



# **Iran Regime Scenarios**

*Survival, Collapse, and the Geopolitical  
Consequences*

## EXECUTIVE SUMMARY

The ongoing U.S.–Israeli military campaign against Iran, coupled with Iran’s regional missile and drone retaliation, has opened two plausible strategic pathways. Regime survival under intensified securitization and external confrontation, or regime collapse resulting in internal fragmentation and regional destabilization. Both scenarios produce sustained geopolitical and economic volatility. A surviving regime yields prolonged confrontation, expanded asymmetric warfare, and persistent energy and cyber risk. A collapsed regime creates acute instability, proliferation concerns, contested authority, and a more unpredictable regional security environment. Neither pathway restores stability quickly, and both generate multi-year strategic consequences.

### Key Judgments

1. Both regime survival and regime collapse produce sustained regional instability as neither restores near-term equilibrium. The difference lies in structure. Survival yields coherent but adversarial state behavior. Collapse yields fragmented and unpredictable dynamics.
2. Regime survival is more likely to produce a prolonged deterrence contest characterized by asymmetric retaliation, cyber escalation, and sustained maritime and energy risk premiums. Military confrontation would likely transition from high-intensity strikes to calibrated, recurring friction.
3. Regime collapse would generate sharper short-term volatility across security and energy markets, with significant risk of internal fragmentation and proliferation concerns. Even if eventual stabilization occurs, the interim period would be marked by acute instability.
4. Energy markets are structurally sensitive to even limited disruption in or near the Strait of Hormuz. Both scenarios sustain elevated insurance, freight, and oil risk premiums; collapse produces greater initial spikes, while survival embeds longer-term structural risk.
5. Cyber operations will remain a central tool of Iranian retaliation under survival conditions and may become decentralized under collapse conditions. Critical infrastructure, financial systems, and logistics networks face elevated exposure in both scenarios.
6. Regional alignment will harden under regime survival and fragment under regime collapse. Survival reinforces coordinated missile defense and maritime security among Gulf states, Israel, and the United States. Collapse introduces competitive influence dynamics among regional and external powers.
7. The status of Iran’s nuclear program remains a destabilizing factor in both scenarios. If the regime survives, it may accelerate efforts to strengthen its nuclear deterrent or maintain greater strategic ambiguity around its capabilities. If the regime collapses, uncertainty over control, custody, and oversight of nuclear materials and facilities would become a significant security concern.

### Scenario Development

Scenario development is a widely used analytical tool in strategic risk analysis because it allows decision-makers to examine how different plausible futures might unfold and to prepare responses before events occur. Rather than attempting to predict a single outcome, scenario analysis explores a range of possible developments based on key uncertainties and structural drivers. This approach helps organizations identify potential risks, assess

second-order implications, and develop contingency plans that can be implemented if conditions begin to move in a particular direction. In this sense, scenarios function as planning exercises rather than forecasts. Their value lies in strengthening preparedness and resilience by forcing analysts and decision-makers to think through the implications of multiple possible futures and to consider how policies, markets, and security dynamics might evolve under different circumstances. By examining these alternatives in advance, organizations can reduce strategic surprise and respond more quickly and effectively when real-world events begin to resemble one of the modeled scenarios. That is the purpose of this report by looking at the potential of Iran regime survival versus collapse.

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## **BACKGROUND - ESCALATION AND OPENING PHASE OF THE CONFLICT**

The conflict emerged from escalating tensions over Iran's nuclear program, sanctions enforcement, and verification breakdowns. Diplomatic engagement had stalled amid disagreements over enrichment rights, sanctions relief, and access for international inspectors. Concerns intensified as monitoring continuity at key nuclear facilities degraded and reporting indicated movement or concealment of enriched material in hardened or underground locations.

The crisis transitioned to open warfare following coordinated U.S.–Israeli air and missile strikes against Iranian nuclear and military infrastructure. Iranian leadership, including the Supreme Leader, were killed during the opening phase. Tehran responded with missile and drone attacks targeting Israel, U.S. military facilities, and strategic infrastructure across the Gulf. The conflict rapidly expanded beyond bilateral confrontation into a regional security crisis affecting shipping lanes, diplomatic facilities, and energy markets.

The war's early phase thus established three dynamics that shape both scenarios.

1. Degraded nuclear visibility
2. Expanded regional military exchange
3. Elevated global economic risk, particularly in energy and maritime trade.

