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

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Energy Transition Will Shape the
Post-Hormuz Era for All but the US*

MONDAY MORNING QUARTERBACK**ENERGY MARKETS WEEKLY BRIEFING NOTE – June 8th**

Energy Security Through Energy Transition Will Shape the Post-Hormuz Era for All but the US

By Sean Evers, Managing Partner, Gulf Intelligence

The Strait of Hormuz crisis may be remembered not for how high oil prices rose, but for how it changed the strategic logic of the energy transition. For most of the world, the lesson is becoming increasingly clear. Every electric vehicle, battery factory, solar farm, nuclear reactor, transmission line, and renewable energy project represents one less barrel of imported oil, one less LNG cargo, and one less exposure to geopolitical disruption. The energy transition is increasingly being viewed not as climate policy, but as energy security policy. China understood this decades ago. Europe learned the lesson after Russia's invasion of Ukraine. India, Japan, and South Korea are learning it now.

The notable exception may be the United States.

While most major economies remain heavily dependent on imported energy flowing through vulnerable global supply chains, America sits in a unique position. It is one of the world's largest oil and gas producers, a major LNG exporter, and among the least exposed developed economies to disruptions in the Strait of Hormuz. As a result, the Hormuz crisis may accelerate the energy transition across much of the world while simultaneously reinforcing America's confidence in hydrocarbon abundance. The result could be a widening divergence in global energy strategy over the next decade.

The Great Repricing of Energy Security

For decades, globalization was built on a simple assumption: energy would always find a way to market. The Strait of Hormuz crisis has shattered that confidence. The issue is no longer whether the Strait eventually reopens. The more important question is whether governments, insurers, traders, and consumers will ever view it in the same way again. Trust, once broken, is

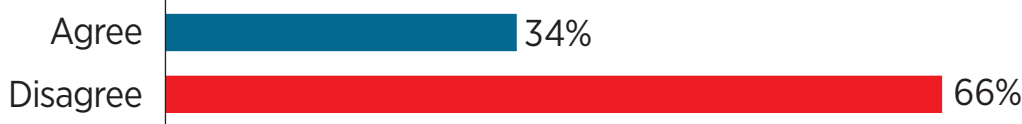
difficult to restore. The world's most important energy chokepoint has demonstrated just how vulnerable the global economy remains to geopolitical disruption. The implications extend far beyond oil. Fertilizers, petrochemicals, LNG, aviation fuel, industrial feedstocks, and consumer goods all depend on uninterrupted flows through global supply chains. What began as an energy disruption has evolved into a broader conversation about economic resilience.

As a result, countries are accelerating plans to diversify supply routes, expand strategic reserves, and invest in infrastructure that reduces dependence on critical chokepoints. Europe is broadening its supplier base. Asia is reassessing energy security strategies. Gulf producers are accelerating investments in export routes that bypass vulnerable waterways. Infrastructure once viewed as expensive insurance is increasingly being viewed as essential. The lesson from Hormuz is not that globalization is ending. Rather, it is that globalization is becoming more expensive. Redundancy, flexibility, and resilience all carry costs. Yet after successive shocks from the pandemic to the Ukraine war to the current Gulf crisis, governments appear increasingly willing to pay them. The age of optimizing for efficiency is giving way to an age of optimizing for resilience. That shift could prove to be one of the most important economic developments of the coming decade.

Why Oil Prices Are Not Telling the Full Story

The most remarkable feature of the current crisis is not that oil prices are high. It is that they are not higher. A supply disruption of this magnitude would historically have produced a far more violent market response. Instead, prices remain surprisingly restrained, creating the impression that markets are either complacent or irrational. The reality is more complicated.

Demand destruction will keep ahead of supply shortages and stop oil prices from soaring through the summer?



Have we seen the high-water mark for crudeoil prices for this Iran war/Strait of Hormuz crisis when Brent hit \$126 in early May?

Yes  28%

No  72%

Do you expect Israel will conform to any US-Iran deal agreed?

