2nd June 2026

What the future of the Strait of Hormuz could look like[1]

Last week, I spent two days in Tokyo, meeting eight different companies, including Sogo Shoshas, refineries, shipping firms and energy trading houses. My view has only strengthened that the market is too optimistic regarding the Strait of Hormuz reopening. It appears like there won't be an equivalent of "Operation Desert Storm" like in 1991[2], as US's allies are not joining the war against Iran. That's why Iran has all the incentives to drag this conflict on with the goal of achieving a "1956 Suez Canal Crisis" equivalent victory[3], i.e. squeeze the market until inventories have run empty and countries are desperate to pay the fee to transit ships. This means, with a "Suez Canal 1956 equivalent deal", Iran will:

1. Charge fees for the transits, but remains sanctioned in the short-term
2. Release vessels currently stuck in the Persian Gulf against the release of frozen funds
3. Middlemen will continue the trade of oil and gas through the Strait of Hormuz, paying the fees in crypto currency, but at much lower volumes than before
4. Meanwhile pipelines are being built to reduce the trade flow through the Strait of Hormuz. The UAE's latest pipeline is already 50% complete, Iraq is planning a pipeline with exports planned to the Jordanian port of Aqaba (Red Sea) and the Syrian port of Baniyas (Mediterranean Sea)[4]
5. Qatar indeed also seemed to suggest to temporarily pay fees to Iran to restore passage[5] - however, whilst Bahrain and Kuwait would need to build pipelines through Saudi Arabia, which the Saudis might simply not allow, Qatar has no other option than to ship its LNG through the Strait of Hormuz

Therefore, I believe that energy shortages will remain and that natural gas prices (and thermal coal prices) have room to squeeze higher into the summer inventory refill season (oil and chemical prices should also move higher).

[1] all assumptions and observations are based on internal modelling and data analysis
[2] https://www.aozorastep.com/1q2026
[3] https://www.aozorastep.com/The%201956%20Suez%20Canal%20analogy.pdf
[4] https://datamarnews.com/noticias/uae-and-iraq-invest-in-pipelines-to-bypass-the-strait-of-hormuz/
[5] https://www.straitstimes.com/world/middle-east/qatar-says-temporary-toll-at-strait-of-hormuz-is-negotiable-could-help-restore-passage