## **SCENARIO I: REGIME SURVIVAL UNDER STRATEGIC HARDENING**

### **Short-Term (0–6 Months)**

If the Iranian regime survives, it will consolidate around a security-first posture. The immediate priority becomes internal cohesion among military, intelligence, and political elites. Leadership succession, whether formalized quickly or managed through an interim security council, will focus on preventing fragmentation within the Islamic Revolutionary Guard Corps (IRGC) and other coercive institutions.

Internally, the regime will likely impose expanded emergency controls through intensified surveillance, communication restrictions, arrests of perceived dissidents, and suppression of protest activity. Survival will be framed as strategic victory against foreign aggression, reinforcing nationalist narratives and legitimizing repression.

Externally, Iran will continue calibrated retaliation. Rather than pursuing sustained conventional warfare, which risks overwhelming counterstrikes, it will emphasize asymmetric methods through missile strikes, maritime harassment, proxy-enabled operations, and cyber campaigns. Likely targets include Gulf state energy infrastructure, commercial shipping and maritime transit routes, and U.S. military facilities or personnel across

the region. The objective is to impose costs on adversaries without triggering a large-scale military response, raising economic, security, and political pressure while remaining below the threshold that would provoke overwhelming retaliation.

Energy markets remain volatile in this phase. Even limited maritime risk in or near the Strait of Hormuz sustains elevated insurance premiums and oil price risk premiums. Shipping disruptions occur intermittently but on a recurring basis, creating persistent uncertainty for maritime transit and insurance markets.

## **Medium-Term (6–24 Months)**

A surviving regime transitions from crisis defense to strategic deterrence. It will likely reconstitute damaged military infrastructure and disperse assets further underground. Nuclear policy becomes central. Tehran will likely accelerate enrichment or weaponization capability as a hedge against future decapitation attempts, or alternatively use the threat of acceleration as leverage in renewed negotiations.

Geopolitically, the region settles into a cold but unstable confrontation. Israel and the United States maintain elevated force posture. Gulf states deepen missile defense coordination and maritime protection arrangements. Proxy groups, particularly in Lebanon, Iraq, and Yemen, remain instruments of Iranian influence, though their autonomy will credibly increase if central command authority was disrupted.

Security implications include sustained cyber operations targeting Western financial, infrastructure, and energy systems. Iran's external operations will likely favor deniability and ambiguity, increasing the difficulty of attribution and calibrated response.

Economically, sanctions intensify rather than loosen. Even if limited negotiations resume, deep mistrust and difficulties verifying compliance will constrain any rapid normalization of relations. Iran becomes further economically isolated, deepening reliance on informal trade networks and sympathetic external partners. Domestic economic pressure remains acute, but the regime survives through repression and patronage allocation to core constituencies.

This pathway produces a multi-year strategic standoff of contained but persistent confrontation, elevated maritime risk, cyclical proxy violence, and structural energy market uncertainty.

# SCENARIO II: REGIME COLLAPSE AND FRAGMENTED TRANSITION

## Short-Term (0–6 Months)

If regime collapse occurs, it is unlikely to be orderly. The most probable near-term outcome is fragmentation rather than immediate democratic transition. Elite splits, security force defections, and leadership vacuum would produce localized power struggles among military units, political factions, and possibly regional authorities.

Urban unrest would intensify. Infrastructure protection (fuel depots, ports, power grids) becomes uncertain. Borders will likely experience uncontrolled movement, including refugee outflows. Criminal organizations and armed factions exploit institutional weakness.

Regional actors immediately reposition. Gulf states harden internal security. Israel increases surveillance and potential strike readiness against proliferation risks. The United States prioritizes force protection and nuclear material monitoring. Proxy groups previously aligned with Tehran will credibly act autonomously, either escalating violence or pivoting toward criminal revenue streams.

Energy markets initially spike due to uncertainty and risk of infrastructure sabotage. Maritime traffic faces heightened unpredictability as command-and-control continuity degrades.

## Medium-Term (6–24 Months)

The trajectory beyond the immediate collapse depends on consolidation. If a relatively cohesive transitional authority emerges backed by portions of the security services, stability will likely gradually return. However, even under best-case conditions, governance capacity will be thin, institutions weakened, and economic reconstruction slow. If fragmentation persists, Iran risks entering a protracted instability phase characterized by factional violence, militia competition, and economic breakdown.

