National Maritime Foundation

www.maritimeindia.org

THE REAL COST OF MARITIME CONFLICT IN THE STRAIT OF HORMUZ: IMPLICATIONS FOR INDIA'S SECURITY OF ENERGY

Ms Anum Khan

Keywords

Strait of Hormuz; India; Iran; Maritime Security of Energy; Maritime Conflict Geography; International Maritime Law; Oil Chokepoint

The ongoing armed conflict in the Persian Gulf and its environs, principally involving Iran, the US, and Israel, has not only jeopardised the stability of West Asia but has also extended the theatre of conflict into the region's maritime domain. On 28 February 2026, the United States and Israel launched coordinated airstrikes against Iran. The United States' Operation EPIC FURY was conducted in conjunction with Israel's Operation ROARING LION, marking one of the largest series of strikes against Iranian targets in recent years. The maritime dimension of the conflict became evident on 01 March 2026, when the United States Central Command (CENTCOM) confirmed that US forces had sunk an Iranian *Jamaran*-class corvette in the Gulf of Oman near the Iranian port of Chabahar.[1] Leveraging its geographic proximity to the Strait of Hormuz, Iran's Islamic Revolutionary Guard Corps (IRGC) subsequently announced its intention to close the Strait.

Iran's position on the closure of the Strait of Hormuz does not appear to be entirely cohesive, as a range of divergent statements progressively emerged from a variety of official Iranian sources. Until 06 March 2026, the IRGC appeared to favour targeted restrictions, proposing transit bans on vessels linked to the United States, Israel, and their allies, while allowing conditional passage to countries that did not support the joint US-Israeli strikes, specifically mentioning China and, on some occasions, India.[2] However, on 06 March, Iran's Deputy Foreign Minister, Mr Saeed Khatibzadeh, stated, *"We have not yet closed the Strait of Hormuz. If we are going to close it, we are going to announce it… It has not been closed by us. We have no intention to do it until further notice."*[3] These statements, suggesting closures of varying intensity, should not, of course, be confused with a legal blockade.

---

[1] Phil Stewart and Idrees Ali, "US Says it Sinks Iranian Warship", *Reuters,* 01 March 2026. https://www.reuters.com/world/middle-east/us-says-it-sinks-iranian-warship-2026-03-01/.

[2] "Iran Says Strait Open but Bars Ships Linked to US, Israel," *Iran International*, 06 March 2026, https://www.iranintl.com/en/202603068768.

[3] ET Online, "Strait of Hormuz is not closed, says Iran; clarifies it has 'no intentions to shut it'," *The Economic Times,* 06 March 2026. https://economictimes.indiatimes.com/news/international/world-news/strait-of-hormuz-is-not-closed-says-iran-clarifies-it-has-no-intentions-to-shut-it-until-further-notice/articleshow/129139686.cms?from=mdr.

Iran has neither imposed a blockade by formal decree nor initiated the procedural steps required for one. Under international law, a blockade must be formally declared and notified to all concerned parties, typically through an official government proclamation or gazette notification. No such declaration has been issued by Iran so far. This raises a more fundamental question: can a coastal State such as Iran legally block an international strait of strategic importance such as the Strait of Hormuz? The answer, in legal terms, is entirely negative. Iran does not possess the legal authority to unilaterally close the Strait, especially as the waterway is widely recognised as a *"strait used for international navigation"* under the framework of the 1982 United Nations Convention on the Law of the Sea (UNCLOS), which governs the movement of vessels through maritime corridors connecting two areas of the high seas or exclusive economic zones. Under Articles 38 and 44 of UNCLOS, all ships and aircraft enjoy the right of transit passage through such straits, ensuring that navigation remains continuous and unobstructed.[4]

Actuarial Vs. Legal Blockade

Contemporary maritime conflicts—such as the Houthi-led disruptions in the Red Sea and the current Iran–US–Israel flashpoints in the Strait of Hormuz—demonstrate how the nature of sea denial operations has evolved, particularly in respect of strategically vital international straits. A legally compliant blockade is a formally declared wartime measure in which naval forces physically prevented vessels from accessing one or more of an belligerent's ports or a designated portion of an enemy coast, in order to prevent maritime traffic from entering or leaving the designated portion of the enemy's coastline or ports. For a blockade to be legally valid, international law requires that it be officially declared, notified to neutral States, and effectively enforced by naval forces — conditions that are restated in the *San Remo Manual on International Law Applicable to Armed Conflicts at Sea*.[5] To be lawful, a blockade must also be impartial, meaning that it must apply equally to all vessels regardless of nationality, and must be backed by sufficient naval capacity to prevent ships from breaching the restricted area.

