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Strategic Insights Lab

Red Sea / Bab-el-Mandeb Maritime Corridor: Pressure-to-Disruption Transition Risk Assessment

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BY SERHAN AYIK

Lead Geopolitical Risk Analyst · NERAI Strategic Insights Lab

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LEAD ANALYST

Serhan Ayik

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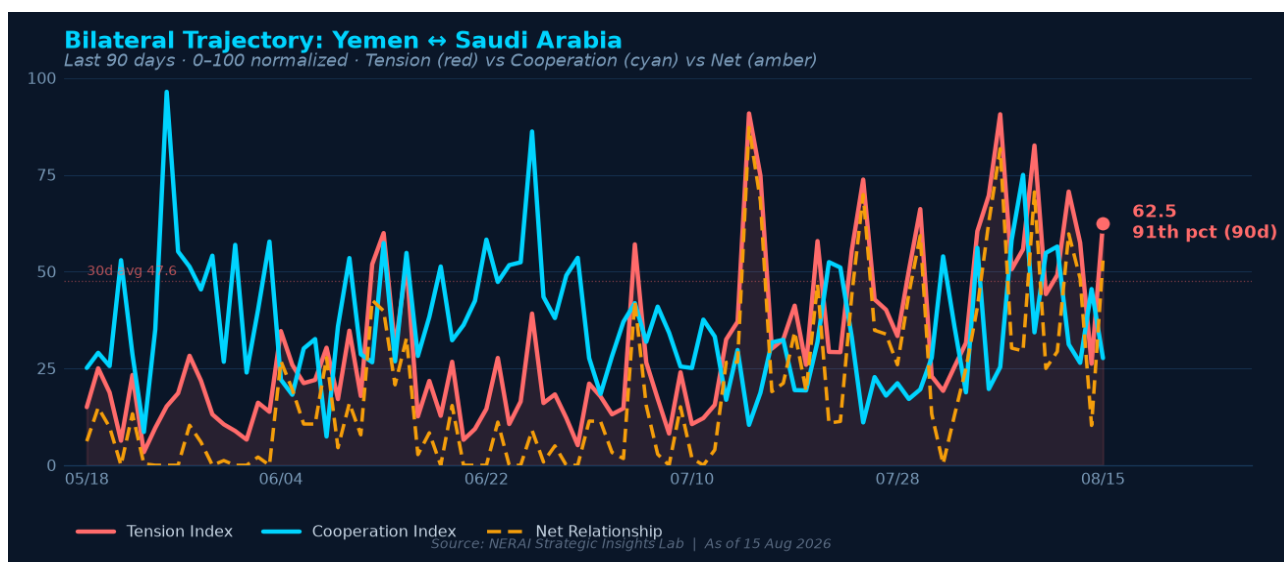
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EXECUTIVE SUMMARY — BOTTOM LINE UP FRONT (BLUF)



Bab-el-Mandeb has already entered a phase of selective operational disruption rather than remaining physically calm. The key forward risk is whether elevated threat pressure converts that selective disruption into sustained commercial avoidance and, in an extreme case, effective closure. NERAI's corridor model places disruption probability at 15.8% over 2 weeks, 47.0% over 4 weeks and 74.6% over 8 weeks. These are disruption probabilities, not probabilities of formal closure. Yemen's Military Escalation index remains exceptionally elevated at 89.6/100 (98th percentile), while Military Clash is 83.4/100 (100th percentile). At the same time, external maritime data show that the July Houthi blockade produced a material but uneven effect: Bab-el-Mandeb traffic fell sharply after the initial shock, then stabilised, with the tanker segment more affected than container shipping. Egypt's 30% HMM probability of deterioration from CALM should therefore be treated as a potential spillover indicator, not proof that Red Sea instability is already migrating northward. Saudi Arabia also warrants heightened monitoring: Israel remains the Houthis' principal political target, but Saudi energy and logistics assets have re-emerged as operationally accessible targets. This report distinguishes observed events, NERAI model outputs and analyst judgement throughout.

The July-August operating picture reinforces that distinction. Houthi attacks on Saudi-linked energy and maritime targets have already altered tanker behaviour, but have not produced corridor-wide commercial withdrawal. The analytical question is now whether selective disruption broadens into sustained avoidance. Saudi exposure should be read as a risk-skew, not a prediction of the next target: NERAI's bilateral and country indices describe the information and conflict environment, not verified Houthi leadership intent. Time horizon: 8 weeks (MODERATE CONFIDENCE).

