

INSIDE THE FORTRESS: Why the Energy Cost Advantage Is Not a Forecast

A thermodynamic argument for allied-nation manufacturers, trade commissioners, and economic developers

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INTRODUCTION

On April 18, 2026, the Financial Times ran the headline 'Oil slumps as US and Iran declare Strait of Hormuz open to shipping.' Within twenty-four hours, AFP ran 'Iran closes Hormuz Strait again, as Trump warns against blackmail.' That two-day cycle is the entire piece in miniature. The strait is not closed because the war is hot. It is closed because the architecture of ambiguity now serves more parties than resolution does.

This is not a war story. It is a cost-structure story. And cost structures do not return to pre-war baselines because a ceasefire is announced. The Wall Street Journal headline from late April -- 'Why Gasoline Is So Much Cheaper in the U.S. Than Overseas' -- requires no editorial. This brief explains why the differential is structural, why the window is real, and what it means for the manufacturers and the communities preparing to receive them.

GOLDEN NUGGET

North America's energy cost advantage is not a geopolitical argument. It is a thermodynamic one. And thermodynamics does not negotiate.

The Strait of Hormuz disruption that began February 28, 2026 has produced something more durable than a war: a structural repricing of every energy-dependent supply chain that does not originate in North America. The dirty ceasefire holds. Insurance markets have repriced the demonstrated vulnerability for the duration of the window. The cost differential between U.S.-origin supply and chokepoint-dependent supply is not a war premium. It is the operating equilibrium for the planning horizon that matters. Allied-nation manufacturers have a window of roughly 12 to 18 months to position for U.S. market entry before pipeline bypass capacity restores partial optionality to their competitors. The window opened in late February. It does not close on a deal announcement.

CURRENT ENERGY PRICE DIFFERENTIALS

Data as of late April 2026. Sources: AAA, EIA Short-Term Energy Outlook (April 7, 2026), Trading Economics, S&P; Global Platts.

BENCHMARK	U.S.	EUROPE / GLOBAL	SPREAD
Gasoline - U.S. National Avg (regular, retail)	\$4.03/gal (Apr 23 AAA)	\$6.50-8.00+/gal Europe equiv.	~2x+
Gasoline - RBOB Futures (NYMEX, late April)	\$3.51/gal (Apr 28)	N/A -- import-dependent	Structural
Natural Gas - Henry Hub (spot, late April)	\$2.68/MMBtu (Apr 28)	TTF: ~EUR 44/MWh (~\$14/MMBtu equiv.)	~5x
Natural Gas - EIA Forecast (Q2 2026 avg)	\$3.01/MMBtu (EIA STEO Apr 7)	TTF peak Mar 2026: EUR 62/MWh	Geological floor
WTI Crude Oil (spot, early April)	~\$100/bbl (Apr 2)	Brent premium: +\$12-15/bbl	Brent-WTI spread

Key insight: Henry Hub natural gas at \$2.68/MMBtu against European TTF at roughly EUR 44/MWh (approximately \$14/MMBtu equivalent) represents a 5x spread. That is not a disruption premium. It is a geological floor driven by co-production of associated gas with U.S. shale oil output. When oil production rises to compensate for global disruption, associated gas supplies rise with it -- compressing Henry Hub while European import costs remain structurally elevated.

U.S. gasoline national average: \$4.03/gallon (Apr 23). Oklahoma floor: \$3.38. California: \$5.84. The intra-U.S. spread is large. The U.S.-versus-Europe spread is larger. That differential is the argument.

I. THE DIRTY CEASEFIRE AND WHY IT DOES NOT MATTER

Operation Epic Fury began February 28, 2026. As of this writing, the conflict has run more than ninety days. The pattern is legible. Iran seizes ships and calls Hormuz reopening impossible. The United States disputes reports of breach and maintains the blockade. Iran reopens the strait conditionally, then closes it again within days. The New York Times named the mechanism: control over the waterway is a new deterrent. That deterrent does not disappear with a deal. It is now priced into every contract written within the planning horizon that matters to a manufacturer making a capital decision in 2026.

