

## When War Rewrites the Price of Energy

A Market Analysis | April 2026

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### **The numbers speak for themselves.**

Two days before the outbreak of the Iran–U.S.–Israel conflict, Gulf diesel was trading at \$87.45/barrel — translating to approximately \$647/MT at prevailing exchange rates. Today, the same barrel trades at \$142.74, pushing the metric ton price to over \$1,056.

***A 63% surge — not in months or years, but in weeks.***

## Why Diesel? Why So Fast?

Diesel is not merely a fuel. It is the circulatory system of the global economy — powering freight trucks, farm equipment, cargo ships, and industrial machinery. When diesel moves, everything moves with it.

The closure of the Strait of Hormuz — through which roughly 20% of the world's oil trade passes — triggered an immediate and severe disruption to global petroleum product supply. Refineries that depend on specific Middle Eastern crude grades found themselves unable to source feedstock, causing a supply squeeze that went far beyond crude oil itself.

The war more than doubled the price of kerosene-based products like diesel and jet fuel, as refineries lacked certain types of crude oil — a structural constraint that cannot be resolved through price signals alone.

## Ripple Effects Across Markets

**The impact has been systemic, not sectoral. Key transmission channels include:**

- Crude oil: Brent rose from approximately \$70/barrel in late 2025 to over \$128/barrel by mid-March 2026 — an 83% increase in under four months.
- Natural gas: European TTF benchmarks nearly doubled to over €60/MWh by mid-March, compounded by storage levels at just 30% capacity following a harsh winter.
- Sulfur & fertilizers: Gulf countries account for roughly 45% of global sulfur supply. The near-total halt of tanker traffic in the Strait of Hormuz has caused significant disruptions threatening fertilizer costs, copper leaching operations, and semiconductor-grade helium supplies.
- Aviation: Multiple airspaces closed across Bahrain, Iraq, Kuwait, Qatar, UAE, and others — collectively handling approximately 15% of global air traffic — causing airlines to reroute across longer corridors, adding fuel costs and delays.
- Food security: Higher energy costs through transportation, manufacturing, and food production systems are translating into rising food prices across import-dependent economies in Africa, South Asia, and Southeast Asia.

## What Happens When It Ends?

This is the question every trader, procurement manager, and CFO is now asking. History offers a framework — but not a guarantee.

After the Russia-Ukraine shock of 2022, energy prices took 6–9 months to meaningfully correct, even after the initial supply fear subsided. Several structural factors explain the lag:

### 1. Physical Supply Takes Time to Recover

Closed shipping lanes, damaged infrastructure, and disrupted refinery feedstock chains do not normalize overnight. Experts note that even if the conflict were resolved immediately, it could still take weeks before diesel prices begin to meaningfully decline — if they do at all.

### 2. Inventory Rebuilding Creates a Secondary Demand Pulse

Buyers who drew down strategic reserves during the crisis will re-enter the market simultaneously. This coordinated restocking creates a secondary demand wave that delays price normalization — a pattern observed clearly after both the 1990 Gulf War and the 2022 Ukraine-Russia disruption.

### 3. Risk Premium Persistence

Markets price in a structural risk premium after major supply disruptions. Insurers, shipowners, and traders will price Middle East risk higher for months — possibly years — after any ceasefire. This is not irrational; it reflects a genuine reassessment of geopolitical risk in the world's most critical energy corridor.

### 4. Structural Demand Shifts Are Already Underway

Higher oil prices incentivize companies and countries to invest more heavily in alternatives — solar, batteries, and electric vehicles — which become more economically competitive when fossil fuels spike. Some portion of this demand destruction will prove permanent, not cyclical. Import-dependent economies that have experienced this shock will accelerate energy diversification programs.

## The Realistic Recovery Scenario

Based on historical precedents and current market dynamics, the following trajectory represents the base case for price normalization:

Timeframe	Expected Outcome	Price Outlook
0–4 weeks post-ceasefire	Brent drops 15–20% on sentiment. Diesel lags.	~\$105–110/bbl
1–3 months	Hormuz reopens, tanker flows normalize. Prices ease.	\$100–110 Brent
3–6 months	Refinery feedstock rebalances. Diesel retreats toward normal premium over crude.	\$95–105/MT premium
6–12 months	New equilibrium — sustained risk premium persists.	\$85–95 Brent (new floor)

A full return to sub-\$70 Brent — the pre-war baseline — is unlikely without a concurrent global recession or a dramatic OPEC+ production surge. Neither scenario is currently the base case.

## Strategic Takeaway for Energy Traders & Buyers

The market is not simply pricing in a war. It is pricing in a new geography of risk — one where the Strait of Hormuz can no longer be assumed to be a stable, open corridor. For those of us active in Gulf-origin commodity flows, the implications are strategic:

- Supply chain diversification is no longer optional — it is the new baseline of doing business.
- Alternative routing and origin flexibility command a structural premium that did not exist before February 2026.
- Pricing mechanisms must incorporate geopolitical risk as a standard variable, not an exceptional one.
- Long-term offtake agreements structured during this volatility window may represent historically attractive entry points for buyers with flexible financing.

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