



The Mission Grey Guild

Monthly Newsletter

April 2026

Neutralizing Chokepoints

Lessons from the Hormuz Strait, Malacca, and the Baltic Sea

(UN)CONVENTIAL WISDOM

The gap between expectations and reality is where volatility builds.¹

¹ Listeds. 2026. Iran conflict reshapes risks for Finnish leaders, Danske Bank's Kuusisto calls for a new playbook. April 20, 2026. Available online: <https://listeds.com/articles/iran-conflict-reshapes-risks-for-finnish-leaders-danske-banks-kuusisto-calls-for-a-new-playbook>

Foreword

The Return of Strategic Seas

For much of the late twentieth century, global shipping routes were treated as background infrastructure: stable, predictable, and largely outside the immediate concern of strategic planners. However, today maritime geography has reasserted itself as a defining variable in global stability. The world's most critical chokepoints—the Strait of Hormuz, the Strait of Malacca, and the Baltic Sea—now function less as neutral corridors of commerce and more as active pressure points within a tightly coupled global system.

Each reflects a different expression of the same underlying reality: global trade does not flow freely in abstraction. It moves through narrow, exposed, and increasingly contested waterways.

The Strait of Hormuz remains the archetype of energy vulnerability. A narrow channel through which a significant share of global oil exports must pass, it is perpetually shadowed by military signaling, escalation risk, and the strategic calculus of regional powers. Even in the absence of open conflict, its stability is never assumed; it is only managed.

The Strait of Malacca represents a different form of constraint: density. It is less a flashpoint than a funnel, where the sheer concentration of global shipping creates systemic fragility. Any disruption, whether environmental, technical, or geopolitical, reverberates far beyond the region, propagating delays through supply chains that depend on just-in-time precision.

The Baltic Sea illustrates the newest evolution of chokepoint dynamics. Once considered a relatively contained and predictable maritime space, it has become a theater where energy infrastructure, naval presence, and industrial connectivity intersect. Pipelines, subsea cables, and contested maritime boundaries have transformed it into a layered environment of strategic ambiguity. It is open, yet no longer reliably stable.

Taken together, these three regions reveal a shift in the global order. Chokepoints are no longer peripheral features of the map. They are central nodes in a system defined by interdependence and fragility. When pressure increases, the system rarely fails outright. Instead, it slows. Costs accumulate. Reliability degrades. Uncertainty becomes structural.

In 2026, the key distinction for decision-makers is no longer between open and closed seas, but between stable and unstable flows. The strategic seas have returned: not as theaters of conventional control alone, but as the quiet determinants of global economic continuity.

Pekka Virkki
Editor-in-Chief
Guildmaster

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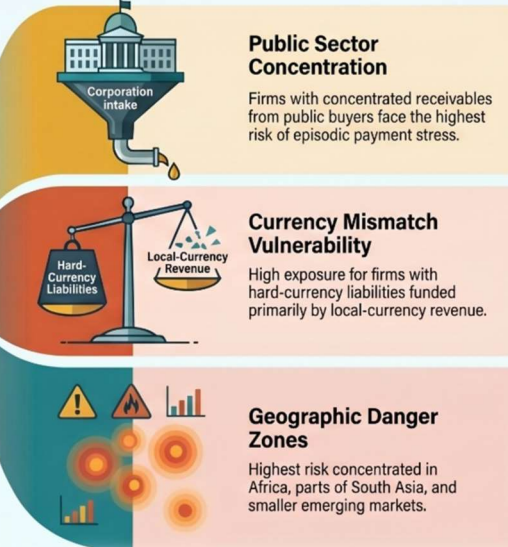
Five Trends to Watch

Beyond the Bondholders: Sovereign Debt as a Corporate Operational Risk

The "Administrative Friction" of Debt Stress



Profiles of High-Risk Exposure

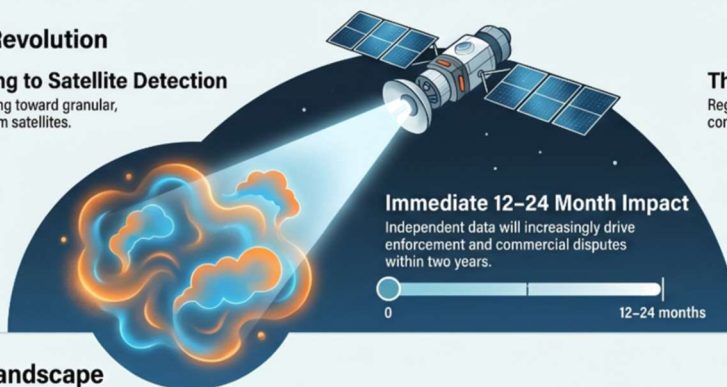


The End of Invisible Emissions: The New Era of Satellite Scrutiny

The Detection Revolution

From Self-Reporting to Satellite Detection

Methane monitoring is moving toward granular, externally observed data from satellites.



The End of Data Monopolies

Regulators and investors no longer rely solely on company disclosures for environmental evidence.



