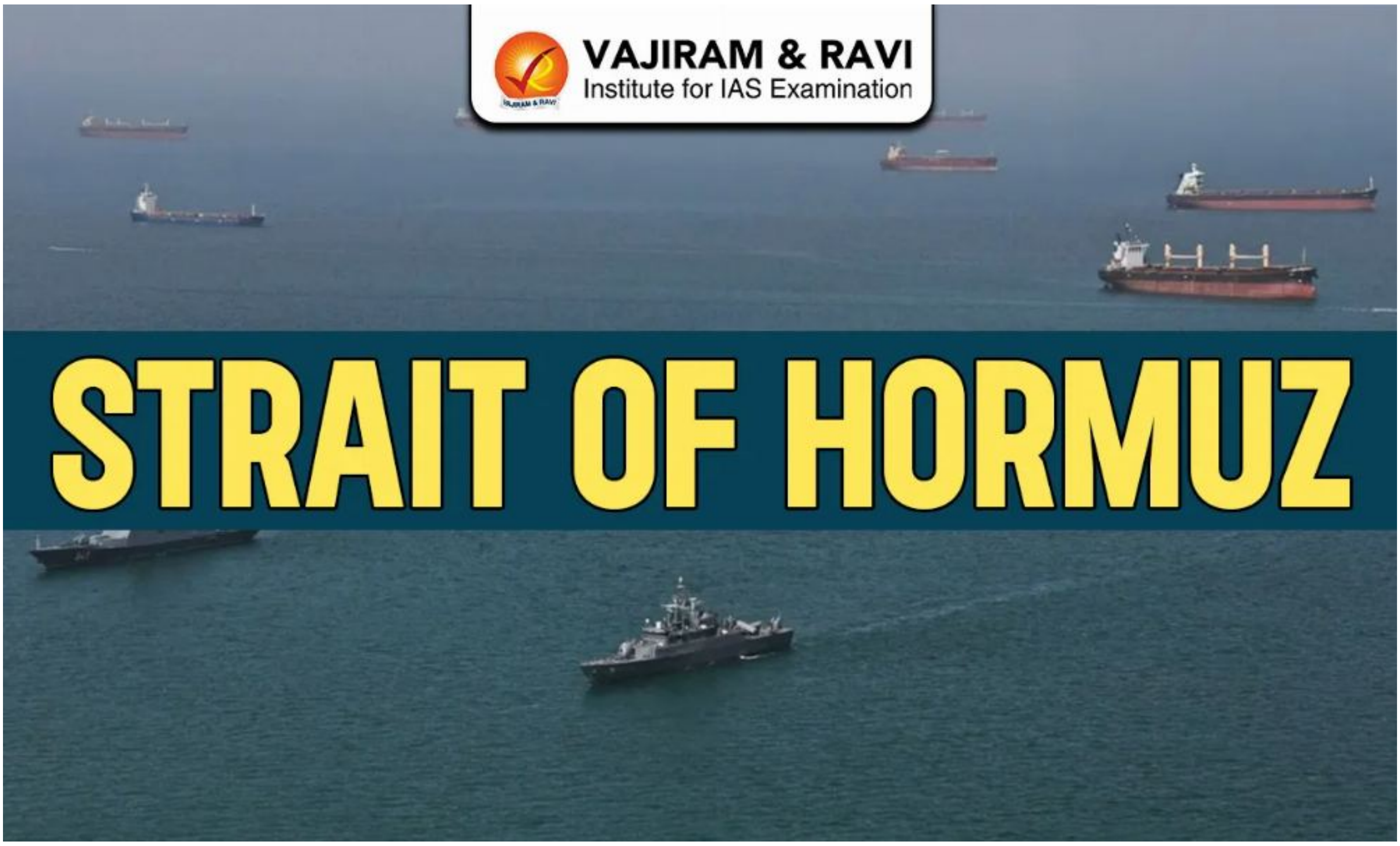
US-Iran Tensions and Oil Prices: Strait of Hormuz Risks for India

February 21, 2026 • vajiramandravi.com



Strait of Hormuz Latest News

- International oil prices have climbed to a six-month high amid rising US-Iran tensions and fears of potential American military strikes on Tehran. Although recent nuclear talks in Geneva showed limited progress, no concrete breakthrough has emerged to ease concerns.
- The US has increased its military presence in the region, and President Donald Trump's statement giving Iran 10–15 days to agree to a "meaningful deal" has been widely viewed as an ultimatum, intensifying market anxiety over possible supply disruptions.

