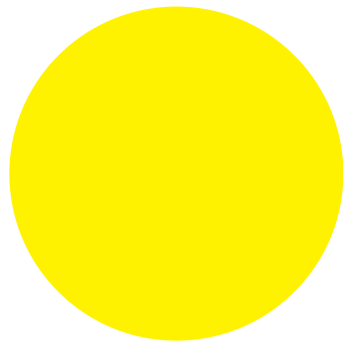


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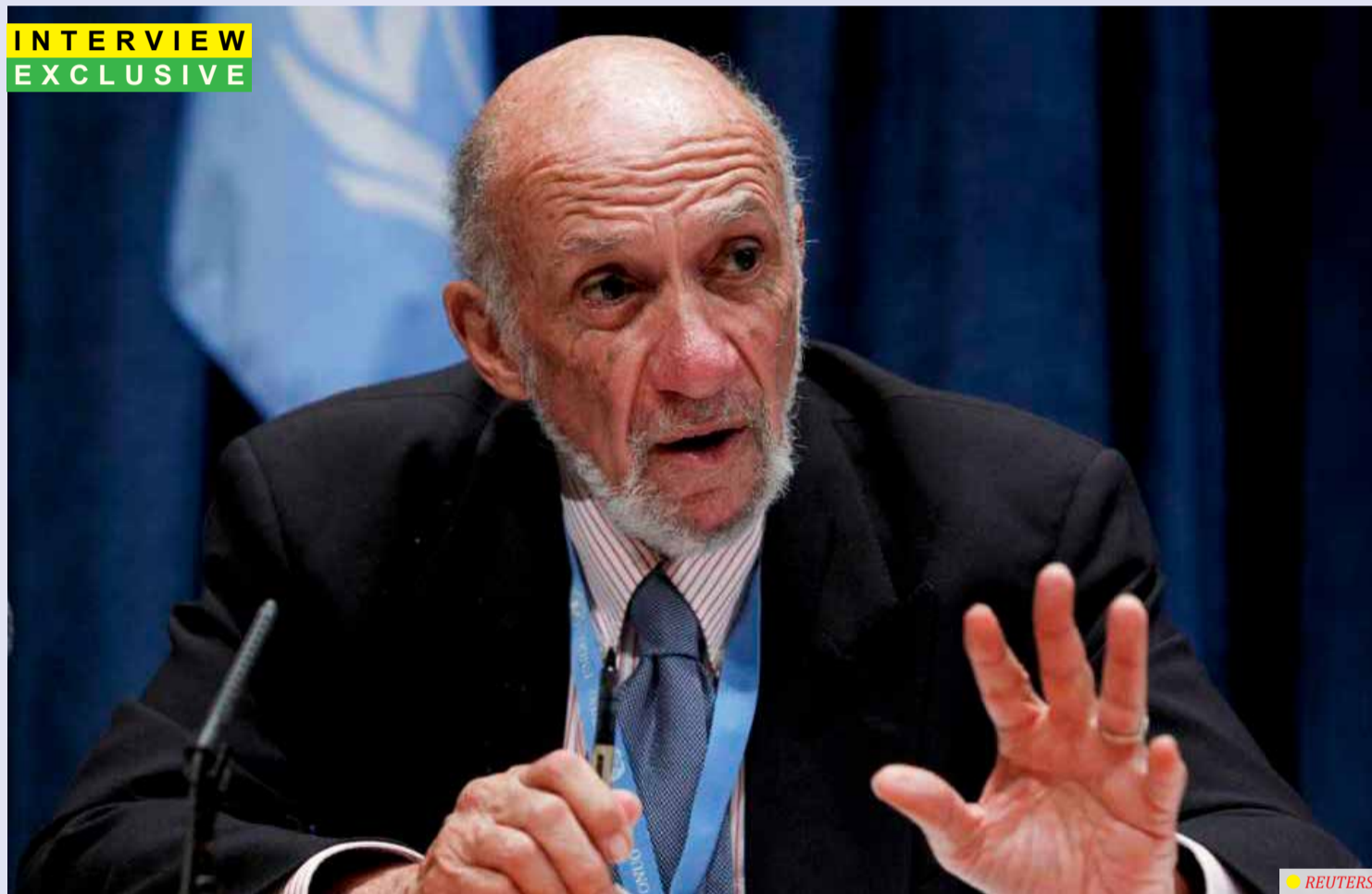
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Hormuz crisis & fragility of Europe's economy



By Abed Akbari
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OPINION
EXCLUSIVE