In contemporary times, however, disruptions to shipping increasingly occur without such formal declarations. Instead, maritime insecurity can generate what might be described as an *"actuarial blockade"*, whereby commercial risk calculations effectively halt maritime traffic. In such situations, ships are not physically prevented from transiting a waterway; rather, heightened security threats—such as attacks on vessels, drone strikes, or missile incidents—dramatically alter the risk perception associated with the route.[6] Faced with mounting operational costs and safety concerns, shipping companies choose to avoid the area altogether, while cargo owners reroute trade to alternative corridors. As a result, ports and strategic waterways can become functionally inaccessible even in the absence of a formally declared blockade. In many cases, such an *"actuarial blockade"* may prove more disruptive than a legal one, as it is driven by market risk assessments that rapidly deter commercial shipping and amplify the economic consequences of maritime conflict.

---

[4] United Nations, *United Nations Convention on the Law of the Sea*, 10 December 1982, 1833 U.N.T.S. 397, Arts. 38–44.
[5] International Institute of Humanitarian Law, *San Remo Manual on International Law Applicable to Armed Conflicts at Sea* (Cambridge: Cambridge University Press, 1995).
[6] Samuel Gabriel, "The Actuarial Blockade — And the Sovereign That Just Broke It," *Substack*, 5 March 2026, https://samuelgabrielsg.substack.com/p/the-actuarial-blockade-and-the-sovereign.

The key distinction, therefore, lies in the source of restriction. A legal blockade is a State-led military measure grounded in international law, whereas an *"actuarial blockade"* emerges from market-based risk calculations within the global insurance and reinsurance system. While the former relies on naval enforcement and formal declaration, the latter operates through financial mechanisms that can produce blockade-like effects without a legally recognised act of war**.**

Cost Analysis

The most immediate consequence of the present Iran–United States confrontation has been the emergence of a severe oil market shock. Global maritime oil supply chains are not only interconnected but also heavily concentrated around the Strait of Hormuz. In 2025, approximately 20 million barrels of oil per day transited through the strait, accounting for nearly 25 per cent of global seaborne oil trade.[7] Given the absence of viable alternative routes capable of bypassing this chokepoint, even limited disruptions to maritime traffic could generate immediate and far-reaching consequences for global energy markets, demonstrating how rapidly regional tensions in the restricted waters of the Persian Gulf can translate into global economic shocks.

Visible Cost of the Hormuz Crisis: Impact on India

Every maritime conflict carries both visible and hidden costs. In the maritime domain, the most immediate and visible manifestation of conflict is its impact on trade — particularly through disruptions to shipping and the cascading economic costs that follow. Asian economies are especially vulnerable in this regard, receiving nearly 89.2 per cent of the crude oil and condensates transported through the Strait of Hormuz. India, too, faces significant exposure to the unfolding crisis. The Strait of Hormuz serves as the principal maritime gateway linking the hydrocarbon-rich Gulf region with Asian energy markets, through which a substantial share of global oil and liquefied natural gas trade transits each day. Consequently, even limited disruptions to shipping in this narrow corridor can have immediate repercussions for global energy prices and supply availability.

India's vulnerability stems from the fact that its energy security—particularly the stable supply of crude oil—remains closely tied to this maritime route. After Russia, a significant proportion of India's crude oil imports originates from Gulf producers. Saudi Arabia is India's second-largest supplier, followed by Iraq as the third largest, while the United Arab Emirates and Kuwait, too, account for a considerable share of India's imports. All these producers depend heavily on the Strait of Hormuz as their primary maritime export corridor. Consequently, even temporary disruptions in the strait can tighten supply conditions across Asian energy markets, forcing refiners to compete for alternative crude streams and driving up import costs. Recent developments have already highlighted the vulnerability of maritime logistics in the region.

