

Energy Security and the Hidden Battlefield of the Iran Conflict

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Source: *Financial Times*²

Introduction

The conflict between the United States, Israel, and Iran that escalated on February 28, 2026 is not merely a military confrontation or a nuclear proliferation crisis. At its structural core, it is an energy security emergency of a magnitude the modern world has not previously encountered. The Strait of Hormuz, a 33-kilometre-wide passage separating Iran from Oman at the mouth of the Persian Gulf, has been effectively closed to commercial shipping since early March 2026, severing a waterway through which, in 2024, approximately 20 million barrels of oil per day ordinarily flowed.³ That figure represented approximately 27 percent of global maritime oil trade and roughly 20 percent of world petroleum liquids consumption, a concentration of critical infrastructure in a geographically confined and politically volatile corridor that had long been understood as the world's foremost energy chokepoint. However, surprisingly, the closure of this chokepoint had never before been fully tested until now.

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² <https://www.ft.com/content/869f650b-7a9e-461d-a2bb-0788eb991e6d?syn-25a6b1a6=1>

³ U.S. Energy Information Administration, "Amid Regional Conflict, the Strait of Hormuz Remains Critical Oil Chokepoint," Today in Energy, June 16, 2025, <https://www.eia.gov/todayinenergy/detail.php?id=65504>.

The IEA Executive Director Fatih Birol has described the current disruption as the greatest global energy security challenge in the agency's history.⁴ That assessment, issued from an institution formed in direct response to the 1973 Arab oil embargo, carries specific analytical weight. The IEA was designed precisely for moments such as this; the fact that its leadership regards the current crisis as unprecedented is itself a data point. This commentary examines how energy security has functioned as a silent but decisive theatre within the Iran conflict, how the geography of the strait shaped Iranian strategic calculations, how global markets absorbed and failed to absorb the shock, how institutional responses have proven structurally insufficient, and what the crisis reveals about the long-term fragility of the international energy order.

The Strait of Hormuz as Strategic Instrument

The capacity of Iran to threaten the Strait of Hormuz is not an incidental consequence of its geography; it is a deliberate, long-cultivated element of its deterrence architecture. The Islamic Revolutionary Guard Corps Navy (IRGCN) has been assigned sole responsibility for the Persian Gulf since a 2007 reorganization, with shared authority over Hormuz itself between the IRGCN and the regular Iranian Navy (IRIN).⁵ This institutional structure reflects Iran's investment in asymmetric maritime capability: mine warfare, fast-boat swarming tactics, shore-based anti-ship missiles, and drone systems designed not to defeat the United States Navy in open combat but to impose unacceptable cost on commercial traffic transiting a narrow, legally ambiguous waterway.

The legal dimension is rarely emphasized in public commentary but is analytically important. Under international law, states exercise sovereignty to 12 nautical miles from their coastlines. At the strait's narrowest point, the designated shipping lanes fall entirely within the territorial waters of Iran and Oman.⁶ Iran's position which it retains the sovereign right to restrict or deny passage through its territorial waters, is legally contestable but not without foundation. The principle of transit passage under the UN Convention on the Law of the Sea (UNCLOS) provides rights of through-passage for

⁴International Energy Agency, Oil Market Report – March 2026 (Paris: IEA, 2026), <https://www.iea.org/reports/oil-market-report-march-2026>.

⁵Congressional Research Service, "Iran Conflict and the Strait of Hormuz: Impacts on Oil, Gas, and Other Commodities," CRS Report R45281 (Washington, DC: Library of Congress, March 8, 2026), <https://www.congress.gov/crs-product/R45281>.

⁶Al Jazeera, "Iran-US Tensions: What Would Blocking the Strait of Hormuz Mean for Oil, LNG?," February 22, 2026, <https://www.aljazeera.com/news/2026/2/22/iran-us-tensions-what-would-blocking-strait-of-hormuz-mean-for-oil-lng>.

international straits, but Iran is not a signatory to UNCLOS in the relevant sense, and its domestic legal framework does not recognize an unconditional right of foreign military or commercial passage. This ambiguity has long served Iranian strategic interests: it allows Iran to frame coercion as legitimate enforcement while placing the burden of force on the United States to maintain access.

