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MONDAY MORNING QUARTERBACK

ENERGY MARKETS CEO BRIEFING NOTE

"The Strategic Reward for a US Attack on Iran is Uncertain, While the Risks are Asymmetric Immediate and Potentially Global!"

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The Strategic Reward for a US Attack on Iran is Uncertain, While the Risks are Asymmetric Immediate and Potentially Global!

The renewed debate over a US attack on Iran has unsettled oil markets not because such an action is implausible but because its risk reward balance remains fundamentally skewed. The United States can manage the military risk of striking Iran. Its ability to project force absorb retaliation and control escalation is not in serious doubt. What is in doubt however is the strategic payoff. Across markets and policy circles alike a common conclusion has emerged. The strategic reward for a US attack on Iran is uncertain while the risks are asymmetric immediate and potentially global. That imbalance more than any single military scenario explains the nervous repricing of geopolitical risk now visible in energy markets. This is not an argument about capability. It is an argument about purpose.

By Sean Evers, Managing Partner, Gulf Intelligence

Military Feasibility Is Not Strategic Clarity

From a narrow operational perspective, the United States faces few constraints. The visible concentration of naval and air assets in and around the Gulf is intended to send precisely that signal. Washington can strike Iranian infrastructure degrade military assets and impose real costs. It can do so quickly and in conventional terms decisively. This is why markets have taken US signalling more seriously than in previous cycles of rhetorical escalation.

But military feasibility does not automatically translate into strategic clarity. The first and most persistent question raised by analysts and policymakers alike is deceptively simple. What does success look like.

Airstrikes cannot deliver regime change in Iran. That reality is neither ideological nor controversial. It is empirical. Iran's political system while under pressure remains cohesive at the elite level. There is no obvious internal fracture that external force can exploit and no credible domestic partner through which transformation could be engineered. Comparisons to Venezuela often invoked to suggest a quick political collapse overlook the profound structural differences between the two systems.

Absent regime change the objectives narrow rapidly. Degrading nuclear or missile capabilities may delay, but it does not resolve the underlying strategic confrontation. Nor does it prevent Iran from reconstituting capacity or shifting tactics. The risk then is that military action becomes an exercise in signalling rather than a mechanism for durable change. An expensive demonstration of power with no clear endpoint.

This absence of a convincing endgame is where the reward side of the equation begins to weaken.

Asymmetric Retaliation and the Geography of Risk

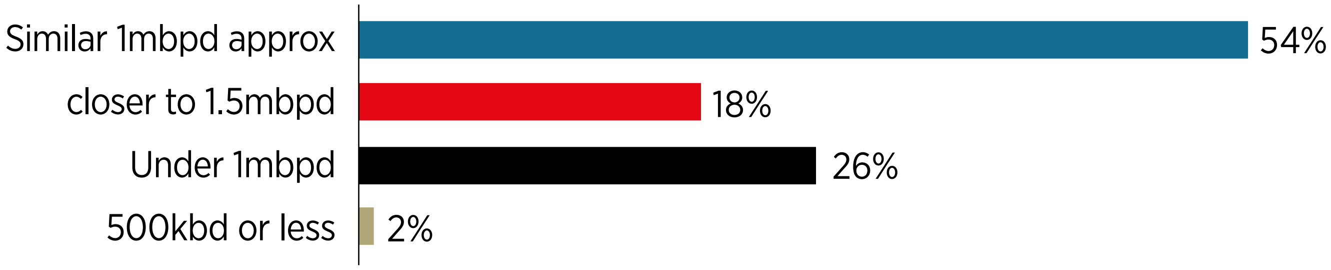
If the reward is uncertain the risks are not. They are well understood and they are asymmetric.

Iran does not need to match US military power to impose costs. Deterrence despite frequent claims to the contrary remains central to Tehran's strategic logic. If struck Iran would certainly respond not with all-out war but through calibrated retaliation designed to reassert relevance and impose friction. Missile strikes proxy activity and regional destabilisation all sit firmly within that toolkit.