Geopolitically, collapse reconfigures regional alignments. Some states will compete to shape post-regime Iran, while others focus strictly on containment. The balance of power shifts unpredictably. Iran's traditional proxy network could weaken without centralized funding and direction, altering conflict dynamics in Lebanon, Iraq, and Yemen. Alternatively, those networks would likely evolve into independent armed-political actors untethered from centralized strategy.

Economically, medium-term outcomes diverge. A stable transitional authority could (though unlikely) invite international reconstruction capital and sanctions relief, gradually reintegrating Iran into global markets. A fragmented authority sustains sanctions and risk premiums, preventing meaningful recovery. Either path entails short-term economic contraction and infrastructure stress.

From a security perspective, regime collapse generates greater uncertainty than survival. While a surviving regime is hostile but coherent, a collapsed regime produces unclear command hierarchies, diffusion of coercive capacity, and unpredictable escalation pathways.

## COMPARATIVE STRATEGIC IMPLICATIONS

**A surviving regime produces structured hostility.** The strategic environment becomes confrontational but intelligible with identifiable leadership, calculable deterrence logic, sustained but manageable escalation cycles, and chronic energy risk. **A collapsed regime produces volatility.** Authority becomes contested, regional actors operate with incomplete information, and risk becomes nonlinear. Proliferation concerns, refugee flows, militia autonomy, and criminal expansion elevate unpredictability.

From a global economic perspective, survival sustains elevated but steady risk premiums; collapse produces sharper spikes and deeper near-term disruption, with recovery contingent on political consolidation.

Over the short to medium term, both scenarios sustain geopolitical instability. Regime survival entrenches a hardened Iran confronting a reinforced regional coalition. Regime collapse destabilizes the regional order and introduces uncertainty into nuclear oversight, maritime security, and energy flows. The decisive difference lies in coherence versus fragmentation. A surviving regime remains adversarial but structured. A collapsed regime introduces systemic unpredictability, raising the probability of cascading regional and economic consequences.

### Scenario Implications Summary

Dimension	Regime Survival	Regime Collapse
Political Structure	Centralized, securitized, hardened	Fragmented, contested authority
Regional Security	Structured confrontation	Nonlinear volatility
Proxy Activity	Coordinated but calibrated	Autonomous and unpredictable
Energy Markets	Sustained risk premium	Sharp initial spike, uncertain recovery
Sanctions Outlook	Continued or intensified	Uncertain; relief contingent on consolidation
Nuclear Risk	Strategic acceleration possible	Custodial uncertainty risk

# ANNEX A: ECONOMIC AND ENERGY MARKET IMPLICATIONS

## Immediate Market Reaction Dynamics

The Middle East accounts for a significant share of global crude production and export flows. Even absent physical supply destruction, perceived risk to chokepoints such as the Strait of Hormuz generates immediate price spikes driven by insurance costs, hedging behavior, and speculative positioning.

Under both scenarios, short-term reactions likely include:

- Oil price volatility with upward spikes
- Increased tanker insurance premiums
- Temporary rerouting of shipping
- Equity market declines in energy-importing states
- Safe-haven capital flows (USD, gold)

Regime collapse produces a sharper reaction because markets price structural uncertainty. Survival produces sustained but moderated premiums as escalation becomes more predictable.

## Strait of Hormuz Risk Profile

Roughly one-fifth of global oil supply transits the Strait of Hormuz. Disruption does not require closure as credible harassment, mining risk, or missile threats are sufficient to increase freight costs and delay shipments.

Under Regime Survival:

- Periodic harassment or signaling operations possible.
- Naval presence by U.S. and Gulf states increases.
- Risk premium stabilizes but remains embedded.
- Energy flows continue but with elevated cost structure.

Under Regime Collapse:

- Command-and-control ambiguity increases maritime uncertainty.
- Independent armed actors could attempt coercive disruption.
- Insurance and reinsurance markets could temporarily suspend coverage.
- Short-term physical flow interruptions more likely.

## Oil Price Trajectories (Qualitative Assessment)

Survival Scenario

Oil prices remain structurally elevated relative to pre-conflict baseline due to:

- Persistent geopolitical premium
- Ongoing missile and maritime risk

- Continued sanctions environment

However, production continuity in Gulf states and adaptive routing likely prevent sustained extreme price spikes unless escalation intensifies.

#### Collapse Scenario

Initial surge likely exceeds survival scenario due to:

- Uncertainty over infrastructure protection
- Fear of supply chain sabotage
- Potential refugee and governance spillover into neighboring producers

Medium-term pricing depends on whether:

- A stable authority consolidates control, allowing gradual normalization; or
- Fragmentation persists, embedding long-term structural risk.