Europe documents the consequence in real time. German Chancellor Friedrich Merz warned in early April that the economic fallout rivals Covid or the Russia-Ukraine shock -- the third energy shock the German industrial model has absorbed in four years. By late April, Merz had proposed lifting Iran sanctions in exchange for Hormuz reopening. European Commission President Ursula von der Leyen shut the proposal down within hours, calling it 'too early.' A G7 head of government cannot execute an energy-for-sanctions trade because the supranational body holds the lever. Something yields first.

Insurance markets have already adjudicated the question that diplomats are still negotiating. War-risk premiums for vessels transiting the Gulf moved from approximately 0.2-0.25 percent of vessel value in early March to a structural 0.5-3 percent and higher within weeks. Very Large Crude Carrier charter rates broke records exceeding \$400,000 per day at conflict onset and rates above \$700,000 per day were recorded on individual fixtures by late March. Underwriters are not pricing a temporary disruption. They are pricing the demonstrated vulnerability.

Pipeline bypass tells the rest. Gulf states began engineering around their own chokepoint in March -- Saudi Arabia through the East-West Pipeline to Yanbu, UAE through the Abu Dhabi Pipeline to Fujairah. New pipeline capacity runs 18 to 36 months from groundbreaking to operation. Everything between today and operational bypass is rationing by other means. That timeline determines what allied manufacturers face through 2027 and into 2028.

II. THE THERMODYNAMIC CASE

The disaggregation of energy pricing. Before a major chokepoint disruption, efficient markets produced a single reference price for oil that most participants used as a proxy. After Hormuz, that reference no longer exists. Reuters captured the consequence in its April 17 headline: 'The Iran war has shattered oil's price compass.' The specific contract, route, counterparty, insurance coverage, and hedging structure now determine actual transaction cost. A tanker trapped on the wrong side of the strait is worth a fundamentally different amount than the Brent headline price suggests. By late April, Panama Canal lane prices had risen to five times pre-conflict levels for Asian buyers seeking western crude.

Henry Hub and the structural floor. U.S. natural gas at \$2.68/MMBtu (Henry Hub spot, April 28) against European TTF at roughly EUR 44/MWh (approximately \$14/MMBtu equivalent) represents a 5x spread. The EIA April Short-Term Energy Outlook forecasts Q2 Henry Hub averaging \$3.01/MMBtu -- well below even the most conservative European import scenarios. The floor holds because associated gas co-production scales with oil output, not against it. When U.S. upstream producers maximize output to compensate for global disruption, associated gas rises with them and the surplus compresses Henry Hub. That is a geological floor, not a policy floor, and it is the single most powerful data point for U.S.-origin manufacturing cost structure.

The cascade. Energy economist Anas Alhajji identified six mechanisms by which a Hormuz disruption propagates through the global economy. Each has now been verified: helium and semiconductor shortage projected through 2027; fertilizer crisis and grain pricing pressure; Emirates Aluminium projecting twelve-month recovery timelines; insurance and naval escort cost imposition; U.S. crude exports hitting record highs in mid-April; IEA fuel hoarding warning in early April -- the cascade signal that supply disruption has crossed the 90-day forecast horizon. Treasury Secretary Bessent confirmed in late April that Gulf and Asian allies requested currency swap lines from Washington. The allies most exposed are not abandoning the dollar. They are requesting deeper integration with it.

Henry Hub at \$2.68/MMBtu. TTF at EUR 44/MWh -- roughly \$14/MMBtu equivalent. The spread is 5x. It is geological in origin, not political. It does not narrow because a deal is announced.

III. THE TARIFF AND ENERGY COMPOUND

Tariffs and Hormuz are not independent events. The Wall Street Journal headline on April 2 was direct: 'Tariffs Strained U.S. Aluminum Supplies. Now the Iran War Is Making It Worse.' Tariff structure had already raised the cost of supplying U.S. markets from outside the fortress. The Hormuz disruption added a second cost layer through Emirates Aluminium production losses and shipping route premiums. A manufacturer evaluating aluminum-intensive production now faces both signals at once, and they point the same direction.

By mid-April, Treasury Secretary Bessent signaled that Trump's reciprocal tariff rates could be restored by July. New pharmaceutical tariffs were announced. Metals tariffs were restructured but maintained at fifty percent. Liberation Day plus one year is not the moment when the tariff architecture wound down. It is the moment when the architecture hardened against an additional structural force the original framework did not anticipate.

