

# The Hormuz Wake-Up Call

## Why Energy Sovereignty Demands Urgent SAF Investment

*Aymeric Angotti • Private Debt • Aircraft Finance • Asset Management • 27 May 2026*

On 28 February 2026, US-Israeli strikes on Iranian military targets triggered the most severe energy disruption since the 1970s oil crises. The Strait of Hormuz — the world's most critical energy chokepoint, carrying roughly one fifth of global oil supply and 20% of the world's liquefied natural gas — effectively closed within 48 hours. Nearly three months on, a diplomatic resolution appears closer than at any previous point. But even if a deal is reached, the structural damage done to global aviation fuel markets cannot be undone quickly.

For aviation finance professionals, this crisis has been a live stress test of every assumption underlying airline credit analysis: fuel cost modelling, hedging effectiveness, and — most fundamentally — physical supply availability. The conclusions are uncomfortable. And they point urgently toward Sustainable Aviation Fuel (SAF).

### A Deal on the Table — But Not Yet Signed

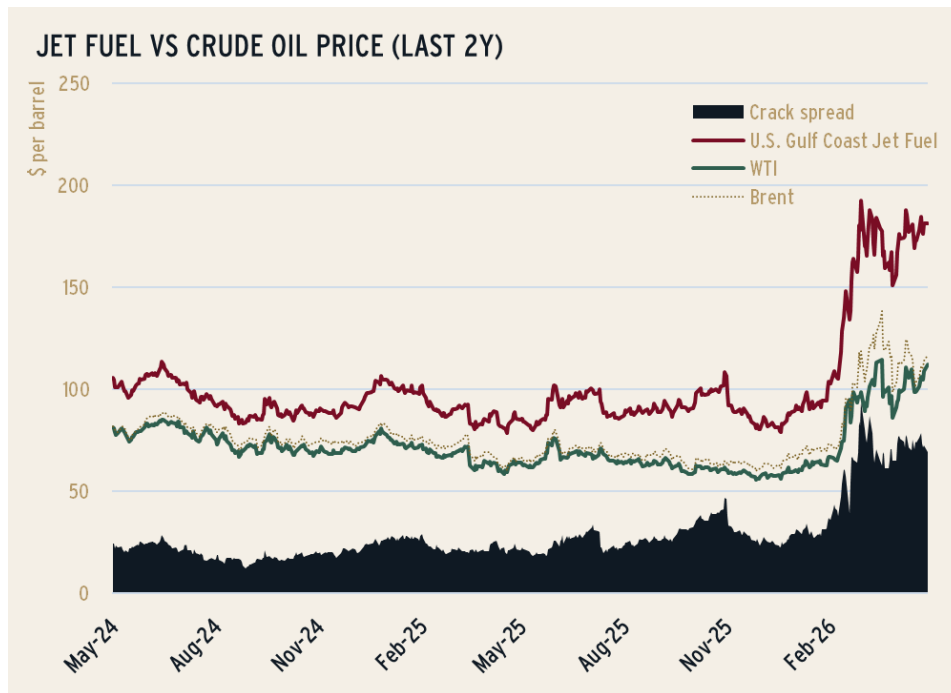
Through the end of May, the US and Iran were negotiating what both sides describe as a memorandum of understanding to end the conflict. President Trump stated at the time that a deal is “largely negotiated” and was to be “announced shortly.” Secretary of State Rubio confirmed there was “a pretty solid thing on the table,” structured in two phases: Phase 1 would reopen Hormuz; Phase 2 would address Iran's nuclear programme over 30 to 60 days.

The central sticking point remains who controls the waterway. Iran's state news agency Fars reported that, per the latest exchanged text, the strait would “remain under Iran's management” — a formulation Washington has not publicly accepted. US military operations continued as talks progressed, with strikes on missile launch sites and mine-laying vessels reported on 25–26 May. Brent crude fell nearly 6% over two sessions on deal optimism, before partially recovering when Iran pushed back.