Yes  13%

No  87%

(*nb. Polling conducted June 1st-4th with 100+ Energy Market Stakeholders)

Three temporary buffers are holding the market together.

First, demand destruction is already occurring as consumers and industries reduce consumption in response to higher prices. Petrochemical demand has weakened, Asian consumption has softened, and parts of the global economy are quietly absorbing the shock through slower activity.

Second, inventories accumulated over previous years are being drawn down to offset supply losses. Strategic reserves and commercial stocks have functioned as the world's shock absorbers, cushioning what many experts describe as one of the largest supply disruptions in modern energy history.

Third, traders continue to price in the possibility of a diplomatic breakthrough. Every ceasefire headline, every negotiation, and every rumor of progress reinforce the belief that a political solution will eventually emerge.

Together, these three buffers have created an illusion of balance. Remove any one of them and the market would look significantly tighter. Remove all three and current prices could prove dramatically misleading. Demand destruction should not be mistaken for resilience. It is often the first visible sign of economic stress. The reduction in fuel consumption being observed across parts of Asia and other emerging markets reflects weaker activity rather than improved efficiency. In effect, the global economy is absorbing the shock by slowing down. This matters because energy shocks rarely remain confined to energy markets. Fuel costs feed into transportation. Transportation costs feed into food prices. Food prices influence inflation. Inflation influences interest rates. Interest rates influence growth. What begins as an oil story quickly becomes an economic story and eventually a political one. The most important forecast emerging from energy experts is not necessarily that oil prices will surge dramatically higher. It is that prices may remain elevated enough, for long enough, to keep inflation above policymakers' comfort levels while simultaneously weighing on growth. The greater risk may not be a sudden recession, but a prolonged period of slower growth, elevated prices, and persistent economic uncertainty. Markets continue betting on a soft landing. Energy markets are increasingly warning of a rougher journey ahead.

Why America May Be the Exception

The strategic logic emerging from Hormuz is straightforward. Countries most dependent on imported energy have the strongest incentive to accelerate the transition away from it. China imports most of the oil it consumes. India remains heavily dependent on Middle Eastern crude. Japan and South Korea import all their hydrocarbons. Europe continues searching for ways to reduce external dependencies after the shock of losing Russian energy supplies.

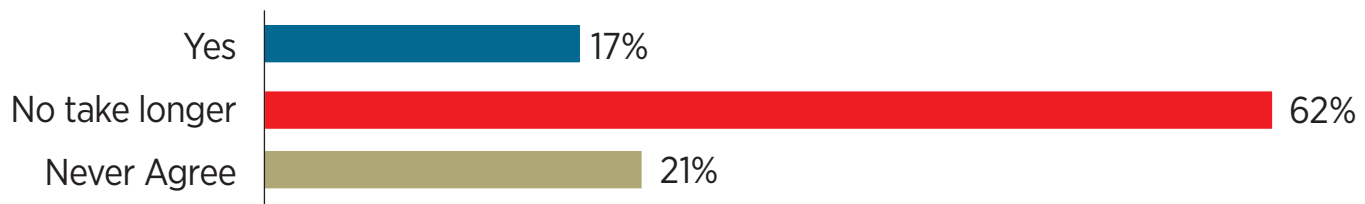
For all of them, electrification is increasingly a security strategy. Every EV reduces oil imports. Every battery strengthens resilience. Every renewable power project reduces exposure to maritime chokepoints and geopolitical volatility. The United States faces a fundamentally different calculation.

America remains one of the largest producers of oil and gas in the world. Higher prices often create economic pain for consumers, but they also generate income, investment, employment, and export revenues. Unlike China, Europe, India, Japan, or South Korea, Washington does not view imported energy dependence as an existential strategic vulnerability. This difference may prove decisive in shaping global energy policy over the coming decade.

