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Oil, Power, and Stalemate: The US-Iran Crisis

By

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6 May 2026

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6 May 2026

Executive Summary

- ✦ The US-Iran conflict has escalated from a shadow war into direct military confrontation.
- ✦ The conflict culminated in a large-scale US-Israel campaign in February 2026 and Iran’s retaliatory control over the Strait of Hormuz, driving regional instability and global disruption.
- ✦ The Strait of Hormuz has become the central flashpoint of the US-Iran conflict, with a “dual blockade” emerging as both sides restrict shipping, transforming the war into a sustained naval and economic confrontation.
- ✦ The conflict has triggered major global economic consequences, including surging oil prices, supply chain disruptions, and rising inflation, increasing the risk of a wider economic downturn, particularly for energy-dependent economies.
- ✦ Iran has achieved strategic resilience despite military setbacks, maintaining regime stability, continuing limited attacks, and turning the conflict into a prolonged stalemate rather than a quick defeat.
- ✦ Through asymmetric tactics, especially control of the Strait of Hormuz, Iran has gained leverage, disrupting global energy flows, increasing economic pressure on opponents, and strengthening its bargaining position in an ongoing prolonged standoff.

Key Picture: Brent Crude Oil Price Volatility & 2026 Surge



Source: [TradingEconomics](https://tradingeconomics.com)

1.1. Escalation and Expansion of the Conflict

The background

Since 2023, the US-Iran conflict has evolved from a shadow war into a series of unprecedented direct military confrontations. The friction escalated sharply in April 2024 when Iran launched its first direct missile barrage at Israel¹, a key US ally. This marked a shift in the US-Iran conflict to a direct military confrontation. Following an Israeli strike on an Iranian diplomatic building in Syria, Iran launched an unprecedented barrage of over 300 drones and missiles toward Israel. The US responded with a massive defensive operation, using fighter jets and destroyers to intercept the majority of the incoming threats before they reached Israeli territory.²

The conflict escalated further in June 2025 when the so-called “twelve-day war” saw the US conduct direct airstrikes on Iranian nuclear sites for the first time. The war began when Israel launched a large-scale attack on Iran’s nuclear and military infrastructure, framing it as a pre-emptive move against what it saw as an imminent nuclear threat and growing regional influence from Iran.³ During those twelve days, the conflict was relatively contained: US and Israeli forces mainly targeted Iran’s nuclear and military facilities, while Iran responded with limited retaliation, including a largely symbolic strike on a base in Qatar that hosts US assets. The violence caused significant casualties on both sides, but it ended in a fragile, US-brokered truce after about two weeks.⁴

The situation reached its peak on February 28, 2026, when the US and Israel launched a massive, coordinated air campaign aimed at permanent nuclear disarmament and regime change. In retaliation, Iran conducted drone and missile strikes against US military bases in Qatar, Bahrain, and the UAE⁵, and effectively seized control of the Strait of Hormuz⁶, triggering a global energy crisis and the current diplomatic deadlock.⁷ By April, the confrontation had intensified into a “dual blockade,” with Iran seizing or threatening vessels while the US deployed naval forces to secure shipping routes, turning it into a dangerous arena of direct confrontation.⁸

1.1. Escalation in the Strait of Hormuz

In April 2026, the Strait of Hormuz became the most dangerous flashpoint of the Iran–US conflict, with rapid escalation at sea transforming it into an active war zone. Iran tightened its control over the waterway, declaring it effectively closed in response to a US naval blockade and warning that any vessel attempting to pass could be targeted, marking a sharp escalation in maritime tensions.⁹ This was followed by direct confrontations, including Iran firing on ships and seizing commercial vessels, actions that further intensified the standoff and demonstrated Iran’s willingness to enforce control by force.¹⁰

At the same time, the US escalated its own response by enforcing a counter-blockade and seizing vessels linked to Iran, creating a “dual blockade” that left the strait heavily militarised and unstable.¹¹ The emergence of a dual blockade has fundamentally transformed the nature of the conflict from air and missile strikes into direct economic and naval warfare.¹² These developments not only disrupted global shipping but also entrenched a direct naval confrontation between the two sides, significantly raising the risk of further escalation.¹³

1.2. Global Energy and Economic Impact

The escalation in the Strait of Hormuz during April 2026 has had immediate and far-reaching consequences for global energy markets, triggering sharp oil price increases and widespread instability. As Iran restricted shipping through the strait, which is one of the world’s most critical chokepoints, Brent crude prices surged past \$100 a barrel, reflecting fears of a major supply disruption.¹⁴