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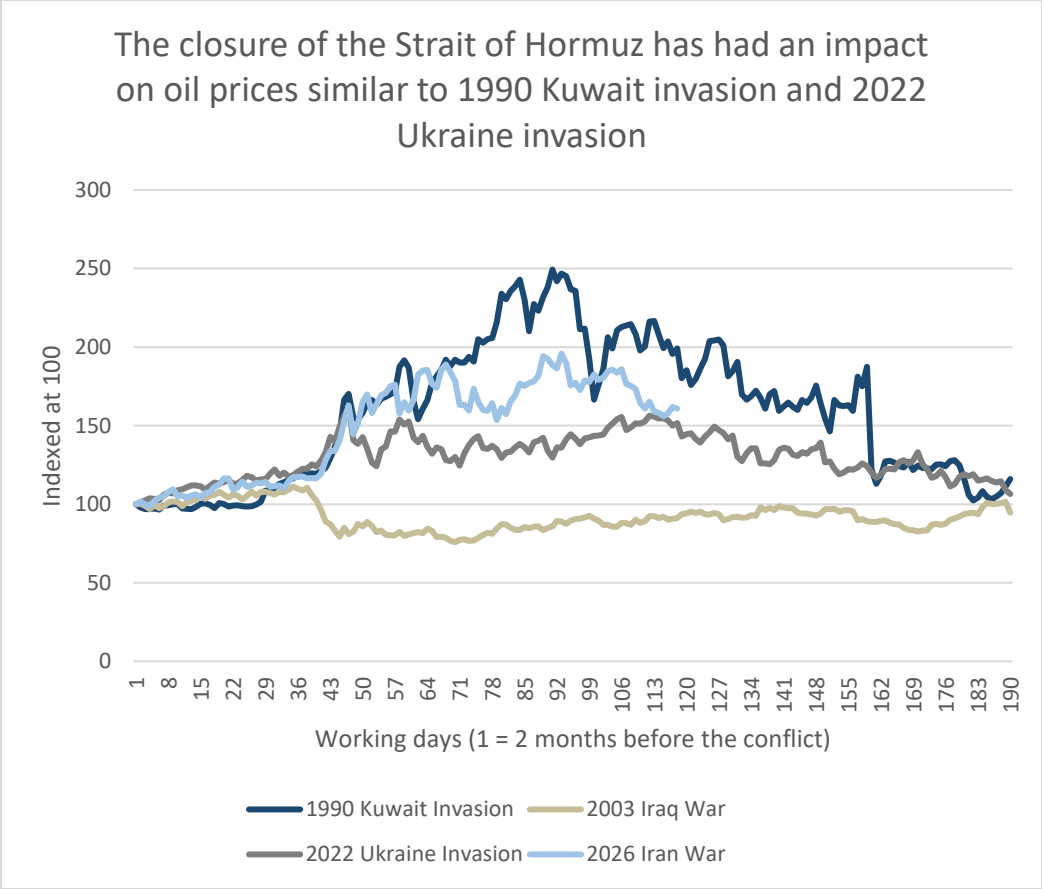
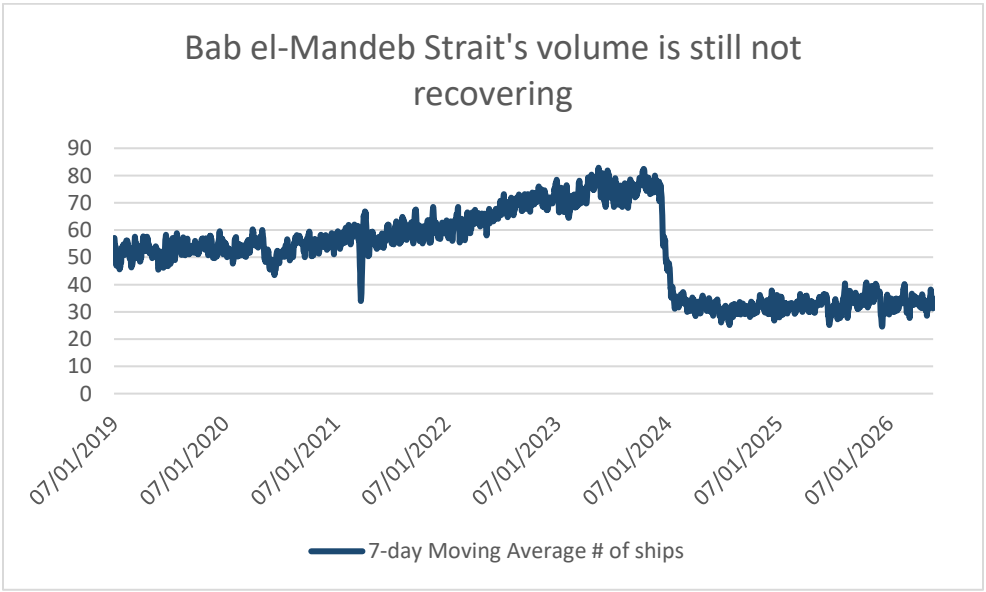