The New Risk Landscape

The Liability Gap



Differences between disclosures and satellite observations create direct, actionable liability issues.



Loss of Narrative Control

Firms can no longer control the story of their environmental impact using internal data.



Beyond Regulatory Fines

Risks now include financing covenants, insurance pricing, and procurement eligibility.



AI's Hidden Bottleneck: The Political Scarcity of Water

The Reality of "Political Scarcity"

Beyond Physical Scarcity

Risk is driven by community pushback and social license, not just water volume.



The Underestimated Pillar

Boards often model feasibility using power and land while ignoring local water constraints.



24-Month Critical Window



Water-related siting disputes are likely to surge in drought-prone or fast-growing regions.

Business and Operational Impacts

Permitting Friction

Community resistance can trigger project moratoria and permanent limits on infrastructure expansion.



ROI Destruction

Permitting delays in capital-intensive projects can rapidly destroy expected financial returns.



Rising Mitigation Costs

Contested water availability leads to higher costs and long-term reputational damage.



The Cross-Border Trap: The High Cost of Regulatory Divergence

Rules Splitting Across Jurisdictions

Widening gaps between U.S. and EU export controls create conflicting legal environments.



Hidden Commercial Bottlenecks

Intermediaries like insurers and banks may block activity even if no direct legal prohibition exists.



Thinking a company is compliant in one region while remaining paralyzed by another.

Operational Impact & Outlook

High Likelihood of Operational Losses

Misaligned regimes are expected to cause significant losses over the next year.



Critical Vulnerability Points
Risk is highest for firms trading across the U.S., EU, Gulf, and Asia.



Industry	Role in the 'Trap'
 Financial Services	Correspondent banks and trade finance intermediaries blocking transactions.
 Logistics & Insurance	Shipping providers and insurers halting activity based on divergent regimes.

Synthetic Shadows: The Deepfake Threat to Corporate Treasury

THE NEW FACE OF FINANCIAL FRAUD

50%

50% of UK Orgs Targeted
Half of UK organizations reported at least one executive impersonation attempt in the past year.

AI Voice and Video Cloning

Realistic fakes simulate CEO authority and urgency to trick finance teams into making transfers.



The "Authorized" Payment Trap

Banks may classify deepfake-coerced transfers as "authorized," making fund recovery significantly more difficult.



CRITICAL VULNERABILITIES & OUTLOOK



Outdated Control Frameworks

Many firms still design controls for phishing rather than realistic voice or video impersonations.



High-Risk Structural Weaknesses

Risks are highest in firms with weak callback procedures or concentrated treasury authority.

Weak Callback Procedures Concentrated Treasury Authority

Almost Certain Increase

Deepfake-enabled payment fraud is projected to increase significantly over the next 12 months.



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The "Authorized" Payment Trap



transfers: finance teams into making authority and urgency to trick realistic fakes simulate CEO

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20%

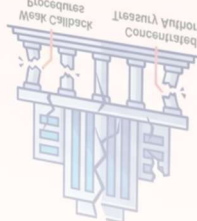
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concentrated treasury authority: weak callback procedures or risks are highest in firms with

High-Risk Structural Weaknesses



voice or video impersonations: for phishing rather than realistic many firms still design controls

Outdated Control Frameworks



CRITICAL VULNERABILITIES & OUTLOOK

Global Conjunctions



International Trade in a Time Of War

By [Stephen J. Blank](#)

The gravest threat to shippers, exporters, and importers alike is not merely the wars in and around Iran and Ukraine. Rather, it lies in what these wars signify: the breakdown of the international order. This erosion is visible in the return of protectionism, tariffs, the destruction of civilian terrestrial and maritime infrastructure, and the looming abandonment of the principle of freedom of navigation. These processes are unfolding simultaneously and reinforcing one another in real time.

Nor are these disruptions confined to oil and gas. They extend to all goods dependent on energy inputs, including the transport of foodstuffs, fertilizers, and rare earths. Their convergence signals the collapse of the system upon which international trade depends. That is a system long upheld by Washington; even by force, if necessary.

More troubling still is the apparent indifference of American leadership. President **Donald Trump**'s remarks about "sharing" the Strait of Hormuz with Iran suggest a fundamental misunderstanding of freedom of navigation. This principle is not merely a norm of international

order; it has been a cornerstone of American foreign policy since 1789. The United States has gone to war to defend it for several times, including in 1812 and again in 1917.

America's Retreat and the Return of Coercion

Because fidelity to freedom of navigation helped make the United States a great power, its apparent abandonment underscores a broader retreat from global primacy. The result is a world increasingly governed by coercion: where might makes right, and where economic and kinetic warfare are becoming routine. One consequence is sustained upward pressure on global prices.

Russia's actions offer an early illustration. Its efforts to close the Black Sea, destroy Ukraine's infrastructure, and sabotage Baltic Sea cables demonstrate that longstanding prohibitions can now be violated with relative impunity. Ukraine, acting out of necessity, has followed suit, but it is far from alone.

