

Profound uncertainty characterizes next moves in the Iran war as business impacts metastasize across industries. After the failure of initial negotiations in Pakistan, the US shifted to an economic coercion strategy, blockading Iranian trade or toll-paying ships from transiting the Strait of Hormuz.

This strategy may take weeks to play out before lack of storage forces Iran to curtail oil production, its main source of export revenue. Both Iran and the US/Israel believe they have the upper hand, while appearing (as of this writing) inclined to engage in further negotiations, which are unlikely to succeed in the short term. The current military standoff risks an incident triggering renewed fighting, which could potentially expand to impact transit through the Suez Canal or US-China relations. Many countries are taking extraordinary steps to mitigate domestic energy price increases or shortages, while others are stepping up efforts to mediate or plan ways to stabilize shipping through the strait after a more durable ceasefire or negotiated agreement.

Squire Patton Boggs developed the scenarios below, which are followed by a sectoral analysis updated from last week's publication. We partnered with [VICO](#), an AI model that forecasts political, geopolitical and economic events, to assign percentage probabilities to each scenario.

- **Status quo for the next two weeks: 38%** – The Strait of Hormuz remains essentially closed by Iranian threats and the US blockade on Iranian shipping. Negotiations may resume but without a deal that reopens the strait. The ceasefire is shaky, but there is no significant additional damage to energy and other Gulf infrastructure. Shipping insurers will not offer affordable rates until a clear US-Iran agreement reestablishes safe shipping conditions.
- **War resumes within two weeks: 55%** – Iran attacks Gulf energy and civilian targets within two weeks, removing more oil and gas supply from global markets for months or years required for repairs.
  - The authors believe this probability is overstated and should be 35%.
- **Red Sea closes within two weeks: 50%** – War escalates to include Houthis or Iranians attacking shipping in the Red Sea, effectively closing the Suez Canal, as threatened by Iran. This would also impede Saudi Arabia's pipeline exports of 7 million barrels per day (bpd).
  - The authors believe, despite Iranian threats, this probability is also a little high and should be 40%.
- **Strait reopens within two weeks: 7%** – The US and Iran agree to reopen the Strait of Hormuz with a level of certainty that reassures insurers, while other issues (Iran's nuclear, proxy and missile capabilities, as well as sanctions relief) are addressed in longer-term negotiations.

- **US-China confrontation over Iran within two weeks: 35%** – President Trump and President Xi appear committed to stability in the relationship ahead of their planned summit on May 14-15. However, a sharp downturn in US-China relations could be triggered by US blocking Iranian oil bound for China, confirmation of reporting that China has assisted Iran's military with air defense or satellite-based targeting, or secondary sanctions enforcement against financial institutions that continue to support Iran's activities, per a warning on April 14 by the US Department of the Treasury. Such sanctions could affect companies using impacted Chinese financial institutions.

## Sector Analysis

The IMF characterized disruptions to supply chains from the Iran war as a "shock that is large, global, and asymmetrical" and lowered its global growth forecast for 2026 to 3.1%, from 3.3% in January. Impacts continue to ripple through multiple industries.

## Shipping and Logistics

Emergency rerouting of shipping has become the new operating reality. Shipment diversions, which were below 2,000 per week pre-conflict, have now jumped to 9,000 per week in early March, with a peak of 9,655 in late March.

Despite the two-week ceasefire, many shippers and other industry stakeholders say that they are not ready to risk crew safety, or the investments of their vessels and cargo in current conditions in the strait. Insurance premiums are very high, reflecting not just hull and cargo value, but also the possibility of ecological disaster in the Gulf. Most owners and insurers will remain risk averse until there is a fully documented agreement between the US and Iran that removes the risk to shipping. The US blockade against Iranian ports has likely worsened conditions for shipping by increasing legal ambiguity and uncertainty for insurers.

## Oil and Energy

The US blockade of Iranian oil exports took an additional 1.7 million bpd off international markets, mostly bound for China. Saudi Arabia announced on April 12 it restored 700,000 bpd cut by wartime damage to its East-West pipeline, which is now operating at full export capacity of 7 million bpd. Assessments emerged of significant damage to energy infrastructure in the region, including pipelines, refineries and export terminals. Some of the world's largest oil refineries, essential for turning the region's crude into fuels, have suffered numerous hits, with an estimated 2.4 million bpd of capacity offline.