[7] International Energy Agency, "Strait of Hormuz Factsheet", February 2026. https://www.iea.org/about/oil-security-and-emergency-response/strait-of-hormuz.

A large number of vessels have remained stranded in the Persian Gulf as shipping companies hesitate to transit through the Strait of Hormuz amid escalating tensions. Among them are vessels belonging to India's government-owned Shipping Corporation of India (SCI), whose ships with a combined cargo capacity of nearly 800,000 tonnes are currently awaiting transit. Similarly, vessels operated by Sanmar Shipping, part of the Chennai-based Sanmar Group, with a cargo capacity of roughly 300,000 tonnes, have also been affected by the disruptions.[8] These developments illustrate how geopolitical tensions can rapidly translate into operational challenges for commercial shipping.

Despite these challenges, the Indian government has indicated that the country remains in a relatively "comfortable position" in terms of short-term energy reserves. India currently holds approximately 25 days of crude oil reserves, excluding the emergency-designated Strategic Petroleum Reserves, along with an additional two to three weeks of liquefied natural gas reserves.[9] Authorities have also emphasised ongoing efforts to diversify supply sources to mitigate potential disruptions. In response to the current crisis, India has begun exploring alternative sourcing options, including negotiations for additional crude cargoes from the United States, Russia, and West Africa to ensure continuity of supply.

At the same time, India is expected to utilise its temporary 30-day waiver to procure Russian crude oil already in transit, with reports suggesting that approximately 120 million barrels of Russian crude are currently at sea.[10] India's Strategic Petroleum Reserves can cover about 9.5 days of net oil imports, while State-run oil companies maintain storage for crude and petroleum products equivalent to approximately 64.5 days of net imports. Combined, these reserves provide India with a total storage capacity of roughly 74 days of net imports, according to data from the Ministry of Petroleum and Natural Gas.

However, while India may be able to secure adequate physical supplies from alternative sources, the broader economic impact of the crisis may still be substantial. Analysts caution that rising crude prices, higher freight rates, escalating war-risk insurance premiums, and longer shipping routes could significantly increase the cost of imports. International crude oil prices have already surged to over $ 100 a barrel, compared with around $ 70 per barrel before the United States-Israel strikes on Iran on 28 February 2026.[11] Meanwhile, liquefied natural gas prices have more than doubled, reaching approximately $12.95 per million British Thermal Unit (BTU).[12] Beyond crude oil, India also relies heavily on the Persian Gulf for other energy products, including liquefied natural gas and liquefied petroleum gas, both of which transit through the Strait of Hormuz. The strait also functions as a critical transit route for petrochemicals, fertilisers, and

---

[8] M. Kalyanaraman, "War puts India's oil, gas imports under stress", *The Hindu,* 5 March 2026. https://www.thehindu.com/business/war-puts-indias-oil-gas-imports-under-stress/article70704445.ece.
[9] PTI, "India taps alternative crude supplies as Iran conflict drags on", *The Hindu,* 8 March 2026. https://www.thehindu.com/business/Economy/india-taps-alternative-crude-supplies-as-iran-conflict-drags-on/article70719120.ece.
[10] PTI, "India taps alternative crude supplies".
[11] Middle East, "Oil price passes $100 a barrel for first time since 2022 as Starmer warns of Iran war's economic impact", *BBC News,* 9 March 2026. https://www.bbc.com/news/live/cz0g2yg3579t.
[12] Gavin Maguire, "Tracking LNG flows as key global gas prices go haywire", *Reuters,* 9 March 2026. https://www.reuters.com/markets/tracking-lng-flows-key-global-gas-prices-go-haywire-2026-03-09/.

other industrial inputs that sustain India's manufacturing and agricultural sectors. Fertiliser imports from Gulf suppliers are particularly important for maintaining agricultural productivity, especially during the pre-kharif procurement cycle. The current impacts, therefore, extend beyond energy markets alone.