Iran and its proxies have expanded this pattern. Groups such as the Houthis, Hamas, and Hezbollah have targeted not only Israel's civilian infrastructure but also international commerce in the Red Sea, threatening regional stability from Israel to Egypt and Saudi Arabia. Now Tehran has effectively weaponized the Strait of Hormuz, asserting unilateral control and reportedly proposing fees—up to \$2 million—for transiting cargo ships.

Though framed as reparations, such demands amount to modern piracy: an attempt to extract global tribute to finance Iran's military and nuclear ambitions. The implications for global energy and commodity prices are immediate and severe.

Precedents That Will Not Stay Regional

The danger extends beyond the Middle East. Acquiescence to Iran's demands would establish precedents with global consequences. China, which already asserts expansive claims in the South China Sea and is building new military infrastructure there, would have both justification and opportunity to escalate its own coercive practices.

If Iran succeeds in dominating the Strait of Hormuz while its Houthi allies maintain pressure on the Red Sea, Beijing could more credibly blockade Taiwan, interdict Pacific trade, and consolidate control over key maritime routes. Drawing lessons from Russia, it could also expand attacks on undersea cables, target civilian infrastructure, and rely on shadow fleets to evade sanctions, all while leveraging tariffs to restrict access to critical resources such as rare earths.

In such a world, economic warfare would become not the exception but the norm, waged at times and places of each power's choosing.

The Rising Cost of Conflict

The militarization of key waterways is already driving up costs. Efforts to secure or blockade the Strait of Hormuz would require prolonged multinational deployments of naval, air, and possibly ground forces. At the same time, shipping routes would be forced to adjust. If the Strait were closed

or contested, and if the Houthis intensified attacks in the Red Sea, global shipping would face severe disruption.

Alternative routes would be longer, riskier, and more expensive. Ongoing conflict involving Israel and Hezbollah further limits viable ports in the eastern Mediterranean. As a result, shipping costs, already elevated by higher energy prices and security concerns, would rise even further.

Insurance premiums would follow suit, reflecting sharply increased risk. In some cases, firms may even be compelled to pay tribute or protection fees to state or non-state actors controlling key routes. Many shippers, faced with these dangers, would simply avoid contested waters altogether.

The Diffusion of Destructive Capability

Compounding these pressures is the rapid diffusion of military technology. The growing availability and low cost of drones are enabling both states and non-state actors to acquire significant strike capabilities. The Houthis already deploy such systems; Hezbollah has long possessed anti-ship missiles; and Iran continues to expand its drone arsenal.

It is highly likely that Tehran will transfer these capabilities or the means to produce them to its proxies. If it does not, Russia or China may step in. Moscow has already provided intelligence and matériel to Iran and its allies, while Beijing has reportedly supported the Houthis and supplied Iran with air defense systems.

These developments further erode freedom of navigation across critical waterways, including the Strait of Hormuz, the Persian Gulf, and the Red Sea.

Tariffs and the Inflationary Spiral

Military conflict is only part of the story. Economic policy is reinforcing these pressures. China's restrictions on rare earth exports, critical for global defense and technology sectors, combined with Washington's increasingly indiscriminate use of tariffs, have already generated inflationary and recessionary pressures worldwide.

These dynamics would strain global trade even in the absence of war. Together, however, they create a powerful inflationary spiral affecting energy, food, transport, and insurance costs alike.

No Quick Return to Stability

There is little reason to expect a near-term reversal of these trends. In the Baltic, Russia has threatened to arm its shadow fleet or escort it with military forces, deterring interference by neighboring states. Across Europe, it continues to probe critical infrastructure for vulnerabilities. The Black Sea remains an active warzone, while Ukrainian strikes have extended into the Mediterranean.

Meanwhile, tensions across the Middle East continue to escalate, with the potential for conflict stretching from the Red Sea to the Indian Ocean. Diplomatic efforts show few signs of success, and upcoming great-power summits are unlikely to provide meaningful relief.

As **Dmitry Medvedev** has observed, control over chokepoints such as the Strait of Hormuz can function as a weapon comparable to nuclear arms, but one that is far more usable. His point is less an endorsement than a warning: once such tools are normalized, others will adopt them.

The implication is stark. Iran's actions are unlikely to be the culmination of this trend; they are more likely its beginning. The destruction of the international trading order is not a singular event, but an unfolding process; one that promises to reshape global commerce for years to come.



ABOUT THE AUTHOR

Dr. Stephen J. Blank is a *Mission Grey Guild* Member, part of a curated global network of experts contributing real-world insight to advanced geopolitical and strategic intelligence. A distinguished scholar and strategist, he brings decades of experience in foreign policy and national security, including his role as a Senior Fellow at the *Foreign Policy Research Institute*. His work has informed policymakers at the highest levels, including testimony before the U.S. Congress on Eurasian and global strategic issues. Widely published on Russian, European, and transatlantic security, Dr. Blank is recognized for his rigorous, evidence-based analysis of complex geopolitical dynamics.



