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Conflict and energy consultancy

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Executive Assessment

The conflict involving Iran has entered a structurally more unstable and escalatory phase, characterized by simultaneous pressure across military, maritime and geopolitical domains. Israeli operations have expanded beyond infrastructure degradation toward high-level leadership targeting, with the reported killing of senior Iranian political-security figure Ali Larijani signaling a transition toward a decapitation-oriented strategy. This shift represents a critical escalation threshold, as leadership targeting historically increases the likelihood of disproportionate or asymmetric retaliation, particularly against U.S. assets, Gulf energy infrastructure and maritime routes.

At the same time, the war continues to expand both geographically and functionally. Iranian-aligned actors are sustaining pressure across Iraq and the Gulf, including repeated targeting of U.S. diplomatic infrastructure in Baghdad, while indirect escalation continues through proxy networks and maritime disruption. The conflict has now evolved into a fully regionalized, multi-domain confrontation operating simultaneously across land, sea, and economic systems, reducing the likelihood of rapid containment.

The most consequential dimension remains energy. Approximately 20% of global oil supply — equivalent to around 20 million barrels per day — transits the Strait of Hormuz, and sustained disruption has already driven oil prices above $100 per barrel, reflecting an increase of roughly 40% since the start of the war. The persistence of elevated prices indicates that markets are no longer reacting to temporary shocks but are pricing in structural instability, with clear transmission into inflation, fuel costs, shipping premiums and broader macroeconomic conditions. The conflict is therefore increasingly functioning as a global economic stress event rather than a localized military crisis.

Security and War Developments

The operational environment remains highly kinetic, with escalation patterns becoming both broader and more strategically complex. Israeli air operations continue across Iran and Lebanon, with a notable expansion in target selection. The reported killing of Ali Larijani represents a qualitative shift in Israeli military doctrine, indicating a move toward degrading Iran’s political-security leadership structure rather than solely targeting military infrastructure. This development significantly increases escalation risk by directly impacting Iran’s strategic command layer.

Iranian retaliation remains persistent but calibrated. Missile, drone and proxy-based operations continue across Iraq and Gulf-linked environments, with Iranian-aligned groups maintaining sustained pressure on U.S. presence without triggering direct large-scale confrontation. The repeated targeting of the U.S. Embassy in Baghdad highlights both capability and intent,

reinforcing a pattern of controlled escalation designed to impose costs while avoiding immediate strategic escalation.

The conflict is also producing increasingly severe humanitarian consequences. In Lebanon, ongoing Israel–Hezbollah operations have displaced more than 1 million people, while broader regional projections indicate that up to 45 million individuals could face acute food insecurity if the conflict continues. These figures reflect not only battlefield impacts but also disruption to supply chains, infrastructure and governance systems, indicating that the war is evolving into a systemic crisis affecting civilian stability across multiple states.

Energy and Maritime Risk

The Strait of Hormuz remains the central strategic chokepoint shaping the trajectory of the conflict. Maritime disruption continues to constrain tanker flows, increase insurance premiums and introduce inefficiencies into global energy trade. While flows have not fully collapsed, the system is operating under sustained stress, with selective transit permissions, rerouting and delays becoming increasingly common.

Global Energy Indicators:

Indicator	**Level**
Share of global oil via Hormuz	~20%
Estimated flow	~20 million bpd
Asian dependence	~80%
Brent crude	~$100–105
Oil increase since war start	~40%
U.S. gasoline price	~$3.68/gallon
Gasoline increase	+23.5%

Energy markets remain elevated but relatively stable, indicating that geopolitical risk is now structurally embedded. However, second-order effects are accelerating. Fuel shortages are beginning to appear in key importing regions, particularly in Asia, while LPG consumption declines and supply chain disruptions point to real economic impact beyond pricing dynamics. Central banks are increasingly forced to reprice inflation expectations, suggesting that the conflict is transitioning into a broader macroeconomic shock.

