

Beyond the Ceasefire:

Why the Hormuz
shock will outlast
the reopening

Eight Advisory viewpoint

Executive Summary

- 1. The memorandum of understanding opens a 60-day window, yet a final agreement is outstanding** – The 17 June deal extends the ceasefire and commits both sides to restoring Hormuz transit, but defers nuclear, sanctions and regional security issues to a final settlement.
- 2. Reopening is under way, but the largest modern oil disruption will not unwind until a final agreement is reached** – Gulf production shut in by 14.4 mb/d, the IEA (International Energy Agency) released a record 426m barrels and physical damage to Qatari LNG (Liquefied Natural Gas) infrastructure will take its course to repair.
- 3. The largest supply loss on record, but the macroeconomic impact has been contained so far** – Four structural buffers – bypass pipelines, non-Gulf supply, reserve drawdowns and demand rationing – have absorbed the initial impact.
- 4. European exposure runs through LNG, middle distillates, chemicals and fertilisers** – Europe avoided a direct crude crisis but faces margin pressure from global LNG competition, jet fuel constraints and fertiliser price spikes.
- 5. The base case points to recovery, but the path depends on a final agreement** – Markets expect a deal; if reached, GDP growth should recover through 2027 as energy flows normalise. A failed agreement could change the picture materially.
- 6. The reopening shifts the corporate question from survival to proof of resilience** – Management teams must now map exposure, test covenant headroom through 13-week cash flows and reset pricing, sourcing and capex (capital expenditure).
- 7. Sellers need to evidence the bridge before buyers capitalise the uncertainty** – In live transactions, a robust EBITDA bridge and working-capital evidence prevent buyers from pricing in the full downside.
- 8. How Eight Advisory can help** – Cash and covenant response, margin protection and transaction evidence across restructuring, operational improvement and transaction services.

The Strait of Hormuz has reopened, but the 60-day memorandum of understanding (MoU) only buys time

On 17 June 2026, the United States and Iran signed a 14-point memorandum of understanding in Versailles, that extends the ceasefire and opens a maximum 60-day window to negotiate a final agreement.

The MoU reduces the immediate risk of further escalation, but it is not a final settlement. It defers the most difficult issues, including the nuclear framework, the sanctions schedule, regional security arrangements and the future administration of the Strait of Hormuz. ^{[1][2]}

The reopening commitment is asymmetric. The United States undertakes to begin removing its naval blockade and related impediments against Iran, while Iran undertakes to restore safe commercial passage through the Strait within 30 days, including the removal of tactical obstacles and de-mining. The MoU also provides for toll-free commercial passage for 60 days, after which Iran has already signalled that it may seek to charge for maritime services. This makes the reopening an implementation test, not an immediate return to pre-war operating conditions. ^{[1][3]}

The economic relief is material, but conditional. The MoU provides for oil-related waivers, a schedule for sanctions termination, staged access to frozen assets and a reconstruction plan with regional partners. However, broad sanctions relief is tied to the final nuclear settlement, not to the MoU signature alone. Iran reiterates that it will not procure or develop nuclear weapons, while the disposition of enriched material, the future of enrichment and IAEA (International Atomic Energy Agency) supervision are left for the final agreement. ^{[1][2]}

Risks remain. The MoU pauses the military phase between Washington and Tehran, but it cannot by itself bind all actors in the conflict. That said, the agreement represents a material step forward: it provides a concrete framework for de-escalation.



For energy markets, the key question is therefore no longer whether the Strait can reopen, but how quickly flows, insurance, mine clearance, terminal availability and political confidence can normalise. ^{[3][4]}

Philippe Fimmers, Partner
Eight Advisory

Reopening is under way, but the largest modern oil disruption will not unwind until a final agreement is reached (1/2)

