Services

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Fueling Resilience: Securing Energy Supply Chains

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Executive Overview

The 2026 conflict in Iran and its disruption of the Strait of Hormuz – a corridor carrying roughly one-fifth of the world's oil and LNG – has delivered a sharp reminder that geopolitical risk remains an ever-present feature of global energy markets. With oil prices at times exceeding $100 per barrel and supply chains forced to rapidly recalibrate, corporates active in the oil and gas (O&G) supply chain once again demonstrated resilience by turning to **trade finance as a critical operational lever.**

Strategic deployment of standby letters of credit (SBLCs), documentary letters of credit, and accounts receivable finance enabled firms to preserve liquidity, secure access to critical inventory, and manage shifting counterparty risk – even as the environment remained deeply uncertain. The lessons of this period offer a practical framework: **trade finance, when embedded as a core element of supply chain strategy, can help mitigate the impact of disruption – whatever its source.**

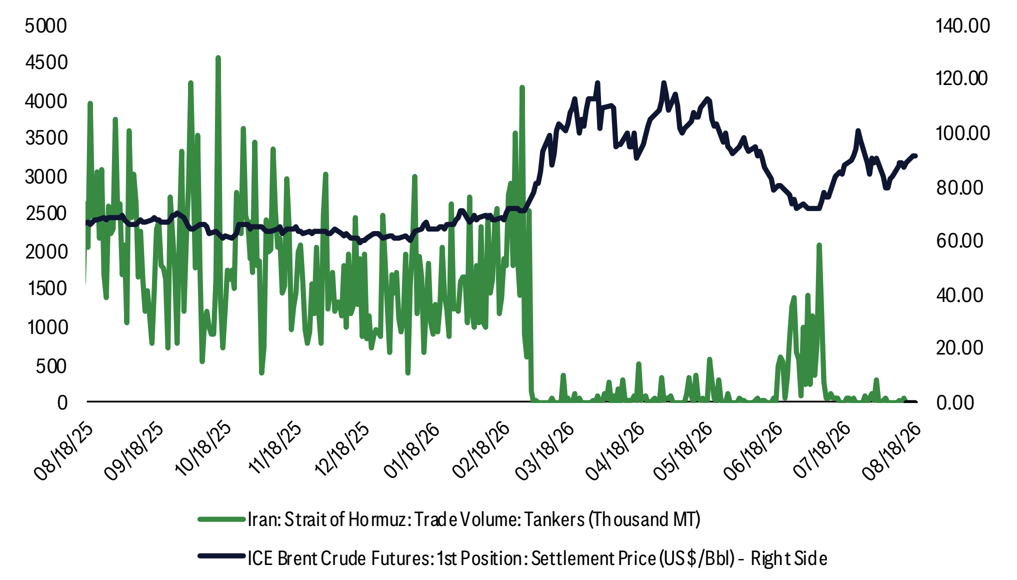
Context: A Familiar Pattern – Intensified

Energy market fundamentals are traditionally anchored in geological availability and engineering capacity. Systemic geopolitical shocks, however, frequently override these. The 2026 Iran conflict has proven this with dramatic effect, demonstrating how systemic geopolitical shocks can instantly override traditional market baselines.

By transforming the Strait of Hormuz, a vital artery for one-fifth of global oil and LNG flows, into a contested battleground, the conflict injected a massive geopolitical risk premium into energy assets. As Brent crude breached the $100 per barrel threshold, the crisis shattered decades of relative stability and forced a repricing of supply chain continuity, driving a rapid transition from cost-optimized to risk-resilient logistics.

Market participants have responded in a predictable manner, prioritizing liquidity, reinforcing strategic reserve positions, expanding supply-chain redundancy, and advancing domestic production initiatives to strengthen energy security and operational resilience, notwithstanding short-term economic tradeoffs. The situation has fluctuated between periods of de-escalation and renewed tensions, with freedom of navigation through the Strait continuing to be a key point of concern. What has become clear is that corporates active in the O&G supply chain have once again demonstrated resilience – and that trade finance has played an important enabling role.

