

SITUATION OVERVIEW

Regional War Expands as Energy Markets Surge and Diplomatic Tensions Intensify

The US-Israel war with Iran is entering a broader regional phase as military strikes, proxy activity and infrastructure attacks expand across the Middle East. Iran has formally appointed Mojtaba Khamenei as Supreme Leader following the killing of his father in the initial strikes, consolidating hardline control during wartime. Hezbollah-linked fighting in Lebanon has intensified, with hundreds killed and large-scale displacement reported as Israeli strikes expand. Gulf states are also increasingly exposed: Bahrain reported damage to a desalination facility following an Iranian drone strike. Meanwhile, energy markets reacted sharply, with oil prices rising above USD 100 per barrel amid fears of disruption to Strait of Hormuz shipping and regional export infrastructure.

KEY DEVELOPMENTS

Security

- A US service member has died from wounds sustained during an Iranian strike on a US military installation in Saudi Arabia, bringing reported US fatalities since the war began to eight.

Aviation

- Airline schedule disruptions and restricted flight corridors may continue to affect passenger and cargo movements between Asia, Europe and the Middle East.

Maritime

- Increased risk of asymmetric maritime tactics, including drone attacks, naval mines or fast-boat harassment targeting commercial vessels and offshore energy infrastructure.

Diplomatic/Political

- Bahrain is reportedly exploring a UN Security Council resolution condemning Iranian retaliation, although the proposal may not reference the initial US-Israeli strikes.

RISK INDICATORS

Security Risk

- The appointment of Mojtaba Khamenei as Iran's Supreme Leader may reinforce hardline wartime decision-making and reduce near-term prospects for diplomatic de-escalation.

HIGH

Aviation Risk

- Ongoing airspace closures across Iran, Israel, Iraq and parts of the Gulf are forcing airlines to reroute aircraft around the conflict zone, increasing flight times, operational costs and pressure on alternative air corridors.

HIGH

Maritime Risk

- Suspension of cargo bookings and Gulf port calls by major container carriers increases the risk of supply chain bottlenecks across Asia–Middle East–Europe trade corridors.

CRITICAL

Energy Risk

- Potential targeting of Iran's Kharg Island export terminal, which handles the majority of Iranian crude exports, could trigger retaliatory attacks against regional oil infrastructure or tanker traffic.

CRITICAL

OPERATIONAL IMPACT

Aviation

- Increased demand for evacuation and government charter flights may place additional pressure on airport infrastructure and available aircraft capacity across Gulf states.
- Flight diversions and airspace closures across parts of the Middle East are increasing flight times and operational costs for airlines.

Logistics & Supply Chain

- Several carriers are discharging containers at alternative “safe ports” instead of their intended Gulf destinations, forcing cargo owners to arrange onward transport and increasing delays and logistics costs across regional trade networks.
- Freight rates on Asia–Europe routes are rising rapidly as airlines reroute flights around restricted Middle Eastern airspace.

Maritime

- More than 150 commercial vessels, including oil tankers and container ships, are now stranded or waiting outside the Strait as operators delay transit due to security threats and uncertain naval protection.
- Maritime traffic through the Strait of Hormuz has nearly collapsed effectively halting one of the world’s most critical shipping corridors.

Energy Markets

- Global oil markets have reacted sharply to the widening conflict, with Brent crude rising above USD 100 per barrel for the first time in more than three years as traders price in the risk of disruption to Middle East supply.
- Energy market volatility is increasing as traders anticipate potential supply disruptions.

OUTLOOK (NEXT 72–96 HOURS)

- Diplomatic tensions will likely intensify. Arab states are expected to push for de-escalation while Russia’s position suggests closer alignment with Iran in international forums.
- Energy markets will remain volatile. Oil prices above USD 100 reflect fears of disruption to Gulf exports if tanker movements through the Strait of Hormuz remain constrained.
- Maritime disruption is likely to continue. Reduced tanker traffic, suspended shipping services and rising war-risk insurance costs are limiting vessel movements through Gulf shipping lanes.
- Aviation operations will remain restricted. Airspace closures and airline suspensions across parts of the Middle East continue to disrupt passenger and cargo capacity.
- Regional spillover risks remain elevated. Ongoing strikes across Lebanon and Gulf states indicate the conflict is expanding geographically, increasing the probability of additional attacks on infrastructure and transport networks.

ADVISORY NOTE

Organisations operating across the Middle East should prepare for continued volatility across aviation, maritime and energy sectors as the conflict between the United States, Israel and Iran evolves. Missile and drone activity across the Gulf and Levant continues to pose risks to infrastructure, airports, ports and energy facilities, while the security situation may shift rapidly. Companies with exposure to regional supply chains should anticipate transport delays, route diversions and higher freight and insurance costs. Shipping operators are limiting transits through the Strait of Hormuz, while airlines continue adjusting routes and schedules due to airspace restrictions.

Organisations with personnel in the region should also monitor government advisories and ensure staff travel and safety protocols remain up to date.