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Conflict and energy consultancy

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Executive Assessment

The conflict has entered a threshold escalation phase centered on energy systems and infrastructure coercion, with both sides now explicitly linking military operations to control over global energy flows. The United States has issued a direct 48-hour ultimatum tied to the reopening of the Strait of Hormuz, threatening to strike Iran's power generation network. Iran has responded by signaling that any such action would trigger broad retaliatory targeting of regional infrastructure, including energy and potentially civilian-adjacent systems.

This interaction marks a clear transition from conventional escalation to systemic infrastructure warfare, where the objective is not only battlefield advantage but the disruption of state functionality and global economic stability. The war is now operating across three integrated domains: missile warfare, energy disruption, and financial transmission.

At the same time, military dynamics show a growing divergence between perceived defensive control and actual vulnerability. While Israeli air defenses continue to intercept the majority of incoming threats, repeated successful penetrations in sensitive areas—including near nuclear-related sites—demonstrate that saturation pressure is producing cumulative effects. Iran's attempted long-range strike toward Diego Garcia further confirms that the conflict is expanding beyond its original geographic boundaries into a broader deterrence framework.

The result is a system that is increasingly self-reinforcing and difficult to stabilize, where each escalation in one domain amplifies risk across all others.

Security and War Developments

Militarily, the conflict continues to expand across both geography and target sets. Iranian missile operations remain sustained and adaptive. More than 400 ballistic missiles have been launched toward Israel since the beginning of the war, with an interception rate of approximately 92%. However, this aggregate figure obscures the operational reality: successful penetrations are increasing in strategic significance, particularly when they occur near critical infrastructure.

Recent strikes on Dimona and Arad illustrate this dynamic clearly. Multiple missiles have bypassed interception layers and impacted urban and sensitive zones, causing structural damage and mass-casualty incidents. The targeting pattern suggests a deliberate Iranian strategy focused on psychological pressure, infrastructure proximity, and cumulative disruption, rather than

purely tactical military objectives. At the same time, Iran is expanding its operational reach. The attempted strike on the Diego Garcia base marks a significant escalation in range and signaling. Even though the strike did not achieve operational success, it demonstrates a willingness to project force beyond the immediate regional theatre, altering deterrence calculations and increasing uncertainty for U.S. force posture planning. The regional battlespace is now fully multi-theatre:

- Israeli air operations continue across Iran, including Tehran, Natanz, and Isfahan
- Hezbollah remains active along the Lebanon front, sustaining pressure through missile attacks and drawing Israeli retaliation
- Gulf states, particularly Saudi Arabia and the UAE, continue to intercept missiles and drones, indicating persistent spillover risk
- Maritime incidents near the UAE coast highlight the extension of the conflict into commercial shipping lanes

Overall, the war is no longer geographically bounded. It has evolved into a distributed operational system spanning the Levant, the Gulf, and extended maritime space.

Indicator	**Value**
Iranian ballistic missiles launched	400+
Interception rate	~92%
Key impact zones	Dimona, Arad
Long-range capability	Diego Garcia vector

Energy and Maritime Risk

The core structural reality of the conflict is that it has become an energy systems war. The Gulf export network, LNG infrastructure, and the Strait of Hormuz are now directly embedded in military decision-making. The United States' focus on Iranian power plants reflects this shift: targeting electricity generation—particularly gas-based capacity—would produce cascading effects across industrial output, military logistics, and civilian systems.

Iran's electricity sector is heavily dependent on natural gas, accounting for roughly 80% of generation. Major facilities such as Damavand, Shahid Salimi, and Shahid Rajai represent high-value nodes within a centralized grid. Strikes on these facilities would not result in localized disruption but system-wide degradation, with recovery timelines likely measured in months under wartime conditions.

At the same time, the conflict is already producing measurable infrastructure damage beyond Iran. Qatar's LNG system remains partially offline, with approximately 17% of export capacity—around 12.8 mtpa—disabled and repair timelines estimated at 3–5 years. This is a

critical indicator because it demonstrates that the energy disruption is not speculative; it is structural and long-duration.

Metric	Value
Brent crude	~$112/bbl (intraday up to ~$119)
WTI crude	~$98/bbl
Daily oil move	+2–3% range
Qatar LNG offline	~17% (12.8 mtpa)
Repair timeline	3–5 years

The Strait of Hormuz remains the central operational variable. Rather than a binary open-or-closed state, the Strait is now functioning as a controlled corridor. Iran is selectively allowing passage, verifying vessels, and shaping transit conditions. Reports indicate that this control may include monetization mechanisms, effectively turning access into a geopolitical and economic lever. This model fundamentally alters the risk profile. The issue is no longer whether flows continue, but under what conditions and at what cost. As a result, the Strait has shifted from a chokepoint to a managed system of coercive control, increasing uncertainty for both markets and operators.