Figure 1.
Trade Volume Through Strait of Hormuz (Thousand MT), Brent Oil Price ($USD)



Note: Chart for illustrative purposes only and subject to change.
Source: International Monetary Fund, Intercontinental Exchange, Haver Analytics, Citi Services

Using Trade Finance to Limit Disruptions to Supply Chains

At the outset of any disruption, some potential ramifications – higher energy prices, longer shipping lanes – may be immediately clear, while others – changes in insurance costs, impact on airfreight – emerge more slowly. Strategic use of trade finance solutions can help maintain the flow of goods, optimize working capital, and strengthen resilience across global supply chains.

Nearly six months into the conflict in Iran, corporates across the O&G supply chain consistently cite three critical applications of trade finance in navigating market disruption: preserving liquidity, ensuring access to inventory, and mitigating counterparty risk.

Pillar 1: Preserving Liquidity

As conflict unfolded in the Gulf and the effective closure of the Strait of Hormuz sent commodity prices sharply higher, the first imperative for natural resource corporates was shoring up access to vital liquidity and working capital. Acting decisively at this stage can prove critical to sustaining operations without compromising strategic flexibility.

For many corporates, this meant turning to existing borrowing base facilities and **exercising accordion options to secure additional borrowing capacity.** Additionally, natural resource corporates leveraged the intrinsic value of their inventories as collateral to **access transaction secured financing to further bolster operational cash flow.** Accounts receivable finance extracted liquidity trapped in working capital cycles, while **SBLCs** helped circumvent immediate cash outlay requirements – such as posting margin to exchanges – allowing corporates to preserve critical reserves.

Key Instruments:

- Borrowing Base Finance
- Transaction Secured Finance
- Accounts Receivable Finance
- Standby Letters of Credit (SBLCs)

Figure 2. Case Study – Using Borrowing Base Finance to Access Integral Liquidity

The Challenge
A leading independent global commodities trading house faced working capital pressure amid heightened energy market volatility stemming from ongoing geopolitical conflict in the Middle East. The client urgently needed to expand its U.S. liquidity capacity to support expanded physical trading operations, apply for a letter of credit issuance, and grow its domestic energy business activities – all while managing increasingly complex hedging requirements.

The Citi Solution
Citi's Trade and Working Capital Solutions team dedicated to natural resources supported its client in exercising the accordion option on the client's existing Borrowing Base Facility, upsizing Citi's participation by $50MM – unlocking immediate, incremental liquidity precisely when market conditions demanded it.

Outcome & Citi's Value Proposition
Citi's extensive structuring experience, speed of execution, and commitment as a senior syndication agent supported a successful capital increase, enabling the client to capitalize on favorable trading conditions and sustain operational resilience through a period of significant market disruption.