Scenario

When Neutrality Fails: An ASEAN Scenario for Malacca

By [Looi Teck Kheong](#)

The prevailing analysis of global maritime chokepoints tends to assume that disruption is primarily kinetic: missiles, mines, piracy, or blockades. The Straits of Malacca—arguably the most critical commercial artery in the world—are typically framed within this paradigm. Congestion, accidents, or military confrontation are identified as the principal failure modes. This framing is incomplete.

The most plausible and under-modelled risk to Malacca is not physical closure. It is a political fracture—specifically, the collapse of ASEAN’s strategic neutrality under the pressure of a US–China confrontation. Malacca does not need to be attacked to fail. It only needs to become politically unmanageable.

The Real Trigger: Conflict Without Closure

Consider a limited but sustained crisis, either a Taiwan blockade or an escalation in the South China Sea. Crucially, no actor targets Malacca directly. Shipping lanes remain physically open. Ports continue operations. There are no mines, no naval interdictions, no declared exclusion zones.

Instead, both Washington and Beijing shift the contest into a regulatory and compliance space.

China asserts the right to inspect vessels transiting regional waters for dual-use goods or cargo linked to adversarial supply chains. The United States responds with parallel demands, targeting shipments associated with Chinese military-industrial networks. Both sides expand their expectations to include:

- *Inspection regimes based on cargo origin and destination*
- *Restrictions on port access based on flag state or prior port calls*
- *Overflight and transit denials for specific carriers or operators*

Individually, each demand is legally arguable, rooted in sanctions enforcement, national security doctrine, or maritime security principles. Collectively, however, they are mutually incompatible.

ASEAN states are not confronted with a binary military choice. They are confronted with a layered compliance impossibility.

ASEAN’s Structural Dilemma

Malaysia, Indonesia, and Singapore sit at the heart of this dilemma. Their long-standing strategic posture—non-alignment coupled with economic openness—has allowed them to function as neutral facilitators of global trade.

That neutrality, however, is premised on a stable external environment.

In a US–China confrontation, neutrality becomes performative rather than real. Each decision, whether to inspect, deny, or permit transit, will be interpreted as alignment by one side or the other.

Three theoretical options exist:

- ***Align with US demands:*** China interprets ASEAN as enforcing a Western chokepoint regime. Retaliatory economic or maritime measures follow.
- ***Align with Chinese demands:*** The US reclassifies ASEAN jurisdictions as enabling adversarial logistics. Secondary sanctions and security downgrades emerge.
- ***Attempt case-by-case neutrality:*** Inconsistent decisions trigger accusations of bad faith from both sides, resulting in simultaneous pressure.

In practice, neutrality collapses into selective enforcement.

The Strait does not close. Instead, it transforms into a permission-based corridor, functionally analogous to the Strait of Hormuz, but without explicit military confrontation.

This is the key analytical shift: Malacca becomes politicised not through force, but through compliance fragmentation.

The Business Transmission Mechanism

The commercial consequences of this transformation are subtle but severe. Unlike a sudden closure, which triggers immediate contingency responses, this scenario produces systemic friction. Trade flows continue, but rhythm collapses.

The following effects are likely:

Operational Delays

Ad hoc inspections and documentation checks extend port dwell times by 30–50%. Vessels face uncertainty not only in transit but in clearance.

Network Disruption

Shipping lines begin to implement “blank sailings,” skipping ASEAN ports to avoid regulatory risk. Transshipment hubs—particularly Singapore—lose predictability.

Insurance Escalation

War-risk premiums rise sharply, particularly for ASEAN-flagged or ASEAN-routed vessels. Underwriters price in legal ambiguity, not just physical risk.

Route Diversification

Traffic shifts toward the Lombok and Sunda Straits. While physically viable, these routes add 2–4 days to transit times and rapidly become congested, transferring rather than resolving chokepoint pressure.

Supply Chain Fragmentation

Industries most exposed to timing precision suffer first:

- **Semiconductors:** Malaysia’s backend manufacturing faces disruption in delivery cycles
- **Automotive:** Thailand’s just-in-time production models degrade
- **Commodities:** Indonesian nickel and Vietnamese agricultural exports experience pricing volatility

The critical insight is this: supply chains do not break because flow stops—they break because predictability disappears. For CFOs and risk officers, a “broken rhythm” scenario is often more damaging than outright closure.

Legal and Regulatory Dimensions

What makes this scenario particularly dangerous is its legal ambiguity.

There is no clear violation of international law. The United Nations Convention on the Law of the Sea (UNCLOS) provides for transit passage, but it does not fully resolve conflicts arising from overlapping sanctions regimes and national security measures.

ASEAN states would be forced into a quasi-adjudicative role:

- *Determining what constitutes “dual-use” cargo*
- *Interpreting extraterritorial sanctions claims*
- *Balancing freedom of navigation against national security compliance*

This effectively transforms port authorities and maritime regulators into frontline actors in great power competition.

The legal burden becomes operational risk.

Why This Scenario Is Avoidable

Despite its plausibility, this outcome is not inevitable. The core issue is institutional absence. There are currently no operational mechanisms capable of managing this type of crisis.

