Conflict Update

19 August 2026

Iran War Chartpack Week 25: Escalation Risks

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**************** **See attached PDF for more details and chartpack** ****************

Goals and strategies in the 2026 Iran War

US: From regime compliance to managed US exit

Regime compliance as initial primary goal…

- The US initially sought to coerce Iranian acquiescence on Big 3 demands (zero enrichment, missiles, proxies).

Focus has since shifted to the Strait of Hormuz (SoH) reopening,the nuclear file, thus softening war goals.

- … US instruments of choice have increasingly shifted toward less kinetic measures (e.g. circumvention, sanctions, blockade).
- The intensity and scope with which the US applies these non-kinetic measures remains a source of leverage.

Economic costs, war damage and overreach pushes the US toward and offramp

- Oscillating public statements by President Trump indicate growing frustration, if not desperation.
- A feasible exit including concessions to Iran has significant strategic – and domestic political consequences.
- Escalation remains risky absent limited means to offset Iranian capabilities and growing initiative-taking.

A return to fighting remains an option but carries significant regional risks amid reports of Iranian military reconstitution.

Iran: Regime security

"Collective cost' and endurance

- Iran's war strategy has been to raise the collateral cost of US and Israeli aggression.
- Iran looks to endure the blockade and war damage, hoping that the regional and global costs of disruptions rise faster than those in Iran.

An existential defensive war

- The regime perceives an existential threat to its survival, leading to perceived higher risk-taking.

Negotiations more likely if security guarantees and means to rebuild are achievable, to ensure regime stability

- So far, any US concessions appear too small or too easily reversible.

Status quo is undesirable, aggressive initiatives to follow

- Despite demonstrated resilience, economic damage is compounded with time
- Reports indicate more aggressive initiative-taking by Iranian forces could follow
- Renewed strikes, sabotage, and fomenting dissent in the region

Israel: Degradation and attrition

Despite ceasefire, degrading Iran's military and political capabilities remains a key goal.

- Upshot in case of renewed war: A prolonged war that severely degrades, and possibly destabilizes the Iranian regime pose upside to Israeli national security

Regime change may have been an early political goal, albeit poorly executed

- Recent reporting and analysis indicate war planners may have sought to foment regime change (INSS, NYT)

Israel may have higher risk tolerance level than the US.

- Israel internalizes more of the gains of the war than the costs, evident by asset price responses.

Israel's focus has shifted to Lebanon

- In Lebanon: a shift from targeted degradation toward indefinite territorial occupation and security zone establishment, with diplomacy as an instrument for the purpose of Hezbollah's dissolution.

Strategic achievements remain elusive

- Current IDF deployment and expected civilian collateral cost make full destruction of Hezbollah unlikely.
- Talks with the Lebanese government underway

Dynamics & What to Watch: Escalation risks

State of Conflict in Week 25

The way the Memorandum of Understanding (MoU) fell apart is testament to an inherent US inability to control outcomes in the Middle East

Continued pressure on energy markets

- Evident by the continued partial disruption of the SoH and the Bab El-Mandeb
- Global energy markets remain dependent on inventory draws, higher US oil exports and lower Chinese oil imports

The conflict has widened risking further intensification

- Fighting in Yemen risks reigniting a civil war.
- Gulf states remain vulnerable to attacks, with Saudi Arabia facing challenges from Iran-supported militias in both Iraq as well as Yemen
- The Iranian regime has undergone military- and security leadership changes which has been interpreted as cementing the view that
- Media reporting suggesting existing Iranian plans to escalate conflict if a negotiated outcome is not reached

The US vows tougher economic measures against Iran but faces constraints on further military action

An unstable equilibrium may unwind

Absent a diplomatic breakthrough, the prevailing geopolitical equilibrium in the Middle East has been inherently unstable.

The Iranian regime has demonstrated that it is willing to withstand the blockade for several ("six to eight") months…

- … before pressure on the regime builds to the point where it could potentially be more amenable to concessions.

Centripetal forces imply risks of gravitation towards war

- The Iranian regime may come to perceive that a resumption of war is more in its interest rather than waiting for the blockade (SoH closure) to force it into more concessionary negotiations
- Absent durable diplomatic progress - the road to renewed conflict remains open and may be inversely correlated with the actual pressure on the Iranian regime going forward.
- Iranian demonstrated resilience coupled with perceived US strategic weakness risks emboldening the Iranian regime to exert greater military pressure in the region.

What to Watch / Open Questions

Trump's options

- **Continuing the blockade**, hoping costs materialize faster in Iran than in the global economy, even if it risks another round of fighting.
- **Acquiescing to Iranian demands**, accepting the new status quo, facilitating SoH reopening and alleviating market pressure, but with a strategic cost to US and allies in the region.
- **Resuming the war**, with greater risks and unclear means of achieving strategic achievements.

Israel's ongoing strikes in Lebanon raise two related questions:

- How far is Iran willing to go to shield Hezbollah from Israeli strikes?
- How much pressure is the US willing to put on Israel to secure a deal with Iran?

Is Iran overplaying its hand?

- Iran's newfound assertiveness may be a sign of limited US/Israeli escalation dominance but also a growing need to secure regime stability and acquire means to rebuild Iran's economic and military.
- The more commentators "highlight Trump's failings, the more likely it is that the US will seek to reverse the outcome of this war by waging another." (FT)

Iran vows offensive shift, US military faces supply problems

Iran taking the initiative?

