

THE US-IRAN CEASEFIRE: IMPLICATIONS FOR MARITIME, COMMODITIES, OIL & GAS, AND AVIATION

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Introduction

On 7 April 2026, President Trump announced a two-week ceasefire in the US-Iran conflict, bringing a tentative pause to the hostilities that have convulsed global markets since the joint US-Israeli strikes of 28 February 2026. The five-week conflict, which shuttered the Strait of Hormuz, triggered the most severe disruption to global energy supply chains since the 1970s oil crisis. This article examines the commercial and legal implications of the ceasefire across four sectors: maritime, commodities trading, oil and gas (including LNG), and aviation.

1. The Maritime World: Freight Rates, War Risk, and Contractual Disruption

Freight and charter rates

The conflict's impact on the tanker market has been extraordinary. VLCC spot rates from the Middle East Gulf to China rose from a time charter equivalent ("TCE") of approximately US\$78,793 per day in January 2026 to US\$218,154 per day on 27 February, the eve of the strikes. They then surged to an all-time high of US\$423,736 per day in early March, with individual fixtures reportedly exceeding US\$500,000 per day.¹ Dry bulk and container rates experienced comparable, if less dramatic, increases as vessels were re-routed away from the Gulf.

War risk insurance

War risk premiums for the Strait of Hormuz exploded from approximately 0.125% to between 1% and 7.5% of hull value. For a VLCC valued at US\$200–300 million, this represented an additional US\$2–15 million per transit.² Several leading underwriters withdrew cover for the Persian Gulf entirely, leaving shipowners exposed and effectively rendering transit commercially unviable for uninsured vessels.³

Force majeure and frustration

The closure of the Strait has prompted widespread invocation of force majeure clauses across charterparties, contracts of affreightment, and bills of lading. Whether the closure constitutes a valid force majeure event will depend on the precise wording of the clause in question, but the scale of disruption is such that many well-drafted clauses may well encompass it.

Where contracts lack a force majeure clause, parties may seek to rely on the English common law doctrine of frustration. The threshold remains high. In *Tsakiroglou & Co Ltd v Noble Thorl GmbH*,⁴ the House of

¹ AJU Press, 'VLCC Tanker Charter Rates Top \$400,000 a Day After Iran War' (3 March 2026); Breakwave Advisors, 'What's Going on with VLCC Rates?' (23 February 2026).

² Euronews, 'Hormuz becomes world's most expensive waterway after 300% surge in risk premiums' (16 March 2026).

³ Al Jazeera, 'Maritime insurers cancel war risk cover in Gulf' (3 March 2026); Lloyd's List, 'Gulf war risk premiums topping double-digit millions of dollars per trip'.

⁴ *Tsakiroglou & Co Ltd v Noble Thorl GmbH* [1962] AC 93 (HL).

Lords held that the closure of the Suez Canal did not frustrate a CIF sale contract because an alternative route (via the Cape of Good Hope) existed, even though it was significantly more expensive. The Strait of Hormuz closure presents a stronger case for frustration than Suez did in 1956, given that there is no comparable alternative route for vessels loading in the Upper Gulf. However, for vessels loading in Fujairah or other ports outside the Strait, the analogy with *Tsakiroglou* may prove uncomfortably close.

The parallel authority of *Ocean Tramp Tankers Corp v V/O Sovfracht (The Eugenia)*⁵ adds a further dimension. Lord Denning MR held that a party cannot rely on a self-induced frustrating event, and that even had the charterers not entered the Suez Canal, the contract would not have been frustrated because the voyage via the Cape of Good Hope did not render performance fundamentally different. The principle of self-induced frustration has particular relevance to the present crisis: shipowners or charterers who knowingly continued to trade in the Gulf after the IRGC's initial warnings of 28 February may face arguments that any resulting entrapment was self-induced, disentitling them from relying on frustration.

Two recent authorities will shape the analysis of force majeure claims. In *Classic Maritime Inc v Limbungan Makmur SDN BHD*,⁶ the Court of Appeal confirmed that a party relying on force majeure must establish 'but for' causation — that is, that it would have performed the contract but for the supervening event. Charterers who were already in difficulty before the closure will therefore face an additional evidential hurdle. In *RTI Ltd v MUR Shipping BV*,⁷ the Supreme Court held that the 'reasonable endeavours' obligation in a force majeure clause does not require a party to accept non-contractual performance. This is significant in the present context, as it suggests that shipowners may not be obliged to accept alternative payment arrangements or non-contractual routing in order to 'overcome' the force majeure event.

