security of critical shipping routes, particularly through chokepoints such as the Strait of Hormuz. That guarantee allowed markets to treat geopolitical risk as episodic rather than structural.

Recent signals from Donald Trump suggest that assumption can no longer be taken for granted. A willingness to frame the security of the Strait as not his problem is more than rhetoric. It is a signal that the United States may no longer be willing to bear the cost of policing global energy flows.

If that is the case, the implications are profound. Energy markets are not designed to function without a guarantor. The free flow of oil has never been purely a function of supply and demand. It has depended on security, enforcement, and deterrence. Remove that foundation, and the system does not simply become more volatile. It becomes structurally unstable.

This is why markets are beginning to shift. They are no longer pricing a temporary disruption that will eventually be resolved. They are beginning to price a world in which security is fragmented, contested, and potentially transactional. In such a world, access to energy becomes a function not just of price, but of power.

As a result, demand destruction is no longer a forecast. It will become policy as it did in the wake of the 1970s oil shocks. Governments will become increasingly focused on reducing consumption, rather than increasing supply. The measures now visible in Asia, including rationing, behavioral restrictions, and enforced efficiency, are early

indicators of how the system will rebalance. The question is not whether demand will fall, but how sharply and at what economic cost.

Buffers are Delaying Full Impact in the OECD World

For now, buffers are delaying the full impact. Inventories built up over recent years, cargoes already at sea, and strategic reserves have provided temporary relief. But these are finite. As one market participant observed, the system is moving beyond the phase where oil on the water can mask the absence of new supply.

The next phase will be defined by what is no longer arriving. At the same time, the constraints are no longer purely geopolitical. They are logistical. The global energy system was built for efficiency, not resilience. Pipelines are operating at capacity, shipping routes are constrained, and refining infrastructure is emerging as the weakest link. Even if hostilities were to ease, restoring flows would take months, not weeks.

The macroeconomic consequences are already taking shape. Higher energy prices are feeding into inflation, constraining central banks, and eroding growth. The world is drifting towards a stagflationary environment defined by rising costs and slowing activity.

Markets are beginning to recognize this shift. The early phase of the crisis was driven by headlines and expectations. The current phase is being driven by data, including cargo flows, inventory levels, and refinery utilization. The market is moving from narrative to reality.

This is what defines the transition from shock to system. A shock is sudden, disruptive, but temporary. A systemic crisis is embedded, persistent, and self-reinforcing. It reshapes behavior, policy, and expectations. The trajectory from here is unlikely to be linear. There will be moments of relief through temporary reopenings, diplomatic gestures, or price corrections. But the underlying imbalance remains.

Supply cannot be quickly restored. Demand must adjust. Adjustment in energy markets is rarely painless. The most plausible outcome is not resolution but adaptation. Partial flows may resume under new constraints. Informal arrangements may emerge. Markets may find a fragile equilibrium at lower levels of consumption and higher levels of risk.

This will not resemble a return to normal. The oil market is no longer reacting to a crisis. It is being reshaped by one. ■



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