Source: https://www.investing.com/currencies/xbr-usd-historical-data



Source: https://portwatch.imf.org/pages/chokepoint4

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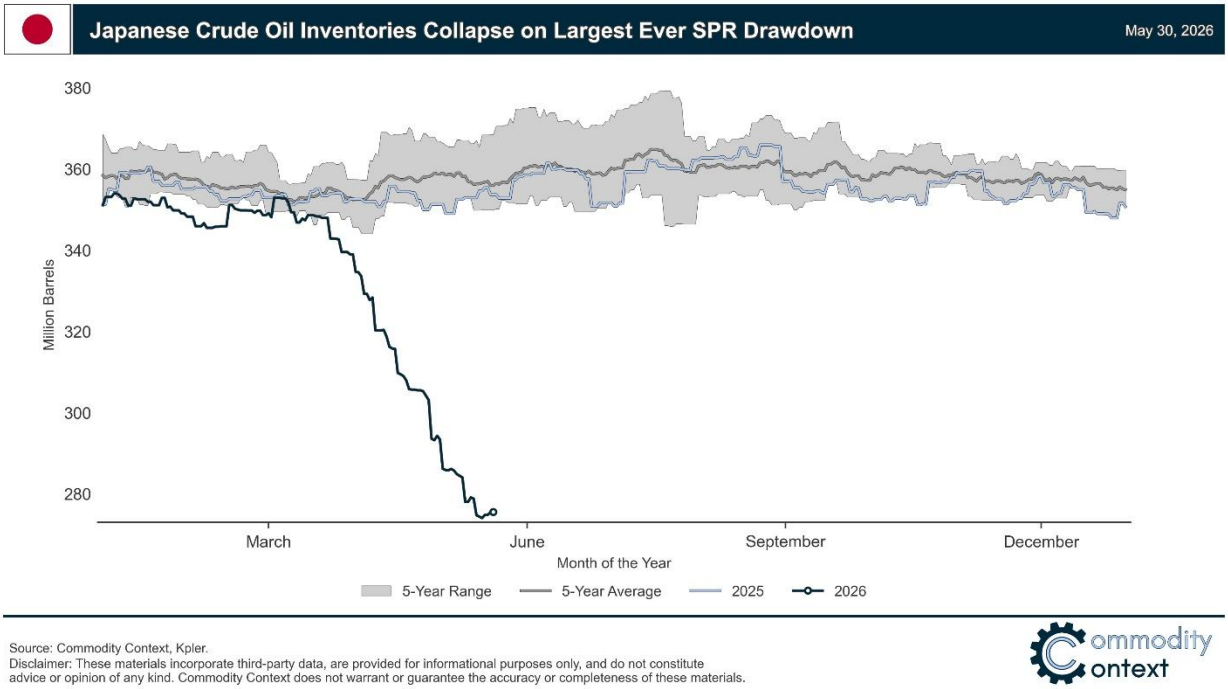
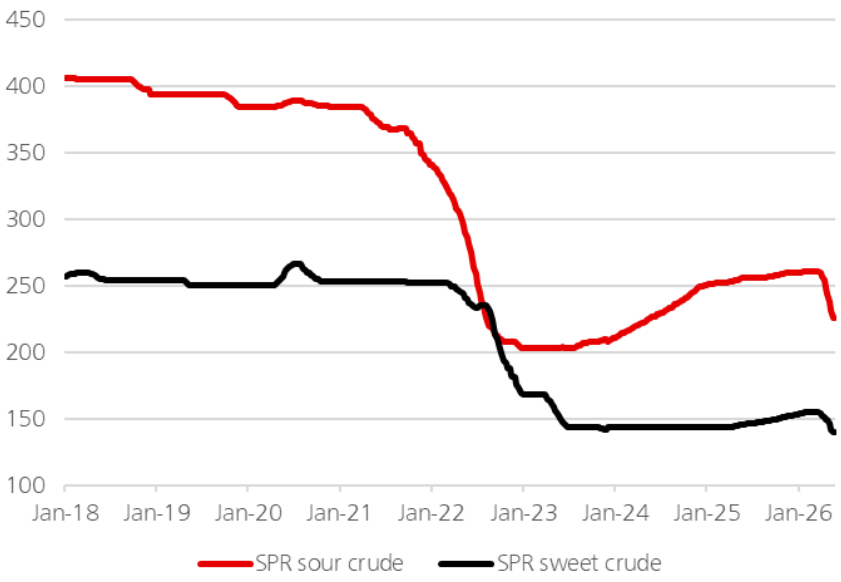


Source: https://x.com/Rory_Johnston/status/2060816608981844114/photo/1

US SPR sweet crude is nearing decade low inventories



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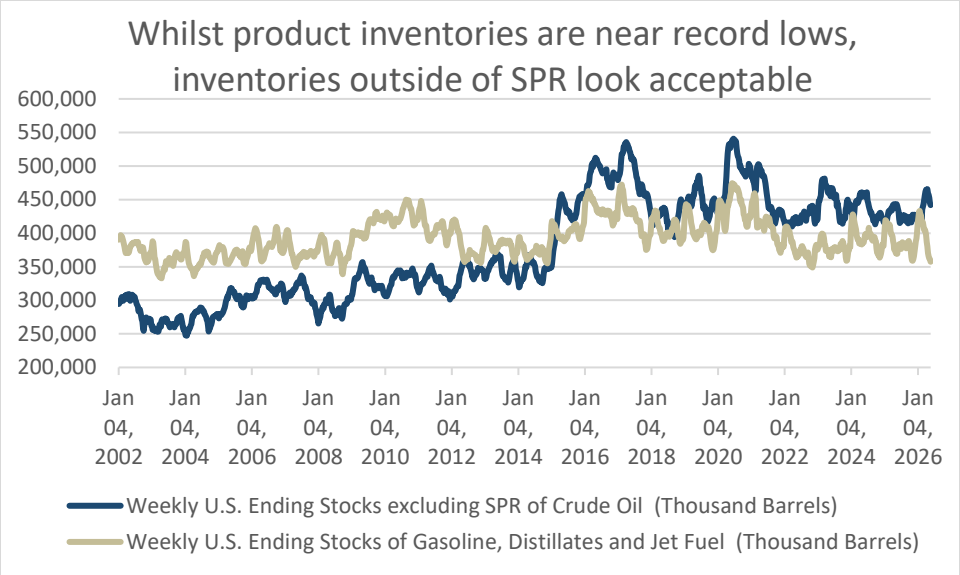

