



IRAN

STRAIT OF
HORMUZ

A War Iran

**Doesn't Need
to Win**

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Iran's strategy in the Strait of Hormuz is not a surprise to anyone who has studied it. Western military planners, as Professor Michael Clark noted on Sky News this week, have war-gamed this scenario many times. They know what keeping the Strait open properly requires: a destroyer gunline along the Gulf, continuous air cover, minesweeping vessels operating within range of the Iranian coast, and a level of sustained military presence that looks, in practice, remarkably like the ground entanglement nobody in Washington wants to admit is coming. The strategy has been understood for years. The problem was never understanding it. The problem is that every available response pulls America deeper into exactly the conflict Iran wants to fight and the human, financial and reputational costs of that reality are becoming harder to absorb with every passing day.

This piece is not primarily about firepower or battlefield strategy. It is about something less visible but no less consequential the economic architecture underneath this conflict, and specifically the role that the global insurance market is now playing in determining



whether oil moves through the Strait at all. It is a more complicated picture than it first appears. But the bottom line is straightforward: keeping ships moving through the Strait of Hormuz has become extraordinarily expensive, the mechanisms to make it possible are either absent or inadequate, and Iran did not need to fire a single additional missile to make that happen.

The market did the work

Iran does not need to formally close the Strait. It never did. It just needs to make it dangerous enough that the people who insure the ships decide the risk is not worth writing. And that, rather quietly, is exactly what happened.

On 1–2 March, within 72 hours of the conflict beginning, seven of the world's largest marine insurance mutuals including Gard, Skuld, NorthStandard and the London P&I Club issued cancellation notices for war risk coverage across the Persian Gulf and the Strait of Hormuz.

This is not a legal technicality. In practice, an ocean-going commercial vessel cannot sail without adequate insurance. Port authorities will not clear it. Banks will not release cargo financing. Charterers will not send crews

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into uninsured waters. The entire commercial chain from the oil field to the refinery depends on that cover being in place. When it disappears, so do the ships. It does not matter what the president posts on Truth Social.

Harry Vafias, who owns or manages a fleet of roughly 100 ships, told Lloyd's List this week: "For the time being there is no insurance for going through the Strait of Hormuz and nobody is going to do that. The chances of being hit are too high. You would have to be crazy to do it, especially without insurance." That is not an analyst running models in a think tank. That is a man whose livelihood depends on making sure he gets this right.

Washington's response illustrated the scale of the problem rather than solving it. President Trump ordered the US Development Finance Corporation to deploy \$20 billion in reinsurance for Gulf shipping a gesture presented with characteristic confidence. Then came Natasha Kaneva, JP Morgan's head of global commodities strategy, with a flash note that flattened the announcement in a single paragraph. With approximately 329 vessels currently inside the Gulf, each requiring hull, cargo, salvage, pollution and third-party liability coverage, the actual insurance requirement runs to approximately \$352 billion. The DFC's own statutory cap stands at \$205 billion and exceeding even that would require an act of





Congress. The \$20 billion Trump solution covers less than six percent of what is needed. It was not a solution. It was a number that sounded large until someone did the maths. And even that understates the problem. The DFC facility covers hull, machinery and cargo. It does not touch pollution liability the catastrophic environmental risk of a supertanker sinking in the shallow waters of the Gulf, surrounded by the coastlines of some of the world's wealthiest cities. Risk advisors cited by CNBC described this as essentially an uninsurable risk in current conditions, comparable to the gap in terrorism coverage that required the US government to create an entirely new insurance framework after September 11.





No equivalent exists for the Gulf. The ships have not moved.

A plan that isn't one

This is where the logic of the trap becomes most visible. Washington knows what reopening the Strait properly requires. The options are not a mystery they have been studied, scoped and war-gamed. But knowing the options and being willing to pay for them are two different things.

On 10 March, the US Energy Secretary posted on social media that the Navy had successfully escorted an oil tanker through the Strait. The post was deleted within thirty minutes. The White House confirmed it had never happened. At the same Pentagon briefing,

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General Dan Caine, Chairman of the Joint Chiefs of Staff, said that if tasked to escort ships, the military would look at “a range of options” and “figure out how to solve problems as they come.”

That is a striking thing for the most senior military officer in the United States to say publicly about a waterway carrying a fifth of the world's oil. It is not a plan. It is an acknowledgement that the plan does not yet exist and that whatever shape it eventually takes,



it will be built under fire, at a cost in lives, money and credibility that nobody has yet put a number on. The US Navy has refused near-daily requests from the shipping industry for escorts. The risk, the Pentagon says, is too high. Professor Clark put the practical challenge plainly: you cannot do this from remote air power alone. You have to get down low, close to the Iranian coast, and guard the Strait directly. That is precisely the exposure Iran has been waiting to create.

Hope dressed as planning

There is a pattern worth naming here, and it runs through this conflict from the beginning.

The decision to launch Operation Epic Fury appears to have rested, at least in part, on an assumption that Iran would not last, that the strikes would be swift and decisive, that the Strait would not become what it has become. It is the same instinct that produced four different justifications for the war in four days when the original rationale did not hold. It is the same instinct that led an Energy Secretary to post and delete within thirty minutes a claim that a problem had been solved before anyone had been asked to solve it.

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Through my research into the frameworks that govern decisions to go to war, I have come to recognise this pattern. It is not strategy built on hard analysis. It is hope dressed as planning the assumption that the adversary will behave as expected, that the costs will stay manageable, that the situation will resolve before it becomes what everyone who has studied it knows it can become. The Strait of Hormuz, with its frozen insurance market, its anchored tankers, its rising oil prices and its unanswered questions about mines and escorts, is where that hope is meeting its most expensive test yet.

The economics are already real

Oil crossed \$100 a barrel for the first time since the Russia-Ukraine war. US gasoline prices jumped from \$2.80 to \$3.45 a gallon in a single week and are heading

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toward \$4. The benchmark freight rate for supertankers moving oil from the Middle East to China hit an all-time record. The International Energy Agency called an emergency meeting. Iran, meanwhile, continues to move its

own oil. Chinese and Turkish vessels have been granted passage. The Strait is not closed it is selectively open, on Tehran's terms, in a way that keeps Iran's own economy breathing while tightening the pressure on everyone else.



That is not desperation. That is the strategy working exactly as designed.

What it is costing

Every Iranian attack on a vessel forces Washington to respond or lose face. Every American escalation deepens the commitment. Every day the insurance market stays frozen adds to the bill financial, political, human. The Crisis started with Iran having over 450 naval vessels. After almost two weeks of what the US describes as intensive strikes, American Central Command claims 51 sunk. The roughly 400 that remain, the estimated 5,000





naval mines, the drone capability running the length of the northern coastline none of that has gone away.

America walked into this conflict with its eyes open. The trap was not hidden. The war-gaming had been done, the costs had been modelled, the scenarios had been scoped. What was perhaps not fully reckoned with was the weight of those costs once they stopped being theoretical once the gas prices appeared on the forecourt signs, once the Senate briefing rooms emptied in confusion, once the insurance cancellation notices landed on shipowners' desks and the tankers dropped anchor and stayed there.

The question now is not whether Washington understands what it is facing. It has always understood it. The question is how much in lives, in money, in credibility it is prepared to pay before that understanding becomes the basis for a different decision.

History suggests it is the accumulation of those costs, not the logic of the argument, that eventually changes things.