KEY FINDINGS

- [HIGH CONFIDENCE] The most decision-relevant divergence is between selective current disruption and a much steeper medium-term model curve. The 15.8% / 47.0% / 74.6% 2/4/8-week values are NERAI disruption probabilities. They should not be described as closure probabilities. Independent maritime reporting shows that traffic fell after the July blockade and then stabilised, with tanker flows taking the greatest hit.
- [MODERATE CONFIDENCE] Egypt's 30% probability of HMM deterioration is a useful early-warning signal because Egypt is the geographic and commercial hinge between the Red Sea and Suez. It is consistent with possible northward transmission, but it does not identify the cause of any future Egyptian deterioration.
- [MODERATE CONFIDENCE] Saudi Arabia has re-emerged as a material Houthi exposure. NERAI's Yemen-Saudi bilateral indicators are elevated and July 2026 attacks on Jizan and Yanbu show that Saudi infrastructure is already inside the operational target set. The stronger formulation is therefore that Saudi targets merit heightened monitoring, not that the model predicts the next Houthi strike will be Saudi.
- [MODERATE CONFIDENCE] JWC-Cast should be interpreted as the probability of a further Listed-Area change within six weeks. The Southern Red Sea / Gulf of Aden was already within the Joint War Committee framework, and JWLA-034 of 29 July 2026 further expanded the relevant Red Sea area.

- [HIGH CONFIDENCE] The best early-warning signal for a move from selective disruption to effective commercial closure is convergence across three types of evidence: sustained vessel avoidance, a cluster of corridor-specific kinetic incidents, and further insurance/listed-area repricing. Because NERAI's current Bab-el-Mandeb AIS geofence is under-sized, its zero-vessel snapshot cannot be used as evidence of either closure or normal traffic. External transit data should be used until the coverage gap is corrected.

- [LOW CONFIDENCE] Iran's own NERAI indices show mixed restraint signals - Military Escalation is falling while Military De-escalation is rising - but this cannot establish that Tehran is restraining the Houthis. Reuters reported in July 2026 that IRGC personnel and missile/drone equipment were flown to Houthi-controlled Yemen. The tension between proprietary index direction and actor-level reporting is analytically important and should remain unresolved rather than being forced into a single causal story.

BACKGROUND & CONTEXT

The Bab-el-Mandeb Strait is a roughly 29-kilometre chokepoint linking the Red Sea to the Gulf of Aden and the Indian Ocean. Current EIA data materially change the baseline used in the earlier draft: total crude-oil and petroleum-liquids flows through Bab-el-Mandeb averaged about 5.4 million barrels/day in 1Q26 and rose to about 8.1 million barrels/day in 2Q26 as Saudi Arabia rerouted crude away from the Strait of Hormuz toward Yanbu. The report therefore no longer uses 8.7 million barrels/day as a static current baseline.

The July 2026 escalation also changed the operating environment. Houthi attacks on Saudi oil infrastructure and Saudi-linked maritime traffic were followed by renewed Saudi-led strikes on Houthi positions. Lloyd's List Intelligence recorded an initial roughly 24% fall in Bab-el-Mandeb vessel traffic after the Houthi blockade of Saudi Arabia, followed by stabilisation; tanker traffic was affected more heavily than the wider shipping market. By mid-August, traceable transits remained below the pre-blockade month, while container carriers continued to use the route.

A factual correction is also required on the July strike sequence. Sanaa airport was struck on 13 July by forces of Yemen's internationally recognised government, not Israel. Later in July, Saudi-led coalition strikes hit Houthi positions including Hodeidah after Houthi attacks on Saudi oil facilities. Israel remains an important escalation actor in the wider theatre, but those specific July events should not be attributed to Israel.

Three structural features remain central: (1) the Houthi movement retains substantial freedom of action despite renewed pressure from anti-Houthi forces; (2) the wider Iran-Israel-U.S. confrontation increases the strategic value of Red Sea leverage without proving direct Iranian control of individual Houthi operations; and (3) Saudi Arabia's renewed exposure creates a second escalation pathway alongside attacks linked to Israel and commercial shipping.

ANALYSIS

The Pressure-to-Disruption Transition: Why Threat Indices Lead Physical Incidents

I read the current Bab-el-Mandeb configuration through a lagged-transmission framework: political and military pressure can rise before carriers, insurers and commodity markets fully adjust. That logic remains useful, but the empirical starting point has changed. The corridor is no longer best described as physically calm. It is experiencing selective disruption - concentrated especially in tanker traffic - while broad commercial traffic remains resilient.

The NERAI curve of 15.8% / 47.0% / 74.6% across 2/4/8 weeks should therefore be interpreted as the probability of a material disruption event under the model's definition, not as a smoothed probability of closure. The steep rise between two and eight weeks is consistent with a system in which a relatively contained operating environment can deteriorate quickly if kinetic events cluster or commercial risk tolerance changes.