Source: https://www.eia.gov/petroleum/supply/weekly/

For context: Gasoline inventories are at the seasonally lowest point since 2011, Distillates inventories are at the seasonally lowest point since 1996

How Japan is rerouting oil imports

Japan's crude oil imports declined by 66% in April amidst the Middle East supply disruptions[6]. For instance, the largest refiner in Japan, was dependent on 95% of its crude refinery throughput from the Middle East (1.38m bopd at 84% run rate), and they now have to run at 70% refinery throughput rates (1.15m bopd), whilst sourcing 30% of the 1.15m bopd (350k bopd) from North America, 60% (700k bopd) from the Middle East and 10% (120k bopd) from SPR releases. Their supply chain had to adapt quickly, but this comes at a cost. Freight costs have soared and whilst Middle Eastern crude freight costs them <$5/bbl, North American crude freight costs them around double (<$10/bbl). That's a difference of call it $8m for a 2m barrel oil tanker, i.e. 4x the $2m Iran transit fee. However, the company also said to seek to diversify their North American crude oil imports to reduce freight costs. The reduction in overall refinery throughput has led to cuts in products like benzene, keeping gasoline supply roughly flat. In other words, they manage through this period, but at lower margins and high dependence on SPR releases reducing the hit to margins somewhat. What's perhaps more striking is that North America is exporting 350k bopd

[6] https://www.hellenicshippingnews.com/japans-crude-oil-imports-plunge-66-amid-middle-east-supply-disruptions/

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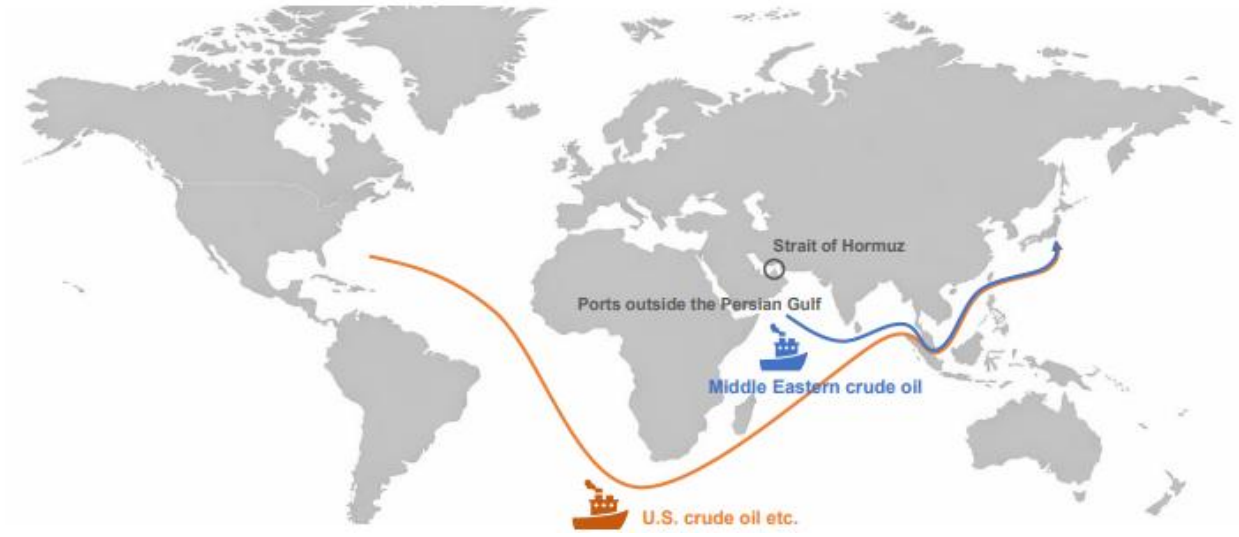
more than before the conflict to just a single client, i.e. this single Japanese refiner is responsible for 2.5m weekly oil inventory draws in the US.