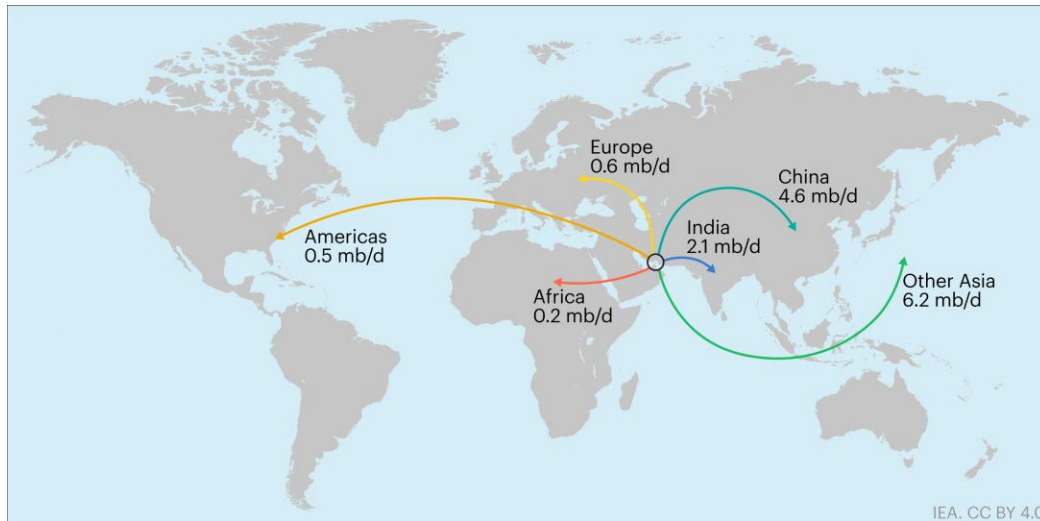


Figure 1 Crude oil exports transiting the Strait of Hormuz by destination (2025)

Source: IEA⁷

By February 2026, Iran had already demonstrated its willingness to use this leverage. Following Israeli military strikes on Iranian infrastructure in June 2025 and subsequent US operations against Iranian nuclear facilities, Iran's parliament passed a motion supporting potential Hormuz closure, though the Supreme National Security Council stopped short of a formal order at that time.⁸ Oil markets registered a brief spike of approximately five dollars per barrel before receding, a market signal that traders were pricing in a significant probability that Iran would ultimately refrain from closure, as it had in previous confrontations. This calculation proved correct in June 2025, but it created a dangerous precedent: the expectation that Iran would always step back from the brink may have shaped risk assessments in Washington and Jerusalem in ways that underestimated the escalatory logic of February 2026.

The February 28, 2026 strikes by targeting command infrastructure, military facilities, and nuclear-related sites across Iran, introduced a qualitatively different variable: the death of Supreme Leader Ali

⁷ <https://www.iea.org/about/oil-security-and-emergency-response/strait-of-hormuz>

⁸ Wikipedia, "2026 Strait of Hormuz Crisis," last modified April 11, 2026, https://en.wikipedia.org/wiki/2026_Strait_of_Hormuz_crisis.

Khamenei. The elimination of the highest authority in Iran's dual-track governance structure created a command continuity crisis that made Iranian decision-making less predictable, not less aggressive.⁹ For energy markets, this matters enormously. Strategic deterrence and market pricing both depend on a model of adversarial rationality — the assumption that the Iranian state will weigh costs and benefits and choose restraint when closure imposes unacceptable economic self-harm. With the death of Khamenei, that model became less reliable. The closure of the strait, formalized by senior IRGC officials on March 2, 2026, was therefore both a retaliatory act and a reflection of internal political dynamics that external actors had structurally failed to account for.