Yemen's Military Escalation at 89.6/100 and Military Clash at 83.4/100 remain strong leading signals inside NERAI. However, the current Bab-el-Mandeb AIS zero-count is a known geofence artifact and cannot validate the physical side of the thesis. External transit data provide the better operational benchmark: traffic declined sharply after the July blockade, stabilised at a lower level, and remained particularly weak in mainstream tanker flows.

The external-restraint variable is also mixed rather than uniformly weakening. Saudi diplomatic incentives still favour de-escalation; Iranian NERAI indices show some restraint; yet actor-level reporting indicates continued Iranian material support to the Houthis and renewed Houthi strikes on Saudi infrastructure. The forward risk therefore lies in conversion: whether elevated threat conditions produce a sufficiently serious vessel strike, port incident, targeting expansion or insurance response to turn selective disruption into sustained avoidance.

The Houthi operational calculus should consequently be analysed through three separate dimensions - political intent, military capability and operational opportunity - rather than inferred from a single country-level index.

Current evidence supports a differentiated target picture. Israel remains the movement's principal political and ideological target, while Saudi Arabia has again become an operationally accessible target. NERA's Yemen-Saudi bilateral Tension Index is elevated, and topic-specific Military Clash activity toward Saudi Arabia is materially above its recent baseline. Those indicators describe the bilateral conflict environment; they do not directly observe Houthi leadership deliberations.

Open-source events strengthen the Saudi-exposure case. In July 2026 the Houthis attacked Saudi oil infrastructure in Jizan and attempted strikes on Yanbu, while later maritime activity targeted Saudi-linked shipping. This makes Saudi energy and logistics assets a credible near-term risk category without proving that they are more likely to be attacked than Israel on any specific day. A professional formulation is therefore: the current opportunity set is widening toward Saudi targets even as Israel remains the strategic focus.

The earlier draft overreached by using a Granger-causality result to infer Houthi psychology. The NERA finding that Saudi Dispute Settlement statistically leads Saudi Military Escalation at a one-week lag is a temporal predictive association. It does not demonstrate that Houthi leaders interpret Saudi diplomacy as weakness, nor does it establish a causal mechanism. That mechanism requires separate actor-level evidence.

The key 2-8 week question is whether domestic military pressure in Yemen increases incentives for outward escalation, or instead constrains Houthi external tempo by diverting resources inward. Both pathways remain plausible.

Iran's NERA indicators present a genuine analytical puzzle. Military Escalation is falling and Military De-escalation is rising, while International Support to Yemen is broadly stable. Taken alone, these signals are consistent with Tehran avoiding maximal escalation. They are not sufficient, however, to conclude that Iran is actively restraining the Houthis.

Actor-level reporting points in the opposite direction. Reuters reported in July 2026 that IRGC commanders, advisers and missile/drone components were flown to Houthi-controlled Yemen. That evidence means the proprietary index signal and the open-source operational picture are not fully aligned.

The most defensible judgement is therefore low-confidence: Tehran may be trying to preserve escalation control while continuing material support, and the Houthis may retain considerable operational autonomy. NERA cannot adjudicate command-and-control without direct evidence. The report should treat Iranian restraint, Iranian enablement and Houthi autonomy as competing explanations rather than selecting one as established fact.

command-and-control reporting, which is absent from the retrieved research. What the data does support is a rejection of the thesis that Iran is currently maximising Houthi pressure in the Red Sea as part of a coordinated multi-theatre escalation strategy. If that were the case, Iranian International Support to Yemen would be rising, not stable, and Iranian Military Escalation would be rising, not falling. This finding carries low confidence because it rests on index direction rather than verified decision-maker statements, but it is a non-obvious insight that re-frames the risk assessment: Houthi escalation may be a bottom-up dynamic driven by domestic Yemeni conflict pressure, not a top-down Iranian directive. ### Egypt's Northward Transmission: From Red Sea Security to Suez Systemic Risk

Egypt's HMM state of CALM, combined with a 30% probability of deterioration to a worse regime, is best treated as a potential early-warning signal for Red Sea-Suez transmission. It does not demonstrate that Red Sea instability is already causing Egyptian deterioration. The model is country-level and aggregates adverse-instability signals from multiple channels.