### Prices: A Volatile Plateau, Not a Return to Normal

Brent crude was trading around \$95 per barrel on 27 May — down from its conflict peak of \$138 on 7 April, but still roughly 54% above year-ago levels. WTI traded around \$90 per barrel on the same day. The monthly average for Brent in May is running near \$100–106 per barrel. Markets are now pricing a ‘deal discount’, but the 52-week Brent range of \$58.72–\$126.41 illustrates the extraordinary volatility of the past three months.

Critically, even a full reopening of Hormuz will not restore pre-conflict prices quickly. Restarting shut-in Gulf production, clearing strait bottlenecks, and rebuilding inventories will take months. The EIA (US Energy Information Administration) projected in its May Short-Term Energy Outlook that Brent would average \$89 per barrel in Q4 2026 and \$79 in 2027 — assuming Hormuz reopens in late May. That timeline already looks optimistic.



Source: EIA as of 27/05/2026

## Jet Fuel: Shortages Are No Longer Hypothetical

Jet fuel prices in Europe are running around 100% above year-ago levels. On the US Gulf Coast, kerosene-type jet fuel reached \$4.19 per gallon in May 2026, compared with \$1.93 per gallon in May 2025 — a 117% annual increase (US Federal Reserve / EIA). The ‘crack spread’ — the refining margin between crude oil and finished jet fuel, normally \$10–25 per barrel in stable conditions — peaked at a record \$80 per barrel, signalling that refinery constraints compounded the crude supply shock simultaneously.

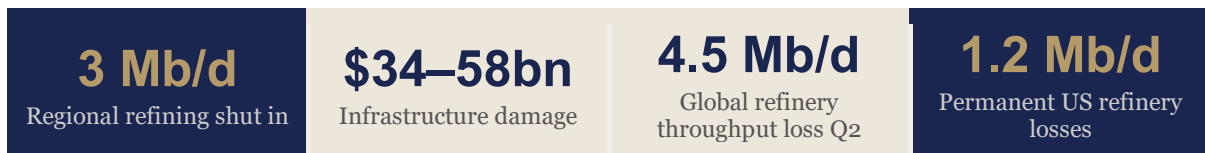
Physical shortages, projected in April, are now real. IATA Director General Willie Walsh warned that cancellations from lack of jet fuel could begin in Europe by end of May and confirmed that shortages were “already happening in parts of Asia.” Jet fuel availability on Asia-Europe routes is projected to fall to 78–85% of 2025 levels between June and September — precisely the peak summer travel season. Recovery is not expected before Q4 2026 (IATA / BioEnergy Times, May 2026).

The operational consequences are now visible across the industry. Turkish Airlines has suspended 18 international destinations for May and June. Lufthansa has flagged a list of 20,000 flight cancellations. AF-KLM subsidiary Transavia is cancelling flights across May–June. Ryanair, well-hedged for H1, has warned of 5–10% summer capacity cuts if the crisis continues. easyJet expects a pretax loss of £540–560 million for the first half of fiscal 2026.

## Supply-Side Limits: Bypasses, OPEC Fracture and Refinery Constraints

Four structural constraints cap the supply-side response — and each has a hard reversal point that diplomacy alone cannot fix:

- Regional refinery capacity has been systematically targeted. Iran’s Asaluyeh processing hub and South Pars refineries were struck in March, halting two facilities with combined capacity of 100 million cubic metres per day. Saudi Arabia’s Ras Tanura (550,000 b/d, Aramco’s largest) was hit by drone strikes, as were Satorp (460,000 b/d, co-owned by TotalEnergies) and Samref (Exxon). The UAE’s Ruwais — one of the world’s largest refineries — suffered multiple fires. The IEA estimates that nearly 3 Mb/d of regional refining capacity has been shut by attacks and feedstock shortages; Rystad Energy puts total energy infrastructure damage at \$34–58 billion. Jet fuel and diesel are identified as the most exposed products, given limited flexibility elsewhere to compensate.
- Pipeline bypasses are maxed out. Saudi Arabia’s East-West Petrolina (7 Mb/d capacity) hit full throughput in late March; Iran attacked it in April, temporarily reducing flow by ~700,000 b/d. The UAE’s Habshan–Fujairah pipeline (1.8 Mb/d) is near its limit, its terminal struck by Iranian drones in March. Together, both pipelines cover at most 3.5–5.5 Mb/d against the 20 Mb/d that Hormuz normally handles.
- OPEC is fracturing. The UAE left OPEC (the Organization of the Petroleum Exporting Countries) effective 1 May 2026, targeting 5 Mb/d of output by 2027 with \$145 billion in upstream investment. But close to 2 Mb/d of UAE offshore production is currently shut in; restoration could take up to six months after Hormuz reopens. The remaining 11-member OPEC+ agreed a symbolic increase of just 188,000 barrels per day for June.
- US refinery capacity is structurally tight. Seven major closures since 2019 permanently removed 1.2 Mb/d of processing capacity, while US jet fuel demand is projected to hit a record 1.76 Mb/d in 2026. This tightness pre-existed the conflict and will persist after it ends: peace negotiations address crude supply, not the ability to refine it.