The Scale of Market Disruption

The immediate market impact of the Hormuz closure was severe. Brent crude oil prices surged 10 to 13 percent to approximately \$80 to \$82 per barrel by March 2, 2026.¹⁰ Within days, prices had climbed to nearly \$120 per barrel — the highest since 2022, when Russia's full-scale invasion of Ukraine triggered the previous emergency IEA release. The price trajectory was not a smooth upward movement but an exercise in extreme volatility, driven as much by informational uncertainty as by physical supply disruption. A deleted social media post by US Energy Secretary Chris Wright, incorrectly claiming that the US Navy had escorted a tanker through the strait, triggered an immediate 17 percent intraday price collapse before markets corrected upward.¹¹ This episode illustrates a structural feature of energy market crises: information asymmetries and institutional communication failures can amplify physical disruptions in ways that are difficult to quantify but impossible to ignore.

The scale of the physical disruption is without modern precedent. CNN and IEA analysis estimated that approximately 15 million barrels of crude oil and 5 million barrels of other petroleum products were being withheld from global markets daily as a consequence of the effective closure.¹² Against global petroleum consumption of approximately 105.17 million barrels per day — the IEA's estimate

⁹Oxford Economics, "Iran and the Strait of Hormuz: Risks to Global Energy Prices," March 10, 2026, <https://www.oxfordeconomics.com/resource/iran-and-the-strait-of-hormuz-risks-to-global-energy-prices/>.

¹⁰CNBC, "IEA Agrees to Release Record 400-Million-Barrels of Oil to Address Iran War Supply Disruption," March 11, 2026, <https://www.cnn.com/2026/03/11/iea-oil-reserves-crude-prices-iran-g7-energy.html>.

¹¹CNBC, "The Biggest Release of Emergency Oil Stockpiles in History Was Announced. Why Crude May Keep Rising," March 14, 2026, <https://www.cnn.com/2026/03/14/iran-war-iea-oil-stockpile-spr-strait-hormuz.html>.

¹²Al Jazeera, "Strategic Oil Release May Calm Markets but Cannot Fix Hormuz Disruption," March 15, 2026, <https://www.aljazeera.com/economy/2026/3/15/strategic-oil-release-may-calm-markets-but-cannot-fix-hormuz-disruption>.

for 2026 — this represents a removal of roughly 19 percent of world supply within days. Oxford Economics assessed the scenario in terms of probabilistic risk, assigning only a 5 percent probability to severe disruption prior to the February strikes on the grounds that Iran would struggle to fully close and sustain a Hormuz blockade against international response. The realization of that tail risk has exposed the degree to which market pricing had systematically underweighted low-probability, high-consequence outcomes.