Egypt nevertheless matters because it is the geographic and commercial hinge between Bab-el-Mandeb and the Suez Canal. Lower Red Sea traffic can reduce canal revenue and foreign-exchange inflows; a wider regional conflict can also create security, political and insurance pressure around Egyptian-administered waters. NERA's Regime Instability index is elevated, while its 12-month Military Escalation and Military Clash forecasts rise from low absolute bases. Percentage increases from 5 to 10 or 11 should therefore be read with caution: they are directionally important but remain low in level terms.

The analytical threshold is a confirmed HMM shift from CALM to TENSION accompanied by maritime or security evidence around the Suez-Red Sea system. If that occurs alongside sustained Bab-el-Mandeb avoidance, the case for northward transmission becomes materially stronger. Until then, the 30% signal supports intensified monitoring rather than a causal claim that instability has already migrated north.

Three mechanisms deserve monitoring: reduced Suez revenue and resulting fiscal stress; security spillover into Egyptian waters or infrastructure; and domestic political pressure generated by a widening regional confrontation. The NERA data do not identify which of these mechanisms would dominate.

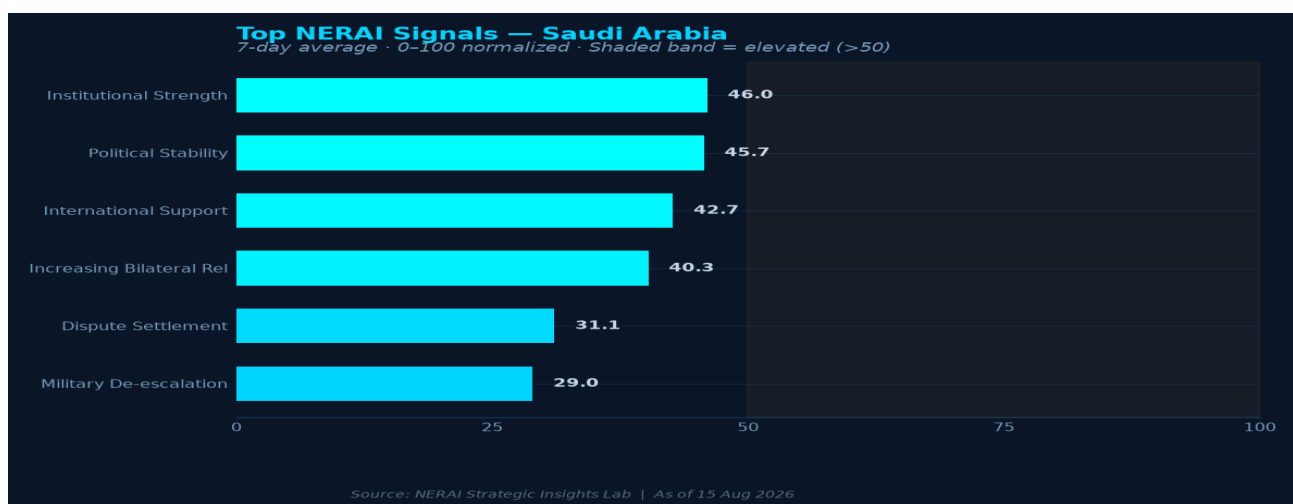
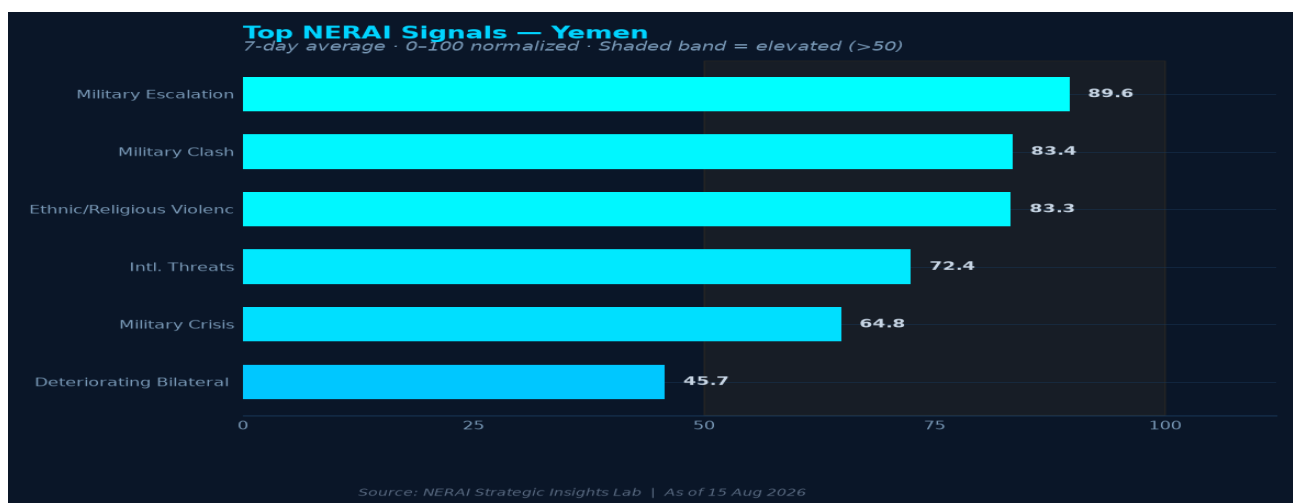
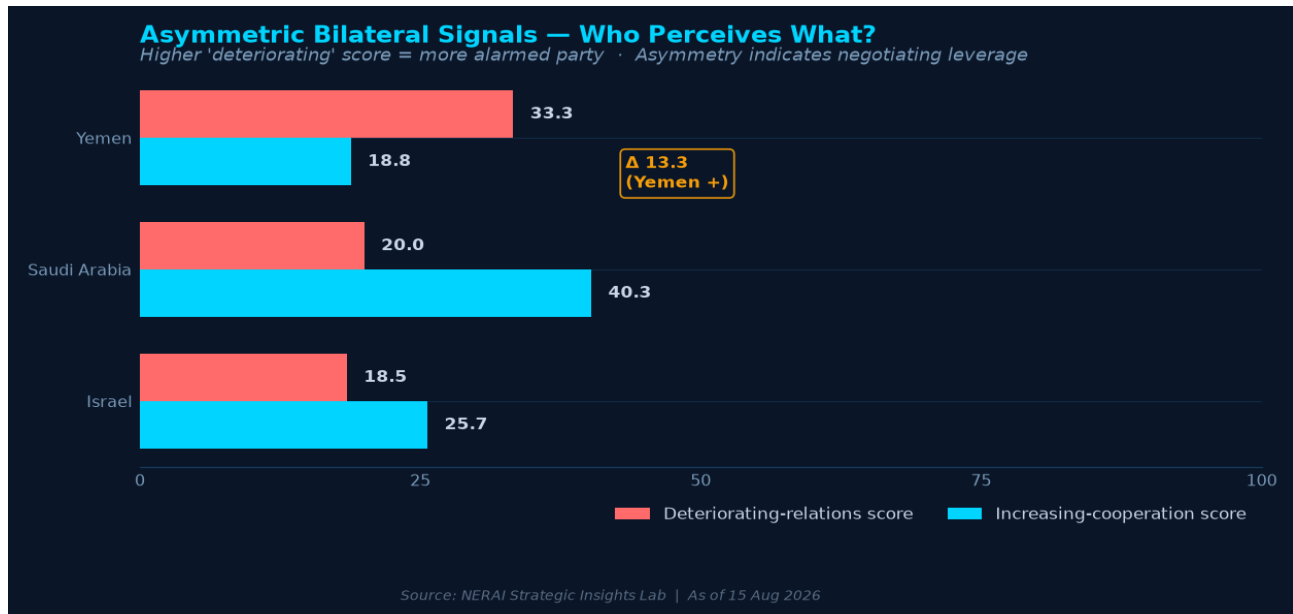
Saudi Arabia's HMM CRISIS state with approximately 0% probability of transition to a worse regime is a model-architecture point, not a safety signal. CRISIS is the top state in the three-state ladder; there is no higher state to transition into. The output therefore says nothing by itself about whether a new Houthi attack will occur.

