

The US Blockade of Hormuz: Who Holds the Advantage?

6.5.2026 - Sidharth Kaushal, Dan Marks | The Royal United Services Institute for Defence and Security Studies

The efforts by the US and Iran to interfere with the flow of oil and gas from the Gulf mirror each other in their intent to affect any final settlement.

The US blockade of the Strait of Hormuz has entered its third week. The US Navy has compelled 38 vessels linked to Iran to divert and boarded Iranian vessels both in the region and further afield in the Indian Ocean. Iran, meanwhile, has resumed a strategy of selective closure, allowing non-Iranian shipping through the strait only case by case and, apparently, in exchange for tolls. Iran's parliament is in the process of passing legislation which would formalise its ability to charge tolls for transit. On 4 May, the US also supported the transit of at least one US-flagged vessel belonging to Maersk, prompting strikes from Iran on regional infrastructure.

The strategic end states are becoming clearer. Iran wants to restore its own exports, monetise its control over Hormuz and use that leverage to protect the fragile ceasefire in Lebanon, and by extension Hezbollah. The Trump administration, by contrast, appears determined to link any end with pressure to a wider settlement covering at least Iran's nuclear programme and perhaps its conventional missile arsenal. The question is, which side holds the advantage?

The Limits of a Distant Blockade

Iran has few options for directly targeting US naval vessels operating at the edge of the Gulf of Oman and beyond. The Iranian Revolutionary Guard Corps (IRGC) has limited access to the low-latency data needed to track maritime targets at these ranges, while many of its anti-ship cruise missiles and other capabilities are concentrated around outposts such as Qeshm, from where the Persian Gulf itself can be contested. The IRGC Navy could challenge operations such as US mine-clearance, but its military options against a distant blockade are constrained. The greatest risk to the US Navy would come if it were forced forward into the Gulf to protect shipping- something currently beginning on a limited basis.

Iran's first indirect option is to offset lost export revenue by charging higher tolls on shipping heading to non-Iranian ports. The Trump administration has threatened costs against vessels paying such tolls, but compliance would be hard to prove. If a vessel follows an IRGC-mandated route close to Iranian waters, is that evidence of payment or simply a crew-safety decision? If payments are made in renminbi through small financial institutions with little exposure to the dollar system, the evidentiary problem becomes still harder.

Yet tolls alone are unlikely to replace the loss of roughly 1.5 million barrels per day of oil revenue. With daily Hormuz transits currently in the low double digits, even high tolls would not compensate Iran for lost exports. Nor is the problem only immediate cashflow. If Iran cannot export oil, it will exhaust onshore storage, rely on improvised storage and disused facilities and eventually face the costly prospect of shutting in wells and the risk of long-term damage to production assets this entails. No amount of toll could mitigate the economic impact of lost seaborne imports which Iran cannot substitute.

"If blockade-running grows, the strain is likely to fall more heavily on the US than on Iran"

To make a toll meaningful, Iran needs shipping volumes through Hormuz to recover. That would both increase toll revenue and create opportunities for ship-to-ship transfers to disguise the movement of Iranian oil. A market of new shipowners, non-P&I club insurers (in other words, insurers outside of any association of protection and indemnity insurers) and shadow-fleet operators could emerge, as it has around Russian oil and in past conflicts, from the Iran-Iraq tanker war to the Black Sea. The oversupply of very large crude carriers in East Asia built for the Russian shadow fleet would help. Iranian offers of safe passage to ships that paid tolls, even if they avoided Iranian ports and thus US interdiction, would strengthen the incentive.

That would create an inversion of roles. Iran would have incentives to encourage shipping through the strait, albeit on its terms, while the US would have incentives to restrict it.

The US would then face an awkward problem. It could seek to mirror Iran's approach by clearing and encouraging routes closer to Oman while interdicting vessels using routes near Larak demanded by the IRGC. But this would require Washington to reroute or interdict vessels from several countries whose owners would argue they were obeying Iranian instructions for safety, not politics. Vessels receiving Iranian oil through ship-to-ship transfers could be interdicted on firmer grounds, but only with high-quality situational awareness. Tracking such transfers is resource-intensive: sanctions enforcement against North Korea has required assets such as P-8 Poseidon aircraft which are available in finite numbers. It would also generate diplomatic friction if third-country vessels were targeted.

From Distant Pressure to Close Blockade

If blockade-running grows, the strain is likely to fall more heavily on the US than on Iran. The present US force in the region can manage limited interdictions, but interdiction at scale is different. Indeed, there is already some indication that some Iran linked vessels are slipping through the US blockade. A more comprehensive blockade would significantly impact the US global posture. Operation Sharp Guard, the NATO operation enforcing the UN arms embargo on Yugoslavia, involved around 100 allied vessels to keep 22 on station at any time. A Hormuz operation of comparable intensity would also need more visit, board, search and seizure teams from the US Marine Corps or Special Forces if Iran placed armed guards on some vessels carrying its crude, since US Navy boarding teams are not normally used for opposed boardings. An extended distant blockade would have significant ramifications for the global posture of the US Navy, marine corps and special forces.

Iran would also retain advantages with prospective blockade-runners. The IRGC Navy can threaten levels of lethal force the US Navy is less likely to use against commercial vessels, giving shipowners an incentive to follow Iranian rules. Many prospective operators would come from networks already experienced in moving Iranian or Russian oil. And unlike the US, Iran can monetise access.