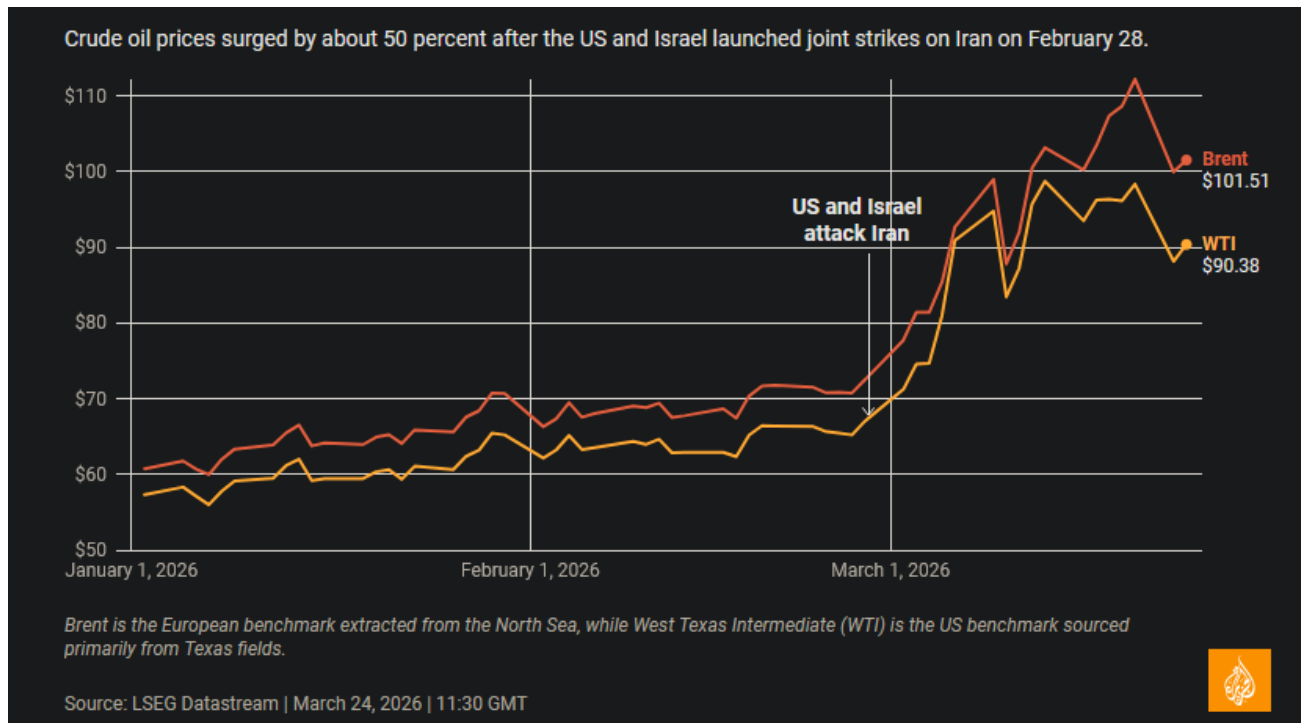


Figure 2 Oil prices surge since the start of the conflict

Source: AlJazeera¹³

The LNG dimension of the crisis has received comparatively less attention but is equally disruptive. In 2024, approximately one-fifth of global LNG shipments transited the Strait of Hormuz, with Qatar accounting for the vast majority of those volumes and 83 percent of Hormuz LNG flows destined for Asian markets. The effective closure severed this supply line. LNG prices in Asia have surged as high as 143 percent, and the IEA has estimated that global LNG supply has been reduced by 20 percent. European natural gas benchmark prices — the Dutch TTF — nearly doubled to over €60 per megawatt-hour by mid-March, compounded by the fact that European gas storage levels entering the crisis were

¹³ <https://www.aljazeera.com/news/2026/3/16/the-tell-tale-signs-how-bad-has-the-iran-war-hit-the-global-economy>

at approximately 30 percent capacity following a harsh 2025-2026 winter.¹⁴ The European Central Bank has consequently postponed planned interest rate reductions, revised its 2026 inflation forecast upward, and reduced GDP growth projections, with economists warning of technical recession risk if the maritime blockade persists through the summer refill season.

The Inadequacy of Emergency Response

Strategic Petroleum Reserves

The IEA's coordinated release of 400 million barrels of emergency oil, the largest in the agency's 50-year history, has been widely described as the central institutional response to the crisis. The United States, contributing 172 million barrels (43 percent of the total IEA release), is drawing on a Strategic Petroleum Reserve that held 415.4 million barrels as of February 18, 2026, against a total capacity of 715 million barrels — a reserve diminished by prior releases and complicated by infrastructure degradation in the underlying salt cavern storage system.¹⁵ South Korea committed 22.46 million barrels; Japan announced an 80 million barrel release equivalent to 15 days of domestic demand; and the United Kingdom committed 13.5 million barrels.

The arithmetic of the emergency release exposes its structural limitation with brutal clarity. At a normal daily flow rate of 20 million barrels through the strait, the 400-million-barrel release would compensate for approximately 20 days of typical Hormuz flows. Against the IEA's own estimate that 15 million barrels of crude per day are being removed from markets, the entire emergency stockpile would be exhausted in approximately 26 days. According to Reuters, the US contribution alone — 172 million barrels released over 120 days — implies a daily release of 1.4 million barrels, equivalent to roughly 15 percent of the supply lost to Hormuz closure.¹⁶ The gap between the scale of the disruption and the scale of the institutional response is not a matter of political will but of physical constraint: there is simply no stockpile architecture that can substitute for the closure of a waterway that ordinarily carries one-fifth of global petroleum supply.