Current events make that distinction especially important. Houthi attacks on Saudi oil sites in July 2026 demonstrate that Saudi attack exposure is already realised, even while the HMM state remains unchanged. NERA's 12-month projections for Institutional Strength and Political Stability should be presented as model forecasts, not as evidence that Saudi stabilisers are presently 'collapsing'.

The near-term judgement is therefore more limited: Saudi Arabia remains in an elevated-threat configuration but retains strong incentives to avoid renewed large-scale intervention in Yemen. Its future response will depend on variables the HMM does not directly observe, including the scale and success of Houthi attacks, U.S. security support, domestic political tolerance, oil-market conditions and the credibility of diplomatic channels.

For monitoring purposes, the important change would be a shift from defensive absorption to retaliatory mobilisation - for example, sustained Saudi air operations, major force movements or a persistent rise in bilateral Military Escalation. That would mark a genuine change in the conflict structure rather than a simple continuation of the current CRISIS state.

NERAI DATA INTEGRATION



The NERAI foresight_ledger.json remains the probability spine for this assessment: Red Sea / Bab-el-Mandeb disruption probability is 15.8% at 2 weeks, 47.0% at 4 weeks and 74.6% at 8 weeks. JWC-Cast assigns a 31.6% probability of a further Listed-Area change within six weeks. These are proprietary model outputs, not observed market pricing and not probabilities of formal closure.

