

No 16 | April 09, 2026



INSTITUTE OF ENERGY
FOR SOUTH-EAST EUROPE

News Analysis

An Incomplete Truce in Iran



Introduction

What was agreed on Tuesday (April 07) between the governments of Iran and the United States has been widely described as a fragile peace. Yet a closer look suggests something far less reassuring. Rather than marking the beginning of a stable ceasefire, the arrangement appears to be an incomplete and problematic truce whose durability remains highly uncertain.

The two-week pause in hostilities, facilitated by Pakistan, was based on a ten-point proposal submitted by Tehran. However, almost immediately after its announcement, the agreement began to show signs of strain. Diplomatic preparations are already under way for a meeting between the two sides in Islamabad on Saturday, where negotiators are expected to discuss the terms of a more comprehensive and permanent peace plan. The urgency of these talks underlines the fragile nature of the current arrangement and the recognition on both sides that the existing framework may not be sufficient to prevent a renewed escalation.



Figure 1: The Strait of Hormuz (source: Financial Times, ©The Visible Earth/NASA/dpa)

Not Exactly a Ceasefire

One of the main difficulties in the current truce, lies in the lack of transparency surrounding the agreement itself. The ten-point proposal submitted by Tehran has not been made public, leaving analysts and market participants to rely largely on partial statements and official comments. Adding to the uncertainty, US President Donald Trump announced broad acceptance of Iran's proposal while simultaneously stating that negotiations toward a final settlement would instead be based on a separate American fifteen-point plan. The existence of two parallel negotiating

frameworks immediately complicates the diplomatic landscape and raises questions about how much genuine consensus exists between the parties.

Despite the ambiguity, several elements appear to be central to both proposals. These include the cessation of all military hostilities between the parties and the reopening of maritime traffic through the strategically vital Strait of Hormuz. Another key demand concerns Iran's nuclear activities. Under the proposed framework, Tehran would halt any further uranium enrichment and transfer its existing stockpile of 60% enriched uranium to the supervision of the International Atomic Energy Agency (IAEA).

Notably absent from the proposals is any form of direct financial compensation to Iran for the extensive damage inflicted during the conflict. Instead, the framework envisages international investment in Iran's civilian and energy infrastructure as a means of facilitating post-conflict recovery. While such provisions may appear constructive on paper, their practical implementation would require a degree of political trust that remains largely absent at present.

The ceasefire itself is conditional and limited in scope. For the duration of the two-week truce, Iran has committed to allowing the free movement of shipping through the Strait of Hormuz, a waterway through which a substantial portion of global oil exports normally passes. In practice, however, the reopening has been only partial. Since the announcement of the truce, only a small number of vessels have been permitted to transit the strait. Eleven ships reportedly passed through on Tuesday, followed by just four on Wednesday.

Iranian authorities have justified the restricted passage by pointing to ongoing military operations carried out by Israel in neighbouring territories, particularly its bombardment of Lebanon. Yet officials in Washington dispute this interpretation. US Vice President J. D. Vance has stated that Lebanon was never mentioned in the truce agreement and therefore cannot be used as justification for limiting maritime access.

This divergence illustrates the fragile and contested nature of the current arrangement. Even as diplomatic negotiations continue, both sides have accused the other of violating the ceasefire. Israeli forces carried out air strikes over Iranian territory on Tuesday morning while simultaneously intensifying military operations against Hezbollah in Lebanon. For its part, Iran responded with missile strikes targeting energy installations in the United Arab Emirates and attacking a major oil pipeline in Saudi Arabia the following day.

Such incidents highlight the degree to which the conflict remains active despite the formal announcement of a truce. Rather than a comprehensive ceasefire, the current arrangement resembles a temporary pause within an ongoing confrontation.

Statements by the Islamic Revolutionary Guard Corps (IRGC) further reinforce this impression. According to IRGC officials, Iran intends to maintain strict control over maritime traffic through the Strait of Hormuz during the ceasefire period. In a striking formulation, the organisation declared that it would "keep its finger on the trigger" throughout the two-week truce.

The IRGC has also introduced an additional layer of complexity by announcing plans to impose a transit fee of \$2 billion per vessel for passage through the strait, payable in cryptocurrency. The measure, which Iranian authorities describe as a form of war reparations, has generated considerable alarm among shipping companies and energy traders. Such a demand, if implemented, would represent a fundamental shift in the terms governing navigation through one of the world’s most critical maritime corridors.