Sources: IEA OMR March 2026, IEA Middle East Energy page, Bloomberg/gCaptain, Reuters, CNBC, Wood Mackenzie, DWU Consulting.

## When Sanctions Bend: The UK’s Russian Fuel Licence

On 20 May 2026, the UK government issued an open-ended trade licence permitting the import of diesel and jet fuel refined from Russian crude oil in third countries — principally India and Turkey. The EU described the move as a “complete surprise,” noting it had not been raised at the G7 finance ministers’ meeting held days earlier. Ukraine’s sanctions office responded: “Pressure on Russia should only increase, while market stability should be ensured by addressing root causes — Hormuz.” The US separately extended its Russian oil waiver for the third time this year.

A G7 government, facing jet fuel access constraints, chose to erode part of its own sanctions architecture to secure supply. That is a precise measure of what energy dependency costs in practice.

## The SAF Imperative: From Climate Logic to Energy Sovereignty

The case for Sustainable Aviation Fuel has always rested on decarbonisation: reducing aviation's lifecycle carbon emissions by up to 80% compared with fossil kerosene. That case is unchanged. But the Hormuz crisis has added a second argument — more immediately urgent for any investor or policymaker reading the news in May 2026: energy sovereignty.

Aviation's deepest vulnerability is not its carbon intensity. It is its near-total dependence on a single refined product — Jet A-1 kerosene — flowing through supply chains anchored in one of the world's most contested regions. Today, SAF represents less than 1% of total jet fuel consumption globally, with EU annual production capacity just above one million tonnes (EASA, 2026). Every percentage point of SAF penetration is a percentage point of supply that does not depend on Hormuz being open or on a Kuwaiti refinery remaining online.

The economics have also shifted. With conventional kerosene above \$1,700 per tonne at the European ARA hub in May 2026, the price premium of SAF over fossil fuel — long cited as the primary obstacle to adoption — has compressed to its narrowest level in the history of SAF commercial production. In some spot markets, it has reversed entirely. The 'cheap' baseline of fossil kerosene has always carried hidden costs: geopolitical risk, supply fragility, and the strategic exposure now measured in hub 'runways' of weeks. Those costs are no longer hidden.

*The Hormuz crisis will eventually resolve. The structural vulnerability it has exposed will not. Every month without new SAF capacity is another month of energy dependency that the next geopolitical shock will exploit.*

The UK's May 2026 Russian fuel licence was an act of energy desperation. A SAF production capacity sufficient to cover even 15–20% of UK aviation demand would have changed that calculus entirely. Scaling SAF requires building plants now, at industrial scale, backed by long-term offtake agreements and public investment frameworks that treat SAF infrastructure with the same strategic urgency as energy security in any other sector. The question is not whether aviation can afford this investment. It is whether aviation can afford not to make it.

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*Aymeric Angotti is a specialist in aviation-secured private debt and infrastructure finance with 25 years of industry experience. This article is written in a personal capacity and does not represent the views of his employer or any affiliated entity. Key sources: CNN (24–27 May 2026), Trading Economics, Investing.com, EIA STEO May 2026, IATA statement April 2026 and BioEnergy Times May 2026, Euronews April–May 2026, CNBC May 2026, Wood Mackenzie May 2026, DWU Consulting April 2026, EASA SAF Market Report 2026.*