¹⁴Wikipedia, "Economic Impact of the 2026 Iran War," last modified April 11, 2026, https://en.wikipedia.org/wiki/Economic_impact_of_the_2026_Iran_war.

¹⁵NPR, "IEA Members to Tap into Oil Reserves," March 11, 2026, <https://www.npr.org/2026/03/11/nx-s1-5743816/iran-war-oil-reserves-iaa>.

¹⁶ <https://www.reuters.com/business/energy/us-release-172-million-barrels-oil-strategic-petroleum-reserve-2026-03-11/>

Energy strategist Angie Gildea of KPMG articulated the structural problem with precision: "There is simply no substitute for restoring access through the Strait of Hormuz. The tools at our disposal, including strategic reserves, rerouting some exports and floating inventories, can provide some relief at the margins, but they are not structural solutions."¹⁷ This assessment reflects a fundamental design limitation of the IEA framework. The 1974 oil shock that prompted the agency's creation was primarily a political embargo — disrupted by diplomatic resolution. A disruption enforced through active military closure, mine-laying, and sustained attacks on commercial shipping is not amenable to the same resolution logic.

Alternative Routes and Their Limitations

Two pipeline bypass options nominally exist. Saudi Arabia operates an East-West pipeline connecting the eastern oil fields to the Red Sea port of Yanbu, with an effective capacity of approximately 5 million barrels per day — a significant but partial offset. The UAE's Fujairah pipeline, connecting onshore oil fields to an export terminal on the Gulf of Oman and thus bypassing the strait, has a rated capacity of approximately 1.8 million barrels per day; however, expanded day-to-day use of the pipeline in 2024 reduced the excess capacity available for emergency rerouting. Iran's own Goreh-Jask pipeline, inaugurated in July 2021 and allowing Iranian crude to bypass the strait entirely, has an effective capacity of approximately 300,000 barrels per day — a figure far below Iran's pre-conflict export levels and, in any case, irrelevant to the question of third-party transit.

¹⁷ <https://www.washingtonpost.com/business/2026/03/09/iran-war-stock-markets-oil-prices-gas/>