Three interventions would materially reduce the risk:

(i) ASEAN+3 Maritime Deconfliction Mechanism

Not a symbolic hotline, but an operational system with pre-agreed escalation protocols. This would allow real-time coordination between ASEAN, China, Japan, and South Korea during crises.

(ii) Neutral Vessel Certification Regime

A pre-clearance system for vessels, cargo, and crew—agreed multilaterally—to ensure uninterrupted transit through chokepoints during periods of heightened tension.

(iii) Insurance Corridor Guarantee

A multilateral war-risk backstop that stabilises insurance markets. Analogous to financial system continuity mechanisms, this would prevent a sudden withdrawal of coverage.

These are not technical solutions. They are governance innovations.

Without them, the first serious US–China escalation will be mediated not through diplomacy, but through fragmented compliance decisions at ports and checkpoints.

Strategic Implications for ASEAN

This scenario reveals a deeper structural issue.

ASEAN’s centrality has historically been defined in economic and diplomatic terms. Yet, in a fragmented geopolitical environment, centrality must also be operational.

The ability to maintain neutral infrastructure—shipping lanes, digital systems, financial networks—will define ASEAN’s strategic relevance.

Failure to do so risks a reclassification of ASEAN from “connector” to “contested space.”

Decision Framework for Stakeholders

For logistics, insurance, and policy actors, the key question is not whether disruption will occur, but when to act.

A signal-based activation framework is essential:

- **Early-stage diplomatic escalation:** Begin documentation review and contingency modelling
- **Assertion of inspection rights:** Engage insurers and evaluate rerouting costs
- **Public ambiguity by ASEAN states:** Initiate partial rerouting and cargo holds
- **First enforced detention:** Trigger full contingency routing

- **Simultaneous approval by both powers:** Treat as systemic instability—diversify immediately

The paradoxical signals, where both sides appear aligned, often indicate the highest level of hidden tension.

Conclusion: A Political Chokepoint

Malacca's vulnerability lies not in its geography, but in its governance.

The traditional chokepoint model assumes that disruption requires force. This analysis demonstrates that it does not. Political incompatibility alone is sufficient.

In this scenario, Malacca does not close. It fragments. Transit becomes conditional. Compliance becomes contested. Neutrality becomes unsustainable.

And in that moment, the world's most important trade artery ceases to function as a global commons and becomes a negotiated corridor of power.

This is not a remote possibility. It is a near-term planning failure.

The question is no longer whether Malacca can withstand a military shock. It is whether ASEAN can withstand a political one.



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MISSION GREY

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MONTHLY REPORT — APRIL 24, 2026

Malacca Strait Risk Analysis

Current Risk Level

Elevated — above baseline, not yet High or Critical

Primary Driver

Intensified US–China tension around Taiwan and the South China Sea

Key Stabilizer

Singapore, Malaysia, and Indonesia publicly reaffirm open, toll-free transit under UNCLOS



A **regulatory-conflict narrative** has entered mainstream policymaking: Indonesia's finance minister floated Hormuz-style transit levies before the foreign minister reversed course — demonstrating that permission-based transit concepts are **no longer hypothetical** in regional debate.



Mission Grey monitors the signals that matter—so you can act early and stay ahead.

Mission Grey Monitoring Prompt

Monitor for early warning signals of a non-kinetic disruption scenario in the Strait of Malacca caused by regulatory conflict and breakdown of neutrality among ASEAN states during a US–China confrontation.

Focus on detecting conditions where the strait remains physically open but becomes operationally degraded due to conflicting compliance regimes, politicised transit rules, and legal ambiguity.

Track and continuously update risk levels based on the following signal categories:



Geopolitical escalation signals

Identify sustained or escalating tensions between the United States and China, especially related to Taiwan or the South China Sea. Monitor for new sanctions, export controls, or official assertions of maritime inspection rights. Flag situations where both powers issue overlapping or competing regulatory demands.



Regulatory and compliance actions

Detect announcements or enforcement of cargo inspection regimes, especially those based on origin, destination, or “dual-use” classification. Monitor restrictions on port access, flag state discrimination, or transit/overflight denials. Escalate when conflicting requirements from both powers create compliance impossibility.



ASEAN policy behaviour

Track responses from key states including Singapore, Malaysia, and Indonesia. Identify shifts from neutrality toward selective enforcement, inconsistent port decisions, or public ambiguity. Escalate when ASEAN lacks coordination or signals implicit alignment with either side.



Maritime and logistics disruption

Monitor operational indicators such as increased port dwell times, vessel inspections, blank sailings, and port omissions. Track rerouting toward alternative corridors (e.g., Lombok and Sunda Straits). Prioritise signs of unpredictability and delay, not physical closure.



Insurance and financial stress

Track increases in war-risk premiums, changes in underwriting conditions, or withdrawal of coverage tied to legal or compliance uncertainty. Escalate when risk pricing reflects regulatory ambiguity rather than kinetic threats.



