

The art of the compromise

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Recent events once again highlight the deep interdependency of the global energy system. The Gulf region remains central to global oil and gas supply, and any geopolitical event will inevitably trigger a strong market reaction. Escalation risks involving the United States, Israel, and Iran probably represent one of the most significant geopolitical threats to global energy markets today. In a scenario where tensions escalate, oil and gas prices could increase rapidly. Shipping delays, damage to critical energy infrastructure in the region, rerouting, or naval escort requirements would all increase costs and reduce effective supply to global markets.

The economic implications of such scenarios extend well beyond the commodity markets alone. Energy remains a foundational input across the global economy. Higher oil and gas prices would feed directly into transportation, aviation, shipping, agriculture, and petrochemicals. In turn, this could reintroduce inflationary pressures at a time when many economies are still recovering from previous economic shocks.

However, history suggests that pragmatic solutions can sometimes preserve energy flows, even during conflict. Following the Russian invasion of Ukraine in 2022, Russian natural gas continued to transit under legacy agreements through Ukraine until January 2025. That arrangement reflected a practical reality that energy and associated infrastructure are often a shared economic interest, even among adversaries.

A similar model could be considered for the Persian Gulf. A limited regional framework, centered on protecting shipping through the Strait of Hormuz, could help isolate energy trade from military escalation. Under such a framework, Gulf producers - including Saudi Arabia, the United Arab Emirates, and Qatar - could restart exporting oil and gas through the Strait of Hormuz, while Iran - or its proxies - guarantee not to attack these shipments.

In exchange, Iranian crude exports would restart, allowing income to support the Iranian people, while reducing incentives for disruptive actions. Organisations such as the International Energy Agency or the United Nations could help monitor shipping volumes, provide transparency on flows, and verify compliance. This would not resolve the political disputes, but it would create a 'transparent' energy corridor.

At the same time, a coordinated release of strategic oil reserves will help reassure the markets and reduce price volatility while the framework is being implemented.

The United States and Israel would not necessarily be expected to participate in such an arrangement, but when agreed, should respect it by refraining from interfering with approved shipments.