A critical global chokepoint

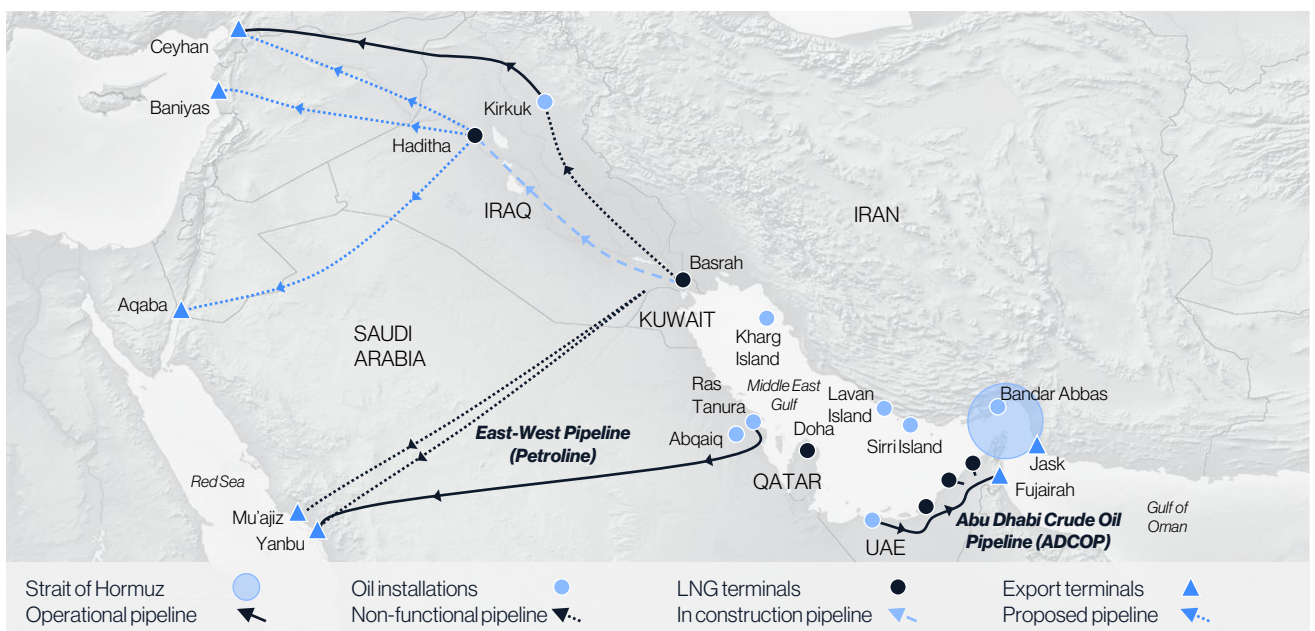
The Strait remains the most concentrated chokepoint in global energy trade.

In 2025, nearly **20 million barrels per day (mb/d)** of crude oil and oil products transited Hormuz, equal to around $\frac{1}{4}$ of world seaborne oil trade.

The route is also critical for LNG, with around 93% of Qatar's LNG exports and 96% of the United Arab Emirate's LNG exports passing through the waterway, together representing close to one fifth of global LNG trade. ^[4]

By April 2026, output from Gulf countries affected by the closure was **14.4 mb/d** below pre-war levels. This represents the volume of production that had been shut in or curtailed because the export route was no longer available, measured against the IEA's nearly 20 mb/d estimate for 2025 Hormuz oil and product transit. ^{[4][5]}