Maritime Security and Coalition Dynamics

Efforts to establish a multinational naval framework to secure shipping lanes in the Strait of Hormuz continue to face significant resistance, revealing deep geopolitical fragmentation. The United States is actively pushing for burden-sharing, but allied responses indicate strong reluctance to engage in direct military involvement.

Japanese Prime Minister Sanae Takaichi stated that *"we have not made any decisions whatsoever about dispatching escort ships,"* highlighting legal and constitutional constraints. Australia has explicitly declined participation, while Germany rejected involvement with the statement that *"this is not our war."* The United Kingdom has supported reopening maritime routes but emphasized that any operation would not be a NATO mission. Across Europe,

engagement remains limited to diplomatic and monitoring roles rather than active military participation.

Hormuz Security Alignment:

Actor	Position
United States	Leading escort initiative
United Kingdom	Supportive, non-NATO framework
Germany	Rejects participation
Japan	Undecided, legal review
Australia	Declined
South Korea	Under review
EU	Limited engagement
Italy / Greece	Declined
China	No commitment

This fragmentation significantly reduces the likelihood of a coordinated maritime security mechanism in the near term. As a result, risk remains decentralized, with markets and private actors effectively absorbing the security burden, reinforcing volatility and uncertainty in global energy flows.

Energy Infrastructure Risk

Energy infrastructure remains the most critical escalation trigger and the key variable that could transform the conflict into a full-scale global energy crisis. The earlier U.S. strikes on Kharg Island — which handles approximately 90% of Iran's oil exports — continue to define escalation thresholds. Although oil facilities were not directly targeted, U.S. messaging has made clear that such restraint is conditional.

President Trump stated that military targets were *"totally obliterated,"* while signaling that oil infrastructure could become a target if maritime disruption persists. Iran has responded by warning that any attack on its energy sector would trigger retaliatory strikes on regional energy infrastructure, including Gulf production and export facilities.

Key Energy Assets at Risk:

Asset	Country	Importance
Kharg Island	Iran	~90% export hub
Ras Tanura	Saudi Arabia	Major refining hub
UAE terminals	UAE	Export infrastructure
Qatar LNG	Qatar	Global LNG supply

Any direct targeting of these assets would likely remove several million barrels per day from global supply, potentially triggering a sharp price spike and accelerating inflationary pressures globally. This creates a high-risk escalation pathway toward an "energy war" scenario.

Diplomatic Landscape

Diplomatic efforts remain fragmented and largely ineffective. The United States continues to pressure allies to participate in maritime security operations, while European and Asian actors remain cautious due to domestic constraints, legal limitations and escalation concerns.

At the same time, Iran has rejected de-escalation proposals and signaled readiness for a prolonged conflict. The absence of credible negotiation channels, combined with increasing military activity, suggests that diplomatic pathways are currently secondary to operational dynamics. This reinforces the likelihood of continued escalation driven by unilateral actions rather than coordinated international frameworks.

Conflict Assessment

The conflict has evolved into a multidimensional systemic crisis defined by three structural dynamics. First, Israeli operations have expanded into leadership targeting, increasing escalation risk at the strategic level. Second, Iran continues to apply asymmetric pressure across maritime and proxy domains, maintaining distributed escalation capability. Third, the international response remains fragmented, particularly in relation to energy security and maritime protection.

The strategic center of gravity has shifted from battlefield outcomes to control over energy flows, maritime access and economic leverage. As a result, the conflict is increasingly shaping global markets, trade routes and inflation dynamics rather than purely military balances. This transition significantly increases the probability of prolonged instability with global economic consequences.

Forward Look for 7 Days

- Monitor whether escalation expands to direct energy infrastructure targeting
- Track intensity of maritime disruption in the Strait of Hormuz
- Watch for continued Israeli targeting of high-value Iranian leadership figures
- Assess likelihood of Iranian retaliation against Gulf energy assets
- Evaluate formation or failure of a multinational maritime security framework
- Monitor oil prices approaching $110+ as indicator of supply disruption
- Track humanitarian deterioration as a signal of deepening systemic crisis