Two factual baselines require correction. First, Bab-el-Mandeb is already within the Joint War Committee's enhanced-risk framework. JWLA-034, dated 29 July 2026, amended and expanded the Persian/Arabian Gulf, Gulf of Oman, Indian Ocean, Gulf of Aden and Southern Red Sea area, including a substantial northward expansion along the Saudi Red Sea coast. JWC-Cast should therefore be interpreted as forecasting a further change to an existing risk area, not an initial designation.

Second, EIA's current oil-flow baseline is dynamic. Bab-el-Mandeb crude-oil and petroleum-liquids flows averaged about 5.4 million barrels/day in 1Q26 and rose to about 8.1 million barrels/day in 2Q26 as Saudi Arabia rerouted exports away from Hormuz toward Yanbu. A fixed 8.7 million barrels/day threshold is therefore inappropriate for current-state monitoring.

External transit evidence also helps calibrate the model. Lloyd's List Intelligence reported that vessel traffic fell roughly 24% after the July Houthi blockade of Saudi Arabia, then stabilised. By 13 August, traffic averaged about 15% below the month before the ban, while mainstream crude transits remained materially below normal. On 20 August, Reuters reported 27 commodity-vessel transits through Bab-el-Mandeb versus 32 the prior day. The operating picture is thus selective disruption with continued resilience, not either full normality or corridor-wide closure.

The comparative corridor probabilities remain useful, but their similarity at 4-8 weeks should not be interpreted as proof that one common geopolitical cause drives all chokepoints. It is a model-level convergence that may reflect shared inputs, calibration structure and contemporaneous geopolitical stress.

Country forecasts should be treated the same way. Large percentage changes from low starting values, especially in Egypt, can look dramatic without implying high absolute conflict levels. Model direction, observed events and analyst judgement should remain separate layers.

This separation matters for scenario work. NERAI's country and bilateral indices can identify stress, asymmetry and historical pattern similarity, but they do not directly reveal decision-maker intent. Actor-level claims in the scenarios are therefore framed as hypotheses to test against observable behaviour, not as outputs of the index system.

COUNTER-THESIS: The Case for Persistent Calm

The strongest case against a rapid pressure-to-closure transition is that the Red Sea system has already demonstrated substantial adaptive capacity. Commercial operators have adjusted routing, AIS behaviour, loading patterns and insurance while most traffic continues to move. Saudi Arabia also retains strong incentives to avoid renewed large-scale war in Yemen, and diplomatic channels remain relevant.

The external literature supports caution, but several references in the earlier draft were misattributed or misdated. Brookings' 'How the United States Could Have Prevented the Yemen War' is a 2024 working paper by Allison Minor; it should not be cited as a Bruce Riedel argument about current Houthi restraint. Carnegie's 'Struggling Over Every Drop' is by Ayman Omar and was published on 29 April 2025, not in 2026. RAND's 'Could the Houthis Be the Next Hizballah?' is a 2020 study of Iranian proxy development and Houthi institutional evolution, not a July 2026 assessment.

More directly relevant current background comes from the U.S. Congressional Research Service, which in May 2026 described Yemen's post-2022 de-escalation arrangements as still holding but under growing regional pressure. The UN subsequently warned in August 2026 that Yemen faced its highest risk of major conflict since the 2022 truce. Together, these sources support a balanced counter-thesis: restraint mechanisms remain real, but they are under increasing strain.

NERAI's base case therefore remains managed escalation rather than sustained closure. The analytical value lies in identifying the conditions under which that base case would fail, not in presenting escalation as inevitable.

Scenario probabilities below describe three named pathways. They sum to 95%; the remaining 5% is reserved for mixed or indeterminate outcomes that do not fit cleanly into A, B or C. This residual is explicit rather than silently redistributed.