The rerouting of oil imports to Japan



Source: https://ssl4.eir-parts.net/doc/5020/ir_material_for_fiscal_ym5/203391/00.pdf

Ships remain stuck in the Persian Gulf

A number of companies I've met had a large number of ships still stuck in the Persian Gulf, but were also able to squeeze one or two tankers through the Strait of Hormuz in recent weeks. When I asked how they managed to do that – silence. No one would even give me a hint, as they continue to have tankers stuck there. But given that they went through the Omani waters, it seems likely that they brought them through with American intelligence or protection. When I asked about their opinion of the Strait of Hormuz opening and when they expect things to go back to normal, I received the same answer from all companies: By the end of June the Strait of Hormuz will be open and they will send ships through immediately. However, no one could tell me why they believe this is the case. To me, that's basically an answer based on hope. At the same time, these very same companies are not even going through the Bab-el-Mandeb Strait, nearly a year after the last attack. Every company I spoke to referred me to guidance from the Japanese Shipowners' Association (JSA)[7]. They appear to be working with the

[7] https://www.jsanet.or.jp/jsatop.html

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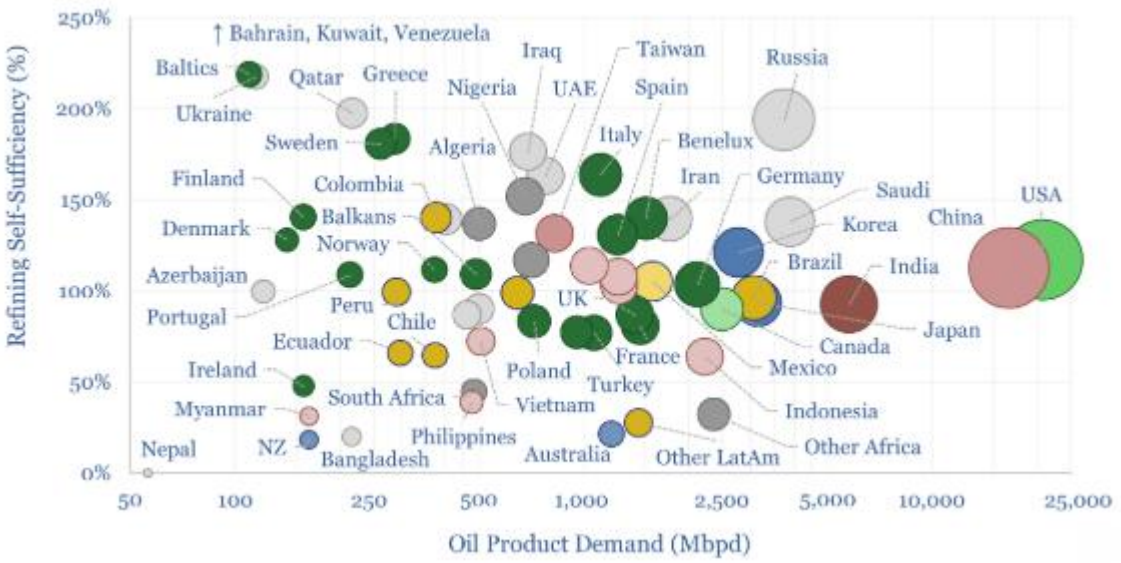
government on a solution. Currently, most Japanese firms do not send any ships to the Middle East at all and are using middlemen to receive the oil via ship-to-ship (STS) transfers around Singapore. If the Strait were to stay shut until after end of June, the pain for US allies, especially Australia and the Philippines (but also Japan) would be too large, one company suggested. As Thunder Said Energy points out, New Zealand, Bangladesh, Australia, 'other LatAm', 'other Africa' and the Philippines have the lowest self-sufficiency when it comes to oil refining at just 20-40% of demand. In summary, Japan is working hard to get their ships out of the Strait of Hormuz. But their expectations of normal flow through the Strait of Hormuz is either entirely based on hope or based on a mixture of using the tankers to fill up with US oil and Middle Eastern middlemen that bring the oil to Singapore enabling STS transfers.

How countries rank on oil refining self-sufficiency



Source: Thunder Said Energy

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What the path forward could be

Japanese energy traders do not care about reputation. This means, they will buy Russian oil and gas for as long as sanctions are removed. At the same time, this also means that China is receiving less energy from Russia, which could be another reason why China was in force majeure, including some of their chemical plants[8]. In the end, the US can increase its energy supply and feed the market, but the constraint is shipping availability. To bring more vessels that are stuck in the Persian Gulf through the Strait of Hormuz is therefore crucial, which could then be used for American oil and LNG shipping. The Japanese are not happy with the American oil, as it is harder to refine for them and freight costs are higher, too. However, it could be a solution over the short- to medium-term.