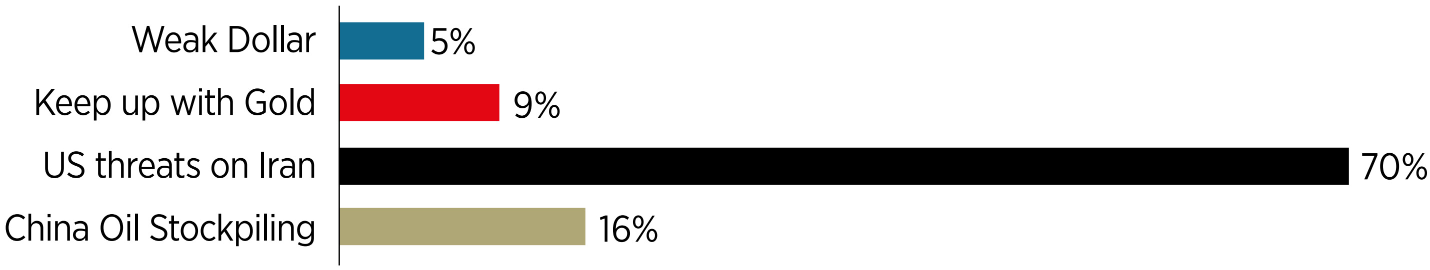
International oil markets should start to include domestic US political stability & Canada rupture into Geopolitical risk premium?

US 'maximum pressure' campaign on Iran is just another TACO moment?

China's surplus of crude oil averaged at 1.1 million bpd for last two years (Reuters) - what will it average in 2026 with Brent price forecast in $60s?



What is main trigger for Brent crude oil to jump 15% in January to $70?



The most acute manifestation of this asymmetry lies not on the battlefield but at sea.

The Strait of Hormuz remains a critical chokepoint not because Iran can easily close it but because it does not need to. Simply raising doubts about security through signalling harassment or selective disruption would be sufficient to push up insurance premiums delay shipments and inject volatility into freight and energy markets. This form of leverage is inexpensive for Iran and disproportionately costly for global trade.

Crucially the burden of such disruption would fall unevenly. Asian consumers particularly China and India would absorb the bulk of the economic impact while Gulf producers would face renewed uncertainty around exports and pricing. The United States by contrast would gain little strategic advantage from triggering such a scenario. The geography of risk is misaligned with the geography of reward.

This is why escalation remains such a blunt instrument. Even a successful strike risks producing outcomes that are globally destabilising without being strategically decisive.

Markets Oil and the Fragility of the Upside Case

Oil markets have responded accordingly. January's sharp move in Brent was not driven by a reassessment of supply and demand fundamentals but by a recalibration of geopolitical probability. Markets are pricing risk not conviction.

Any US strike on Iran would certainly produce an immediate price response. Fear moves faster than barrels. Yet history suggests that such upside is fragile. Without sustained supply losses without meaningful volumes being removed from the market geopolitical premiums tend to erode as quickly as they appear. Traders understand this dynamic intuitively. Buy the rumour sell the fact remains the dominant logic.

This explains the uneasy quality of recent price action. Markets are alert but not persuaded. They are hedging against miscalculation rather than betting on transformation.

The only strategic reward repeatedly identified by analysts lies indirectly not in Iran itself but in the broader contest with China. From this perspective pressure on Iran is less about Tehran than about tightening the energy environment for Beijing constraining access to discounted barrels and reinforcing the costs of operating outside the Western financial system.

Even here however the reward is diluted. China has spent years building strategic stockpiles and diversifying supply precisely to mitigate such pressure. Moreover, escalation risks collateral damage to partners such as India whose energy security is far more exposed and far less insulated. A strategy that strains alliances while only partially constraining competitors offers at best ambiguous returns.

For oil markets the implication is clear. Iran is a source of volatility not yet a catalyst for structural repricing. Until the reward side of escalation becomes clearer until action offers more than symbolism signalling or short-term leverage markets will continue to treat Iran risk as episodic rather than transformative.

Conclusion Capability Without Conviction

The central judgment emerging from current debates is not that a US attack on Iran is impossible nor that deterrence has collapsed. It is that the strategic dividend remains too ill defined to justify the scale and asymmetry of the risks involved.

The United States can manage the military risk of escalation. It can absorb retaliation and contain conflict. What it has not yet demonstrated is how such action advances a clear durable strategic objective commensurate with the global disruption it could unleash.

For markets that ambiguity is decisive. Power without purpose does not sustain premiums. Capability without conviction does not anchor prices. Until the reward side of the equation becomes more convincing Iran will remain a trigger for volatility not a foundation for a new geopolitical or energy market equilibrium. ■

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