

Opinion **Middle East war**

Why time is on Iran's side

A global energy crisis is only just beginning. Political turmoil will follow

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Donald Trump claims to be a master of the “art of the deal”. But patient negotiations are not his style. After a weekend of failed peace talks with Iran, the US has decided to escalate again by announcing a blockade.

This latest tactic is likely to backfire. Iran’s effective closure of the Strait of Hormuz has caused global energy prices to surge. But an American blockade is already causing oil and gas prices to go even higher. It also increases the risk that Iran will counter-escalate by striking energy infrastructure in the Gulf.

The Iranians believe that time is on their side in this confrontation and they are probably right. The longer the Strait of Hormuz is closed, the more the economic and political pressure on the US and

its allies will mount. As a result, Iran's negotiating hand is likely to be stronger — if and when peace talks resume.

The loss of some 20 per cent of the world's energy supplies has already been called the “greatest global energy security threat in history” by Fatih Birol, the head of the International Energy Agency. He has [warned](#) that today's crisis could dwarf the combined effects of the oil shocks of the 1970s — which caused several years of inflation, recessions and fuel rationing.

The economic impacts of the current war were cushioned for a while because a lot of oil and gas from the Gulf was already at sea when the US and Israel attacked Iran on February 28. But the effects of the strait's closure — and of Iran's attacks on Gulf energy infrastructure — are now really kicking in.

A rise in the price of petrol at the pump is just the beginning. A shortage of jet fuel will hit air travel, which will damage tourism just ahead of the crucial summer season in Europe. A lack of [helium](#) — much of which is produced in Qatar — could stop the production of semiconductors. Food production will be damaged by fertiliser shortages which will lead to further inflation. The Asian Development Bank has recently forecast that the energy crisis could reduce growth by more than 1 percentage point this year in developing Asia.

Trump clearly hopes that the economic pressure exerted on Iran through the blockade will force the Islamic republic to back down quickly. But the Iranian regime is resourceful, ruthless and fighting for its life. Iran also has a cushion of income generated by its recent oil sales at inflated prices and can generate some revenue through gas exports by pipeline.

If Trump's blockade fails to bend Iran to America's will, the US will then face some very difficult choices. The president has floated the possibility of devastating Iranian infrastructure and sometimes suggests that a military operation to open the strait would be easy.

But the truth is that if these were good or workable options they would have been tried already. Even if the US succeeds in sending some warships through the strait that will not guarantee the safety of commercial shipping. Iran does not have to sink or block every tanker. A few attacks with drones or speedboats would continue to make tanker traffic all but uninsurable.

If the US then decided to escalate further — by carrying through on Trump's [threats](#) to take out Iranian power plants and desalination facilities — the Iranians have threatened to target similar facilities in the Gulf. Without the fresh water generated by desalination plants, life in the UAE and Saudi Arabia would be pretty impossible.

The oil pipeline that crosses Saudi Arabia to the Red Sea — and provides an alternative to exporting via the strait — has been targeted already and could be hit again. The Saudi pumping stations on the coast are also vulnerable. Iran's Houthi allies could seek to block energy exports via the Red Sea, by targeting ships in the Bab al-Mandab strait.

The malign political and strategic effects of this war also extend well beyond the Middle East. Fuel price protests in Ireland almost brought the country to a halt last week, leading the government to call in the army to reopen highways and ports and to announce €505mn worth of fuel subsidies.

Ireland is likely to be just the first country to experience this kind of turmoil. And less solvent governments in Asia and Europe are unlikely to have the fiscal firepower to buy off protesters. Heavily indebted France — which has a record of fuel-price protests — is already braced for trouble ahead of next year's presidential election.

Before the US blockade was announced, many in the oil industry already seemed to be quietly reconciled to paying tolls to Iran for passage through the strait. A charge of \$1 per barrel of oil is often mentioned.

The Trump administration insists that an Iranian tolling system would be unacceptable. The US is right that the implications for freedom of navigation around the world and for the balance of power in the Middle East would be grim. A single nation, Iran, would have a lucrative chokehold over the world's oil and gas supplies, turning it into a more extreme and concentrated version of the Opec cartel of oil producers. It could use those revenues to rebuild its proxy networks and nuclear programme.

Negotiating an end to the war — and the energy crisis it is causing — will require strategic vision, patience and an ability to understand trade-offs and to build alliances. All qualities that Trump lacks. What a mess.

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This article has been changed to amend the projected decline in developing growth in Asia.

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