## Gas Markets and LNG Implications

Qatar and other Gulf LNG exporters are indirectly exposed to Hormuz instability. Even limited maritime risk increases LNG freight costs and may tighten European and Asian gas markets. Under survival conditions, LNG markets experience elevated transport costs but manageable flow continuity. Under collapse conditions, forward contracts reprice sharply, particularly if maritime insurance contracts tighten or naval escort requirements slow shipping throughput.

#### Insurance, Shipping, and Trade

Marine insurance markets are highly sensitive to geopolitical risk. Under either scenario:

- War risk premiums increase.
- Reinsurance spreads widen.
- Shipping lead times extend.
- Freight rates rise.

Collapse introduces higher probability of coverage suspension in certain zones.

Trade implications extend beyond energy:

- Automotive, electronics, and food imports dependent on Gulf shipping lanes experience cost increases.
- Just-in-time supply chains face disruption risk.
- Emerging market currencies exposed to oil price swings experience volatility.

#### Inflationary and Macroeconomic Effects

Sustained elevated oil prices translate into:

- Increased transport and manufacturing costs
- Inflationary pressure in energy-importing economies
- Central bank policy dilemmas balancing inflation and growth

- Increased fiscal strain in subsidized fuel economies

Collapse scenario inflation shock would likely be sharper but shorter if stabilization occurs. Survival scenario embeds longer-duration inflationary pressure.

## **Strategic Economic Outlook**

The survival pathway produces a prolonged geopolitical premium embedded into global energy and shipping markets. It reinforces structured rivalry and predictable volatility cycles. The collapse pathway produces higher immediate volatility, deeper short-term economic disruption, and greater systemic uncertainty. Its long-term economic outcome hinges entirely on post-regime consolidation and institutional recovery. In both scenarios, the global economy absorbs elevated energy risk and strategic fragmentation. The difference is between chronic tension and acute instability.

# **ANNEX B: PROXY NETWORK IMPLICATIONS — REGION-BY-REGION ASSESSMENT (LEBANON, IRAQ, YEMEN)**

**Time Horizon: Short to Medium Term (0–24 months)**

Iran's regional proxy architecture has long functioned as both deterrent and force multiplier. The trajectory of these networks under either regime survival or regime collapse will materially shape regional security, maritime stability, and escalation risk. Below is a region-by-region assessment.

## **Lebanon (Hezbollah)**

### **Baseline Role**

Lebanon represents Iran's most mature and strategically integrated proxy environment. Hezbollah functions as a hybrid political-military institution with deep integration into Lebanese political and social systems. It serves as Iran's primary deterrent against Israel and as a strategic reserve for escalatory leverage.

### **If the Iranian Regime Survives**

#### **Short-Term**

Hezbollah would likely maintain calibrated escalation against Israel. Iran's survival would preserve centralized strategic guidance, meaning operations would likely remain bounded by deterrence logic rather than escalate toward total war. Missile and drone attacks may increase episodically but remain constrained by Israeli retaliatory thresholds and Lebanese domestic fragility.

Hezbollah's behavior in this scenario would reflect:

- Controlled rocket exchanges
- Limited cross-border raids
- Information operations framing resistance
- Avoidance of full mobilization unless escalation widens

#### **Medium-Term**

Under a hardened but surviving regime, Hezbollah remains central to Iran's deterrence posture. However, material constraints may emerge if Iranian resupply routes are disrupted. Hezbollah could adapt by:

- Increasing domestic political leverage within Lebanon
- Expanding autonomous revenue streams
- Deepening integration into Lebanese institutions

The broader implication is sustained but structured instability along the Israel-Lebanon frontier. Deterrence remains tense but intelligible.

## **If the Iranian Regime Collapses**

### **Short-Term**

Hezbollah faces a strategic shock. Funding pipelines, command structures, and political backing become uncertain. In the immediate aftermath, the organization may pursue one of two strategies:

1. Escalate to assert relevance and autonomy.
2. Consolidate internally and avoid overextension.

Escalation risk increases because centralized restraint weakens. Autonomous operational decisions could miscalculate Israeli red lines.

### **Medium-Term**

If fragmentation in Iran persists, Hezbollah would likely:

- Transition toward a more independent Lebanese-centered power actor.
- Compete with internal factions over resources.
- Shift from strategic proxy to hybrid militia-state actor.