In 2025, India imported nearly US$98.7 billion worth of goods from West Asia, with energy accounting for the dominant share. Petroleum imports alone amounted to nearly US$70 billion, including US$50.8 billion in crude oil, representing almost 49 per cent of India's total crude oil imports.[13] This highlights the country's deep structural dependence on Gulf energy flows. Beyond oil, the Strait of Hormuz is also a critical artery for the global fertiliser trade. Nearly one-third of globally traded fertiliser passes through this waterway. India itself sources approximately 64 per cent of its urea imports from countries of the Gulf Cooperation Council (GCC). These imports doubled to nearly six million tonnes in the first half of the previous year. Consequently, any prolonged disruption in the Strait would not only trigger an energy crisis for India but would also generate significant agricultural shocks. A disruption during the pre-*Kharif* procurement window, in particular, could exacerbate both supply shortages and fiscal pressures, transmitting external geopolitical shocks directly into India's domestic food security system.

War Risk Insurance: An Additional Cost of Carrying Maritime Trade

While physical disruptions to supply represent the most visible consequence of maritime conflict, a significant portion of the economic impact is transmitted through the global shipping and insurance markets. In conflict-prone maritime corridors such as the Strait of Hormuz, the perception of risk can rapidly translate into higher freight charges, additional security requirements, and escalating insurance costs for vessels transiting the region. Among these, the rise in war-risk insurance premiums often becomes the most immediate financial indicator of maritime insecurity. As insurers reassess the threat environment, shipping companies are required to obtain additional war-risk coverage before entering designated high-risk zones, substantially increasing the cost of transporting energy cargoes. For major energy-importing economies such as India, these insurance-driven costs can significantly inflate the landed price of crude oil and liquefied natural gas, even in the absence of a formal blockade. This shifts the economic burden from oil to insurance.

Central to this system is the Lloyd's Joint War Committee (JWC), which periodically assesses geopolitical risks along major maritime routes and designates conflict-prone regions as *"Listed Areas"*. Within the maritime insurance market such a designation signals heightened risk and triggers additional war-risk coverage for vessels operating in those waters. In response to the recent escalation of hostilities, the JWC issued Circular JWLA-033, revising the boundaries of high-risk maritime zones across the Persian/Arabian Gulf, the Gulf of Oman, and adjoining waters, reflecting insurers' assessment that vessels transiting these routes face an increased

[13] Anand Singha, "India's $98 billion imports in hot water as West Asia tensions heat up", *The Economic Times,* 05 March 2026. https://economictimes.indiatimes.com/news/economy/foreign-trade/india-west-asia-imports-iran-israel-war-united-states-gulf-conflict-oil-lng-fertiliser-diamonds/articleshow/129089516.cms?from=mdr.

exposure to war-related perils.[14] When a strategic chokepoint such as the Strait of Hormuz is placed on this list, vessels transiting the region are required to obtain additional war-risk insurance coverage before entering the area. This designation signals to shipowners, charterers, and insurers that the probability of conflict-related damage—such as missile strikes, naval mines, or vessel seizures—has increased.

Once an area is classified as "high risk", marine insurers typically impose additional war-risk premiums, often calculated as a percentage of the vessel's insured value. In many cases, shipowners must also pay voyage-specific "spot" premiums, which are charged for a single transit through the designated high-risk zone. During periods of heightened geopolitical tension, war-risk premiums can rise sharply, substantially increasing the cost of maritime transportation. For large oil tankers carrying cargo valued at hundreds of millions of dollars, even a small percentage increase in these premiums can translate into significant additional expenses for a single voyage. More recently, however, this trend of premium escalation has in some cases given way to a more consequential development: certain insurers have begun withdrawing war-risk coverage altogether rather than merely repricing it. While this distinction may appear technical, its financial implications are considerable. Repricing indicates that insurers still regard the probability of potential losses as measurable and manageable. Cancellation, by contrast, suggests the opposite — namely, that the level of uncertainty has become so pronounced that underwriters can no longer model the associated risks with sufficient confidence.[15]