A crisis in the Strait of Hormuz—and, more importantly, the potential persistence of a blockade of this vital passage under current geopolitical conditions—places Europe's economy up against one of the most serious energy shocks in recent decades. The Strait of Hormuz carries roughly 20 to 21 million barrels of crude oil and condensates per day, a figure that accounts for nearly one-fifth of global oil consumption. In addition, close to 20% to 25% of global LNG trade passes through this route. For the European Union, which is still working through the reconstruction of its energy security architecture after the Ukraine crisis, a prolonged closure of the strait would not merely mean a temporary spike in energy prices; it could turn into a structural challenge to its industrial model and economic stability. Responses from Brussels and European governments may appear logical on the surface, but when faced with a "persistent blockade" scenario, they reveal the structural constraints of Europe's economy more than they offer solutions. Europe's first response is to diversify its

sources of energy imports. Following the Ukraine war, the European Union reduced the share of Russian gas in its imports from around 40% in 2021 to less than 15% in 2024, shifting toward LNG imports. However, in a Hormuz blockade scenario, this very strategy runs into a geographical contradiction. Qatar, the world's third-largest LNG exporter with around 77 million tons of annual exports, supplies a significant portion of liquefied gas to the European market, and all of its exports pass through the Strait of Hormuz. If the blockade persists, a substantial share of this supply would effectively be wiped out of the market. Even if Europe manages to offset part of this shortfall through imports from the United States—where LNG export capacity is estimated at around 90 to 100 million tons in 2025—liquefaction infrastructure constraints and long-term contracts would still stand in the way of rapidly redirecting these volumes to Europe. As a result, Europe would be forced to compete with Asian consumers such as China, South Korea, and Japan for limited spot market cargoes—a competition that, as seen in 2022, can drive up gas prices in Europe to over €300 per megawatt-hour. In this sense, diversification in practice would amount to shifting dependence from a single geographic source to a highly expensive and volatile global market. Europe's second response is to draw on

strategic energy reserves. Under International Energy Agency requirements, member countries must hold reserves equivalent to at least 90 days of oil imports, and many European countries have maintained this level. However, in the event of a sustained Hormuz blockade, the effectiveness of these reserves would quickly be used up. The European Union's daily oil consumption is estimated at around 10 to 11 million barrels per day. Even assuming a partial release of reserves, such a move would only cushion short-term price shocks and would prove largely insufficient in the face of a disruption lasting several months or longer. Moreover, replenishing depleted reserves at a time when global oil prices could rise above \$120 or even \$150 per barrel would place heavy pressure on European government budgets. As such, the use of strategic reserves amounts less to a solution than to buying time at a significant cost. At the macroeconomic policy level, Europe's response also runs up against serious constraints. Energy price increases stemming from supply disruptions are a classic case of cost-push inflation. Estimates by the European Central Bank indicate that every 10% increase in energy prices can add roughly 0.4% to 0.6% age points to eurozone inflation. In such conditions, the central bank's main tool—raising interest rates to curb inflation—

has limited effectiveness, as the source of inflation lies on the supply side rather than demand. By contrast, higher interest rates increase the cost of industrial investment and can intensify the ongoing trend of deindustrialization that has already begun in Europe. At the same time, governments are compelled to roll out energy subsidies to contain social pressures. The experience of 2022 and 2023 showed that European countries collectively spent more than €700 billion to shield consumers and industries from rising energy prices. Repeating such interventions in the event of a Hormuz blockade would push public debt in many of Europe's largest economies—including Italy, where debt exceeds 140% of GDP—to even more unsustainable levels. Even Europe's long-term strategy—the transition to renewable energy—comes up against contradictions in the context of an energy crisis. The European Union has set a target of raising the share of renewables in final energy consumption to around 42.5% by 2030. However, the development of wind and solar infrastructure requires massive industrial investment and complex supply chains. The production of steel, aluminum, and the industrial equipment needed for these projects is heavily dependent on cheap energy, while energy-intensive sectors such

as steel and chemicals in Europe have already seen output declines in recent years due to rising gas prices. As a result, the green transition under crisis conditions would not accelerate; rather, it could end up becoming a highly costly process that ultimately leads to the relocation of part of Europe's industrial capacity to regions with cheaper energy. Finally, Europe's security and diplomatic responses are also held back by structural limitations. Efforts to establish naval missions to protect shipping lanes in the Persian Gulf have been attempted before, but the European Union lacks an integrated military structure and independent large-scale operational capability. In practice, the security of maritime routes remains dependent on the presence of the United States, leaving Europe with limited tools to ensure the free flow of energy in the region. Taken together, a prolonged blockade of the Strait of Hormuz is a scenario that shows many of Europe's policy tools are designed to manage short-term shocks, not a sustained crisis at one of the world's most critical energy chokepoints. The continuation of such a situation would not only push energy prices higher but also deepen the structural fragility of Europe's economy, exacerbating the continent's industrial, financial, and social challenges in the years ahead.