A few other supply chain bottlenecks to watch out for lie in:

1. Shortages in sulfuric acids, which could impact copper cathode production, mainly impacting African producers
2. Shortages in naphta and other petroleum derived feedstocks required for chemicals, which benefits those producers that are able to source from alternative sources or have production facilities in the Middle East (like Synthomer, as they transport via land from their Saudi Arabia facility now)
3. Semiconductor shortages, with one large Japanese electronics producer projecting a decline of 30% in their mobile and personal computer sales this year

Like 2022, gas and thermal coal could deliver juicier returns

Unlike oil, there are no strategic reserves for natural gas. The arbitrage equation between US-Europe-Japan is as per below, with Asia requiring more than $1/mcf premium over Europe solely due to freight costs (excluding the fact that the journey takes around double the time compared to Europe). At $3.5/mcf US onshore, the breakeven to Europe is around $8/mcf and to Asia around $9/mcf. But the arbitrage almost doesn't matter as it is so wide that the US will have all incentives to ship as much LNG out to Asia and Europe as possible. The bullish case emerges when considering that Europe has the lowest natural gas inventories since before the Ukraine invasion (when Russian pipelines provided 40% of the supply)[9].

[8] https://seekingalpha.com/article/4896805-synthomer-plc-syhmy-q4-2025-earnings-call-transcript
[9] https://agsi.gie.eu/data-overview/eu

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On top of that, you had a major accident and some smaller accidents at Chinese coal mines, leading to closures of 10% of China's coal supply whilst a review of security measures is ongoing[10]. And finally, we are having a very strong el Nino weather effect this year, which will drive cooling demand in Asia over the summer[11]. This in combination with the supply shortfall from Qatari LNG, builds a very price supportive environment not only for natural gas/LNG, but also for thermal coal. Whilst nobody is talking about LNG to thermal coal switching yet, the demand for thermal coal is strong, especially in India[12], and will likely strengthen further. This is an unbelievably positive supportive outlook for prices and is not at all reflected in the current futures curve or equity prices. A few more bullet points that emphasise the thesis for a spike in gas and thermal coal prices:

- Europe: Netherlands backs $1.2B subsidy to refill gas stocks[13] (current stocks are at 15% full vs. 36% last year)[14]
- Europe: Potential offshore strike in Norway could add fresh uncertainty to global energy markets as wage talks collapse[15]
- India: As many as 21 Indian power plants have critically low coal stocks, only enough to meet less than a week's demand[16]
- China: 319,000 metric tons per day of coal capacity across 109 mines in Shanxi had halted production for safety inspections for at least 2-7 days, which equal about 10% of its 3.08 million tons in average daily output
- Panama & Asia: Brokers see powerful El Niño, which could impact Panama Canal's transit volume[17], Australia thermal coal production and high energy demand for cooling[18].

[10] https://asia.nikkei.com/business/markets/commodities/china-lowers-death-toll-in-shanxi-coal-mine-disaster-to-82, https://www.reuters.com/world/asia-pacific/chinas-latest-coal-mine-closures-context-2026-05-26/
[11] https://www.tmgm.com/fr/analysis/market-news/el-nino-middle-east-supply-risks-energy-food-inflation-warning-2026
[12] https://www.business-standard.com/companies/news/coal-india-s-production-falls-11-6-in-may-despite-record-power-demand-126060101204_1.html, https://www.reuters.com/business/energy/coal-india-asks-units-ramp-up-supplies-heatwave-fuels-record-power-demand-2026-05-26/
[13] https://www.rigzone.com/news/wire/netherlands_backs_12b_subsidy_to_refill_gas_stocks-1-jun-2026-183822-article/
[14] https://agsi.gie.eu/data-overview/NL
[15] https://www.zerohedge.com/markets/potential-offshore-strike-norway-could-add-fresh-uncertainty-global-energy-markets-wage
[16] https://www.reuters.com/business/energy/coal-india-asks-units-ramp-up-supplies-heatwave-fuels-record-power-demand-2026-05-26/
[17] https://splash247.com/brokers-see-powerful-el-nino-adding-fuel-to-freight-rally/
[18] https://www.tmgm.com/fr/analysis/market-news/el-nino-middle-east-supply-risks-energy-food-inflation-warning-2026