- Saudi Arabia confirmed a series of attacks on four refining facilities reduced oil production capacity by 600,000 bpd, 5% of the country's total 12 million bpd capacity.
- Qatar lost nearly one-fifth of its output, expected to take years to restore.

- Strikes on the UAE's Ruwais refinery, Habshan gas processing plant, the largest in the UAE, and two gas fields, led to production suspensions. The port of Fujairah remained open, but strikes on storage facilities halted operations multiple times.
- Closure of the strait and attacks on infrastructure have forced Iraq to reduce more than three-quarters of its oil production, shutting down the Rumaila oilfield.
- Multiple strikes on two major Kuwaiti oil refineries, Mina Al Ahmadi and Mina Abdullah, caused serious damage, leading to predicted shortages of jet fuel in Asia and Europe.
- Bahrain was forced to declare *force majeure* after Sitra refinery was struck, with repairs expected to take several months.
- Oman experienced fewer attacks than its neighbors, but air strikes disrupted operations at the port of Salalah, causing Maersk to suspend operations.
- Iran sustained strikes on three fuel depots in Tehran and one in Karaj, while attacks on the South Pars gas field forced the removal of several units from production.

US crude exports are projected to hit a record high in April as customers, mainly in Asia, look for replacement supplies. Oil research group Kpler estimates US exports will jump from 3.9 million bpd in March to 5.2 million bpd this month, with demand from Asia rising by 82% to 2.5 million bpd. The export surge reaffirms the growing US role as a global swing supplier.

## Aerospace and Air Travel

This war has caused jet fuel prices to more than double, far outpacing the rise in crude oil costs, and now representing about 27% of aircraft operating expenses. Airlines are responding with aggressive cost-cutting and revenue-generating measures, including suspending share buybacks to preserve cash, hiking airfares, introducing fuel surcharges, trimming less profitable routes and, in some cases, furloughing cabin crew and grounding older, fuel-inefficient aircraft. Some commentators expect industry consolidation, including potential mergers. Some airlines, industry groups and airport authorities are warning of shortages expected within weeks. European airlines are urging the EU to take emergency steps, such as bloc-level kerosene purchasing, scrapping certain aviation taxes and temporarily suspending the carbon market for aviation.

## Plastics and Synthetics

Petrochemical facilities within the region, such as Dow's Sadara joint venture, have suspended operations due to inventory storage filling up with no way to ship it out. The supply disruptions have led to a 50% increase in polyethylene prices in Asia. Producers in North America are ramping up production to fill the void. The US is particularly well positioned to benefit from this shift, with Port Houston reporting a 12% increase in container exports.

These supply chains are slow to react, and experts warn that even an immediate cessation of hostilities would not allow a return to normal for the remainder of the year. The recovery will be hindered by a massive dislocation of shipping containers and a prioritization of fertilizers and oil over petrochemicals when Gulf shipping lanes reopen. Ultimately, these supply chain issues are expected to take quarters rather than months to resolve.

## Agriculture

Fertilizer prices continue to rise as farmers across the globe make spring planting decisions. Chemical inputs for fertilizers have become more scarce and expensive. Urea prices, for example, have jumped from US\$400-US\$450 per metric ton to US\$700. In Europe, fertilizer inputs like nitrates and ammonia have increased around 15%-20% and 12%, respectively. The situation in Africa could become particularly acute.

## Mining and Heavy Industry

Aluminum is currently the metal most affected by the conflict due to its extreme sensitivity to energy availability and logistics. Middle Eastern producers' smelting plants, about 9% of global production, have faced direct Iranian strikes in UAE and Bahrain, forcing shutdowns and declarations of *force majeure* on roughly 3 million tons of annual capacity, with expected restart timelines ranging from six to 12 months. Because the aluminum market had historically low inventories when the war began, these supply losses have triggered sharp price increases and global supply tightness.

The impact on other bulk commodities like iron ore is felt more through cost inflation than supply loss. Iron ore mining is diesel-intensive, meaning sustained oil price increases and rising insurance premiums for shipping have significantly compressed profit margins for producers. Conversely, copper markets have absorbed higher energy costs and tighter availability of sulfur, which is a key input for refining, due to elevated global inventories and continued production growth in China. Secondary effects are also affecting nickel, lead and zinc through the sulfur market. Sulfur, a byproduct of oil and gas refining, is essential for producing the sulfuric acid used in processing several base metals. Notably, the global battery metal supply chain is affected because Indonesia, the world's largest nickel producer, relies on the Middle East for about 75% of its sulfur needs.

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