The risk of internal Lebanese instability increases, especially if Hezbollah's economic networks weaken. A weakened Iran reduces Hezbollah's deterrent umbrella, potentially inviting Israeli preemptive actions. This scenario produces higher instability along Israel's northern border and greater risk of miscalculation.

## **Iraq (Popular Mobilization Forces and Affiliated Militias)**

### **Baseline Role**

In Iraq, Iran's proxy presence is more diffuse and factionalized. The Popular Mobilization Forces (PMF) include multiple militias, some closely aligned with Tehran and others more nationally oriented. Iran's influence operates through funding, ideological alignment, and strategic coordination.

## **If the Iranian Regime Survives**

### **Short-Term**

Iranian-backed Iraqi militias likely intensify pressure on U.S. facilities and diplomatic assets. Rocket and drone attacks will likely increase, particularly if Iran seeks indirect retaliation without direct state-on-state escalation. However, Iraqi political constraints limit sustained escalation. Baghdad seeks to avoid becoming a primary battleground. Thus, militia actions remain calibrated and deniable.

### **Medium-Term**

A surviving regime likely continues to leverage Iraqi militias as strategic depth. However, sustained conflict strains Iraqi internal cohesion. Iraqi political actors will likely push for:

- Greater autonomy from Tehran
- Formal integration of militias into state structures
- Balancing relationships between the U.S. and Iran

The net effect is continued low-intensity conflict risk around U.S. presence, with persistent threat to energy infrastructure and diplomatic compounds.

### **If the Iranian Regime Collapses**

#### **Short-Term**

Collapse weakens coordination among militias. Factions compete for dominance, funding, and legitimacy. Some militias will likely:

- Escalate attacks to prove ideological loyalty.
- Pivot toward criminal revenue streams (smuggling, extortion).
- Align more strongly with Iraqi nationalist politics.

Risk of militia-on-militia competition increases, particularly in southern Iraq and Baghdad.

#### **Medium-Term**

If Tehran's command authority evaporates, Iraqi militias become more autonomous. This produces:

- Increased fragmentation.
- Reduced strategic coherence.
- Greater unpredictability in targeting decisions.

The U.S. and coalition forces face elevated risk not from coordinated state strategy but from factional opportunism. Energy infrastructure in southern Iraq becomes a critical vulnerability if militias seek leverage through disruption.

## **Yemen (Houthis / Ansar Allah)**

#### **Baseline Role**

The Houthis have evolved into a semi-autonomous actor aligned with Iran but operating with considerable independence. They possess missile, drone, and maritime harassment capability and have demonstrated ability to disrupt Red Sea shipping lanes.

### **If the Iranian Regime Survives**

#### **Short-Term**

The Houthis likely expand maritime and missile operations as part of Iran's broader deterrence strategy. Attacks on shipping in the Red Sea and Bab el-Mandeb serve as asymmetric leverage against global trade.

Iranian survival preserves:

- Technical assistance pipelines
- Intelligence sharing
- Strategic messaging coordination

Shipping disruption risk remains elevated, particularly against vessels perceived as Western-aligned.

**Medium-Term**

A surviving regime will continue to use Yemen as a strategic flank to pressure Gulf states and international shipping. However, sustained international naval presence constrains extreme escalation. The Red Sea becomes a semi-permanent zone of maritime friction, increasing global freight and insurance costs.

**If the Iranian Regime Collapses**

**Short-Term**

The Houthis are less dependent on direct Iranian control than Hezbollah. Therefore, operational continuity is more likely than in Lebanon. However, reduced Iranian support may limit advanced munitions resupply over time.

Immediate risk includes:

- Autonomous escalation to maintain relevance.
- Increased targeting of shipping to sustain political leverage.

**Medium-Term**

Without centralized Iranian direction, the Houthis will credibly:

- Entrench control over Yemeni territory.
- Seek new external sponsors.
- Shift from strategic proxy to regionally autonomous armed authority.

Maritime disruption risk will remain high, but coordination with broader Iranian strategy diminishes.

**Comparative Regional Outlook**

Region	Survival Scenario	Collapse Scenario
Lebanon	Structured deterrence, bounded escalation	Higher miscalculation risk, autonomy drift
Iraq	Calibrated proxy pressure on U.S. assets	Fragmented militia competition
Yemen	Sustained maritime pressure	Autonomous maritime disruption