Safe port warranties

The conflict also raises important questions about the safe port warranty implied or expressed in most time charterparties. In *Kodros Shipping Corp v Empresa Cubana de Fletes (The Evia) (No. 2)*,⁸ the House of Lords held that the safe port obligation in the BALTIME form extends beyond physical hazards to encompass political unsafety, including war risks. Critically, where a nominated port becomes prospectively unsafe between nomination and arrival, the time charterer comes under a secondary obligation to re-nominate a safe port. The closure of the Strait following the IRGC's prohibition on vessel passage may engage this duty squarely: charterers who nominated Upper Gulf ports before 28 February and failed to re-nominate after the closure may be exposed to claims for breach of the safe port warranty, quite apart from any force majeure analysis.

2. Commodities Trading

The disruption to Gulf shipping has had cascading effects across global commodity markets. Force majeure declarations have been triggered across a wide range of contracts, including those governed by GAFTA, FOSFA, and bespoke terms for metals and petrochemicals. The key legal questions for commodities traders mirror those in the maritime sector: does the Hormuz closure fall within the relevant force majeure clause, has the affected party given timely notice, and has it taken reasonable steps to mitigate?

The GAFTA Prohibition Clause, found in many standard-form grain trade contracts, provides a useful comparator. In *Bunge SA v Nidera BV*,⁹ the Supreme Court considered the interaction between force majeure, the GAFTA Prohibition Clause, and anticipatory breach in the context of Russia's 2010 grain

⁵ *Ocean Tramp Tankers Corp v V/O Sovfracht (The Eugenia)* [1964] 2 QB 226 (CA).

⁶ *Classic Maritime Inc v Limbungan Makmur SDN BHD* [2019] EWCA Civ 1102.

⁷ *RTI Ltd v MUR Shipping BV* [2024] UKSC 18.

⁸ *Kodros Shipping Corp v Empresa Cubana de Fletes (The Evia) (No. 2)* [1983] 1 AC 736 (HL).

⁹ *Bunge SA v Nidera BV* [2015] UKSC 43.

export ban. The Court held that supervening events occurring after the date of an anticipatory breach may be taken into account in the assessment of damages. This is directly relevant to the Hormuz crisis: where a seller repudiated a commodity sale contract before the closure (for example, due to pre-existing supply difficulties), but the closure would in any event have prevented performance, the buyer's damages may be significantly reduced or extinguished.

Beyond oil, the conflict has disrupted trade in petrochemicals, fertilisers, and metals that transit the Gulf. Helium prices have doubled or trebled, given Qatar's dominant position in global supply. Traders holding long positions in affected commodities have generally benefited, but those with short positions or fixed-price supply obligations have faced severe margin pressure. The ceasefire may provide temporary relief, but the structural damage to Gulf supply chains — and the repricing of Hormuz transit risk — is likely to outlast any diplomatic settlement.

3. Oil and Gas (Including LNG)

The oil and gas sector has borne the brunt of the conflict. Brent crude surpassed US\$100 per barrel on 8 March 2026 for the first time in four years, peaking at US\$126 per barrel before falling sharply — by 13.11% to US\$94.95 — on the ceasefire announcement. The single-day decline was the largest since the 1991 Gulf War.¹⁰

The LNG market has been particularly hard hit. Asian spot prices rose by over 140% during the conflict. Ras Laffan, the world's largest LNG export complex, suffered physical damage, with 17% of Qatar's export capacity knocked offline; repairs are expected to take three to five years.¹¹ This has implications not only for spot pricing but for the enforceability of long-term LNG sale and purchase agreements ("SPAs"), many of which contain destination clauses and take-or-pay obligations that become commercially untenable when the contracted supply route is severed.

From a legal standpoint, the analysis under long-term SPAs is complicated by the fact that many are governed by bespoke force majeure regimes with detailed notice and mitigation requirements. Sellers who failed to give prompt notice of the disruption may find that their force majeure claims are time-barred, even where the underlying event plainly qualifies. Equally, buyers who have secured alternative supply may face arguments that the force majeure event has been 'overcome' for the purposes of the clause, notwithstanding the increased cost.

A further complexity arises in relation to take-or-pay provisions. Many long-term SPAs require the buyer to pay for a minimum annual quantity regardless of whether it takes delivery. Where the seller is unable to deliver due to the Hormuz closure, take-or-pay obligations are typically suspended for the duration of the force majeure event. However, the interaction between force majeure relief and make-up rights — provisions permitting the buyer to take deferred quantities in subsequent years — is often poorly drafted and may give rise to disputes about the volume and timing of make-up entitlements once the force majeure period ends. The physical damage to Ras Laffan introduces a further complication: where the seller's inability to supply persists beyond the end of the Hormuz closure (due to infrastructure damage rather than transit disruption), the question arises whether this constitutes a new or continuing force majeure event for the purposes of the clause.