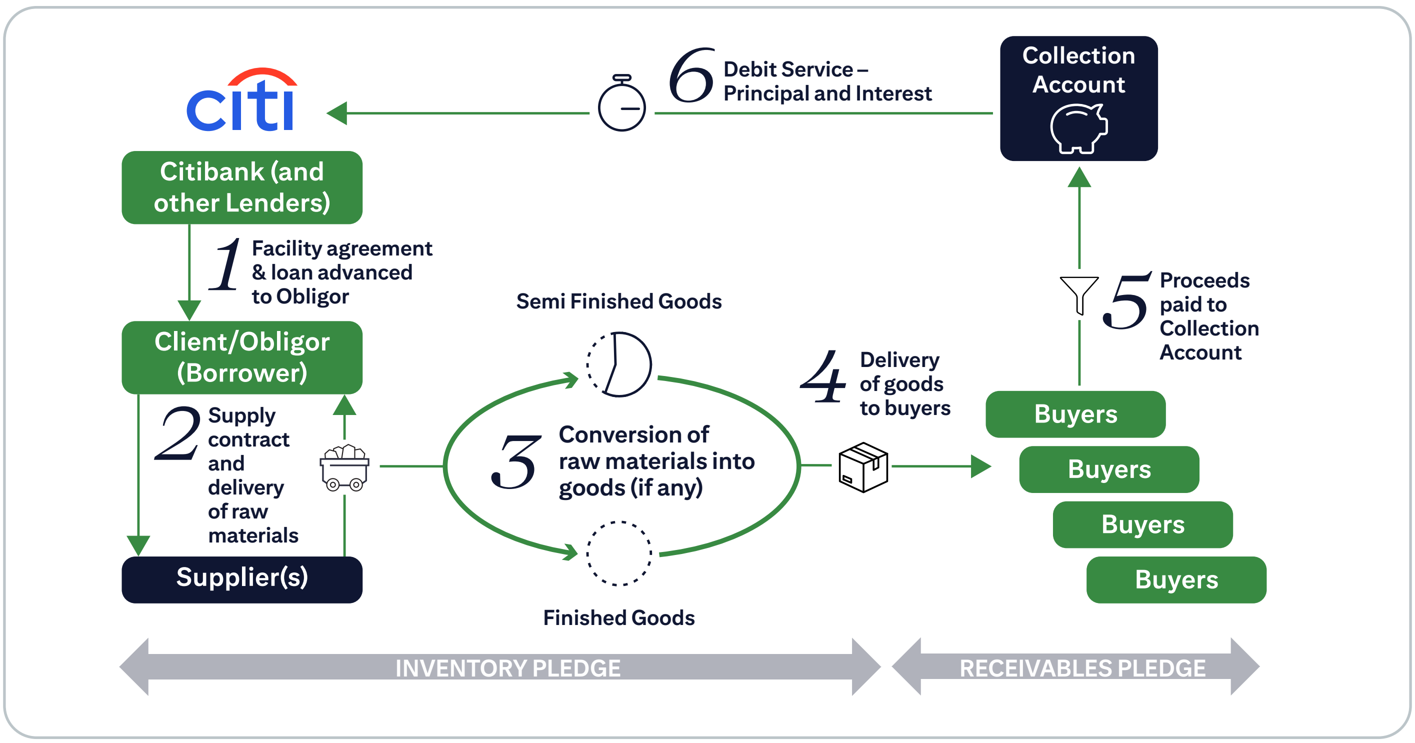


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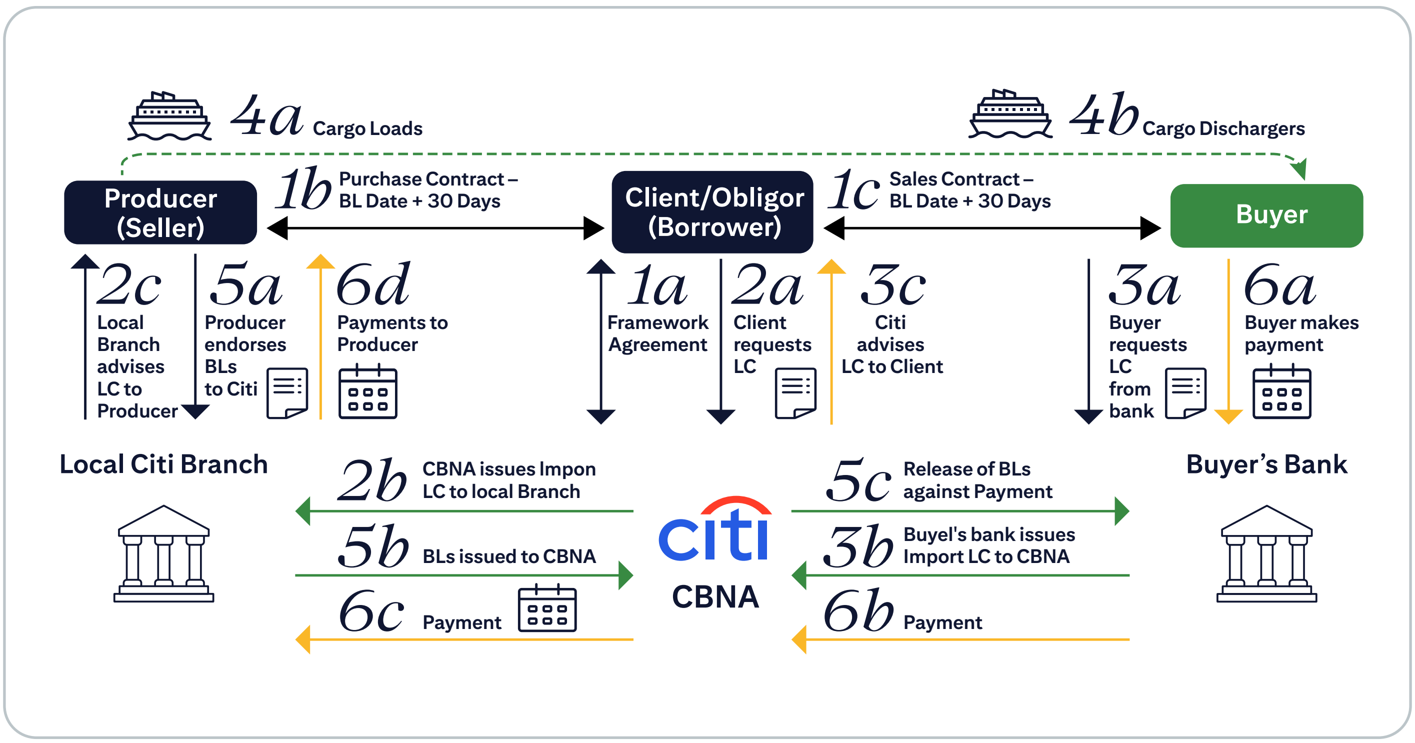
Figure 3. Case Study – Using Transactional Financing to Secure Inventory

