# A service fee for Hormuz could be cheaper than “free passage”


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The recent US-Israel war on Iran has shown, once again, how fragile the global economy becomes when a narrow passage of water is treated as a battlefield. The Strait of Hormuz is not only a regional waterway. It is one of the main arteries of the world economy. Approximately one fifth of global petroleum liquids consumption and more than one quarter of global seaborne oil trade pass through the Strait. Its disruption can therefore threaten energy markets, chemical supply chains and fertiliser production, increasing the cost of energy and food for ordinary people in countries far beyond the Persian Gulf.

The central paradox is that the current system of supposedly “free passage” is anything but free. The world already pays heavily to keep Hormuz open, but it pays through military deployments, insurance shocks and recurring instability. A transparent service fee, embedded within an inclusive regional order, could replace part of this hidden security premium with a smaller and more predictable investment in safe navigation.

For decades, the dominant assumption was that energy flows through the Persian Gulf could be protected by external military power. This model was presented as pragmatic and stabilising, but it has repeatedly failed to produce sustainable order in the wider Middle East. There is no serious military solution to the problem of Hormuz. There can only be a political and institutional solution.

*Inclusive ordering*, involving the building of a security and governance structure in which all indispensable stakeholders are inside the architecture rather than outside it can provide this political solution. It would not mean accepting the position of any one state without negotiation. Iran, Oman, the Arab states of the Persian Gulf, major energy exporters and importers, shipping companies, insurers and international maritime organisations all have a stake in the same outcome: safe, continuous and predictable passage.

The logic is simple. A stakeholder that is excluded from the order has an incentive to challenge it. A stakeholder that is included and receives recognised responsibilities and benefits from the smooth functioning of that order, has an incentive to preserve it. Inclusive ordering turns geography from a threat into a responsibility. It turns potential disruption into institutionalised cooperation. This is why a service-based fee regime for the Strait of Hormuz should be taken seriously.

The idea should not be misunderstood as a crude toll imposed on ships simply for passing through the Strait. Hormuz is not the Suez Canal. It is a natural strait used for international navigation, and vessels enjoy the right of continuous and unobstructed transit passage. Any attempt to charge a unilateral transit toll would face serious legal and political challenges. But that is not the only model available.

Iran and Oman, as the coastal states whose territorial waters frame the Strait, retain sovereignty and regulatory authority over maritime safety, traffic management, environmental protection, navigational assistance, emergency response and pollution prevention. A service-based fee, designed transparently and multilaterally, could therefore be constructed not as a price for passage, but as payment for safety and governance services.

There is a useful comparison in the Turkish Straits. Turkey cannot treat the Bosphorus and Dardanelles as toll canals. Yet it collects service-based charges connected to lighthouses, rescue and related maritime services. This model preserves navigation while recognising that safe passage has real costs.

The strongest economic argument for a service-based regime is that the current system of supposedly free passage is already extraordinarily expensive. Estimates from the University of Cambridge [1] suggest that the direct operational cost of securing Persian Gulf oil flows can reach tens of billions of dollars per year, while the wider strategic cost of maintaining the military infrastructure behind that posture may be far higher. In per-barrel terms, this means the world is already paying a hidden security premium for Hormuz. The problem is that this premium is paid through militarisation, not governance. It buys deployments, not trust. It buys deterrence, not durable order.

A transparent service fee could be considerably cheaper. Instead of paying indirectly for aircraft carriers, emergency deployments and escalating insurance premiums, users of the Strait would contribute directly to traffic management, search and rescue, navigational assistance, environmental monitoring, spill response and emergency communication. The world would be paying for a defined service rather than absorbing the unpredictable cost of confrontation. It would direct a smaller and more predictable payment towards the institutions that keep the Strait open, rather than towards the machinery required to respond when the existing order breaks down.

By aligning economic benefits with the continued operation of the Strait, such a system could help prevent the next regional war from turning Hormuz into a global economic weapon. The alternative is to return to the old model: more warships, more sanctions, more exclusion, more military budgets, more hidden costs and the same structural fragility. That model has already failed.

A Hormuz service-fee regime, embedded in an inclusive regional order, offers a practical path to ensuring that the Strait does not become the world's most dangerous bargaining chip again. It respects the principle of free navigation. It recognises the rights and responsibilities of coastal states. It shares the cost of safety more fairly. Most importantly, it gives all parties a stake in continuity rather than disruption.

For too long, Hormuz has been governed by fear: fear of closure, fear of American withdrawal and fear of regional war. But no waterway can be secured indefinitely through fear. The world is already paying for passage through Hormuz, only through the hidden and far greater costs of militarisation and insurance shocks. A transparent service fee, embedded in an inclusive regional order, may therefore be cheaper than "free passage". The Strait of Hormuz does not need another aircraft carrier. It needs an inclusive order that makes continuity more valuable than disruption.

[1] M. Karshenas, M. H. Pesaran, and R. P. Smith, "The Strait of Hormuz, Towards a Long-Lasting Solution," 2026, doi: 10.17863/CAM.131219.
https://www.econ.cam.ac.uk/publications/cwpe/2632