- Arab intelligence officials told WSJ of a **"strategic shift"** inside Iran's leadership **"to get their forces ready to widen the war and raise the costs for the US."**
- "**Tehran believes it has the military edge** and is openly discussing going on the offensive instead of merely responding to American attacks." (Trita Parsi on X).
- IRGC Dep. Political Commander Javani: **Iranian operations "may become offensive"** in the future and that "Iran's enemies should prepare for Iranian strategic surprises."
- A "gradual shift away from the strategy of 'comprehensive defense' toward 'offensive deterrence'" (Mostafa Najafi on X)
- Renewed Houthi pressure in Yemen offers an early indication of a widening conflict more offensive form of Iranian deterrence could look like.
- "**The greater the [US] economic pressure, the stronger the incentive [for Iranians] to initiate a new conflict.** Sanctions are hurting, but they are unlikely to force the regime into a public surrender. Washington will have to choose between costly, unpredictable escalation and accepting Iran's terms." (Danny Citrinowitz on X)
- "Iranian attacks on shipping in the Strait of Hormuz are piling up without an American military response" (WSJ)
- WSJ sources Arab intelligence officers warning of "sabotage of internet cables in the Persian Gulf, creating political unrest in countries with Shia communities such as Kuwait and Bahrain, and potentially even ground operations in Kuwait"
- Iranian "regime insiders" told the FT that **Iranian forces have assessed strikes on US bases in Europe**, including Bulgaria and Cyprus

US leans on economic measures amid military limits

Leaning on economic measures

A "one-two punch" of measures with little detail so far – The US has promised new phase of economic pressure on Iran could reportedly include:

- … more aggressively targeting the international financial and commercial networks that have helped Tehran keep selling oil despite decades of US pressure
- … including Chinese banks, yuan-denominated payments for Iranian oil, alternative payment systems, and the shipping, insurance, refining, and financial intermediaries behind the trade
- .. one potentially powerful option would be to target financial jurisdictions and institutions that facilitate payments for sanctioned Iranian oil, such as Hong Kong

Munitions depletion, reduced base presence, and strained logistics

- Muntions drawdown has made further large-scale campaigns questionable, both strategically as well as tactically
- Reduced US base presence in the Persian Gulf - Iranian attacks on US air bases in the region, coupled with depleted air interceptors, limit forward posture
- A reduced base access inside the Persian Gulf and a limited US combat logistics fleet has strained supply problems for US forces in the region.

SEB

Scenarios: The Iran War in Three Months

Description: Right-hand table gauges different scenarios in three months time and their estimated associated Brent oil prices. The weighted average of these scenario price estimates are then compared with the three-month Brent oil futures price.

For more details see "Iran's Survival Calculus, Institutional Entrenchment and the Limits of Decapitation," SEB Geopolitical Update, Mar 1, 2026, https://shorturl.at/ZXktv

Iran War Scenario Outcomes and Implied Brent oil price in 3 months

	Scenario prevailing in 3 months	Strait of Hormuz future	Iran acquires of nuclear weapons	Regime change in Iran?*	Continued disruption of energy infrastructure	Market outcomes	Oil price USD/b**	Estimated probability
Iran overcome	1 US and Israel jointly overwhelm Iran	Rapid return to normal levels	No	Unlikely	No	*Positive despite initial increase in volatility; conflict risk premia dissipates in oil markets; stong recovery in regional equity markets*	50-60	0.05
						Probability that Iran capitulates		0.05
Negotiations	2 Negotiations amid continued energy disruption	Large/ moderate disruption	Possible	No	Yes	*Pressure on energy markets intensity, supply chain disruption and demand destruction take a toll on market outcomes*	75-95	0.1
	3 Negotiations amid energy normalization	Limited disruption	Possible	No	No	*Positive, as the energy disruptions and bilateral Iran-US talks are compartmentalized*	80-90	0.2
						Probability of negotiations		0.3
Continuation	4 Low-intense / unfinished conflict	Significant disruption	Yes	No	Threat of future strikes remain	*Conflict risk premia remain in oil markets, uncertainty keeps regional stocks subdued, and elevated risk of future conflict*	80-100	0.25
	5 Regime destabilization	Limited/ moderate disruption	No	Possible	Limited by regime degradation	*Conflict risk premia remain in oil markets, uncertainty keeps global and regional stocks subdued*	90-100	0.1
	6 Renewed conflict	Large disruption	Yes	Unlikely	Yes	*Large sustained disruption of energy and shipping markets*	100-150	0.3
						Probability of prolonged conflict		0.65
	Scenario-implied probabilities		0.70	0.18	0.47	Brent oil in 3m: scenario-weighted implied vs latest market price (USD/b)***	Implied: 97.8	Current: 85.2

Source: SEB. * Regime change here is assessed in the short run. Any scenario could potentially lead to changes in the regime in the longer term.** These scenario-based oil prices indicate where the oil price is at the point of realization of a scenario and does not necessarily capture short-term volatility. ***The probabilistic Brent oil price is a weighted average of the mid-range oil price under the different scenarios and does not constitute a forecast. SEB's oil price forecasts are available at https://research.sebgroup.com/macro-ficc

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