The Challenge
A leading global commodity trading firm faced urgent financing needs for in-transit crude cargo at a moment of acute market stress. With oil supply chains severely disrupted by the conflict in the Middle East, securing reliable crude inventory from alternative sources had become both strategically critical and operationally complex, compounded by an evolving regulatory landscape.

The Citi Solution
Citi deployed a bespoke Transactional Secured Financing (TSF) structure, financing pre-sold, in-transit crude cargoes on short ~30–40 day tenors. The solution required credit analysis, risk frameworks and compliance controls, plus dedicated middle office monitoring – built to navigate a structurally complex and highly regulated environment.

Outcome & Citi's Value Proposition
Few banking partners possess the infrastructure, regulatory experience, and capacity to execute this type of financing. Citi's TSF capability gave the client access to a scalable, compliant financing solution precisely when alternatives were scarce in the jurisdictions where they needed it most. The result: the client successfully secured critical crude inventory, reinforcing supply continuity amid one of the most challenging global energy environments in recent years.



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Pillar 2: Securing Access to Critical Inventory

When disruption occurs, the ability to maintain access to critical inventory becomes a strategic imperative – especially for natural resources, which underpin so many downstream goods. Ensuring supplier stability – particularly for suppliers with constrained liquidity – was equally urgent.

With the Strait of Hormuz effectively removing a fifth of global oil supply,[1] natural resource corporates moved quickly to solidify their positions. In **March 2026**, when the IEA coordinated its largest collective action in history – releasing **400 million barrels** of oil from 32 member countries' emergency reserves[2] – offtakers rapidly sought **performance SBLC facilities** to bolster inventory access.

SBLCs represent an important consideration in trade and working capital finance: being resilient while still maintaining the ability to be opportunistic. **Documentary letters of credit** played a significant complementary role in securing valuable cargoes, particularly when transacting with lesser-known counterparties in rerouted supply chains. Buyers, particularly in Asian markets, are exploring prepayment structures as a way to secure new sources of supply from LATAM and Africa.

Key Instruments:

- Performance Standby Letters of Credit (SBLCs)
- Documentary Letters of Credit
- Transaction Secured Finance
- Prepayment Financing
- Supplier Finance Facilities

