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Executive Assessment

The Iran war has entered a decisive and structurally transformative phase, evolving from a regional military confrontation into a full-spectrum energy conflict with global economic implications. Recent developments confirm that energy infrastructure is no longer a secondary risk but a primary battlespace. Iranian strikes on Qatar's gas facilities, combined with Israeli and U.S. attacks on Iranian energy and missile infrastructure, mark a clear transition into reciprocal energy targeting that significantly elevates systemic risk.

The most consequential development is the damage to Qatar's LNG infrastructure, with approximately 17% of production capacity affected and repair timelines estimated at three to five years. This represents a structural disruption to global gas markets, particularly given Qatar's central role in LNG supply to Asia and Europe. Unlike oil markets, LNG systems lack rapid substitution capacity, meaning that disruptions of this scale introduce prolonged supply constraints.

At the same time, escalation signaling from the United States has intensified. President Trump stated that military targets were "totally obliterated" and warned that escalation could extend to energy infrastructure, explicitly threatening to "blow up" Iran's South Pars gas field if attacks continue. This is a critical escalation threshold, as South Pars is the largest gas field globally and a core component of international gas supply.

Iran has responded with explicit deterrence signaling, warning that Gulf energy infrastructure will be targeted "in coming hours" and emphasizing that retaliation will occur "to the same extent" as incoming attacks. This establishes a clear escalation doctrine centered on reciprocal economic disruption.

Security and War Developments

The operational environment has intensified across multiple domains, with a clear shift toward strategic targeting. Israeli operations have expanded into a sustained leadership decapitation campaign, eliminating senior Iranian figures including the intelligence minister and previously Ali Larijani. This reflects a deliberate strategy aimed at degrading Iran's command structure and decision-making capacity. Historically, such targeting patterns increase escalation volatility, as they challenge regime stability rather than merely military capability.

Iran's response has evolved accordingly. Rather than relying solely on proxy warfare, Tehran is increasingly engaging in direct strategic signaling through attacks on energy infrastructure and maritime-linked assets. Strikes on Qatar's gas facilities and threats against Saudi and UAE infrastructure indicate a willingness to expand escalation into economically critical domains.

Saudi officials have stated that “the little trust that remained in Iran has been completely shattered,” reflecting a broader regional perception that the conflict has moved beyond controlled confrontation.

U.S. military involvement continues to deepen. The use of 5,000-pound bunker-buster bombs against Iranian missile infrastructure near the Strait of Hormuz indicates a targeted effort to degrade Iran’s anti-access capabilities and preserve maritime flow. These operations align with broader U.S. objectives of maintaining freedom of navigation while limiting Iran’s leverage over chokepoints.

At the same time, Iran continues calibrated asymmetric pressure. Repeated targeting of the U.S. Embassy in Baghdad demonstrates sustained operational reach while avoiding immediate full-scale escalation. This dual-track approach—combining indirect pressure with direct strategic signaling—reflects an adaptive escalation strategy.

Humanitarian conditions are deteriorating in parallel. Displacement in Lebanon has exceeded 1 million people, while broader projections indicate that up to 45 million individuals could face acute food insecurity if the conflict persists. These developments highlight the widening systemic impact of the war.

Energy War and Systemic Risk

Energy infrastructure is now the central axis of the conflict. The combination of Iranian strikes on LNG facilities, Israeli operations targeting Iranian gas assets, and U.S. attacks on export-linked infrastructure has created a mutually reinforcing escalation cycle centered on energy systems.

Indicator	Level
Share of global oil via Hormuz	~20%
Flow through Hormuz	~20 million bpd
Asian dependence	~80%
Brent crude	~$107–108
WTI crude	~$98
Oil increase since war start	~40%
U.S. gasoline price	~$3.68/gallon
Gasoline increase	+23.5%
Qatar LNG disruption	~17% capacity

Global energy flows remain heavily exposed. Approximately 20% of global oil supply—around 20 million barrels per day—passes through the Strait of Hormuz, with Asia accounting for roughly 80% of dependency. Oil prices have surged accordingly, with Brent stabilizing around $107–108 per barrel and WTI near $98, representing an increase of approximately 40% since the start of the conflict.

The oil price chart indicates a sharp inflection following late-February escalation events, with prices rapidly breaching the $100 threshold and remaining elevated. This reflects structural risk pricing rather than short-term volatility. Markets are no longer reacting to isolated incidents but are incorporating sustained disruption scenarios into pricing.

The LNG dimension introduces an additional layer of rigidity. Damage to Qatar's infrastructure represents a long-duration supply shock, with limited short-term alternatives. This is already producing second-order effects, including declining LPG consumption in Asia, rising shipping and insurance costs, and increasing inflationary pressure on central banks.