Figure 1: Gulf oil and LNG bypass infrastructure



Source: IEA, Saudi Aramco, ADNOC, Eight Advisory analysis

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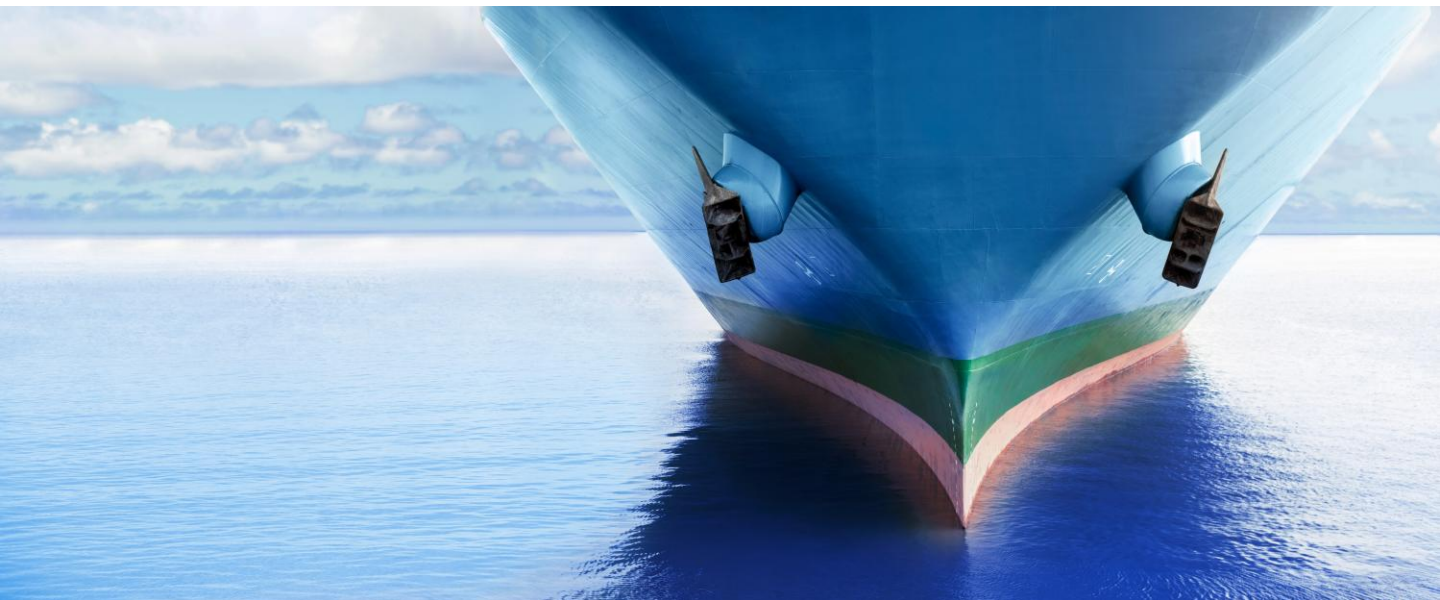
Reopening is under way, but the largest modern oil disruption will not unwind until a final agreement is reached (2/2)

Emergency measures prevented market dislocation

Visible tanker traffic in April and early June remained far below normal levels, and while “dark” transits made real-time estimates uncertain, the IEA noted export volumes were at less than **10%** of pre-conflict levels when it announced its emergency release. The Agency later described cumulative losses of more than 1 billion barrels (mb). ^{[5][6]}

The IEA response has been unprecedented. On 11 March 2026, IEA member countries agreed to make 400 mb available from emergency reserves. Subsequent contribution detail totalled **426 mb**, including 280 mb from public stocks, 119m barrels from obligated industry stocks and 28m barrels from production increases. The US contribution was 172.2m barrels. This release serves as a buffer for markets, but it is not a repair mechanism for the physical bottleneck. ^{[6][7]}

Non-IEA consumers have also helped absorb the shock through lower imports, inventory drawdown and refinery run cuts. China reduced its seaborne crude imports materially and relied on inventories, adding to the cushion alongside the IEA release. While these buffers have worked well so far, they are by definition finite; the pace of physical reopening will determine how quickly they can be replenished rather than further depleted. ^[5]



The largest absolute oil supply loss on record has not yet become the most damaging macro shock

The current crisis has caused a major disruption in the global energy system, but the macroeconomic impact has been more contained than the physical volume loss would suggest. This is because four buffers have worked simultaneously: bypass capacity, non-Gulf supply response, inventory and stock drawdown, and demand rationing through higher prices.^{[4][5]}

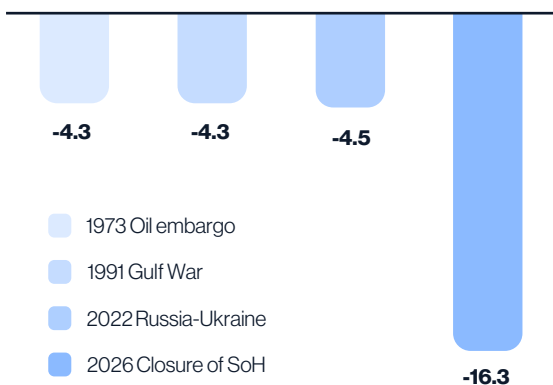
1. Saudi Arabia and the UAE have been able to redirect some crude flows away from Hormuz.