For India, these insurance-driven costs are particularly high. Over 95 per cent of India's crude oil imports are transported by foreign-flagged vessels. Indian public sector oil companies such as IOCL, BPCL, and HPCL frequently charter tankers from foreign operators to transport crude oil from the Gulf and other suppliers.[16] India's dependence on foreign-chartered tankers further amplifies the economic impact of maritime instability.[17] Since a significant portion of the vessels transporting crude to India are hired from the global shipping market, any rise in freight rates or war-risk insurance premiums in the Strait of Hormuz is ultimately passed on to Indian charterers, thereby increasing the overall cost of energy imports.

When war-risk premiums increase, tanker operators pass these additional costs on to charterers and cargo buyers through higher freight rates. The result is a rise in the landed cost of crude oil, liquefied natural gas, and other energy imports, even when the physical supply of hydrocarbons remains uninterrupted. In this way, insurance markets play a pivotal role in transforming geopolitical instability into tangible economic pressure for countries dependent on maritime energy supply chains. In effect, the escalation of war-risk premiums can reinforce the dynamics

---

[14] Joint War Committee, *JWC Listed Areas: Hull War, Piracy, Terrorism and Related Perils*, Circular JWLA-033, Lloyd's Market Association and International Underwriting Association, 3 March 2026. https://lmalloyds.com/wp-content/uploads/2026/03/JWLA-033_Iran.pdf.

[15] Sarah Shamim and Reuters, "Maritime insurers cancel war risk cover in Gulf: Will it hike energy costs?", *ALJAZEERA,* 3 March 2026. https://www.aljazeera.com/economy/2026/3/3/maritime-insurers-cancel-war-risk-cover-in-gulf-will-it-spike-energy-cost.

[16] Kalpana Pathak, "IOCL, BPCL, and HPCL to take 35% stake in shipping freight joint venture with SCI", *The Economic Times,* 26 February 2026. https://economictimes.indiatimes.com/industry/energy/oil-gas/iocl-bpcl-and-hpcl-to-take-35-stake-in-shipping-freight-joint-venture-with-sci/articleshow/128791689.cms?from=mdr.

[17] Ministry of Ports, Shipping and Waterways, *Maritime India Vision 2030* (Government of India, 2021).

of an "actuarial blockade", where commercial risk assessments discourage vessels from transiting conflict-affected waters. Shipping companies may delay voyages, reroute vessels, or demand higher freight rates to compensate for the additional risk. Consequently, even without a formally declared blockade, maritime trade through the Strait of Hormuz can become significantly more expensive and operationally constrained.

These rising insurance and freight costs reveal that the consequences of maritime conflict are not limited to physical disruptions at sea. Instead, financial and commercial risk assessments can themselves reshape shipping behaviour and influence the accessibility of critical sea lanes. As insurance premiums rise and operational risks increase, shipping companies begin to reassess the viability of transiting conflict-affected waters, often delaying voyages, rerouting vessels, or demanding higher freight rates. Such dynamics illustrate how market mechanisms can gradually constrain maritime traffic even in the absence of a formally enforced naval blockade. It is within this context that analysts further distinguish between traditional legal blockades and what is being described as an "actuarial blockade".

Security of Energy

While "energy security" traditionally refers to the assured availability of energy supplies at an acceptable cost, the concept of "security of energy" shifts the focus toward the physical protection and economic viability of the uninterrupted flow of energy resources through global transport networks. In the contemporary geopolitical landscape, the stability of energy supply chains depends not only on production and reserves but also on the security of the maritime routes through which these resources are transported. As a result, safeguarding energy today increasingly requires securing the sea lanes that connect producers and consumers. A striking feature of contemporary maritime geopolitics is that many of the world's most critical sea lanes are bordered by coastal States experiencing active conflicts, internal instability, or intense geopolitical rivalries. From the Persian Gulf and the Red Sea to the western Indian Ocean, the Horn of Africa, and the South China Sea, a growing number of littoral States are embroiled in political crises. These developments create a strategically volatile environment in which instability on land increasingly spills over into the maritime domain. In such circumstances, coastal States positioned along major chokepoints acquire the capacity—either intentionally or inadvertently—to influence the security and accessibility of global shipping routes.