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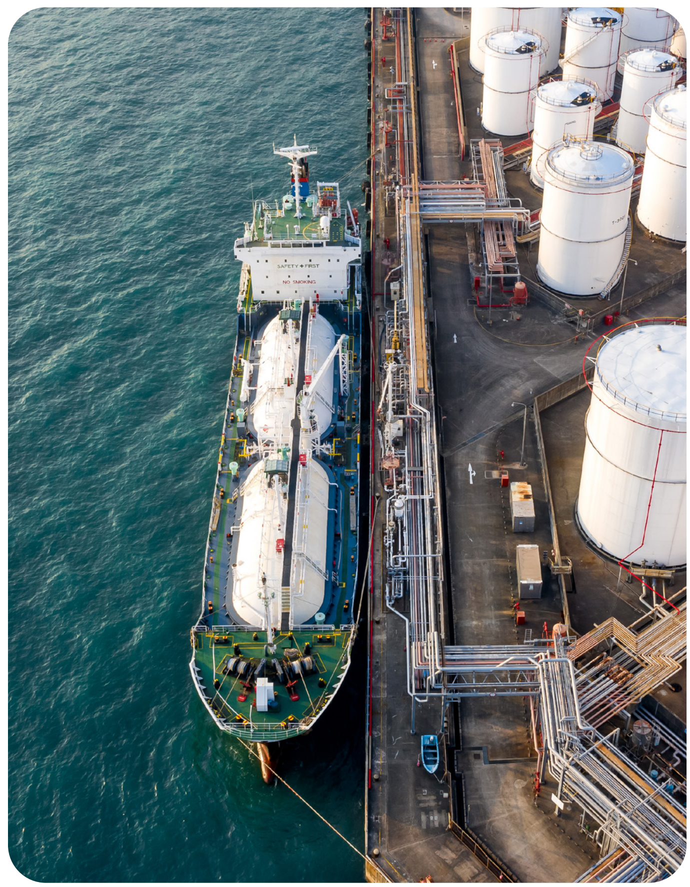


[1] IEA, Strait of Hormuz Factsheet, 2026

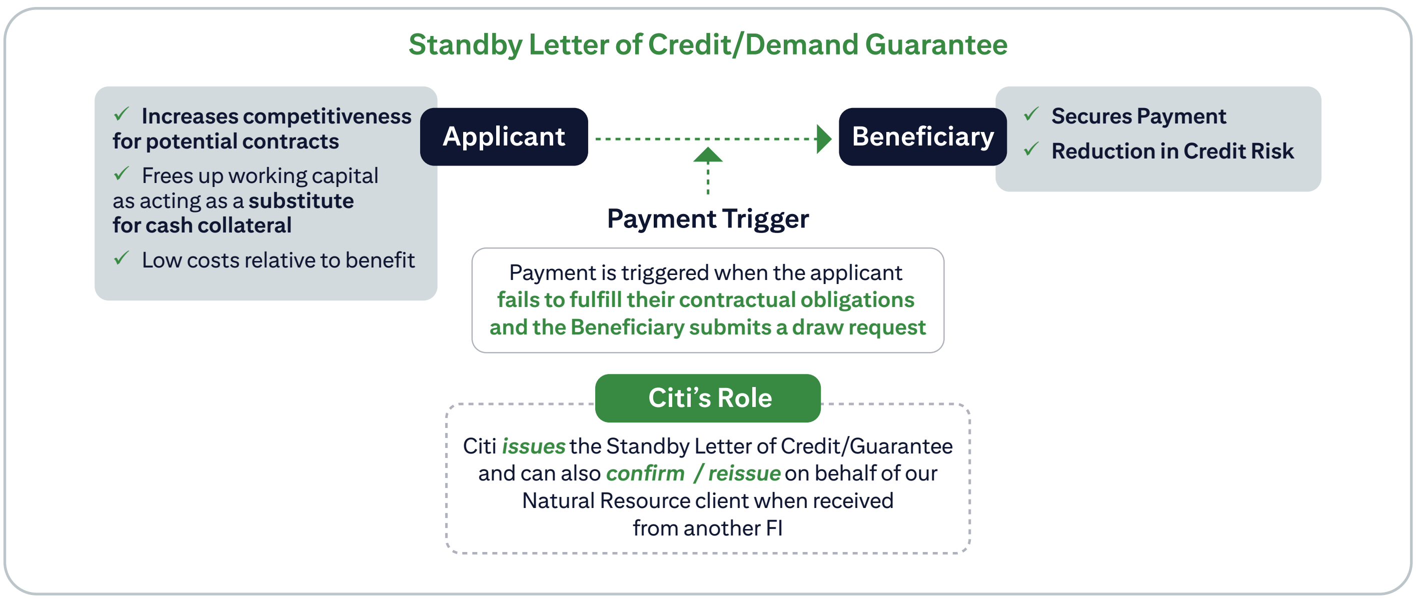
[2] IEA, IEA Member countries to carry out largest ever oil stock release amid market disruptions from Middle East conflict, 2026