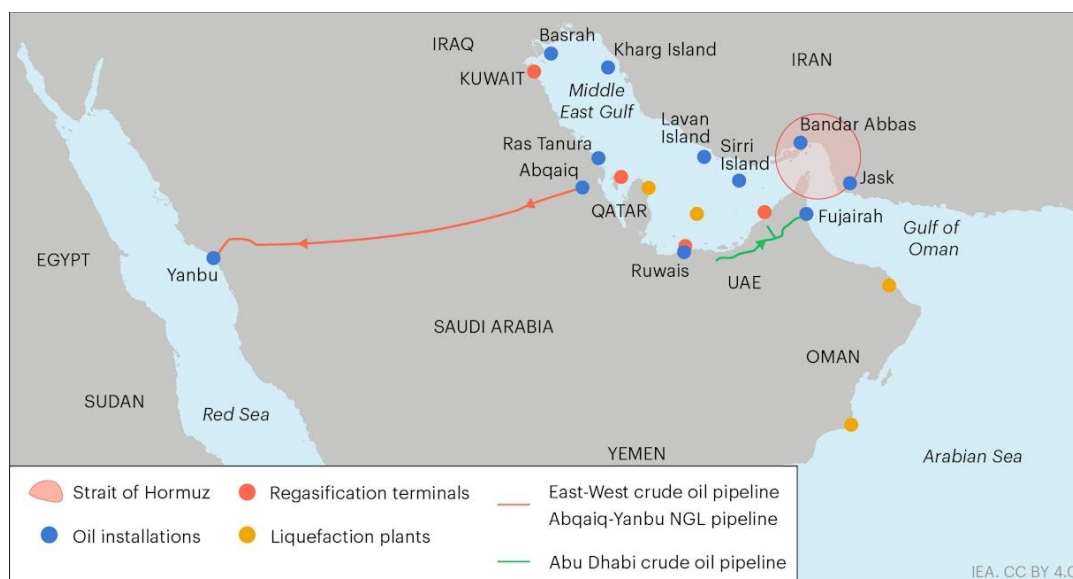


Figure 3 Alternative routes

Source: IEA¹⁸

Combined, these bypass routes represent approximately 17 percent of typical daily Hormuz flows. The analytical conclusion is unambiguous: no combination of available alternatives can materially offset a sustained disruption to strait transit. The strait does not have a functional substitute. This is not a contingency planning failure that can be addressed through infrastructure investment in the near term; the physical geography of the Persian Gulf, combined with decades of export infrastructure development oriented toward the strait as the primary egress route, has created a dependency that is structurally embedded in the global energy system.

Differential Vulnerability and the Geopolitics of Scarcity

The Hormuz closure has not affected all economies equally, and the distribution of vulnerability maps onto existing geopolitical fault lines in ways that will shape diplomatic trajectories for years. Asian economies are the most immediately exposed. In 2024, 84 percent of crude oil and condensate transiting the strait was destined for Asian markets; China, India, Japan, and South Korea collectively accounted for 69 percent of all Hormuz crude flows.¹⁹ As of February 2026, Japan sourced 94.2 percent of its crude oil imports from the Middle East; India relied on the region for nearly 60 percent of its petroleum imports; and China — which received approximately one-third of its oil via the strait

¹⁸ <https://www.iea.org/about/oil-security-and-emergency-response/strait-of-hormuz>

— held an estimated 900 million to 1.4 billion barrels in reserves but has nonetheless imposed restrictions on domestic fuel exports and witnessed long queues at petrol stations in major cities.²⁰

Southeast Asian economies are disproportionately exposed to the current energy crisis compared to their limited reserves. On March 24, 2026, the Philippines declared a state of emergency as diesel prices surged 38.6% and the peso hit a record low of 60.1 to the dollar. Regional peers are struggling similarly: Sri Lanka transitioned to a four-day work week, while Bangladesh, Vietnam, Pakistan, and Zimbabwe face critical fuel shortages.²¹

The U.S. presents a sharp contrast. Although it imported 0.5 million barrels per day through the Strait of Hormuz in 2024 (7% of its crude imports), it remains structurally resilient. The shale revolution and heightened domestic production have decoupled U.S. energy security from Persian Gulf stability, a luxury these emerging markets do not share.

The conflict has also reopened the question of Russian energy leverage. With Qatari LNG offline, higher-income Asian economies are competing with European buyers for available cargoes from other sources, including the United States, Australia, and potentially Russia. The Atlantic Council has noted that short-term European relief measures risk delaying the energy transition, deepening political fragmentation, and inadvertently boosting Russia's leverage in global energy markets.²² The geopolitical irony is considerable: a conflict originating in US-Israeli military action against Iran has structurally strengthened the position of Russia, an actor that has its own strategic interests in prolonged Western energy insecurity, in global energy diplomacy.

The fertilizer and food security dimension extends the energy shock beyond petroleum markets into the global food system. The Strait of Hormuz is central to global fertilizer trade: over 30 percent of global urea, a nitrogen fertilizer produced from natural gas, is exported from Gulf countries through the strait. Gulf countries account for roughly 45 percent of the global supply of sulfur, a key input to phosphate fertilizers. India has reduced production at three urea plants following the decline in Qatari LNG output. The UN World Food Programme has warned of long-term food price increases analogous

²⁰Wikipedia, "2026 Iran War Fuel Crisis," last modified April 11, 2026, https://en.wikipedia.org/wiki/2026_Iran_war_fuel_crisis.

²¹ <https://www.aljazeera.com/news/2026/3/12/southeast-asia-shuts-offices-limits-travel-as-oil-crisis-deepens>

²²Atlantic Council, "How the Iran War Could Shift Energy Policies Around the World," April 11, 2026, <https://www.atlanticcouncil.org/blogs/energysource/how-the-iran-war-could-shift-energy-policies-around-the-world/>.

to the 2022 food crisis triggered by the Ukraine war — a crisis that itself exposed the fragility of commodity supply chains that had been constructed on the assumption of stable global energy flows.