The IEA estimates available crude export capacity on alternative routes at 3.5 to 5.5 mb/d, mainly through Saudi Arabia's East-West Pipeline and the UAE's Abu Dhabi Crude Oil Pipeline to Fujairah. While meaningful, this remains far below the nearly 20 mb/d pre-war Hormuz flow and does not solve product, LNG or petrochemical exposure.^[4]

2. Supply outside the Gulf has responded.

Higher exports from the Atlantic Basin and additional production outside the Middle East have partly offset the lost Gulf flows. This has reduced the immediate crude-price pass-through, particularly because the market entered the crisis with some surplus capacity and because producers and consumers adjusted faster than in previous oil shocks.^[5]

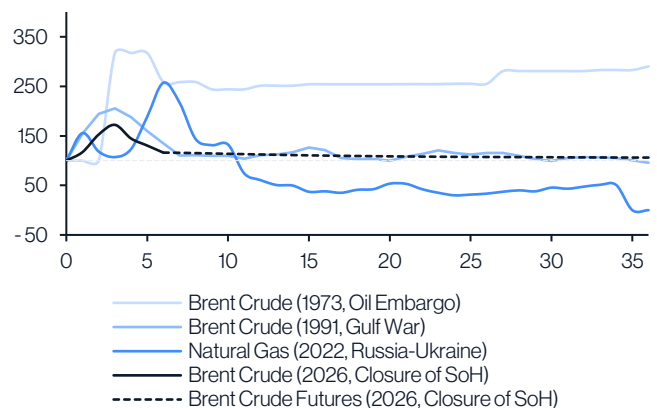
Figure 3: Energy volume loss (in million barrels oil equivalent per day)



Sources: IEA, EIA, Eight Advisory analysis

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Figure 2: Post-shock commodity price movement (indexed to 100, in months)



Sources: World Bank, Capital IQ, Eight Advisory analysis EightAdvisory

3. Importers have run down inventories and cut refinery runs. Large observed stock draws occurred in March and April, alongside materially lower crude imports by China, Japan, Korea and India. This buys time, but it also depletes the buffers that make the current macro impact look manageable. The longer the reopening remains incomplete, the more the market shifts from a stock-managed shock to a real supply shock.^[5]

4. Higher prices are rationing demand. Demand weakness has been most visible in petrochemicals, aviation and refined products, especially jet fuel, diesel, LPG (Liquefied Petroleum Gas) and fertilisers. Consequently, while the aggregate macro shock has been contained, specific sectors have already faced severe stress. The crisis is less damaging than 1973 so far because the transmission has been partly absorbed by inventories, rerouting and demand rationing. If a final agreement is reached and gas supplies normalise during 2027, overall GDP growth should recover from its 2026 slowdown; the structural damage scenario only materialises if the political process fails.

^{[5][8][9][10][11]}

Europe's exposure is indirect but material, concentrated in LNG, middle distillates, chemicals and fertilisers

Europe's Hormuz vulnerability is not primarily a direct crude-import problem. It is a global-price, refined-product, LNG and industrial-input problem. Direct Gulf crude is a modest share of European supply, but Europe remains highly exposed to global oil pricing, imported petroleum products, LNG availability and the cost of internationally traded fertiliser and petrochemical inputs. ^{[12][13]}