Policy responses are beginning to emerge. The United States is preparing contingency measures, including a potential Jones Act waiver, to stabilize domestic energy logistics. These actions underscore the scale of disruption and the growing intersection between geopolitical risk and domestic economic management.

Maritime Disruption and Hormuz Dynamics

The Strait of Hormuz has become the central strategic chokepoint, with its stability directly tied to global energy security. While flows have not ceased entirely, the operating environment has deteriorated significantly. Tanker traffic is increasingly subject to delays, rerouting and risk-based restrictions, reflecting a shift from stable transit to contested access.

Iran has demonstrated its ability to exert pressure through a combination of military capability and strategic signaling. This includes attacks on vessels, threats to infrastructure, and implicit control over access conditions. These actions do not constitute a full closure but create a persistent state of disruption sufficient to influence global markets.

Efforts to establish a coordinated maritime security framework have failed to materialize. The United States continues to advocate for multinational naval escorts, but allied participation remains limited. European governments have signalled reluctance to engage militarily, and several countries have declined involvement altogether. This reflects broader concerns about escalation risk and the absence of a clear strategic end-state.

The result is a structural imbalance between the importance of the Strait and the willingness to secure it. In practical terms, maritime security is increasingly dependent on fragmented and unilateral measures rather than coordinated international action. This increases vulnerability and reinforces market instability.

Global Market Transmission

Global markets are now fully absorbing the effects of the conflict, with clear evidence of systemic economic transmission. Energy markets remain the primary channel, but financial markets are increasingly reflecting broader second-order impacts.

Oil prices have surged and stabilized above $100, with Brent approaching $108 and WTI near $98. This indicates that markets are pricing sustained disruption rather than temporary volatility. The speed and scale of the increase highlight heightened sensitivity to geopolitical developments.

Market Indicator	Level / Change
Brent Crude Oil	~$107–108
WTI Crude Oil	~$98
Americas Equity Markets	-2.7%
Global Equity Markets	-4.5%
Europe Equity Markets	-7.8%
Asia Equity Markets	-8.2%

At the same time, global equity markets have declined across all major regions. Losses are most pronounced in Europe and Asia, reflecting higher exposure to energy imports and supply chain disruption. The divergence between rising energy prices and falling equity markets is consistent with a stagflationary dynamic, where supply shocks drive inflation while weakening growth expectations.

Additional indicators reinforce this trend. Rising transport costs, declining fuel demand in some regions, and increasing central bank pressure suggest that the impact is spreading across multiple layers of the global economy. Production adjustments in Gulf countries, including significant output reductions, are further tightening supply conditions.

Taken together, these developments indicate that the conflict has transitioned from a geopolitical shock into a macroeconomic driver with global reach.

Diplomatic Landscape

The diplomatic environment remains fragmented and largely ineffective in constraining escalation. The United States continues to push for broader international involvement, particularly in securing maritime routes, but allied responses indicate a clear reluctance to engage militarily.

European actors are prioritizing diplomatic solutions while avoiding commitments that would expose them to direct confrontation. This cautious approach reflects domestic political constraints, economic vulnerability to energy shocks, and concerns about escalation. Asian stakeholders are similarly cautious, balancing energy security needs against the risks of deeper involvement.

Iran has rejected de-escalation proposals and signalled readiness for a prolonged conflict. Official messaging emphasizes reciprocity and endurance, suggesting that Tehran views the conflict as a long-term strategic contest rather than a short-term crisis.

This combination of U.S. pressure, allied reluctance and Iranian resistance results in a misaligned diplomatic landscape. Under these conditions, the emergence of a unified international response remains unlikely in the near term.

Conflict Assessment

The conflict has evolved into a systemic crisis defined by the interaction of military escalation, energy disruption and economic transmission. Three structural dynamics are now clearly shaping its trajectory: the expansion of Israeli targeting into leadership decapitation, Iran's increasing reliance on energy infrastructure attacks as a strategic tool, and the failure of the international system to produce a coordinated response.

The centre of gravity has shifted decisively toward control over energy systems and economic leverage. Military actions are now significant not only for their tactical impact but for their ability to influence global markets and supply chains. This transformation increases both the duration and the global impact of the conflict.

As escalation continues across multiple domains, the risk of further expansion remains high. The integration of energy infrastructure into active targeting cycles represents a critical threshold, beyond which the conflict's consequences become increasingly difficult to contain.

Forward Look for 7 Days

- Monitor escalation toward direct targeting of South Pars gas field
- Track additional Iranian strikes on Gulf LNG and oil infrastructure
- Assess continuation of Israeli leadership targeting operations
- Monitor maritime conditions and tanker traffic in the Strait of Hormuz
- Watch oil prices for movement toward $110–120 range
- Track LNG supply stress in Asia and Europe
- Monitor financial markets for deepening stagflation dynamics