

# Facing Iran's Challenge: Safeguarding Oil Exports from the Persian Gulf

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## ABOUT THE AUTHORS



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## Brief Analysis

In a June 4 speech marking the anniversary of the death of his predecessor, Ayatollah Ruhollah Khomeini, Iranian supreme leader Ayatollah Ali Khamenei issued a warning to the United States in the crisis of over Iran's nuclear program. "If the Americans make a wrong move toward Iran, the shipment of energy will definitely face danger, and the Americans would not be able to protect energy supply in the region," Khamenei said. This raises questions about the strength of the Iranian military and how the United States could counter it, using military power, alternative export routes, or a combination of both.

## Iran and Gulf Oil

The Persian Gulf is the greatest source of oil in the world. The countries surrounding it—Saudi Arabia, Iran, Iraq, Kuwait, the United Arab Emirates (UAE), Bahrain, Qatar, and Oman—account for 60 percent of the world's oil reserves and 40 percent of the world's reserves of natural gas. Each day these countries produce about 24 million barrels; total world production is about 84 million barrels per day. Crucially, about 18 million barrels per day of Gulf oil, representing about 40 percent of all internationally traded oil, is exported—almost all through the narrow Strait of Hormuz. The Strait at its narrowest is thirty-four miles across, forcing shipping to divide into two sea lanes just two miles wide when entering and exiting the Gulf.

Khamenei did not specify how Iran would endanger "the shipment of energy." Some commentators and politicians in the West speculate that Iran would merely stop its own oil exports in the hope that energy demand and supply are so finely balanced that this would tip the world economy into crisis. This would be risky for Iran. Despite an OPEC production quota of 4.11 million barrels per day, Iran exports only around 2.6 million barrels per day. Even this might be an overstatement. The Wall Street Journal reported on June 5 that for the last six weeks Iran has been storing on tankers the equivalent of 475,000 barrels per day, suggesting that Iran can threaten only about 2.1 million barrels per day in supply to world markets. This is a figure almost bridgeable by Saudi Arabia's existing spare capacity, especially in light of a Journal report that Saudi production is currently down by 400,000 barrels per day.

## The Military Threat

If Khamenei instead meant that Tehran might use its armed forces to disrupt all Gulf oil exports, then in simple military terms, the threat is real enough. Iran has both a conventional navy and the separate Islamic Revolutionary Guard Corps with an even larger naval component, specially trained and equipped with fast patrol boats intended to project an asymmetric challenge to U.S. naval forces and the navies of the conservative Arab states on the Gulf's southern shore.

In the past, the main military threat to shipping has been from mines. During the last year of the Iran-Iraq War, when Kuwaiti tankers were reflagged for protection by the United States, the threat of mines led to a surge in insurance premiums. Indeed, Iranian mines damaged one tanker and the U.S. Navy frigate Samuel B. Roberts. Iran also has Chinese-supplied surface-to-surface missiles that could have a devastating effect on a tanker or a large fighting ship caught unawares. In February 2005 Senate testimony, Vice Adm. Lowell E. Jacoby of the Defense Intelligence Agency said, "We judge Iran can briefly close the Strait of Hormuz, relying on a layered strategy using predominantly naval, air, and some ground forces. [In 2004] it purchased North Korean torpedo and missile-armed fast attack craft and midget submarines, making marginal improvements to this capacity."

The U.S. Navy has long prepared for the mission of keeping open the Strait of Hormuz, recently with active cooperation from several NATO members and other allies. In 1987 and 1988, the U.S. Navy clashed with Iranian forces. The Iranian navy was neutralized as a fighting force and Revolutionary Guard units suffered heavy losses; Guard bases on small islands and offshore rigs were destroyed. An attempt to attack tankers or close the Strait of Hormuz would be regarded by Washington, and indeed much of the rest of the world, as unacceptable. In the event of renewed fighting, Iran would suffer punishing losses—and fail.

But even a successful conflict to keep open the Strait of Hormuz would come at a cost. In the 1980s, damage sustained by U.S. forces was insignificant. The next time could be different. According to Iranians close to the Tehran regime, Iran is prepared to incite local rebellions among its coreligionist Shiite Muslim communities in countries across the Middle East. Saudi Arabia, where Shiites form a local majority in the oil-rich Eastern Province, could be one target. The island of Bahrain, where the Shiites form a majority and the U.S. Navy's Fifth Fleet is headquartered, could be another. Tactical mistakes by the U.S. military could adversely affect world opinion, as happened in 1988, 290 people on an Iranian airliner perished when the U.S. guided missile cruiser Vincennes mistook it for an attacking fighter. And were Iran to develop deliverable nuclear weapons, during times of tension the entire Persian Gulf would effectively become a no-go zone for U.S. aircraft carriers and other large navy ships.

#### Reducing Vulnerability

There are few alternative export routes for Persian Gulf oil. In the event of a conflict, it would be necessary to keep the world market supplied with 18 million barrels each day. Saudi Arabia has an underutilized 5.5 million barrels per day capacity pipeline stretching across the kingdom to the Red Sea. An export line with a capacity of 1.6 million barrels per day from Iraq across Saudi Arabia has not been used since Saddam Hussein invaded Kuwait in 1990. Iraq also has an export line of 1.2 million barrels per day northwards through Turkey to the Mediterranean coast, currently closed by the insurgency. Taken together, these alternate routes do not even get close to 18 million barrels.

Were Arab states such as Saudi Arabia and the UAE to recognize that the vulnerability of the Strait of Hormuz requires alternative routes to market, new pipelines could be built across the Musandam peninsula to the Gulf of Oman and across Oman to the Arabian Sea. But such recognition of long-term interests seems unlikely; the instinct of the Gulf Arab states is to seek compromise with Iran and to resist any American use of force. So if Iran were to attack Gulf shipping, the rest of the world would face rationing by (high) price, with some—but not enough—amelioration by the accelerated introduction of alternative fuels such as ethanol.

Khamenei's remarks were not welcomed by Secretary of State Condoleezza Rice, who said, "We are going to give

diplomacy a little time here, and we are not going to react to everything the Iranian leadership says.” (The oil markets did react though, jumping by more than \$1 per barrel as soon as trading opened June 5.)

The diplomatic initiative for talks with Iran shows the awareness that any military option should be a last resort. The continuing experience in Iraq has created a lack of political enthusiasm for any use of force elsewhere even though, as the lessons of the 1988 clashes show, countering any Iranian blockade might involve only a few days of fighting, with major disruption to shipping lasting only slightly longer. If Iran’s public diplomacy is going to continue in the style of Khamenei, Washington needs to pursue a third option—persuading energy-importing countries, particularly in Asia, to prepare emergency energy policies. These would include strategic petroleum reserves, speed limits, carpooling, and shorter working weeks. Energy exporters, such as Saudi Arabia, should be persuaded to use some of their record revenues to build spare pipelines to bypass such bottlenecks as the Strait of Hormuz.

Simon Henderson is the Baker senior fellow for Gulf and energy studies at The Washington Institute and author, with Patrick Clawson, of the 2005 Institute Policy Focus [Reducing Vulnerability to Middle East Energy Shocks: A Key Element in Strengthening U.S. Energy Security \(templateC04.php?CID=227\)](#). ❖

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