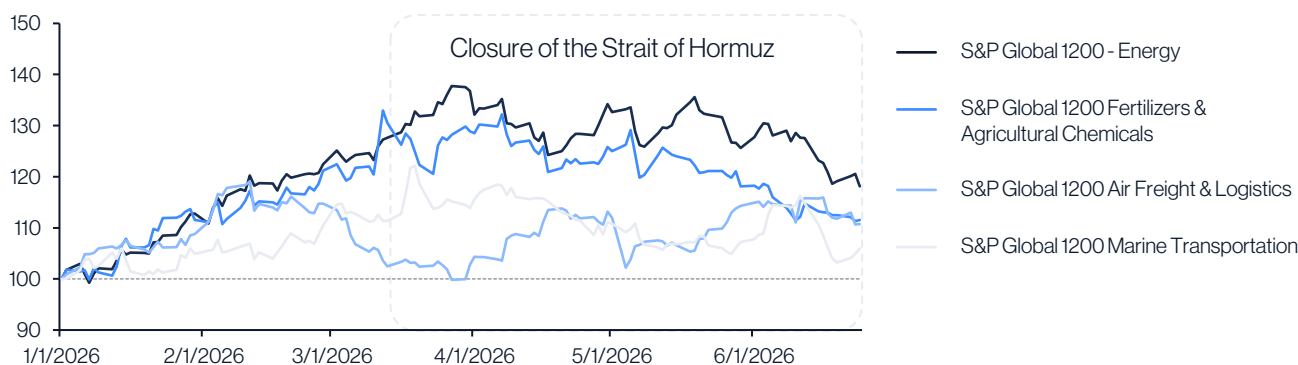
The LNG channel is direct and concentrated. Europe rebuilt part of its energy security around flexible LNG after the Russian gas shock. Lower Qatari LNG output tightens the global LNG balance even when cargoes are not physically bound for Europe, because Asian and European buyers compete for the same flexible supply. This increases European gas, power and industrial heat costs, particularly if damaged Qatari capacity remains unavailable for several years. ^{[8][13]}

Middle distillates are the more immediate operational pressure point. Europe's refined-product exposure is concentrated in diesel and jet fuel, where replacement barrels are harder to source quickly. The European Commission has flagged jet fuel as the primary regional supply concern if the blockage persists, as replacement options from the Atlantic Basin, India and Asia remain constrained. Aviation is therefore exposed to both fuel price and routing effects. ^{[14][15]}

Chemicals and fertilisers are exposed through a different channel. While some European commodity chemical producers have benefited temporarily from global shortages and higher spreads, downstream users and energy-intensive producers face higher input costs. Fertiliser exposure translates directly to food systems: World Bank analysis shows urea prices rising sharply in April 2026, with Middle East disruption tightening global supply and affordability for farmers. ^{[9][16]}

Corporate evidence of these exposures is already visible. Yara, BASF, Hapag-Lloyd, Lufthansa and Air France-KLM have all reported company-specific margin, cost, routing or demand effects directly linked to the disruption, demonstrating how operational the impact has become. ^[17]

Figure 4: Sector indices development



Source: Capital IQ, Eight Advisory analysis

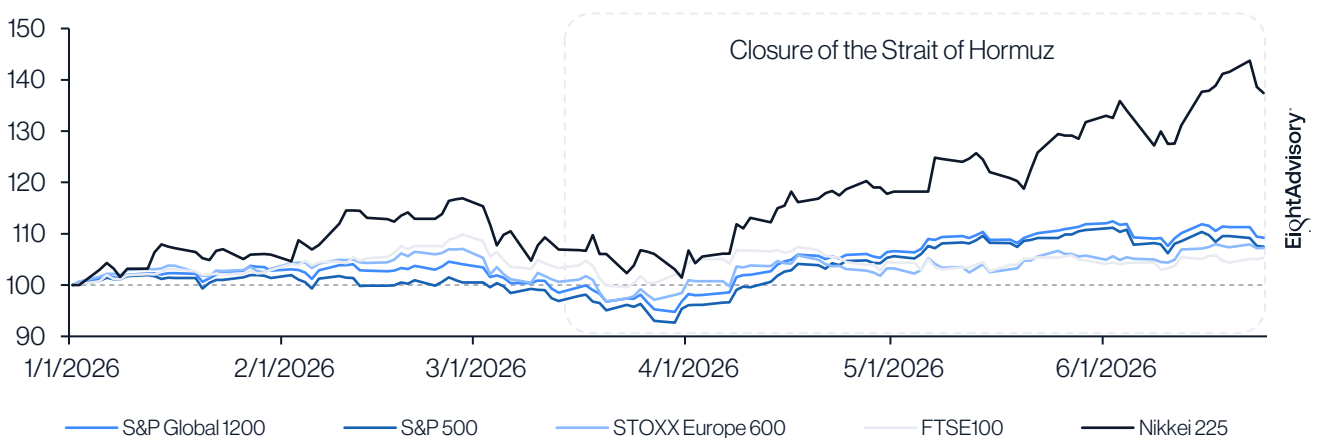
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The base case points to recovery, but the path depends on a final agreement (1/2)