Supply chain impacts

Monitor disruptions in time-sensitive industries including semiconductors, automotive, and commodities. Identify breakdowns in delivery predictability, production delays, or pricing volatility caused by routing or compliance uncertainty.

Apply the following escalation logic:

ELEVATED	Early diplomatic escalation → flag as Elevated risk
HIGH	Assertion of inspection or regulatory controls → High risk
HIGH + INSTABILITY	ASEAN ambiguity or inconsistent enforcement → High risk with instability
CRITICAL	First confirmed vessel detention or enforcement action → Critical risk
CRITICAL (SYSTEMIC)	Simultaneous or overlapping compliance demands from both powers → Systemic instability (Critical)



Prioritise detection of “friction-based disruption”, where trade flow continues but reliability collapses. Treat legal ambiguity, inconsistent enforcement, and regulatory overlap as primary risk drivers.

Output:



Continuous risk level (Low / Elevated / High / Critical)



Immediate alerts on threshold breaches



Concise explanation of which signals triggered escalation



Forward-looking assessment of whether Malacca is shifting from open transit to a permission-based corridor

Interns' Letter

The Hormuz Crisis and the Hydrogen Economy

By Mission Grey Interns

Hydrogen is often discussed as if it were insulated from oil and gas geopolitics, on the assumption that a significant share of future supply will be renewable-based. In reality, today's and near-term hydrogen economy remains deeply exposed to the Gulf in three main ways.

First, the Gulf is central to global gas and energy markets. The Strait of Hormuz typically carries a large share of seaborne oil flows and is also critical for LNG, notably from Qatar. Current analysis indicates that a disruption could threaten up to 87 bcm of global LNG supply, enough to reprice gas globally, particularly in Europe and Asia. Since grey hydrogen is produced from natural gas without abatement, and blue hydrogen is natural gas-based hydrogen with carbon capture, both are directly exposed to higher costs when gas prices spike.

Second, the Gulf is not only an energy supplier but is also emerging as a major hydrogen and ammonia export hub. Saudi Arabia, the UAE, Oman, and Qatar all have ambitions spanning green, blue, and ammonia-based export projects. However, these projects do not share the same route exposure. Access via the Red Sea and Arabian Sea is significantly more resilient than exports dependent on passage through Hormuz. As a result, Gulf instability does not uniformly weaken “Middle East hydrogen” but instead reshapes competitive advantages within the region.

Third, hydrogen is frequently transported not as pure hydrogen but as ammonia or other derivatives. Current reporting suggests that the Hormuz crisis has disrupted roughly a fifth of global ammonia trade, with Rystad Energy-based estimates indicating around 15% of global ammonia trade and 21% of urea trade as exposed. This matters because ammonia is one of the primary carriers for traded low-carbon hydrogen. If ammonia shipping is disrupted, the emerging hydrogen trade market experiences an immediate logistics shock.

Effects on Different Hydrogen Actors

The clearest beneficiaries are renewable-based hydrogen producers located outside Gulf chokepoints. Australia stands out due to its scale, resource quality, and direct maritime access to Asian markets without Hormuz exposure. Large electrolyzer-linked ammonia ambitions there become more credible in a market that increasingly values route security and feedstock independence.

North and West African projects also benefit selectively, particularly those with Atlantic or Mediterranean export routes. Mauritania is one example where policy and project momentum may strengthen in a world seeking secure, non-Hormuz low-carbon molecules. Latin American exporters such as Chile and Brazil are also likely strategic beneficiaries, even though they continue

to face execution and cost challenges. Their attractiveness increases because they offer geopolitical diversification rather than simply low-cost renewable energy.

Saudi Arabia is geographically split in terms of exposure. Eastern oil and petrochemical systems remain vulnerable to Hormuz-related instability, while western export infrastructure is considerably more resilient. The East–West crude pipeline to Yanbu has already helped partially mitigate disruption risk, and this logic extends to future hydrogen derivatives exported via Red Sea ports. NEOM’s green hydrogen and ammonia project is therefore relatively advantaged within the Gulf because it is structurally less dependent on Hormuz transit.

This does not eliminate demand risk; some reports continue to highlight uncertainty around offtake for NEOM. However, in a Hormuz shock scenario, route optionality becomes a major commercial advantage. A project with slightly higher capital expenditure but safer export access may ultimately be preferred over a cheaper project constrained by a maritime chokepoint.

In the near term, Europe, Japan, and South Korea are negatively affected by higher gas and shipping costs. Strategically, however, their domestic green hydrogen sectors and nearby import corridors become more attractive. A Hormuz shock strengthens the case for local electrolysis, accelerated renewable deployment, ammonia cracking infrastructure in secure ports, and diversification of imports toward North Africa, the Americas, and Australia.

The medium-term winners are therefore not only exporters but also jurisdictions building resilient hydrogen ecosystems that are less dependent on Gulf gas and Gulf shipping routes.

Qatar is among the most exposed actors because its LNG exports are heavily dependent on transit through Hormuz. Since LNG disruptions feed directly into global gas prices, Qatar plays a systemically important role in the global energy system. Any prolonged disruption would not only reduce hydrocarbon export revenues but also weaken the economics of gas-linked hydrogen production associated with the region.

