Interregnum Counsel

A LEGAL INTELLIGENCE LETTER FOR TRANSITIONAL MARKETS

Issue No. 1

The Trends of Uncertainty: Energy Markets Under Renewed U.S.–Iran Tensions

By Dr. Mostapha Maddahinasab
Founder, Maddahinasab Legal Advisory

Every period of geopolitical transition produces an abundance of headlines and a shortage of strategic clarity. Interregnum Counsel exists to close that gap: distinguishing structural legal change from temporary noise, before it becomes market consensus.

The renewed escalation between the United States and Iran is a case study. Beneath the security headlines, sanctions policy, maritime risk, and the legal assumptions underlying cross-border energy transactions have shifted materially within weeks.

The first three monthly issues of Interregnum Counsel are devoted to this single case, each applying the same underlying analysis through a different sector: this issue takes the energy lens; the next will examine supply chains and transportation; a third will turn to banking and financial services. A quarterly report will then consolidate all three into one holistic assessment. Each issue follows the same sequence — we begin by establishing the relevant developments and the background needed to understand them, then assess the legal mechanics at play, then draw out the commercial and investment implications, before closing with a forward-looking scenario and MTRIS™ decision framework.

BACKGROUND

On 28 February 2026, the United States and Israel launched strikes on Iran that killed Supreme Leader Ali Khamenei and several senior commanders. Iran retaliated with missiles and drones against Israel, U.S. bases, and neighbouring Gulf states, and closed the Strait of Hormuz — a waterway that normally carries roughly a fifth of global seaborne oil and LNG. Traffic collapsed; energy prices posted the sharpest supply-shock spike in modern oil market history.

Intense fighting lasted roughly six weeks before a fragile pause took hold in early April. Months of sporadic clashes and indirect talks, mediated principally by Pakistan, followed. On 17 June, Washington and Tehran signed the Islamabad Memorandum — a 14-point interim framework that paused major hostilities and reopened the Strait for an initial 60 days, in exchange for limited sanctions relief and unspecified commitments on nuclear talks and “conditional” reconstruction financing reported at up to $300 billion. Tanker traffic partially recovered, though volumes remained well below pre-war levels.

The deal did not resolve Iran's internal divide over how far to accommodate Washington. A note associated to Iran's new Supreme Leader, Mojtaba Khamenei (not clear if he is actually alive), publicly stated he held a “different view” from President Masoud Pezeshkian on the memorandum before endorsing it — a rare acknowledgment of division at the top of Iran's own decision-making.

Low-level incidents in the Strait never fully stopped, and by early July, renewed attacks on shipping had triggered the first material U.S. regulatory response since the memorandum was signed — the subject of this issue's Legal Analysis.

LEGAL ANALYSIS

On 7 July 2026, the U.S. Treasury revoked General License X — the mechanism that had permitted limited Iranian oil sales under the June memorandum — and replaced it with a narrower General License X1, authorizing only a wind-down of existing transactions through 12:01 a.m. EDT on 17 July 2026. After that point, new purchases, loadings, or dealings in Iranian crude, petroleum products, and petrochemicals are prohibited once again.

The practical effect was immediate. Iran's oil ministry's attempts to revive sales to traditional buyers such as India and Japan have largely failed, hampered by persistent payment obstacles, Iran's continued presence on the FATF blacklist, and heightened counterparty due diligence. Commodity traders and intermediaries now face renewed scrutiny over cargo origin, beneficial ownership, routing, and transshipment — risks that typically surface through indirect exposure in joint ventures, logistics chains, insurance, or financing rather than through direct dealings with sanctioned entities.

This tightening sits inside a wider compliance architecture. Multinationals answer not only to U.S. primary sanctions but to domestic export controls, lender covenants, insurance exclusions, and internal risk policies that often exceed legal minimums. A transaction that clears one regulatory screen can still collapse under a contractual sanctions clause or a board-level risk tolerance. Increasingly, it is this layered friction — not raw production capacity — that determines what can actually reach market.