The MoU creates a framework for reopening. The general market consensus, reflected in forward oil curves and risk-asset pricing, is that a final agreement will be reached: markets have not yet priced in the severity of a failed deal. This base case sees military activity contained, physical flows gradually recovering and GDP growth picking up through 2027 as energy supply normalises. However, a downside trajectory remains possible in which talks fail, the ceasefire erodes and the market has to operate with depleted inventories, higher war-risk pricing and renewed uncertainty over the Strait. Even the favourable case carries a long tail. ^{[1][3][11][18]}

A short disruption leaves a multi-quarter drag because logistics normalise more slowly than headlines. Mines and tactical obstacles must be cleared, vessels and crews must reposition, insurers must reprice war-risk coverage and refineries must reschedule crude slates and product runs. Companies then face a second lag through supplier surcharges, customer pass-through disputes, buffer inventories and working-capital absorption. The reopening reduces the acute shock, but it does not immediately reverse these cash effects^{[4][5]}

Figure 5: Major geographic indices development



Source: Capital IQ, Eight Advisory analysis

The base case points to recovery, but the path depends on a final agreement (2/2)



While the base case assumes a deal is reached, a failure would change the picture materially. Emergency stocks and import cuts are finite. The IEA release provides market relief, but it is not designed to replace nearly 20 mb/d of pre-war Hormuz flows indefinitely.

If the 60-day window ends without a credible final agreement, the risk shifts from a manageable logistics drag to a more prolonged energy security problem, with rising probability of renewed inflation pressure, lower real incomes, industrial margin compression and more aggressive demand restraint. This is not the central scenario, but it is the tail risk that corporates and investors should plan against. ^{[5][6][11]}

A prolonged disruption could also put food systems under pressure, especially in import-dependent regions. UNCTAD links Hormuz disruption to higher energy, fertiliser, freight and insurance costs, with the strongest burden on vulnerable economies, while World Bank analysis highlights fertiliser-price pressure and the risk to agricultural affordability.^{[9][16]}

Even with a final agreement, the LNG constraint may last for years. The IEA Global LNG Capacity Tracker identifies **12.8 mtpa** (million tonnes per annum) of damaged Qatar liquefaction capacity, with an estimated repair horizon of 3 to 5 years. While ship repositioning and insurance normalisation are weeks-to-months issues, Qatar LNG reconstruction remains a structural, multi-year bottleneck. ^[8]

The reopening shifts the corporate question from survival to proof of resilience

The reopening changes the management question. During the closure, the priority was crisis response: liquidity, supply continuity and immediate customer communication. After the MoU, the priority becomes proof of resilience. Management teams must demonstrate to lenders, shareholders and buyers which impacts are temporary, which are structural and which are already mitigated.



Map Hormuz exposure before acting

Direct energy cost is usually the smallest part of the problem. The full exposure bridge must cover direct energy, supplier surcharges, freight and insurance, inventory buffers, receivables timing, payable tightening and customer pass-through. This should be built by business unit, SKU (Stock Keeping Unit), customer and route-to-market, rather than as a single percentage uplift to cost of goods sold.



Apply a 13-week cash lens

Annual EBITDA is the wrong first question while the shock is live. The practical question is which week liquidity gets tight, because surcharges, war-risk premia and buffer stock hit cash before price increases are collected. A 13-week cash flow should isolate energy, freight, insurance and inventory effects from accounting EBITDA, testing 30-, 60- and 90-day covenant headroom before the next reporting date.



Reset pricing, sourcing and capex

A reopened Strait reduces tail risk, but it does not restore certainty. Companies must review contractual pass-through mechanics, dual-source resilience, critical input dependency and the capex case for energy efficiency, supplier diversification and operational continuity. Capex should be reprioritised towards resilience where the exposure is material, rather than paused indiscriminately.