Figure 4. Case Study – Using Standby Letters of Credit as Payment Security for Inventory

The North American trading arm of a global supermajor required urgent financial guarantees to support their participation in a competitive U.S. government auction as part of the International Energy Agency's (IEA) largest ever coordinated release of strategic petroleum reserves – a combined 400-million-barrel draw across member countries' national stockpiles. With strict bidding requirements mandating SBLCs as payment security, the client needed a dedicated US-based credit facility established rapidly – within weeks – or risk losing access to a significant crude oil allocation opportunity.

Citi's Solution
Citi's Trade and Working Capital Solutions team dedicated to natural resources worked with Trade Sales, Corporate Banking, Legal, Product, Risk and Operations stakeholders to structure and execute a USD $200MM SBLC facility within one month, with the Letter of Credit issued within 24 hours of application.

Outcome & Citi's Value Proposition
Citi's prompt execution, collaborative internal structure, and trade finance experience helped the client to successfully bid and obtain critical crude inventory. The scalable facility structure is designed to support the client's need for additional SBLCs for participation in future government energy auctions.



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Pillar 3: Review, Recalibrate & Mitigate Counterparty Risk

Geopolitical instability and unexpected shifts in supply chains can have near-instantaneous impact on counterparties' risk profiles. Corporates that had already embedded structured risk assessment frameworks were better positioned to respond when disruption forced rapid engagement with new or higher-risk counterparties.

Letters of credit – with their longstanding legacy of limiting transactional risk between counterparties – are proving indispensable throughout the current disruption. Their structured nature provided a reliable mechanism for managing both known and unknown disruption impacts.

Simultaneously, **accounts receivable finance** emerged as a powerful risk transfer tool: as corporates find themselves transacting in new or riskier geographies, the ability to offload counterparty exposure has become a meaningful enabler of business continuity.

Key Instruments:

- Letters of Credit (Documentary and Standby)
- Accounts Receivable Finance (as a risk transfer mechanism)
- Counterparty Risk Assessment Frameworks

> “Assuming stable operating conditions will persist would be shortsighted. The next source of disruption may not yet be known; *however, corporates can use lessons learned from the conflict in Iran as a framework for how to navigate the next disruption.”*

Blueprint for the Next Disruption

While more stable operating environments may be on the horizon, recent history has demonstrated that assuming stability will persist would be shortsighted. The next source of disruption may not yet be known – but corporates can use the lessons of the conflict in Iran to build durable resilience into their supply chain and treasury structures before the next stress event arrives.

The common thread among the most resilient corporates during this period: **trade finance facilities that were already in place, sized appropriately, and structured flexibly proved helpful.** Proactive preparation – rather than reactive deployment – was ta key differentiator.

Assuming stable operating conditions will persist would be shortsighted. The next source of disruption may not yet be known; however, corporates can use lessons learned from the conflict in Iran as a framework for how to navigate the next disruption.

Citi as Your Global Trade Partner

Periods of geopolitical uncertainty and supply chain disruption can place significant pressure on corporates’ working capital. Elevated energy prices, rerouted shipping lanes, and extended inventory cycles are reminders of how disruptions can quickly consume valuable working capital.

Citi helps client navigate these challenges through our **24/7 Digital Trade and Working Capital Solutions Platform.** Our team of Trade & Working Capital professionals works closely with clients to assess, structure, and seek to secure the liquidity needed to support critical operations during periods of disruption – with the aim of helping our clients navigate a changing environment.

Summary: Three Pillars of Trade Finance Resilience

Pillar	Challenge Addressed	Key Instruments
1. Preserving Liquidity	Commodity price surge consumes working capital	Borrowing base facilities, AR finance, SBLCs
2. Securing Critical Inventory	Supply disruption limits access to essential goods	Performance SBLCs, Documentary LCs, Supplier finance
3. Mitigating Counterparty Risk	New/riskier counterparties required due to rerouted supply chains	Letters of credit, AR finance as risk transfer

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