Structural Failures and Strategic Implications

The Iran conflict has exposed three structural failures in the international energy security architecture that deserve critical attention distinct from the immediate crisis management discussion.

First, the design of emergency response mechanisms reflects a world of embargo rather than a world of military closure. The IEA's collective action framework, developed in 1974, is calibrated to manage politically motivated supply restrictions — a supplier withholding product for diplomatic leverage. It has no adequate mechanism for a militarily enforced closure of a physical waterway sustained by a state under existential military pressure. The 400-million-barrel release, unprecedented in scale, is nonetheless a temporary buffer rather than a strategic solution.²³ The distinction between these categories — buffer and solution — has been obscured in much public commentary on the IEA response.

Second, Iran's shift to mine warfare in March 2026 created a qualitative escalation the market has yet to fully digest. With intelligence suggesting a stockpile of 6,000 naval mines, the IEA warns that traffic cannot simply resume; clearing a contested waterway is slow and dangerous. The insurance market has already reacted decisively. Transit premiums jumped from 0.125% to as high as 0.4% before the February strikes, but the subsequent removal of war risk protection entirely has made commercial transit economically impossible. Even if the military threat fades, the physical presence of mines and the lack of insurance coverage remain absolute barriers to stable energy flows.

Third, the global energy system systematically underpriced geopolitical risk for decades. Despite 27% of maritime oil trade transiting a 33-kilometer chokepoint, Brent crude sat at \$70 just before the February 28 strikes. The resulting \$50 price surge exposed a massive disconnect between Oxford Economics' "5% probability" and the actual severity of the fallout. The core issue isn't just that a "tail risk" materialized; it's that markets and institutions consistently underweighted this threat through

²³International Energy Agency, Oil Market Report – March 2026. The IEA head Fatih Birol described the crisis as "the greatest global energy security challenge in history." See also Wikipedia, "2026 Iran War Fuel Crisis."

every escalation from 2012 to the June 2025 confrontation. This collective failure reveals a market that ignored the math of a known vulnerability until the system actually broke.

Conclusion

The Iran conflict has not simply disrupted energy markets; it has stress-tested the entire architecture of global energy security and found it wanting at almost every level. The physical infrastructure of bypass alternatives covers less than one-fifth of normal Hormuz flows. Emergency stockpile releases, even at historically unprecedented scale, cover weeks rather than months of disruption. The legal framework governing maritime passage through the strait is contested and unenforceable without sustained military presence. And the diplomatic tools available for de-escalation are constrained by the nature of the conflict — a military campaign against a state whose supreme leadership has been eliminated and whose remaining command structure is under duress.

International Crisis Group reporting from April 2026 indicates that ceasefire negotiations are underway, with Iran seeking a halt to bombing in exchange for Hormuz reopening, and the United States conditioning any agreement on the strait's complete and immediate opening.²⁴ The outcome of those negotiations will determine whether the current crisis is a severe but bounded shock or the opening phase of a sustained restructuring of global energy markets — one in which the assumption of reliable Persian Gulf flows, which has underpinned global industrial activity for half a century, can no longer be maintained.

The hidden battlefield of the Iran conflict is not located in the air corridors above Iranian nuclear facilities or in the diplomatic channels between Washington and Tehran. It is located in the 180-kilometre stretch of water through which the global economy breathes. The failure to adequately account for that battlefield in strategic planning, market pricing, and institutional design represents a collective analytical failure whose consequences — in inflation, recession risk, food insecurity, and geopolitical realignment — are now being absorbed by economies far removed from the immediate theatre of military operations. The critical lesson is not that the strait should have been better defended;

²⁴International Crisis Group, "Strait of Hormuz," accessed April 11, 2026, <https://www.crisisgroup.org/trigger-list/iran-usisrael-trigger-list/flashpoints/strait-hormuz>.

it is that a global energy system constructed on the assumption of its permanent openness was always one conflict away from the crisis it is now experiencing.