Strait of Hormuz: A Critical Chokepoint

- Oil markets are nervous that any US military action against Iran could disrupt supplies from the Gulf, which dominates global exports.

    - Brent crude has already risen above $71 per barrel, up over 12% in a month, reflecting market anxiety.
    - Future price movements hinge on whether the US undertakes military action and how Iran responds.
    - Prices could ease if diplomacy prevails, or spike sharply—possibly into triple digits—if conflict escalates regionally.
- The key concern is the **Strait of Hormuz**, a vital transit route for global oil and gas. If Iran blocks or disrupts the strait, energy flows could be severely affected.
- Major producers such as Saudi Arabia, Iraq, the UAE, and Kuwait depend heavily on Hormuz for exports.
- Despite strained ties with Tehran, Gulf nations are engaging diplomatically to prevent escalation.

Implications for India

- **Rising Import Bill** – India imports around 2 billion barrels of oil annually. Every $1 rise in crude prices adds roughly $2 billion to its annual import bill.
- **Strategic Vulnerability** – Over 40% of India's crude imports pass through the Strait of Hormuz. As the world's third-largest oil consumer, meeting more than 88% of its needs through imports, India faces significant energy security risks if supplies are disrupted.

Strait of Hormuz: The World's Key Energy Chokepoint

- Described by the US Energy Information Administration as the most important oil transit chokepoint, the Strait of Hormuz handles nearly **one-fifth of global petroleum consumption and LNG trade**.
- Around 15 million barrels of crude and 20% of global LNG volumes pass through it daily, linking the Persian Gulf to global markets.

Escalation Risks and Limited Alternatives

- With US-Iran tensions rising, oil markets fear disruptions not just to Iranian supplies but to wider Gulf exports.
- Though some bypass pipelines exist, their capacity is limited. Even at full use, about 9 million barrels per day—around 9% of global demand—would remain vulnerable during a major conflict.
- Iran has repeatedly threatened to block the strait or target tankers.
- Additionally, proxy attacks from Yemen on vessels in the **Bab el-Mandeb**—another critical chokepoint connecting the Red Sea to the Arabian Sea—pose further risks to global energy flows.

Strait of Hormuz: Blockade Risks and Strategic Calculations

- Although Iran often threatens to close the Strait of Hormuz, analysts say a complete blockade would be self-defeating.
- It could alienate China—its key oil buyer—strain ties with Oman, and invite international military retaliation.
- Despite these deterrents, risks persist. If Tehran feels existentially threatened, it may escalate.
- Any disruption in this globally critical energy corridor would sharply raise oil prices and damage the fragile global economy.

Oil Price Scenarios if Conflict Escalates

- **Limited Disruption: Iranian Shipments Targeted –** If the US or Israel disrupts Iranian oil exports alone, analysts project oil prices might rise by around $10–$12 per barrel as buyers like China seek alternative supply sources.
- **Strait of Hormuz Disruption –** If Iran moves to throttle oil flows through the Strait of Hormuz—a chokepoint for roughly 20% of global oil and LNG trade—prices could exceed $90 per barrel.
- **Attacks on Iranian Oil Facilities –** Should military action target Iranian refineries, platforms, or terminals and keep Iranian supply off the market for longer, oil prices could top $100 per barrel amid broader escalation risk.
- **Broad Regional Conflict –** In the worst case, if Iran directly attacks major Arab Gulf oil infrastructure or the conflict spreads, prices could surge past $130 per barrel, rivaling spikes seen after major geopolitical shocks.
- **Strategic Dilemma for Policymakers –** Leaders face a challenge: confronting Iran may risk supply disruptions and sharp price spikes, while restrained action could embolden adversaries—making oil market volatility a key strategic variable.

Source: IE