This dynamic is particularly significant because modern maritime trade is highly concentrated around a limited number of strategic chokepoints. Waterways such as the Strait of Hormuz, Bab-el-Mandeb, the Suez Canal, the Mozambique Channel, and the Black Sea maritime corridor, all serve as critical arteries for the movement of energy resources and commercial goods. When instability affects the coastal States surrounding these chokepoints, the consequences often extend far beyond the immediate region, disrupting global supply chains, raising freight and insurance costs, and creating uncertainty for maritime commerce. The situation becomes even more complex when maritime insecurity emerges from multiple sources simultaneously. State-on-State conflicts, such as the armed conflict between Russia and Ukraine in the Black Sea, can restrict access to ports and disrupt vital commodity exports such as grain and energy. At the same time, violent non-State actors, including militant groups and insurgent movements such as

Houthis, Al-Shabaab, ASWJ, etc., have increasingly demonstrated the ability to target commercial shipping, as seen in attacks on vessels in the Red Sea and the western Indian Ocean. In fragile coastal environments, weak governance and maritime enforcement structures can greatly exacerbate these vulnerabilities by enabling piracy, smuggling networks, and armed maritime groups, to operate along major sea routes.

Table 1 illustrates this pattern of coastal-State vulnerability, highlighting how political instability and armed conflict along strategic maritime corridors can influence the security of global trade routes:

Maritime Region / Chokepoint	Coastal State	Nature of Conflict / Instability	Strategic Relevance to Maritime Trade
Persian Gulf / Strait of Hormuz	Iran	Regional confrontation with the US and Israel; proxy conflicts in West Asia	Controls northern side of Strait of Hormuz, through which ~20% of global oil trade passes
Persian Gulf	Iraq	Internal instability, militia activity, and regional power competition	Located near key Gulf energy shipping routes
Red Sea	Yemen	Ongoing civil war; armed groups targeting commercial shipping	Adjacent to Bab-el-Mandeb, a critical gateway between the Red Sea and the Indian Ocean
	Sudan	Protracted Conflict	Red Sea coastline affecting security of major shipping corridor
	Eritrea	Militarised political environment and regional tensions	Strategic location along western Red Sea
Eastern Mediterranean	Israel	Ongoing regional conflict and maritime security tensions	Influences eastern Mediterranean sea routes and Red Sea access
Horn of Africa	Somalia	Fragile state institutions and periodic piracy resurgence	Located along major shipping routes linking the Suez Canal with the Indian Ocean
Mozambique Channel	Mozambique	Insurgency in Cabo Delgado province near offshore gas projects	Important tanker route linking the Indian Ocean with southern Africa
Black Sea	Russia	Ongoing war with Ukraine affecting maritime access	Major disruptions to shipping and grain exports in the Black Sea
	Ukraine	Active conflict with Russia	Strategic ports affecting global grain supply chains

Table 1: Coastal State led Vulnerability
Source: Author

Maritime conflicts arising from State-on-State armed clashes, proxy confrontations, or the actions of non-State armed groups have the potential to send shockwaves across global supply chains. For energy-importing economies such as India, whose economic growth is closely tied to maritime energy flows, these developments represent more than distant geopolitical events. They reveal a deep structural vulnerability within the global maritime system. The possibility that instability in coastal States could disrupt key chokepoints represents what may be described as the hidden cost of maritime conflict—a risk that extends beyond immediate military

engagements and manifests in the form of rising shipping costs, supply disruptions, and long-term strategic uncertainty for energy-dependent economies.

About the Author

Ms Anum Khan is an Associate Fellow at the National Maritime Foundation. Her research is centred upon the multiple maritime facets of the eastern African littoral, about which she is deeply passionate. She may be contacted at amgs2.nmf@gmail.com