For much of the world, the transition is about reducing vulnerability. For the United States, the immediate temptation may be to double down on abundance. Its vast hydrocarbon base gives it a cushion that others do not possess. It can export LNG to Europe, crude to Asia, and energy security to allies while continuing to debate the pace and purpose of its own transition at home.

That does not mean America is immune. Higher gasoline prices, inflation, infrastructure constraints, and political volatility still matter. But the United States is not facing the same strategic urgency as major importing economies. It can afford to treat the transition as a political choice. Others increasingly see it as a national security necessity. This is where the post Hormuz decade may divide the world. Energy importers will accelerate electrification because they must. Energy exporters will defend hydrocarbons because they can. The countries caught between these two realities will face the hardest choices.

Do you expect the current US-Iran negotiations to produce a Deal before World Cup begins on June 11th?



The Next Energy Race

The most overlooked consequence of the current crisis is that it is unfolding at the same time as a powerful new source of demand is emerging. The artificial intelligence revolution is often discussed in terms of software, semiconductors, and productivity gains. Less attention is paid to its physical footprint. Yet the infrastructure required to support AI is enormous. Data centers, advanced manufacturing facilities, transmission networks, cooling systems, and digital infrastructure all require vast quantities of electricity, metals, construction materials and industrial capacity.

The scale of investment already underway is measured in trillions of dollars. At the same time, China continues to accelerate electrification, battery deployment, electric vehicle adoption, and strategic efforts to reduce vulnerability to imported fuels. The country's response to recent disruptions is unlikely to trigger China to retreat. More likely, it will double down on diversification and technological transformation.

The next phase of the energy transition is unlikely to be driven by climate diplomacy. It will be driven by competition. Nations are increasingly pursuing electrification, batteries, critical minerals, grid expansion, and AI infrastructure because they enhance economic and strategic resilience. The transition is becoming a race for security, not simply a race for decarbonization. For years, the dominant narrative suggested that the energy transition would gradually reduce demand growth. Instead, the next decade may witness a surge in electricity consumption and infrastructure investment driven by entirely new sectors of the economy. In other words, the future may not be less energy intensive. It may simply be different energy.

This creates a paradox for the United States. America may be less exposed to imported oil insecurity, but it is deeply exposed to the energy demands of AI, digital infrastructure, and industrial competition. The US may not pursue the transition primarily as protection from Hormuz, but it will still need massive investment in power, grids, transmission, nuclear, gas, renewables, storage, and data center infrastructure to defend its technological lead.

So even America cannot avoid the next energy race. It may simply enter it for different reasons.

The Post Hormuz Divide

The central lesson of the Hormuz crisis is that the energy transition and energy security are increasingly becoming the same conversation. For China, Europe, India, Japan, South Korea, and most major importing economies, the path forward is becoming obvious. Electrification, batteries, renewable power, nuclear energy, grid investment, and energy efficiency all reduce dependence on imported hydrocarbons and vulnerable supply routes. What was once framed primarily as climate policy is increasingly being justified as national security policy.

The United States occupies a different position.

As one of the world's largest energy producers, America has less incentive to view the transition through the same security lens. While the rest of the world seeks freedom from imported energy, the United States continues to benefit from producing and exporting it. That divergence may become one of the defining energy stories of the post Hormuz decade. The future of the energy transition will not be determined solely by climate ambitions. It will be shaped by which countries still need oil, which countries still need imports, and which countries conclude that true energy security comes from needing less of both. China recognized this reality years ago. Europe was forced into it by Russia. Asia is being pushed toward it by Hormuz. The United States may remain the exception because it has the resource base, infrastructure, and export capacity to view the crisis less as a vulnerability and more as an opportunity.

But even that exception has limits.

In a world where energy security increasingly defines industrial power, technological leadership, and geopolitical resilience, no country can afford complacency. The post Hormuz energy order is not waiting to be negotiated. It is already being constructed in boardrooms, ministries, infrastructure projects, and investment portfolios around the world. Its defining principle is becoming increasingly clear: the most secure energy is the energy you no longer need to import.



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