The UAE, Kuwait, and Bahrain are similarly exposed where hydrogen, ammonia, fertilizers, or other gas-linked exports rely on Hormuz shipping lanes. While long-term projects are unlikely to disappear, their risk premiums would increase significantly.

Countries whose industrial hydrogen base relies on imported natural gas are particularly vulnerable, especially in Europe and parts of Asia. Grey hydrogen costs rise rapidly with gas prices. Blue hydrogen may be even more affected in investment terms because it combines gas price exposure with high capital intensity for carbon capture, transport, and storage. Increased gas volatility undermines financing confidence, offtake pricing, and overall project bankability.

Because ammonia is becoming the dominant carrier for traded hydrogen, disruption to ammonia shipping directly disrupts hydrogen market formation. Markets expecting seaborne clean ammonia from Gulf producers face higher freight costs, insurance premiums, delays, and increased working capital requirements. This weakens the globalization of hydrogen trade and strengthens regionalized supply models.

The Hormuz crisis underscores a broader reality: the hydrogen economy is not emerging in isolation from traditional energy geopolitics but within it. Supply chains, maritime chokepoints, and gas price volatility will continue to shape hydrogen’s pace of development, geographic distribution, and commercial structure.

As hydrogen markets mature, resilience, route security, and feedstock diversification may prove just as decisive as cost in determining which projects scale successfully and which struggle to reach viability.

Our Interns

*Mission Grey interns are a valued part of the company operations and play an essential role in many Guild projects.
Please meet them.*

Anna Kakhanovska

Bachelor's degree in International Affairs from Georgetown University.
Background in European public relations and external affairs.
Specialized in Europe and East Asia.

Logan Warlick

BA in Political Science with a minor in Russian Studies from James Madison University.
Experience in international development research and institutional support.
Specialized in Russia, Eastern Europe, and Central Asia.

Seán McLoughlin

Master's degree student in International Politics at the University of Tampere.
Experience in municipal and youth politics.
Specialized in strategic and security studies.

THE FRICTION SEA

Open waters, constrained systems

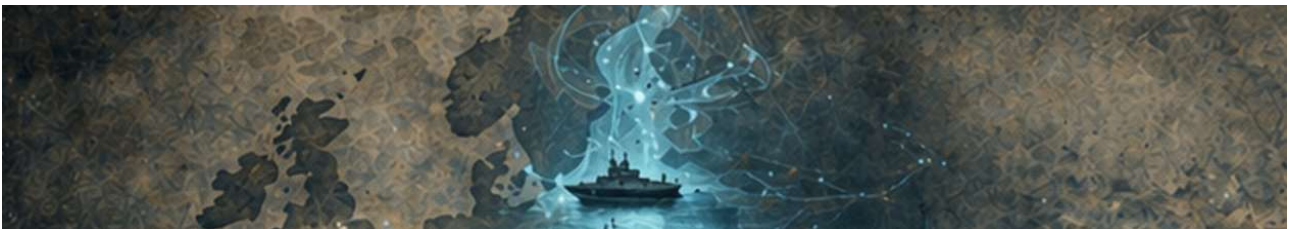
Scenario risk in a
grey-zone maritime economy

The Joker

Baltic 2026: When Strategic Seas Become Boardroom Risk

A scenario-driven look at how corporations can prepare for persistent maritime uncertainty

By [Pekka Virkki](#)



The Baltic Sea has entered what many executives now describe as a grey-zone operating environment. Commercial activity continues, ports function, and vessels move. Yet beneath this continuity lies a layered and persistent accumulation of operational risk.

Maritime enforcement has become uneven, particularly around sanctioned cargoes and so-called shadow fleets. Export infrastructure, including major energy hubs such as Primorsk and Ust-Luga, has demonstrated vulnerability to disruption through congestion, downstream bottlenecks, and episodic operational stress. Navigation systems face recurring interference, reducing confidence in GNSS and AIS reliability. At the same time, military presence and signaling across the broader Russia–NATO maritime theatre has intensified, adding a strategic undercurrent to otherwise commercial decisions.

Taken together, these developments do not produce a single point of failure. Instead, they reshape the baseline. Risk is no longer episodic. It is continuous, ambient, and embedded in daily operations.

From Catastrophe to Friction

Conventional risk frameworks were designed around discrete, high-impact events: wars, blockades, or full route closures. The Baltic reality challenges that structure.

The dominant risks today are less visible but more persistent. They include ongoing operational friction in shipping and port access, intermittent infrastructure disruptions affecting subsea cables and power links, navigation instability caused by GNSS and AIS interference, and regulatory ambiguity surrounding sanctioned or shadow-linked vessels.

Individually, none of these phenomena necessarily define a crisis. Collectively, they alter the economic texture of trade. The result is not sudden shock but gradual erosion—compressed margins, longer working capital cycles, and rising compliance and insurance costs.

For boards, the implication is clear: the most consequential risks are those that accumulate quietly over time rather than those that arrive in a single dramatic event.