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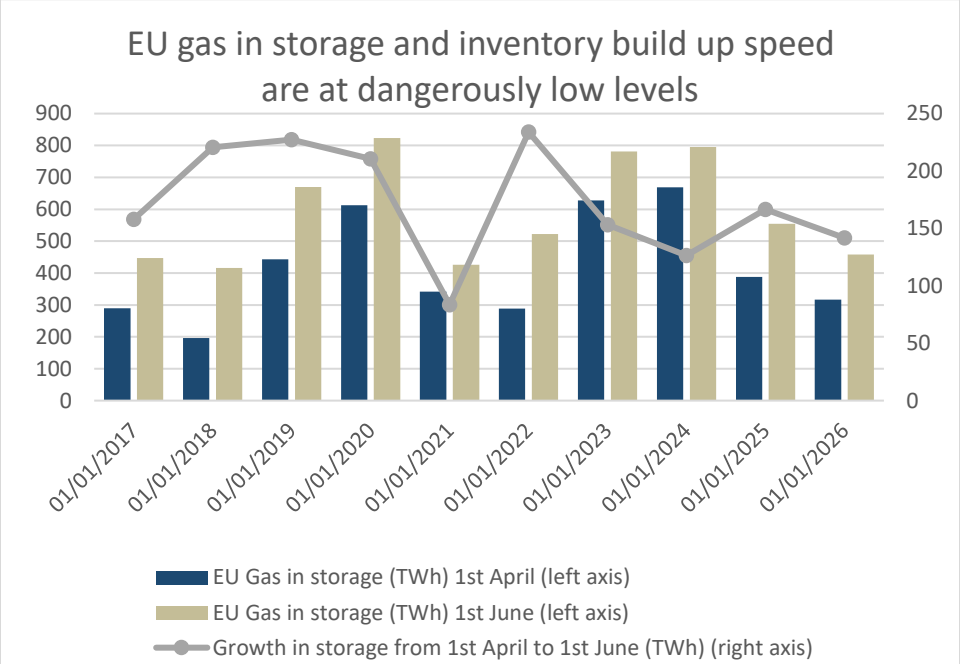
Global natural gas arbitrage

	$/mcf
Natural gas to LNG	3
Freight to Europe	1.5
Freight to North Asia	2.5
US $/mcf	3.5
Total price to Europe	8
Total Price to Asia	9
UK natural gas per therm in GBp	115
UK natural gas per therm in USD	1.55
UK natural gas per mcf in USD	16.10
Japan/Korea LNG price	18.3
Japan/Korea LNG price per mcf	17.65

Source: https://www.eia.gov/tools/faqs/faq.php?id=45&t=8, https://www.barchart.com/futures/quotes/NF*0/futures-prices, https://www.investing.com/commodities/lng-japan-korea-marker-platts-futures-streaming-chart, company info



Source: https://agsi.gie.eu/data-overview/eu

For context: The EU has the lowest inventory levels since 2021 as of 1st June. In 2022, inventory levels grew at nearly double the pace between 1st April and 1st June compared to 2026 (now). Netherlands has the lowest inventories at 15% as of 1st June, followed by Germany at 32%, which are similar levels compared to 2021 (21% and 31% respectively).