> *Sanctions didn't just return — they refined the sieve.*

COMPARATIVE PRECEDENT

The closest historical analogue is the sanctions cycle following the Joint Comprehensive Plan of Action (JCPOA). In January 2016, Iran's compliance with its initial nuclear commitments triggered a wave of general licenses and ITSR amendments that opened the door to non-U.S. persons and foreign subsidiaries of U.S. companies. European energy majors, insurers, and banks moved quickly — MOUs signed, dormant relationships reactivated. FATF compliance requirements were, even then, a separate and independent obstacle: FATF regulations constrained bank financing and correspondent banking relationships regardless of what OFAC's licenses permitted, a structural friction that sanctions relief alone could never fully resolve. Then in May 2018, Washington withdrew from the JCPOA; by November of that year, OFAC had revoked the relief-era general licenses, including GL H and GL I, and the full sanctions architecture was back in place.

The current cycle follows an almost identical legal choreography: a license for the sale of crude oil and petrochemicals granted (June 2026), then narrowed sharply within weeks (July 2026) — reversal pattern that defined the JCPOA's collapse, compressed this time into a matter of weeks rather than years. That compression is itself the more urgent signal: whatever institutional stability the region gained through 2016–2018 took over two years to erode; the present framework has already shown comparable fragility in under a month. Therefore, it seems the negotiations have proven not to be the solution at least based on the experience.

> *The deeper lesson from 2016–2018 was that legal permissibility and commercial bankability are different things. And Iran's problem is not just the tension with the US, but rather there are fundamental ideological matters that make the Islamic Republic of Iran to keep the doors to foreign investment closed!*

Many projects announced during that relief period never advanced past preliminary negotiations — not because companies lacked legal authorization, but because they doubted authorization would survive long enough to justify multi-year capital commitments. That same doubt now applies with less patience: General Counsel and investment committees who watched the 2018 reversal play out over two years are unlikely to give the current framework anywhere near that long before treating it as unbankable.

COMMERCIAL & INVESTMENT IMPLICATIONS

Markets have treated the early-July flare-up as a contained event rather than a repeat of February's shock. Tanker crossings have dropped well below recent averages, war-risk premiums remain elevated, and rerouting continues to add delay and cost — but volumes have not collapsed to the single-digit levels seen at the war's outset, and Brent has posted moderate, short-lived spikes rather than the sustained surge above $100 per barrel that followed the initial escalation. OPEC+ supply responses and a month of accumulated operational experience appear to have blunted the shock this time.

That calm is not necessarily good news. A market that absorbs renewed attacks without panic removes one of the few levers that has previously forced Washington and Tehran back to the table quickly — sustained price pain. If Tehran's negotiating leverage depends partly on the West's discomfort with high energy prices, a market that shrugs off the current escalation gives Iran less reason to de-escalate, not more. The more useful question for companies with Persian Gulf exposure may not be how high prices spike, but how long a market can stay calm before that calm itself becomes an incentive for further escalation.

> *A market that absorbs escalation without panic removes Iran's reason to stop.*

For now, the practical priority is operational, not strategic: real-time maritime security monitoring, insurance placement, and contingency routing matter more than long-range production forecasting. Contracts and risk models built on current, relatively muted conditions should be treated as provisional — the underlying volatility hasn't disappeared, it has just gone temporarily quiet.

SCENARIO ANALYSIS

Base Case — Sustained and Controlled Pressure, Stable Energy Supply. The United States maintains sanctions pressure alongside controlled military action, calibrated to avoid triggering a major energy shock. Crude exports remain constrained but continue through existing channels, and the Persian Gulf stays operational despite elevated maritime risk. Energy prices remain sensitive to headlines but avoid a sustained structural spike.

Upside — Managed De-escalation. Military activity subsides and diplomatic engagement resumes, reducing immediate pressure on Gulf shipping. Comprehensive sanctions relief remains unlikely, but lower security risk narrows geopolitical premiums, improves market confidence, and stabilizes regional oil and LNG trade.

Downside — Expansion of Sanctions and Maritime Restrictions. Iran resists pressure by escalating — further attacks on shipping and on Arab states — in an attempt to force the market reaction that the current calm has denied it. Energy companies suspend new regional commitments; insurers reprice political-risk exposure; investment committees extend decision timelines as legal uncertainty outweighs opportunity.

DECISION MATRIX

Stakeholder	Immediate Priority
Energy Companies	Reassess supply contracts, sanctions clauses, and shipping dependencies before committing to new procurement or export arrangements.
EPC Contractors	Review force majeure, termination, and change-in-law provisions for Gulf- or Iran-related projects before mobilizing capital or equipment.
Political-Risk Insurers	Reprice underwriting models to reflect combined sanctions, maritime, and regulatory risk rather than treating each as isolated exposure.
Banks & Trade Finance Providers	Tighten sanctions screening, beneficial ownership verification, and payment controls for regional energy supply chains.
Infrastructure Investors & Investment Committees	Continue strategic due diligence; defer irreversible capital commitments until the legal environment shows sustained stability.