Scenario Thinking as Governance Architecture

In response, leading organizations should be shifting toward scenario-based governance rather than linear forecasting. Instead of assuming a single trajectory, boards prepare for multiple overlapping operating conditions.

In the most probable scenario, the system remains in persistent grey-zone friction. Operations continue, but delays, inspections, and navigation warnings become routine features of the environment. The organization adapts through monitoring systems and incremental recalibration of logistics and cost assumptions.

A second scenario emerges when a discrete event disrupts normality. This may involve infrastructure failure, a contested vessel incident, or a sudden enforcement escalation. In such cases, exposure is reduced, alternative routes are activated, and executive oversight intensifies.

A third scenario reflects multi-event stress, where several disruptions occur in close succession. Here, uncertainty becomes systemic rather than localized. Organizations respond by tightening commercial discipline, securing alternative sourcing, and reassessing pricing structures across affected flows.

A fourth and less frequent scenario involves acute confrontation, in which commercial navigation is directly affected by military or quasi-military incidents. In this environment, continuity is no longer assumed. Crisis governance structures take precedence, liquidity is protected, and selective withdrawal from exposed lanes may be required.

What distinguishes this approach is not prediction but preparedness. Each scenario exists simultaneously as a possibility, and organizational strength lies in operating across all of them without delay.

From Signals to Automatic Escalation

One of the most significant evolutions in modern risk management is the replacement of discretionary escalation with trigger-based governance. Rather than relying on interpretation at the moment of stress, organizations define measurable thresholds that automatically activate response protocols.

These triggers may include clusters of subsea cable or seabed incidents within defined periods, sustained increases in navigation interference warnings, sudden deviations in port throughput, visible congestion in sensitive maritime corridors, or verified involvement of military assets near commercial shipping.

This structure is designed to remove hesitation from crisis response. In environments where conditions can shift rapidly, ambiguity is itself a cost.

The Financial Logic of Delay

Financial impact in the Baltic environment rarely arrives as a single accounting shock. It emerges gradually and often invisibly within operational systems.

Freight and insurance costs tend to rise under sustained stress conditions, even in the absence of formal conflict. Working capital expands as inventory buffers increase to absorb uncertainty in delivery times. Margins compress as inefficiencies accumulate across logistics chains. And estimated arrival times become increasingly volatile, shifting from hours of variation to days.

The critical challenge is timing. By the time these effects appear in financial reporting, the operational conditions that created them are often already well established. The lag between operational deterioration and financial visibility becomes a strategic risk in itself.

Risk Without Boundaries

Although maritime operators experience the most direct exposure, the effects of Baltic instability extend far beyond shipping-dependent industries. Supply chains experience cascading delays and rerouting pressure. Procurement systems face supplier volatility and commodity price swings. Treasury functions confront higher hedging requirements and liquidity constraints. Legal teams manage increasingly complex sanctions frameworks and contractual disputes. Technology systems may encounter disruptions linked to undersea communication infrastructure.

Even organizations with no direct maritime activity are therefore exposed through indirect channels: pricing, data flows, and interconnected supplier dependencies.

Organizational Clarity Under Pressure

In such environments, speed of response depends less on structure and more on clarity of responsibility. Effective governance requires predefined ownership across critical domains.

Operational continuity typically sits with logistics leadership. Financial exposure and insurance strategy fall to the CFO. Compliance and sanctions interpretation rest with legal functions. Data resilience and system continuity are managed by technology leadership. Overall escalation authority is concentrated at CEO and board level, where cross-functional decisions must be made under uncertainty.

The principle is simple but decisive: ambiguity is slow, and slowness is costly.

Preparing Before the Event

Board-level preparation increasingly focuses on decisions made before any crisis occurs. These include approval of automated escalation systems, pre-authorized contingency spending frameworks, strengthened vessel and counterparty verification protocols, stress testing of operational and digital failover systems, updates to contractual protections such as force majeure and sanctions clauses, and deliberate diversification of exposure across routes and infrastructure dependencies.

These measures are not reactive. They define the organization's capacity to respond at speed when conditions shift.

A 90-Day Shift Toward Readiness

Organizations that move effectively from awareness to readiness often follow a compressed transition. The first phase involves mapping exposure across logistics, suppliers, insurance, and digital systems. The second phase stress-tests those dependencies under simulated disruption scenarios. The third phase integrates monitoring systems, clarifies decision rights, and embeds operational protocols into daily governance.

The objective is not perfection. It is operational continuity under uncertainty.

Conclusion: Competing in Managed Instability

The Baltic Sea in 2026 illustrates a broader transformation in global commerce. Stability is no longer a default condition. It is a managed outcome.

For corporate boards, this shift is structural. The challenge is no longer to avoid disruption entirely, but to operate effectively within an environment where disruption is continuous. The organizations that succeed will not be those that eliminate risk, but those that recognize it early, structure it clearly, and respond without hesitation.

In a world defined by strategic chokepoints, resilience is no longer defensive. It is a core competitive capability.

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