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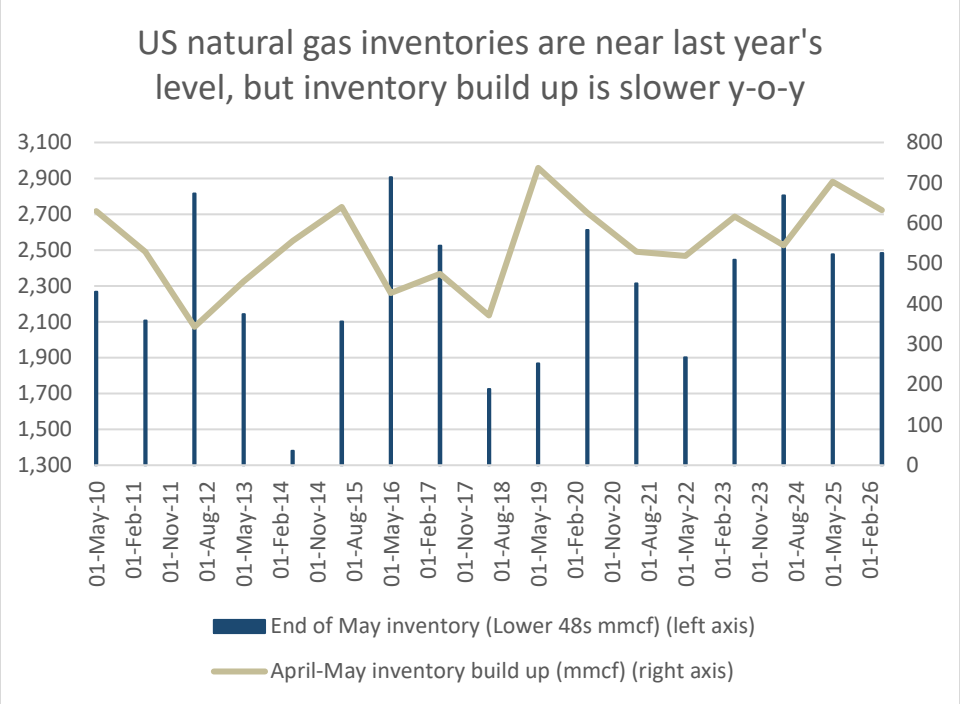
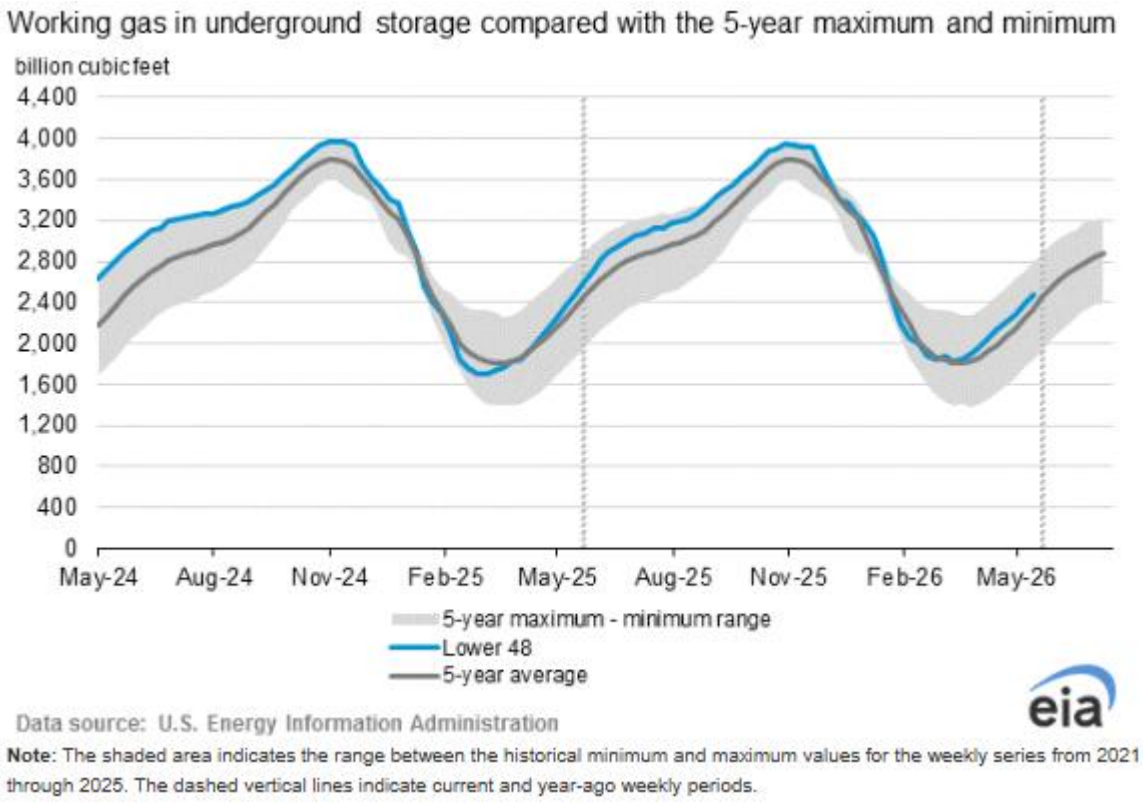


Source: https://ir.eia.gov/secure/ngs/ngs.html



Note: The shaded area indicates the range between the historical minimum and maximum values for the weekly series from 2021 through 2025. The dashed vertical lines indicate current and year-ago weekly periods.

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