SCENARIOS & FORECAST

Scenario A: Contained Pressure with Managed Escalation — 55% probability (MODERATE CONFIDENCE)

Trigger conditions: (1) Yemeni government offensive stalls or is suspended within 10 days due to logistical exhaustion or external mediation; (2) Iran maintains current restraint posture (Military De-escalation RISING, no surge in International Support to Yemen); (3) U.S. maintains Red Sea naval presence without conducting strikes on Houthi coastal positions; (4) Egypt's HMM state remains CALM through Week 8 (mid-October 2026); (5) no multi-vessel Houthi strike cluster (≥ 3 vessels hit within 7 days) occurs. **Pathway:** Houthi forces continue periodic Red Sea strikes at current frequency (1–2 incidents per week), targeting Israeli-linked or Saudi-flagged vessels, but avoid escalation that would trigger sustained U.S. or coalition retaliation. Saudi Arabia absorbs occasional cross-border drone/missile harassment without retaliating militarily, relying on air defences and diplomatic channels. Egypt successfully manages domestic economic pressure and avoids being drawn into Red Sea security enforcement. Iran continues rhetorical support for Houthis but does not surge material/advisory support, treating Red Sea pressure as a controllable dial set to "moderate." The Yemeni government offensive peters out due to resource constraints, returning Yemen to a fragmented equilibrium where Houthis control the northwest and coast, the government holds the south and east, and no side has capacity for decisive victory. Commercial carriers absorb individual incidents as cost-of-business, insurance premiums rise modestly (10–20%), but no major carrier suspends Red Sea routing. **NERAI index outcomes (8-week forward):** Yemen Military Escalation 75–80/100 (down from 90, easing but elevated), Saudi bilateral Tension Index 50–55/100 (down from 56.1, stabilising), Egypt HMM state CALM (no transition). JWC Listed-Area probability remains <40% (no formal designation). Bab-el-Mandeb disruption probability at 8 weeks realises in the 40–50% band (lower end of current 75% forecast), driven by threat-pressure persistence without kinetic conversion. **What this scenario requires:** Active Saudi-Iranian communication (via Oman or direct channels) to manage proxy escalation; U.S. willingness to tolerate low-intensity Houthi harassment without triggering major retaliation; Houthi leadership prioritising governance revenue over external escalation; no major external shock (Israeli strikes on Iranian nuclear facilities, Hormuz closure, Gaza ground invasion resumption) that would force Houthi solidarity escalation. ---

Scenario B: Expanding Multi-Theatre Confrontation with Partial Red Sea Closure — 30% probability (MODERATE CONFIDENCE)

Trigger conditions: (1) Sustained Houthi strike cluster (≥ 3 commercial vessels hit within 7 days, or 1 large vessel sunk); (2) Israeli retaliatory strikes on Houthi coastal infrastructure (Hodeidah port, Ras Isa oil terminal, Sanaa airport) following a Houthi missile/drone strike on Israeli territory that causes casualties; (3) U.S. conducts limited strikes on Houthi launch sites or command nodes; (4) Egypt's HMM state transitions from CALM to TENSION (30% base probability realises); (5) at least 2 major container carriers (Maersk, MSC, CMA CGM) announce temporary Red Sea routing suspension. **Pathway:** A kinetic event sequence — either a high-profile vessel sinking or a coordinated multi-vessel strike — triggers commercial insurance repricing and carrier risk-reassessment. JWC designates portions of the Red Sea as Listed Area (high-risk) within 4 weeks, forcing additional war-risk premiums and triggering contractual force-majeure clauses in charter parties. Some carriers suspend Red Sea routing and reroute around Africa's Cape of Good Hope, adding 10–14 days and 15–25% to voyage costs. Houthi forces, facing Israeli and possible U.S. retaliation, intensify solidarity rhetoric

and conduct additional strikes to demonstrate resilience, creating a self-reinforcing escalation cycle. Saudi Arabia faces renewed cross-border pressure on energy and logistics assets, testing Riyadh's restraint. Egypt's HMM state shifts to TENSION and commercial operators increase Cape-routing. Any estimates for Suez revenue loss, freight-cost increases or oil-price response in this scenario should be read as illustrative stress ranges rather than direct NERA model outputs. NERA's core model signal is the change in disruption probability and country/corridor indicators; market-price magnitudes depend on separate assumptions about attack severity, duration, carrier response and spare capacity.

Scenario C: Systemic Regional Conflict Transmission with Sustained Bab-el-Mandeb Closure — 10% probability (LOW CONFIDENCE)

Trigger conditions: (1) major Iranian military escalation affecting Gulf or Red Sea operations; (2) a sustained Israeli or U.S. campaign against Houthi military infrastructure; (3) direct Saudi military re-engagement in Yemen; (4) Egypt's HMM state deteriorating materially; and (5) broad commercial avoidance of Bab-el-Mandeb.

Pathway: the wider regional confrontation expands decisively into the Red Sea theatre and shipping risk becomes self-reinforcing. A sustained sequence of vessel attacks, retaliatory strikes and insurance repricing causes carriers to treat the route as commercially unacceptable even without a formal legal closure. This is an effective closure scenario, not necessarily a physical blockade.