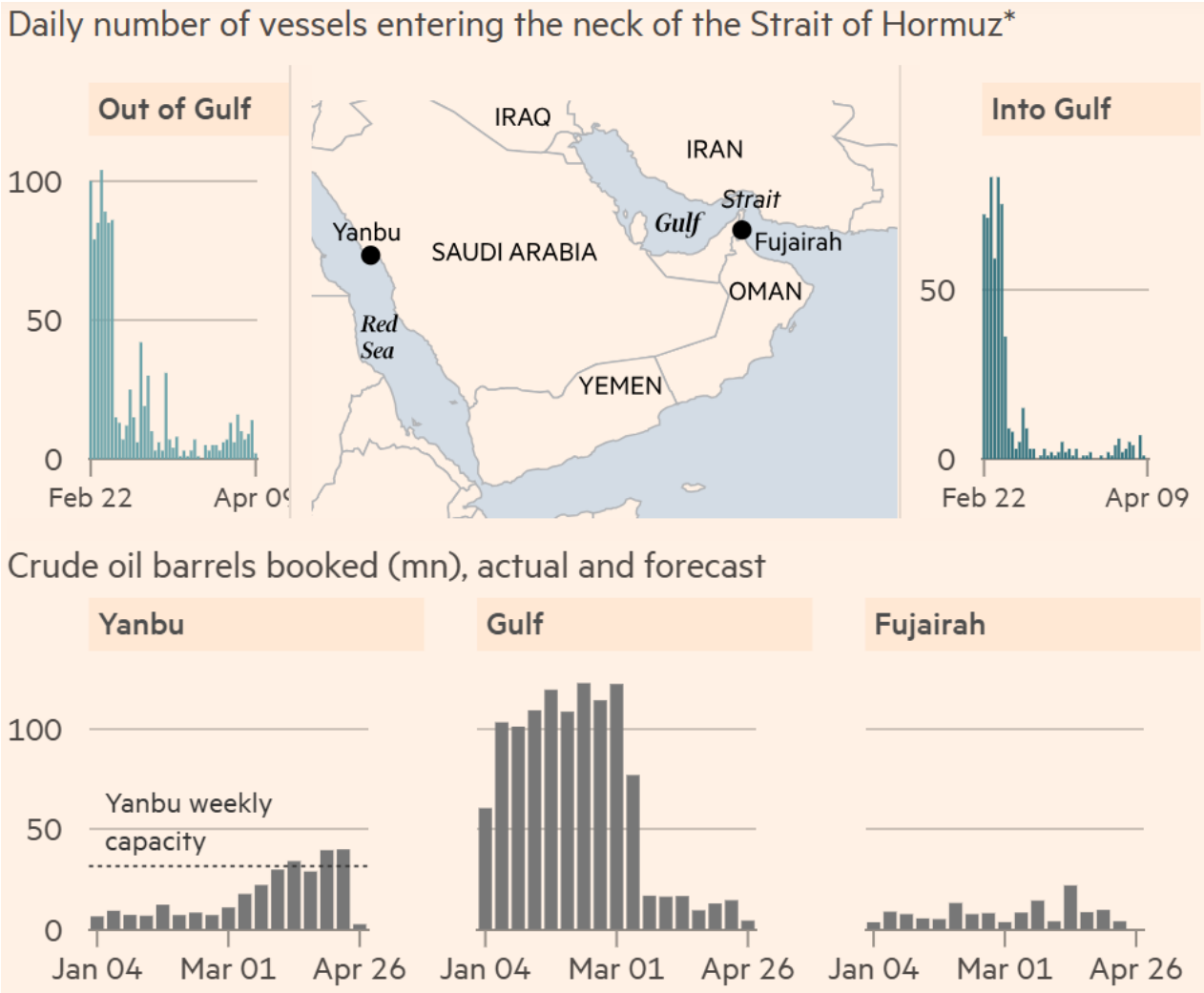


Figure 2: Strait of Hormuz chokepoint tracker. Strait crossings have been defined by ship transponders revealing crossings of lines running NW and NE from Khasab in Oman (source: Financial Times, Kpler, MarineTraffic)

For the global shipping industry, the consequences are immediate and profound. The uncertainty surrounding the ceasefire has plunged maritime operations in the Gulf into a state of confusion. Shipowners must now decide whether to risk entering the region without clear assurances that safe passage will be guaranteed.

During normal conditions, approximately 140 vessels pass through the Strait of Hormuz each day. Under the current circumstances, analysts believe that fewer than 15 ships are likely to transit the waterway during the ceasefire period. The limited traffic reflects not only Iran’s restrictions but also the reluctance of shipping companies to expose vessels and crews to potential attacks.

The conflict has already led Tehran to establish a selective transit system, allowing passage primarily to ships originating from countries perceived as friendly to Iran and not associated with the United States, Israel, or governments that provided military bases for operations against Iranian targets. This selective approach introduces a political dimension to maritime navigation that further complicates the functioning of global energy markets.

Market Reaction

Unsurprisingly, energy markets reacted dramatically to the announcement of the ceasefire. On the day the truce was declared, crude oil prices experienced one of their steepest single-day declines in years. Brent crude, the global benchmark, fell by almost \$18 per barrel, dropping to around \$92 and marking a loss of approximately 16% in a single trading session.