MTRIS™ INTELLIGENCE INDEX

***MTRIS-2026-01**: Each issue also receives a unique MTRIS™ Assessment ID. This identifies the qualitative MTRIS™ assessment published in Issue No. 1 (2026). Updated assessments in later issues receive their own identifiers while remaining linked through the Intelligence Index.*

Every reference code is permanent and may be cited in future issues, Quarterly Review editions, client memoranda, or academic publications.

Dimension	Rating	Trajectory	Action	Assessment
Institutional	High	↑↑ Rapidly Deteriorating	Hold Capital Commitment	The revocation of temporary relief and rapid return to a restrictive sanctions environment show regulatory continuity remains highly contingent on geopolitical developments — not yet durable enough to anchor long-term investment decisions. Iran's own leadership compounds this: the loss of senior commanders and an unclear Supreme Leader who has allegedly signalled internal disagreement over the diplomatic track point to a governing system under real internal strain, not just external pressure.
Transactional	High	↑ Deteriorating	Restructure Transaction	Cross-border energy transactions face expanding sanctions exposure, contractual uncertainty, heightened due diligence, and rising counterparty risk. Review commercial structures before further commitments.
Operational	High	↑↑ Rapidly Deteriorating	Increase Operational Controls	Maritime security concerns in the Strait of Hormuz, rising insurance premiums, shipping disruption, and tightening export restrictions materially increase execution risk across regional supply chains.

***Methodological note:** MTRIS™ (Maddahinasab Transitional Risk Intelligence System™) is a proprietary framework evaluating transitional-market exposure across Institutional, Transactional, and Operational dimensions, combining current ratings with directional trend analysis and decision-oriented action codes. The assessment above is a general schematic; **our specialized mandates receive deeper, deliverable-supported analysis**.*

PREDICTIVE WATCH LIST

Every forecast published in Interregnum Counsel receives a permanent reference code. These codes allow readers to track individual forecasts across future issues and Quarterly Review editions, where each prediction is revisited and its outcome assessed.

Reference Format Example: IC-2026-01-W02

IC = Interregnum Counsel_ 2026= Year of publication_ 01 = Issue number_ W= Watch List forecast_ 02 = Forecast number within that issue

Accordingly, IC-2026-01-W02 refers to the second forecast published in Issue No. 1 (2026) of Interregnum Counsel. Every reference code is permanent and may be cited in future issues, Quarterly Review editions, client memoranda, or academic publications.

Ref. Code	Forward Indicator	Probability	Time Horizon	Current Status	Assessment
IC-2026-01-W01	Persian Gulf Maritime Governance	Medium	3–6 months	Active	The military standoff eventually gives way to a regulatory solution. Oman's proposal for a voluntary navigation-services regime, drawing on elements of the Strait of Malacca model, signals the possible emergence of a new governance framework for Persian Gulf shipping—the subject of the next issue.
IC-2026-01-W02	Contained Escalation Against a Resilient Market	High	Within 3 months	Active	As long as markets continue to absorb attacks without sustained price shocks, further sanctions, targeted strikes, and coercive diplomacy remain more likely than broad relief—the market's calm removes Washington's incentive to concede. The Islamic Revolutionary Guard Corps (IRGC), as the de facto decision-maker in Iran, is likely to intensify escalation, ultimately weakening its leverage over the Strait of Hormuz.
IC-2026-01-W03	Institutional Volatility Beyond the Battlefield	High	Within 6 months	Active	Regardless of near-term military developments, Iran's internal institutional uncertainty—including leadership succession, competing centres of authority, and regulatory unpredictability—is likely to remain elevated and outlast events in the Strait of Hormuz.

ABOUT THE AUTHOR

Dr. Mostapha Maddahinasab is the founder of Maddahinasab Legal Advisory, a boutique legal advisory focused on foreign investment, international trade, and legal risk in transitional markets. He is the creator of the MTRIS™ framework referenced throughout this publication. For further information see www.maddahinasab.com

> Suggested citation: Maddahinasab, M. (2026). *The Trends of Uncertainty: Energy Markets Under Renewed U.S.–Iran Tensions*. **Interregnum Counsel**, Issue 1.