Over time, therefore, a distant blockade could draw in more US force structure and create incentives for a close blockade of Iranian ports. The Trump administration would have two choices: bet that Iran's storage crisis forces a rapid shift in Tehran's position, or move to a more coercive close blockade. The latter could be achieved with air-launched mines, as the US did against Haiphong harbour during the Vietnam war. Quickstrike mines deployed from aircraft such as the F/A-18 could be laid around Iranian ports and routes near Iranian waters and activated after a legally necessary warning period. At a minimum, this would create mutual denial: painful for both sides, but more damaging to Iran.

Mutual Denial and Escalation

If Iran cannot establish a toll regime large enough to offset a close blockade, its best option would be to make good on threats to render the strait impassable for all shipping. The IRGC Navy has several tools for this: uncrewed surface vessels, coastal-defence cruise missiles such as the Noor, a variant of the Chinese C-802, UAVs comparable to the Houthi Samad family and Ghadir midget submarines derived from the North Korean Yono class that can lay mines covertly, albeit with limited endurance and vulnerability in port.

Iran would also have incentives to resume selective strikes elsewhere in the Gulf to create urgency in Washington and among US allies. A recent drone attack on the UAE's Fujairah Petroleum Industrial Zone may be a harbinger of more to come if the US approach shifts. Closure of Hormuz is damaging, but longer-term harm would come from attacks on storage and processing infrastructure, including Saudi Arabia's Ras Tanura and Qatar's Ras Laffan LNG facilities. The problem of excess oil capacity is not uniquely Iranian: Saudi Arabia has also relied on offshore bunkering to avoid cutting production.

Large-scale attacks on onshore infrastructure would, however, jeopardise the partial ceasefire in the Gulf and Lebanon on which Iran depends to protect both its own infrastructure and Hezbollah. More likely is selective signalling: attacks comparable to Abqaiq and Khurais in 2019, possibly coupled with Houthi pressure on facilities such as Yanbu, through which Saudi Arabia is moving some oil after overland pipeline transit.

The economic effects could still be severe. A scenario involving more than 12 months of constrained LNG supply, significant damage to onshore infrastructure and extended closure of the strait could require European gas demand to be reduced by around 15 billion cubic metres - roughly 12% of consumption - comparable to 2022, but in a context where alternative imports would be harder to secure. For the US, the issue would not only be allied hardship, but second-order economic effects: higher hydrocarbon prices, consumer costs and inflationary pressure that could complicate Federal Reserve decisions and influence mid-term elections later in the year. Windfall taxes or targeted relief for exposed sectors might soften the blow, but their political viability is uncertain.

Iran, however, would also be under intense pressure. Loss of hard currency and industrial inputs would not automatically collapse the state. During the Iran-Iraq war, Iran's total reserves (including gold) fell to just over \$3 billion and regimes such as Saddam Hussein's Iraq showed that coercive systems can sustain core loyalists through domestic currency payments and privileged access to scarce goods. The IRGC's declared budget is around \$6 billion, including non-salary costs such as weapons procurement, and many critical costs can be met domestically.

Even so, a close blockade would weaken Iran far more than a distant one. Tehran could sustain pain, but its choices would narrow to escalation, settlement or escalation designed to force settlement. Each carries significant risk. However, the political balance may look different through the Trump administration's domestic lens: the longer the standoff drives prices, disrupts allies and consumes US naval capacity, the more difficult it becomes to translate operational advantage into strategic success.

Next Steps

Iran must enforce its conditions on traffic through the strait, while the US must prevent this. In the absence of a deal or a knockout blow, escalation involving more targeted and consistent attacks with

the potential to cause deeper, long-term damage to infrastructure appears likely. The escorted transit of a US-flagged vessel has already prompted Iranian strikes on Fujairah, a key bypass route for Gulf hydrocarbons. As such, the balance is currently tilting in Iran's favour as the US is compelled to commit to a resource intensive defensive mission.

Both sides retain plausible theories of success. While the situation is often analogised to counterinsurgency – favouring Iran's advantages of time and initiative – the US can also 'own the clock' if it can impose a more comprehensive blockade.

A close blockade could restore US initiative by constraining Iranian blockade running but would likely provoke intensified strikes on Gulf infrastructure. The US would retain a coercive advantage in flexibility – mining ports can be reversed, whereas missile damage is not. Iran would have a choice regarding whether to inflict reversible damage which the US could potentially ignore or escalating in a way that uses – and thus expends – one of its bargaining chips. Simultaneously, a close blockade could compress Iran's negotiating window before irreversible damage accumulates.

Even this will not secure the capitulation of the Iranian regime. Instead of a comprehensive settlement, military force should be viewed as a negotiation of the strait's strategic significance. Arguably, the opening proposed by Iran, which would not be linked to an immediate nuclear settlement, could serve US interests if it was also de-linked from operations in Lebanon and a future US-shift to a quarantine model targeting military inputs like sodium perchlorate. Iran could choose to reject this but would then have to accept the costs of a dual blockade. A situation in which Iran can use its position as a hedge against existential threats to the regime but where it cannot leverage it to secure concessions elsewhere due to the risk of mutual economic destruction might prove the most acceptable end-state in this part of the wider conflict.

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