The fall represented the sharpest decline in six years and reflected widespread expectations that the reopening of the Strait of Hormuz would rapidly restore normal supply flows. However, those expectations proved premature. As doubts about the durability of the truce began to surface, oil prices quickly regained much of the lost ground. By this morning (Thursday, April 09) Brent crude had climbed back to nearly \$98 per barrel.



Figure 3: weekly Brent Crude Oil Price (Mar. 30-Apr. 09) (source: Financial Times)

Natural gas markets exhibited a similar pattern. At the Dutch TTF hub—Europe’s main gas trading benchmark—monthly forward contracts initially fell sharply following the ceasefire announcement. Prices dropped by €7.94/MWh in a single day, representing a decline of roughly 15%, with the contract trading at €45.301/MWh.

Yet here too the initial optimism proved short-lived. As traders reassessed the likelihood of a sustained reopening of Gulf export routes, prices began to rise again. By this morning the same contract had recovered to approximately €46.595 per MWh, reflecting persistent uncertainty about supply conditions.



Figure 4: Dutch TTF Gas Futures, 3 months (Jan. 12 - Apr. 08), based on average daily prices (source: ICE)

Beyond the immediate price volatility, the conflict continues to reshape global energy trade patterns. A striking example is provided by the recent pricing strategy adopted by Saudi Aramco, the world's largest oil exporter. In a statement issued on April 6, the company confirmed what many market participants had already suspected: buyers lifting Saudi crude from the Yanbu export terminal are now paying exceptionally high premiums.

For May deliveries, customers in Asia will pay \$19.50 per barrel above the Oman-Dubai benchmark for Arab Light crude. This figure is unprecedented. Over the past twenty-six years the premium has never exceeded \$10 per barrel. For buyers in Europe, including refineries in the East Mediterranean, the premium is even higher, ranging between \$24 and \$30 above the Brent benchmark.

These pricing dynamics reflect the extraordinary logistical challenges facing Gulf exporters. Saudi Arabia has been forced to maximise the use of its East-West pipeline, which transports crude across the kingdom to the Red Sea port of Yanbu, thereby bypassing the Strait of Hormuz altogether. Through this route the country currently exports around 4.9 million barrels per day, significantly below the 7.5 million barrels per day shipped before the conflict began.

Overall crude exports from the Gulf region, including those from Iran, are estimated to range between 7 and 8 million barrels per day. This represents a decline of roughly 60% compared with pre-war levels. Such a dramatic reduction inevitably places significant strain on global supply chains.

The consequences are particularly severe for refineries that rely on heavier sour crude grades typically produced in the Middle East. Many of these facilities are located in Asia and were designed specifically to process such feedstock. The sudden shortage of these grades forces refiners to seek alternative supplies, often at higher cost and with operational adjustments.

The shipping industry faces its own financial challenges. Insurance premiums for vessels transiting the Strait of Hormuz have fluctuated dramatically in response to the evolving security situation. According to shipping brokers, cargo insurance rates fell from around 7.5% of the insured value of goods last week to approximately 3.5% on Wednesday following the announcement of the truce.

Even this reduced level remains extraordinarily high by historical standards. Prior to the conflict, insurers typically charged less than 0.1% of the cargo's value for transit through the strait. In

other words, shipping costs remain many times higher than normal despite the nominal ceasefire.

Market participants therefore face a complex and uncertain environment. On one hand, the existence of a truce offers the possibility, however remote, of a gradual restoration of normal shipping conditions. On the other hand, the continued presence of military forces, unresolved political demands, and competing interpretations of the ceasefire agreement all contribute to persistent instability.

Key Points

For energy markets, the key question is whether the upcoming negotiations in Islamabad will produce a more durable settlement. Without such an agreement, the current truce risks becoming little more than a temporary pause before renewed hostilities.

The stakes are enormous. The Strait of Hormuz remains one of the most strategically important maritime passages in the world. Any prolonged disruption to traffic through this corridor inevitably reverberates across global energy markets, affecting prices, supply security, and economic stability.

At present, the truce offers only partial reassurance. The limited number of ships permitted to pass, the continued military operations on multiple fronts, and the imposition of potential transit fees all suggest that the underlying conflict remains far from resolved.

In this sense, the ceasefire announced on April 7 cannot yet be considered a genuine step toward peace. Instead, it represents an uneasy and incomplete truce, one that may provide a narrow window for diplomacy but offers no guarantee that the confrontation between Iran and its adversaries will soon come to an end.

IENE NEWS ANALYSIS - Issue No. 16, April 09, 2026 – ISSN:179-9163

This News Analysis was prepared by IENE's Research Team and is published by the INSTITUTE OF ENERGY FOR SOUTH-EAST EUROPE (IENE)

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