Tomorrow's Affairs

Analysis of today
Assessment of tomorrow

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In trying to weaponise Hormuz, Tehran is mainly hurting Iran

The dominant media narrative has been that Iran can shut the Strait of Hormuz, paralyse energy trade, and hold global markets hostage. However, the evidence points to a different reality.

Shipping flows through Hormuz have been disrupted, sometimes severely, but they have not fallen to zero, and energy markets are already adapting through rerouting, recovery in Gulf exports, and stronger demand from alternative suppliers such as the United States.

China's U-turn in its energy strategy, demanding more US energy, including LNG, shows how major importers behave under geopolitical stress. Large importers are diversifying away from Iran, and the narrative of absolute Iranian leverage over global energy markets is crumbling.

The seven-day tanker flow through the Strait of Hormuz figures published by BCA Research show a decline in vessel traffic by mid-July, but there is no closure. The data shows 75 vessels transiting the waterway in the seven days since attacks resumed, even under elevated military and commercial risk.

Despite the Iranian narrative, ships are still passing through the Strait of Hormuz, and the main disruptions are hitting Iran's own vessels. According to IMO data, 136 ships have been evacuated along with 2,900 seafarers to date.

Other vessels are using routes closer to Oman's side of the channel under conditions of greater caution and protection. This shows elevated risk and reduced efficiency, not a total shutdown.

How disruption mostly harms Iran

Currently, functioning large bypasses and alternatives to Hormuz include Saudi Arabia's East–West Petroline and the UAE's ADCOP line, plus Iraq's Kirkuk–Ceyhan route. New or revived projects in Iraq and Syria provide strategic options, although these are not yet a full substitute for Hormuz.

Alarmist claims tend to imply that trade has stopped. However, the data suggests otherwise.

Political commentary often overlooks the fact that disruption in Hormuz is not a one-way weapon or a testament to Iranian strength. Iran can try to create uncertainty and raise costs, but it also exposes its trade dependency and mostly harms its own shipping activity and export channels.

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Furthermore, 80% of Iran's exports, 65% of fiscal revenues and 25% of the country's GDP depend on the Strait of Hormuz, and now its customers are abandoning Iran. Thus, Iranian vessels are the ones suffering the brunt of the negative impact of the Hormuz disruption.

Iran hasn't "closed" global energy flows through Hormuz. It has stranded its own barrels. Traffic impact is mostly hurting Iran. Hundreds of ships and tankers are left stuck in and around the strait, with 63 million barrels of Iranian crude sitting on tankers at sea with no buyers and several Iran-loaded ships forced to turn back.

In trying to weaponise Hormuz, Tehran is mainly hurting Iran: its cargoes are circling, idle, or returning home, while the rest of the world, including China, is already rerouting and diversifying away.

Active substitution and market adaptation

The United Arab Emirates restored oil exports to pre-war levels through a mix of bypass infrastructure and less visible tanker movements. Saudi Arabia also increased crude shipments from inside the Gulf after the truce period, with larger tanker movements exiting Hormuz once flows began to normalise.

China's change of strategy with US LNG is one of the clearest examples of how significant the change is. In February, China was not importing US LNG. In July, US LNG is flowing back to China under long-term and spot contracts.

As such, the world's largest LNG importer is once again looking to the United States, the largest producer, as part of its supply mix.

China's renewed interest in US LNG proves that Iran is losing its influence among strategic allies in the global energy market - Daniel Lacalle

This does not mean that there is no risk, but even oil prices show that the impact is limited when concerns about attacks in the area only move oil to $82 a barrel, and the forward curve remains in steep backwardation.

Shipping data show that Hormuz is impacted but still functioning and that the global energy market remains well supplied.

OPEC's strategy is also very clear. It has proved itself a competitive and reliable supplier by increasing output for the fifth consecutive time. Iran creates headlines, but the energy system adapts faster.

Every attempt to present Hormuz as an all-powerful weapon encourages exporters to build alternatives and importers to diversify away from vulnerable routes. As such, the use of disruption as leverage shows weakness, not strength.

The evidence does not support the claim that Iran has shut the Strait of Hormuz, and prices reflect that markets are adapting fast.

China's renewed interest in US LNG proves that Iran is losing its influence among strategic allies in the global energy market. Therefore, the answer to geopolitical risk is not dependence but active substitution.

Every week that passes shows that Iran has lost the war, the strategic leverage, and the narrative. All it has now are empty threats.