4. Aviation and Jet Fuel

¹⁰ The National, 'Oil prices plunge after two-week US-Iran ceasefire announced' (8 April 2026).

¹¹ CNBC, 'Strait of Hormuz crisis explained: What it means for global shipping' (2 March 2026).

The aviation sector has been caught in a pincer movement of rising fuel costs and operational disruption. Jet fuel prices nearly doubled, from approximately US\$96 per barrel on 27 February to US\$197 per barrel by late March, driven by refinery constraints and the loss of Middle Eastern crude supply.¹² More than 46,000 flights were cancelled to and from the region, and airlines have been forced to route around Middle Eastern airspace, increasing journey times, fuel consumption, and operating costs.¹³

For airlines operating under fuel hedging arrangements, the conflict has exposed the limitations of hedging strategies that assumed stable supply routes. Airlines that hedged volumes but not price exposure have faced margin calls; those that hedged price but not volume have been unable to secure physical supply at hedged prices. The legal consequences will likely play out in disputes over the interpretation of hedging agreements and ISDA Master Agreement provisions, particularly the definition of ‘Market Disruption Events’ and ‘Force Majeure Events’ under the 2002 ISDA Definitions.

It is worth noting that the mere increase in jet fuel prices, however dramatic, is (depending on the precise wording of the force majeure clause) unlikely of itself to constitute a force majeure event. In *Tandrin Aviation Holdings Ltd v Aero Toy Store LLC*,¹⁴ Hamblen J confirmed that a change in economic or market circumstances affecting the profitability of a contract is not regarded as a force majeure event under English law. Airlines seeking to invoke force majeure to escape unprofitable routes or onerous fuel supply agreements may need to point to a supervening event that goes beyond price movement — such as the unavailability of fuel at the contracted delivery point — to bring themselves within the clause.

Regional carriers, including Emirates and Qatar Airways, faced near-total cessation of operations owing to multi-national airspace closures. The insurance implications are significant: airlines will seek to recover under business interruption and war risk policies, but coverage disputes are likely given the unprecedented nature and duration of the disruption. Underwriters may argue that the losses flow from government-imposed airspace restrictions rather than from an ‘act of war’ in the traditional sense, potentially engaging policy exclusions for regulatory action.

5. The Ceasefire: Relief or False Dawn?

The ceasefire announced on 7 April 2026 provides grounds for cautious optimism, but significant uncertainties remain. The Strait of Hormuz is not yet open to unrestricted commercial traffic. Iran has permitted vessels from a limited number of nations to transit under military coordination, and a dual-corridor system has emerged, combining military control with nascent diplomatic arrangements. However, insurance underwriters have signalled that war risk cover will not be reinstated until there is a credible and sustained reduction in the threat level, and shipping analysts assess that routine Hormuz transit is unlikely to resume before the end of 2026.¹⁵

The ceasefire raises a distinct legal question: does the announcement of a ceasefire terminate an existing force majeure event, thereby reviving the affected party’s obligation to perform? The answer will depend on the facts. A ceasefire is not the same as the reopening of the Strait, and until vessels can transit safely with available insurance at commercially viable rates, it is difficult to see how the force majeure event can be said to have been ‘overcome.’ Parties should, however, be alert to the risk that a failure to take active steps to resume performance following the ceasefire may be characterised as a failure to mitigate,

¹² CNBC, ‘Jet fuel supply concerns grow as war with Iran drags on’ (7 April 2026); Foreign Policy, ‘Jet Fuel Prices Spell Bad News for Iran War Energy Crisis’ (3 April 2026).

¹³ The Hill, ‘Jet fuel costs skyrocket amid Iran war’ (2026).

¹⁴ *Tandrin Aviation Holdings Ltd v Aero Toy Store LLC* [2010] EWHC 40 (Comm).

¹⁵ Axios, ‘Large-scale oil shipping won’t start again quickly after Iran ceasefire’ (8 April 2026).

particularly where the applicable clause imposes a continuing obligation to use reasonable endeavours to overcome the event.

For practitioners, the immediate priority is to advise clients on the continued enforceability of force majeure notices served during the conflict, the implications of the ceasefire for mitigation obligations, and the permanent repricing of Hormuz-related risk across freight, insurance, and commodity contracts. The Strait of Hormuz, once priced by insurers as a chokepoint that would never close, will now carry a permanent risk premium. That repricing will reshape the economics of global energy and maritime trade for years to come.

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