Energy demand exposure remains uneven but critical. Asia consumes more than 80% of oil and gas transiting Hormuz, while several countries—including Pakistan and Bangladesh—maintain only one to two weeks of LNG reserves. Taiwan, which sources roughly one-third of its LNG from Qatar, has similarly limited buffer capacity. These data points highlight that the crisis is not limited to pricing; it carries real risk of supply stress and industrial disruption.

Diplomatic Landscape

Diplomacy remains fragmented and strategically inconsistent. The United States continues to signal both escalation and de-escalation, suggesting that operations may be “winding down” while simultaneously expanding military deployments and maintaining strike tempo. This dual messaging reflects internal political pressures as well as uncertainty regarding strategic end-state objectives.

Iran’s diplomatic posture remains uncompromising. Tehran continues to reject U.S. assurances and is expanding its deterrence language to include threats against a broader range of targets, including civilian-adjacent spaces. This indicates a potential shift toward expanded asymmetric pressure beyond the immediate battlefield, particularly if direct military balance cannot be altered.

Allied coordination remains limited. While multiple countries have expressed support for securing Hormuz, there is no fully operational multinational framework capable of guaranteeing maritime stability under current conditions. At the same time, tensions within Western alliances—particularly regarding burden-sharing—continue to complicate coordination.

European assessments are increasingly pessimistic, with growing recognition that there is no clear short-term pathway to de-escalation. This aligns with the broader structural reality: none of the primary actors appear willing to concede core objectives.

Humanitarian and Civilian Impact

Civilian conditions continue to deteriorate across the region. Casualty figures have reached into the thousands, with over 1,500 deaths reported in Iran and more than 1,000 in Lebanon since the escalation intensified. Infrastructure damage, displacement pressures, and economic disruption are increasingly shaping the civilian environment.

Inside Iran, a prolonged internet shutdown—now extending beyond three weeks—is compounding wartime stress and limiting information flow. Reports of arrests related to information dissemination indicate tightening internal control mechanisms. Population movement toward border areas suggests early displacement dynamics.

The humanitarian dimension is no longer secondary to military operations. It is becoming an integrated component of the conflict's coercive logic, influencing both domestic stability and international perception.

Global Market Transmission

The conflict is now producing a broad macro-financial shock. Capital flows indicate a clear shift toward defensive positioning, with significant outflows from equities and strong inflows into money market instruments.

Asset Class	**Weekly Flow**
Global equities	-$20.3B
U.S. equities	-$24.78B
Europe equities	-$2.13B
Asia equities	+$5.45B
Money markets	+$32.57B

This pattern reflects a transition from risk allocation to capital preservation behavior. At the same time, equity market declines and rising yields indicate that investors are repricing both inflation risk and growth expectations.

Energy costs are beginning to feed into the real economy. U.S. gasoline prices are approaching multi-year highs, and transport and logistics costs are rising. Airlines and other energy-intensive sectors are adjusting assumptions toward significantly higher oil prices, with some planning scenarios extending to $175 per barrel. This indicates that the market is no longer treating the energy spike as temporary, but as a structural condition.

Key market indicators:

Indicator	**Latest Signal**
Brent close	~$112/bbl
Brent intraday high	~$119/bbl
Iranian oil (temporary waiver)	~140 million barrels
Qatar LNG offline	17%
LNG repair timeline	3–5 years

Conflict Assessment

The conflict is now operating as a fully integrated system composed of three mutually reinforcing layers: military attrition, energy coercion, and financial transmission. Each layer amplifies the others. Military escalation increases infrastructure vulnerability; infrastructure disruption drives energy market instability; and market instability feeds back into political decision-making and escalation incentives.

This system creates a persistent feedback loop that increases both duration and complexity. The central question is no longer whether escalation will occur, but whether the system can continue functioning in a degraded state without tipping into broader breakdown.

The center of gravity is no longer territorial control. It is the energy-maritime system, where disruption has immediate global consequences. At present, this system remains functional—but only under significant strain and with increasing reliance on improvised policy responses.

Forward Look for 7 Days:

- Monitor potential U.S. strikes on Iranian power infrastructure if Hormuz conditions remain unchanged
- Track whether Iranian missile operations expand further in range or intensity
- Assess whether Israeli strike activity increases as indicated by official signaling
- Watch for further degradation of LNG and energy infrastructure
- Monitor Brent price stability around $110–$120 range, with upside risk if maritime incidents escalate
- Evaluate whether diplomatic signaling translates into operational maritime security measures