Strengthen governance

Gross margin must be tracked by SKU, customer and route-to-market to identify where volume protection destroys value. Procurement should distinguish strategic buffer inventory from avoidable stock build. Finance must separate one-off crisis costs from recurring cost inflation to provide clear evidence for lender discussions, board reporting and transactions.

Sellers need to evidence the bridge before buyers capitalise the uncertainty

In transactions, the Hormuz shock will be priced unless management explains it first. The seller should not present lower EBITDA as either fully exceptional or fully permanent. The approach must bridge pre-war baseline EBITDA to current trading and mitigated run-rate, separating temporary disruption costs, structural cost inflation and management actions. That bridge is the backbone of the vendor due diligence narrative.

Bridge EBITDA impact and mitigants



Management must define the baseline used before the February to June 2026 escalation and document which assumptions no longer hold. The bridge must isolate the gross shock: energy, freight, insurance, supplier cost, volume effects and customer pass-through timing. Only then should management present mitigation, including pricing action, sourcing changes, capex reprioritisation and working-capital measures that are already implemented and measurable.

Prepare working capital evidence



The completion mechanism is where the shock can become value leakage. Buffer inventory, supplier switches, longer transit times and delayed customer pass-through can all distort normal working capital. Without prepared evidence, buyers will use volatility to argue for a lower peg, tighter leakage protections or more conservative debt-like adjustments. Inventory must be split between safety stock, route-delay buffer, slow-moving SKUs and strategic crisis stock. Receivables and payables must similarly distinguish normal timing from crisis-induced distortions.

Price the scenarios inside the model



Valuation must be scenario-led. The model should include a short-disruption case, a failed-deal case and a mitigated management case, each specifying revenue, margin, working-capital and capex assumptions. Buyers will apply a discount if management only offers a narrative. Sellers can defend value only by quantifying the bridge and demonstrating which parts of the shock are temporary, which remain open and which have been mitigated.

How Eight Advisory can help

The reopening reduces the immediate shock, but the next 60 days will determine whether companies face a temporary disruption or a structural reset. The priority is to convert the MoU into cash, margin and valuation scenarios before markets, lenders or buyers do it independently.

Eight Advisory supports management teams, lenders and shareholders in three integrated workstreams:



Cash and covenant response: 13-week cash flows, covenant headroom analysis, liquidity scenarios, lender packs and refinancing support.



Operational exposure and margin protection: Mapping exposure across energy, suppliers, freight, insurance and working capital, then translating that exposure into pricing, sourcing, capex and margin-governance actions.



Transaction and valuation evidence: EBITDA bridges, normalisation cases, working-capital papers, buyer Q&A preparation, scenario-weighted valuation and diligence support.



The core message is simple: the MoU is a material step towards resolution, but full normalisation depends on a final agreement that is not yet secured. Companies that move now to rebuild business plans, quantify exposure and prepare scenario-weighted valuations will be better positioned to strengthen resilience — and to capture value as markets and energy flows recover.

Philippe Fimmers, Partner
Eight Advisory



Why the Hormuz shock
will outlast the reopening

Contact our experts
and see how we can help you!



Philippe Fimmers
Partner | Benelux
philippe.fimmers@8advisory.com



Martijn van Heugten
Partner | Amsterdam
martijn.vanheugten@8advisory.com



Alexis Karklins-Marchay
Partner | Global
alexis.karklins@8advisory.com



Thomas Gummert
Partner | DACH
thomas.gummert@8advisory.com

Eight Advisory is a member of

 EIGHT INTERNATIONAL



Authors:



Philippe Fimmers

Partner | Benelux

philippe.fimmers@8advisory.com



Boudewijn Brouwer

Director | Amsterdam

boudewijn.brouwer@8advisory.com



Freddie Bowes

Analyst | Amsterdam

freddie.bowes@8advisory.com

Sources:

#	Claim / figure	Source	Date
1	14-point MoU, 60-day window, reopening and de-mining terms	BBC, "US-Iran memorandum of understanding in full"	17 Jun 2026
2	MoU signing, sanctions waivers and political context	NBC News, "Trump and Iran's president sign initial deal..."	18 Jun 2026
3	Lebanon, Israel not party, toll-free period and residual instability	The Guardian, "US-Iran deal takeaways..."	17 Jun 2026
4	2025 Hormuz baseline, bypass capacity, global chokepoint data	IEA, "Strait of Hormuz"	Feb 2026
5	14.4 mb/d below pre-war Gulf output, >1bn barrels cumulative loss, stock draws, macro buffers	IEA, "Oil Market Report – May 2026"	May 2026
6	IEA members agreed to make 400m barrels available	IEA, "IEA Member countries to carry out largest ever oil stock release..."	11 Mar 2026
7	426m barrels contribution detail and US 172.2m barrels	IEA, "Member country contributions to collective action..."	Mar 2026
8	12.8 mtpa Qatar LNG capacity damaged, 3–5 year repair horizon; LNG supply-wave context	IEA, "Global LNG Capacity Tracker"	12 Jun 2026
9	Freight, insurance, fertiliser and vulnerable-economy transmission	UNCTAD, "Strait of Hormuz Disruptions"	10 Mar 2026
10	1973 oil embargo price and macro benchmarks	Federal Reserve History, "Oil Shock of 1973–74"	— (historical)
11	GDP/inflation forecasts, adverse scenario (2.5% growth, 5.8% inflation)	IMF, "World Economic Outlook – April 2026"	Apr 2026
12	European crude and product exposure	OIES, "Europe's Oil Vulnerability to the Strait of Hormuz Disruption"	Apr 2026
13	EU energy imports, post-Russia LNG pivot, Gulf dependency data	Eurostat, "EU imports of energy products – latest developments"	2026
14	EU jet fuel concern and emergency stock-release framing	European Commission DG Energy, Oil Coordination Group update	18 May 2026
15	Europe jet fuel replacement constraints	Kpler, "Where can Europe secure jet fuel..."	11 Mar 2026
16	Fertiliser price and food-system risk	World Bank, "Fertiliser prices surge..."	14 May 2026
17	Company-specific reported effects	Corporate releases: Yara BASF Hapag-Lloyd Lufthansa Air France-KLM	Apr–May 2026
18	War-risk repricing, JWC listed areas (JWLA-033)	IUA / Lloyd's Market Association, Joint War Committee Risk List	3 Mar 2026

Paris
37 rue la Boétie
75008 Paris, France

Lyon
50, cours Franklin Roosevelt
69006 Lyon, France

Nantes
34 rue du Pré Gauchet
44000 Nantes, France

Rennes
28 boulevard du Colombier
35000 Rennes, France

Marseille
10 place de la Joliette
13002 Marseille, France

London
100 Pall Mall
SW1Y 5NQ London, United Kingdom

Brussels
53 Avenue des Arts
1000 Brussels, Belgium

Amsterdam
Parnassus Tower
1076 AZ Amsterdam, Netherlands

Frankfurt
Mainbuilding, Taunusanlage 15
60325 Frankfurt am Main, Germany

Hamburg
Neuer Wall 80
20354 Hamburg, Germany

Munich
Isartorplatz1, 1. OG
80331 Munich, Germany

Cologne
Rudolfplatz 3
50674 Cologne, Germany

Zurich
Gerbergasse 5
8001 Zurich, Switzerland

Milan
Via Santa Maria Fulcorina, 2
20123 Milan, Italy

Madrid
C. de Jorge Juan 35
28001 Madrid, Spain

New York
Tower 49
12 East 49th Street
New York, NY 10017

Mumbai
Urmi axis, Seventh floor, Famous Studiolane,
Mahalaxmi, Mumbai 400 011, India

Eight International
12 rue Jean Engling
L-1466 Luxembourg

FRP
110 Cannon Street
London, EC4N 6EU, United Kingdom

JP Weber
Ul. Wspólna 70
00-687 Warsaw, Poland

JP Weber
Grodzka 9
50-137 Wroclaw, Poland

New Deal Advisors
Via Santa Maria Fulcorina
2-20123 Milan, Italy

McGrathNicol
Level 12, 44 Martin Place
Sydney NSW 2000 Australia

DH Advisory
Dubai World Trade Centre
Dubai, UAE

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