Michael Every of Rabobank distinguishes between offensive and defensive mercantilism. The Trump administration is pursuing defensive mercantilism with imperfect execution: right diagnosis, messy implementation, multiple plates spinning at once. Whether the execution improves or remains messy is beside the operational point for an allied manufacturer. The direction is locked. The fortress walls are going up regardless of whether the architects are tidy.

IV. THE WINDOW AND THE MANUFACTURER WHO WALKS THROUGH IT

The window for action has a beginning and an end. The beginning was late February 2026, when the strait closed and the insurance market began repricing. The end is approximately mid-2027 to late 2027, when the first Gulf state pipeline bypass capacity becomes operational and partial optionality returns to chokepoint-dependent producers. That is roughly 12 to 18 months from today.

The manufacturer who waits, reasoning that the disruption is temporary, makes a specific bet: that the system snaps back to pre-war equilibrium before they need to act. That bet has a name. It is the Tokyo bet. Japan embedded itself deeply in Middle Eastern energy infrastructure across two decades on the assumption of stability. That assumption just repriced. Nikkei Asia headlines are explicit: naphtha crunch biting Japanese corporate supply chains, Tokyo's energy strategy under formal review.

The opposite position is the Fortress North America bet. The manufacturer who reads the cost regime as durable across the operational planning horizon builds U.S. presence now, qualifies for federal demand under the National Security Strategy and National Defense Strategy reindustrialization

framework, and positions to be inside the wall when the wall is fully up. The 2025 National Security Strategy names energy dominance as the top strategic priority. The 2026 National Defense Strategy operationalizes the demand. The State Department Strategic Plan for fiscal years 2026 through 2030 makes the reindustrialization commitment explicit through twenty-eight identified priority sectors.

The addressable manufacturer profile is specific. This is not a piece for the Fortune 500. It is for the founder-led, \$50 million to \$500 million revenue manufacturer positioned in what Michael Every calls the swing space -- India, ASEAN, the Gulf states, Turkey, and the broader set of countries pursuing strategic non-alignment economics. These are the firms arbitraging between the Western and adversary blocs. The signal is now unambiguous. The mechanism is no longer hypothetical. The window is open.

STRUCTURAL READ

There are two ways to read this piece.

The first reading is that the energy advantage is a war story. If the war ends, the advantage ends. If a deal is announced, the cost structure normalizes. That reading matches the average market cycle and the average news cycle, and it is the reading that produces inaction.

The second reading is that the energy advantage is a thermodynamic story. The strait can reopen and the insurance market will not forget. The pipeline bypass timelines run 18 to 36 months regardless of any deal. The Henry Hub structural floor is geological, not political. The European institutional compression has a momentum that does not reverse on diplomatic timeframes. The cost regime has changed structurally, not temporarily.

The first reading is the Tokyo bet. The second reading is the Fortress bet. Both readings are bets. This brief argues the second has structural backing the first does not.

For the manufacturers in the swing space, the decision is no longer whether to consider U.S. market entry. The decision is whether to position inside a 12 to 18 month window or outside it. For the trade commissioners who serve them, the decision is whether to lead with the resilience argument or wait for the cost argument to make itself one quarter at a time. For the economic developers preparing communities to receive these manufacturers, the decision is whether to learn the federal pathways now or after the announcement.

Thermodynamics does not negotiate. Neither does the calendar.

ABOUT

SelectGlobal LLC works with allied-nation manufacturers and the economic development organizations that serve them. If you are preparing your community for the next industrial cycle, we

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Michael T. Edgar is the CEO of SelectGlobal LLC, a jurisdictional intelligence firm that connects allied-nation manufacturers with U.S. federal defense demand through structured pathways that validate opportunity before requiring capital commitment. He serves on the board of the International Trade Association of Greater Chicago and is a former member of the U.S. Investment Advisory Council. SelectGlobal's Constellation(TM) network -- 68+ trade commissioners and specialized alliance partners -- provides operational buildout capacity alongside EDOs, not instead of them.