The uncertainty surrounding tanker movements and the risk of further escalation created volatile market conditions, with traders reacting to the possibility that a significant portion of global oil exports could be cut off.¹⁵ This instability has not only affected energy markets but has also driven up transportation and production costs worldwide, feeding into inflationary pressures.¹⁶

Beyond immediate price shocks, the disruption in the Strait of Hormuz has severely affected global supply chains and exposed the vulnerability of countries heavily dependent on Gulf energy exports.¹⁷ With shipping routes threatened or blocked, delays and rerouting have increased costs and slowed the movement of goods¹⁸, particularly for energy-importing nations. This has contributed to rising fuel prices, higher costs for essential goods, and growing economic uncertainty.¹⁹ As such, governments face pressure to manage both inflation and energy security. Analysts warn that if the disruption continues, the cumulative effect could trigger a broader global economic crisis.²⁰

1.3. Stalemate

Five weeks into the conflict, the situation has settled into a clear stalemate, with neither the US nor Iran achieving decisive success despite continued military and economic pressure. Although a temporary ceasefire was agreed, repeated diplomatic efforts have failed to produce any lasting agreement, with reports highlighting no headway as both sides refuse to compromise on core issues such as Iran's nuclear programme.²¹

On 27 April, Iran put forward a proposal to ease its control over the Strait of Hormuz, but without making concessions on its nuclear programme. The plan also calls for the US to lift its blockade on Iran. At the same time, Iran's foreign minister has been consulting with Russia as part of broader discussions around the conflict with the US and Israel. However, the proposal is unlikely to gain US support, as Trump is seeking a more comprehensive agreement that includes ending Iran's nuclear activities in exchange for reopening the strait and securing a lasting ceasefire.²²

1.4. Tensions With Europe

Tensions between the US and its European allies have become increasingly visible five weeks into the conflict, exposing growing strains within the Western alliance. European leaders have expressed frustration at what they see as a lack of consultation from the US, with key decisions taken unilaterally, leaving allies sidelined.²³ Additionally, the Iran war has pushed the eurozone economy into a renewed slowdown. Business activity has declined sharply, driven mainly by a collapse in the services sector, while inflation accelerated as input costs rose to their highest level in over three years. Although manufacturing output increased, this largely reflected companies stockpiling supplies in anticipation of shortages rather than genuine growth in demand. At the same time, supply chain disruptions linked to the conflict have caused delays and rising costs, weakening business confidence across major economies.²⁴

2. Is Iran "Winning?"

Five weeks into the conflict, there is growing evidence that Iran has achieved a form of strategic success despite limited military dominance, particularly by maintaining regime stability and avoiding collapse after sustained US and Israeli strikes. While its conventional capabilities have been degraded, Iran has continued to function politically and militarily, frustrating expectations of a quick victory and contributing to what analysts describe as a prolonged stalemate. At the same time, Iran has retained enough military capacity to continue launching missile and drone strikes, allowing it to impose ongoing costs on its opponents and maintain visibility in the conflict. This has enabled Iran to shift the dynamic away from a quick defeat and instead prolong the war, frustrating US and Israeli expectations of a rapid resolution.²⁵

Iran has also benefited by successfully leveraging asymmetric tactics, particularly through its control of the Strait of Hormuz and attacks on regional energy infrastructure. By disrupting shipping and threatening global energy supplies, it has created economic and political pressure on the US and its allies. This strategy has discouraged other countries from joining the conflict and has increased international pressure on the US to de-escalate. As a result, Iran has gained a degree of strategic initiative, shaping the broader conflict despite its weaker conventional position. While it remains under significant strain and continues to suffer losses, its ability to

endure, maintain internal control, and influence global markets means it is not clearly losing and may even be improving its bargaining position in the longer term.²⁶

As of now, no formal agreement has been reached, and both countries appear to be preparing for a prolonged standoff. Shipping through the Strait of Hormuz remains severely restricted, with Iran controlling access and targeting vessels while the US enforces a blockade on Iranian shipping, creating an ongoing “dual blockade” at sea. This has intensified economic pressure globally while giving Iran leverage, as its ability to disrupt a major oil route places additional strain on the US, which is also facing domestic pressure to bring the conflict to an end.²⁷

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