

The Iran conflict has triggered widespread disruptions across maritime shipping, air cargo, energy markets and supply chains. These developments create significant legal exposure across contracts, compliance, risk management and operational governance. The following issues are the most critical for GCs to address.

1. Contractual Risk, Force Majeure and Supply Chain Disruption Claims

Contract Performance Challenges

With major carriers suspending operations through the Persian Gulf and Strait of Hormuz, and rerouting vessels around Africa, companies face weekslong shipping delays and broken just-in-time supply chains.

GCs must evaluate:

- *Force majeure* applicability in supply, logistics and sales agreements
- Whether disruptions (e.g., blocked straits, war-risk zones, capacity collapse) qualify as an excusable delay
- Notice requirements and timelines to preserve rights under these clauses

Upstream and Downstream Liability

Prolonged disruptions may lead to:

- Supplier inability to deliver critical components (semiconductors, battery materials, polymers)
- OEM failure to meet delivery obligations to dealers or fleet customers
- Increased claims around late delivery penalties, contractual warranties or missed production targets

GCs need to prepare for dispute resolution, renegotiation frameworks and documentation protocols.

2. Insurance Coverage, War-Risk Clauses and Premium Escalation

Cancellation of War-risk Coverage

Insurers are withdrawing or restricting war-risk coverage for vessels transiting the Gulf.

GCs should assess:

- Applicability and adequacy of marine cargo, hull, property, business interruption and political risk insurance
- The impact of carriers imposing war-risk surcharges (e.g., US\$1,500-US\$3,500 per container)
- Exposure if goods transit high-risk zones against insurer recommendations

New Government-backed Insurance Schemes

US authorities are exploring political risk insurance for tankers and cargo transiting the region.

GCs must track eligibility, compliance obligations and coverage exclusions.

3. Sanctions, Export Controls and Trade Compliance

With escalations involving the US, Israel, Iran and regional states, the risk of expanded sanctions is high. Even without new regulations, existing Iran-related sanctions are stringent.

Key legal considerations:

- Ensuring no direct or indirect dealings with sanctioned Iranian entities or ports
- Reviewing supply chain visibility, especially where materials originate in or transit the region
- Monitoring restrictions triggered by dual-chokepoint closures (Hormuz and Suez)
- Assessing risk around technology exports, especially EV batteries, semiconductors and advanced automotive electronics
- Assessing of issues related to the US temporary lifting of sanctions on Russian oil presently at sea, which potentially could put US and EU sanctions on Russian oil in conflict

Failure to comply can lead to civil and criminal penalties, as well as reputational harm.

4. Energy Price Volatility and Regulatory Exposure

Oil prices have spiked sharply, with potential to rise to US\$100-US\$150 per barrel under prolonged disruption.

Legal implications include:

- Obligations under fuel-indexed contracts, including transportation agreements, fleet sales and logistics trucking partnerships
- Reviewing hedging strategies, disclosures and compliance with financial regulatory requirements
- Managing consumer law considerations if higher fuel prices trigger warranty disputes, pricing challenges or financing stress

5. Operational Safety, Duty of Care and Corporate Travel Restrictions

Airspace Closures and Regional Infrastructure Damage

Airspace is closed in major Gulf states (UAE, Qatar, Kuwait, Bahrain, Iraq Israel) and key hubs such as Dubai International Airport have suffered damage.

GCs must ensure:

- Compliance with travel risk protocols, including evacuation and employee tracking.
- Updates to health, safety, and duty-of-care policies for drivers, logistics crews and regional staff
- Oversight of contractor safety obligations in unstable regions

6. Cybersecurity and Critical Infrastructure Risks

Iran and aligned actors are known to engage in cyber retaliation. As highlighted in supply chain risk guidance, companies should expect escalation in cyberthreats targeting logistics, manufacturing operations and connected vehicles.

GC responsibilities:

- Ensuring compliance with cybersecurity regulatory regimes
- Reviewing incident-response plans and cyber insurance adequacy
- Managing obligations related to data breach reporting, especially across multiple jurisdictions

7. Competition, Antitrust and Market Allocation Risks

Shifts in supply availability and transportation capacity may prompt:

- Collaborative arrangements between OEMs or carriers
- Joint procurement or capacity sharing agreements
- Market reprioritization due to shortages

GCs must ensure compliance with competition law, particularly around:

- Information sharing
- Coordinated pricing or capacity allocation
- Market carve outs in crisis conditions

Even in emergencies, antitrust regulators maintain strict scrutiny.

8. Environmental and ESG-related Legal Duties

Higher fuel costs and disrupted supply chains may force OEMs and logistics companies to:

- Adjust fleet emissions strategies
- Reassess sustainability reporting assumptions
- Modify sourcing due to geopolitical risk

GC concerns include:

- Ensuring ESG disclosures remain accurate despite volatile production and emissions profiles
- Validating supply-chain human-rights compliance amid rerouting and new suppliers
- Avoiding greenwashing where EV adoption is influenced by war-driven economics rather than structural change

9. Local Market Legal Exposure in the Middle East

The conflict is depressing Gulf markets and reducing demand.

GCs must manage:

- Dealer network exposure, including franchise law obligations
- Contractual rights in markets where sales collapse or physical facilities are at risk
- Employment law considerations for staff in conflict-affected regions

10. Litigation Risk, Disclosure Duties and Board Governance

Given the operational and financial materiality of the disruptions:

- Public companies must review securities disclosures around supply chain exposure, risk factors and forward-looking statements.
- GCs should brief boards on fiduciary risk, scenario planning and crisis oversight.
- Potential shareholder litigation could arise if companies fail to disclose or mitigate foreseeable risks.

Conclusion

General Counsel in the automotive and transportation industries face a high-stakes legal environment shaped by geopolitical instability, supply chain fragility, sanctions exposure and rapidly evolving operational risks. Addressing the legal issues above will be essential to safeguarding corporate compliance, operational continuity and strategic resilience.

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