ENDNOTES

[1] 'Oil slumps as US and Iran declare Strait of Hormuz open to shipping,' Financial Times, April 18, 2026. 'Iran closes Hormuz Strait again, as Trump warns against blackmail,' AFP, April 19, 2026. 'For Iran, Flexing Control Over Waterway Is New Deterrent,' New York Times, April 19, 2026.

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[3] 'Why Gasoline Is So Much Cheaper in the U.S. Than Overseas,' Wall Street Journal, April 22-23, 2026.

[4] U.S. national average gasoline: \$4.03/gallon, week of April 23, 2026 (AAA). Peak intra-period: \$4.16/gallon, week of April 9, 2026 (AAA). RBOB gasoline futures: \$3.51/gallon, April 28, 2026 (Trading Economics / NYMEX). State range: Oklahoma \$3.38/gallon to California \$5.84/gallon as of April 20, 2026 (AAA via Empower/Currency). Year-over-year increase: 29.5% nationally as of April 15, 2026 (LendingTree/AAA data). EIA April Short-Term Energy Outlook (April 7, 2026) forecasted retail gasoline peaking near \$4.30/gallon monthly average in April and averaging above \$3.70/gallon for 2026.

[5] Henry Hub natural gas spot price: \$2.68/MMBtu, April 28, 2026 (Trading Economics). Henry Hub spot: \$2.81/MMBtu, April 20, 2026 (FRED/EIA daily series DHHNGSP). EIA April Short-Term Energy Outlook (April 7, 2026): Q2 2026 Henry Hub forecast \$3.01/MMBtu; Q3 2026 forecast \$3.26/MMBtu; full-year 2026 average forecast \$3.67/MMBtu. EIA confirmed that increased crude oil production supports more associated natural gas production, providing the geological basis for the floor. Source: S&P; Global, April 7, 2026.

[6] European TTF natural gas: EUR 44.31/MWh, April 28, 2026 (Trading Economics). TTF peak March 2026: EUR 61.85/MWh (Cbonds). TTF intra-month March 2026 average: EUR 53.08/MWh (Cbonds). TTF 39.23% higher year-over-year as of late April 2026 (Trading Economics). TTF-to-Henry Hub spread: approximately 5x at late-April prices, converting TTF EUR 44/MWh to approximately \$14/MMBtu equivalent. Source: Oil Price API, Trading Economics, Cbonds.

[7] Brent-WTI spread: averaging \$12/barrel in March 2026, forecast peak \$15/barrel in April 2026. Source: EIA Short-Term Energy Outlook, April 7, 2026. WTI: approximately \$100/barrel at time of April 2 AAA report. Gasoline: five consecutive monthly advances through April 2026 (Trading Economics, April 27, 2026 note).

[8] War-risk insurance premiums: 0.2-0.25 percent to 0.5-3 percent and higher, March-April 2026. VLCC charter rates exceeding \$400,000/day at conflict onset; above \$700,000/day on individual fixtures by late March. Source: maritime insurance market reporting, Lloyd's List coverage, March-April 2026.

[9] 'Gulf states consider new pipelines to avoid Strait of Hormuz,' Financial Times, April 2, 2026. East-West Pipeline (Saudi Arabia) and Abu Dhabi Pipeline (UAE) operational rerouting confirmed in same period. New pipeline capacity construction timeline: 18-36 months industry standard.

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[12] 'Bessent Says Gulf, Asian Allies Requested Currency Swap Lines,' Bloomberg, April 23, 2026.

[13] 'Tariffs Strained U.S. Aluminum Supplies. Now the Iran War Is Making It Worse,' Wall Street Journal, April 2, 2026.

[14] 'Bessent Says Trump's Tariff Rates Could Be Restored by July,' Bloomberg, April 15, 2026. Metals tariffs restructured but maintained at 50 percent, Bloomberg, April 2, 2026.

[15] Michael Every, Rabobank Global Strategist, daily Global Daily research notes on offensive vs. defensive mercantilism, multiple entries January through April 2026.

[16] 2025 National Security Strategy, December 2025; 2026 National Defense Strategy; State Department Strategic Plan for Fiscal Years 2026-2030. Twenty-eight priority sectors identified across the three documents. 'Naphtha crunch bites Japanese companies despite PM's assurances,' Nikkei Asia, April 18, 2026.

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