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The Impact of the Strait of Hormuz Crisis on "Energy Dominance"

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It has now been three months since the crisis in the Strait of Hormuz began to shake the world. Crude oil prices have remained elevated, fluctuating sharply yet staying at high levels. Over the past three months, the average futures prices for Brent and WTI have stood at approximately USD 102 and USD 96, respectively—nearly 50 percent higher than their pre-crisis averages of roughly USD 67 and USD 62 recorded from January through the end of February. Not only crude oil but also petroleum product prices and LNG spot prices have surged dramatically. The substantial decline in supply from the Middle East has tightened global markets for crude oil, petroleum products, and LNG, amplifying concerns over supply security and sending tremors throughout the global economy.

The future course of the crisis in the Strait of Hormuz—specifically, whether the blockade will be lifted—will remain the single most critical factor shaping the international energy landscape. The outlook is highly uncertain, and no premature assumptions can be made. At present, however, the world is watching most intently to see whether negotiations between the United States and Iran will produce an agreement to end hostilities. Since mid-May, reports and speculation surrounding these talks have circulated widely. At times, optimism has grown that an agreement was near; at other times, President Trump's remarks suggesting that there was "no need to rush" have drawn global attention.

At the time of this writing, some reports indicate that negotiations have progressed and that the matter awaits President Trump's final decision. According to U.S. media, the two countries have been examining a draft memorandum that includes a 60-day extension of the ceasefire, during which discussions on Iran's nuclear development and the lifting of economic sanctions would take place. Regarding the Strait of Hormuz, the memorandum reportedly stipulates that Iran would remove naval mines and reopen the waterway within 30 days after the ceasefire extension. These reports—raising expectations for an end to hostilities and the lifting of the blockade—have triggered notable declines in crude oil prices.

However, Iranian media reports differ in several respects, including their treatment of the nuclear issue. Moreover, despite reports of progress, both the United States and Iran have continued to carry out attacks, leaving the situation highly unpredictable. Fundamentally, the proposed framework merely extends the ceasefire for 60 days while deferring substantive negotiations on the extremely complex

nuclear issue. What kind of "genuine agreement" might ultimately emerge from these talks remains far from clear.

Regardless of how U.S.–Iran negotiations unfold, the past three months have already brought about profound changes in the international energy landscape—changes that have significantly heightened the importance of energy security. This paper examines these developments with particular focus on the implications for energy-based power projection and dominance. In other words, the paper considers how the crisis affects energy-related dominance and the broader international order.

As discussed in Issue No. 758 of *Perspectives on the International Energy Landscape*, contemporary international energy markets are characterized by competition and contestation among three distinct forms of energy-related dominance: dominance over oil, gas, and LNG; dominance over clean energy technologies such as renewables, electric vehicles, and energy storage; and dominance over AI, digitalization, and the electricity systems that support them. Each of these forms of dominance enables the actors that hold them to exert influence and pursue the maximization of their national interests.

The first category—dominance over oil, gas, and LNG—may be termed "petro-dominance." As the largest energy source and a major internationally traded commodity, oil in particular fundamentally shapes global energy supply stability and the world economy. The blockade of the Strait of Hormuz has powerfully reminded the world of the critical importance of this domain. The most important actor pursuing such dominance is the United States. The "energy dominance" strategy championed by President Trump—one of the central pillars of his policy agenda—seeks to maximize U.S. prosperity and national interest by leveraging the country's vast oil and gas supply potential. This strategy also builds upon the achievements of the shale revolution, which emerged in the mid-2000s and dramatically transformed both U.S. and global energy dynamics.

Another critical dimension of dominance in this domain lies in the management of spare crude oil production capacity, which plays a pivotal role in balancing supply and demand and stabilizing international oil markets. In this regard, Saudi Arabia, which possesses the world's largest spare production capacity, occupies a central position. It is therefore appropriate to regard Saudi Arabia as one of the principal actors in petro-dominance. Equally noteworthy is the role of the United States in guaranteeing Saudi Arabia's security. The so-called "special relationship" between the United States and Saudi Arabia constitutes a fundamental pillar underpinning petro-dominance. However, the recent Strait of Hormuz crisis has brought into sharp focus yet another critically important dimension of dominance. Specifically, it has been revealed that control over navigation through the Strait of Hormuz constitutes a powerful instrument capable of influencing global energy security and the world economy as a whole.

In this context, the presence of Iran, which seeks to exercise such control, has emerged as a key factor.

Moreover, given that Saudi Arabia's spare production capacity—despite the existence of pipelines bypassing the Strait—largely resides on the "inner" side of the Strait of Hormuz, it has become increasingly evident that the management of passage through the Strait itself may represent an even more potent form of dominance. Indeed, it may be argued that the United States, in its pursuit of petro-dominance through military action against Iran, has paradoxically contributed to the creation of a new and powerful form of petro-dominance that may ultimately constrain its own strategic position.

Another noteworthy implication pertains to a different dimension of energy dominance. The closure of the Strait of Hormuz has significantly reduced the supply of oil and LNG from the Middle East, leading to sharp increases in the prices of crude oil, petroleum products, and LNG. As the global community has scrambled to secure alternative sources of supply, the United States—endowed with vast production capacity—has emerged as a central provider of substitute energy supplies. Consequently, U.S. exports of oil and LNG have expanded, and its international presence and influence in energy markets have been markedly enhanced.

At the same time, however, the world has begun to accelerate efforts toward energy transition aimed at reducing dependence on the Middle East. Signs are emerging of intensified initiatives promoting energy conservation and substitution away from oil. Rapid progress is being made, for example, in the deployment of electric vehicles (EVs) and biofuels as alternatives to petroleum-based transport fuels. Furthermore, in pursuit of energy self-sufficiency and diversification away from Middle Eastern sources, efforts are being made to expand the adoption of renewable energy and nuclear power. In Asia, there are also emerging trends toward reassessing the importance of coal as a competitive energy source. As a result, increasing attention is being directed toward the possibility that, over the medium to long term, demand for oil, natural gas, and LNG may be structurally suppressed. In other words, the Strait of Hormuz crisis may ultimately give rise to a gradual erosion in the significance of petro-dominance over time.

Furthermore, the energy transition aimed at reducing dependence on the Middle East—characterized by the accelerated shift toward EVs, renewable energy, and energy storage technologies—may, in turn, reinforce China's dominance in the clean energy sector. This includes not only manufacturing capabilities in clean energy supplies but also China's dominant position in the supply of critical minerals, such as rare earth elements, which are indispensable for clean energy technologies. Thus, it is conceivable that global efforts to reduce reliance on the Middle East could inadvertently lead to increased dependence on China. This development may represent yet another paradoxical outcome: namely, that U.S. military actions against Iran, which contributed to the closure of the Strait of Hormuz,

could unintentionally generate shifts in energy dominance that run counter to U.S. national interests.

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