NERAI indicators would be expected to move sharply higher across Yemen Military Escalation, Saudi-Yemen bilateral tension, Egypt HMM stress and JWC-Cast. The earlier draft attached precise values for Brent, GSCPI and monthly logistics costs to this scenario. Those numbers are better treated as illustrative stress-test ranges, not model forecasts, unless a separate market model and assumptions are disclosed.

What would falsify this scenario: rapid diplomatic de-escalation; sustained carrier use of the route despite attacks; Iranian restraint combined with reduced Houthi operational tempo; Saudi refusal to re-enter the Yemen war; or an Egypt HMM path that remains CALM. Confidence remains LOW because the scenario requires several escalation triggers to coincide within a compressed period.

elevated compared to normal periods because four of the five actors (Iran, Israel, U.S., Houthis) are already engaged in active conflict elsewhere, and only Saudi Arabia and Egypt remain non-belligerent. The addition of just two actors into active combat would constitute systemic escalation. ---

EARLY-WARNING INDICATORS

The seven indicators below are monitoring thresholds, not causal laws. Where a threshold (for example, three vessels hit within seven days) is analyst-defined rather than directly estimated by the NERAI model, it is labelled as an operational trigger for scenario management rather than a calibrated probability boundary.

Current signal: Yemen Military Clash is 83.4/100 (100th percentile, RISING), while the Yemen-Saudi bilateral clash indicator is elevated relative to its recent baseline. This is a stress signal, not a count of Houthi launches. Operational escalation trigger (analyst-defined): a cluster of multiple commercial-vessel strikes within one week, or a single high-consequence hit on a large tanker/container/LNG vessel. Implication: a rapid carrier and insurer reassessment that could convert selective disruption into effective partial closure. NERAI measurability: port/security incidents and bilateral conflict indices; external maritime reporting is required to confirm location, vessel type and operational consequence.

2. Egypt HMM Regime Transition from CALM to TENSION (current 30% probability)

Current signal: Egypt remains CALM with a 30% probability of deterioration. Escalation threshold: a confirmed HMM move to TENSION accompanied by evidence of maritime, fiscal or security stress around the Suez-Red Sea system. Implication: this would strengthen - but still not by itself prove - the case that Red Sea instability is transmitting northward. The HMM state change should be interpreted together with observable Suez traffic, security incidents and macro-financial stress.

3. Israeli Strikes on Houthi Coastal Infrastructure (Hodeidah, Ras Isa, Sanaa)

Current signal: the July attribution in the earlier draft was incorrect. Sanaa airport was struck on 13 July by Yemen's internationally recognised government. Later in July, Saudi-led coalition strikes targeted Houthi positions including Hodeidah after Houthi attacks on Saudi oil infrastructure. Escalation threshold: a sustained Israeli strike campaign against Houthi ports, fuel storage, missile sites or command infrastructure, confirmed by reliable reporting.

terminal (Houthi revenue source). Sustained campaign (not isolated retaliation) indicates Israeli strategic decision to degrade Houthi Red Sea operational capacity. **Implication:** Triggers Houthi solidarity escalation (increased launch frequency toward Israel and Saudi Arabia as demonstration of resilience). Risk of Iranian material support surge to Houthis to offset Israeli degradation. If Israeli strikes cause significant civilian casualties or infrastructure damage, creates domestic Yemeni and regional pressure for Houthi retaliation, reducing restraint. Saudi Arabia faces decision point: tacitly support Israeli campaign (aligns with anti-Houthi interest but risks domestic/regional backlash) or publicly distance (preserves regional relationships but signals weakness to Houthis). **NERAI measurability:** Indirectly captured in Israel Military Escalation index and Yemen-Israel bilateral Military Clash. Open-source reporting (gCaptain, Reuters, Al Jazeera) provides event confirmation with 12–48 hour lag. NERAI port_incidents.json may capture port strikes if they disrupt operations.

4. U.S. Force Posture Shift or Direct Strikes on Houthi Positions

Current signal: U.S. maintains Red Sea naval presence (Operation Prosperity Guardian, per prior public reporting). No reported U.S. strikes on Houthi positions in the 18–20 August window. U.S. is not in the 60-country dataset, but Houthi perception of U.S. threat would appear in Yemen Threaten in International Relations (currently 72.4/100, 94th percentile, RISING). **Escalation threshold:** U.S. conducts direct strikes on Houthi coastal missile/drone launch sites, command nodes, or radar installations (analogous to 2016 USS Mason retaliation strikes or 2024 Operation Prosperity Guardian enforcement actions). Alternatively, U.S. announces Red Sea maritime exclusion zone or no-transit advisory for commercial vessels, signalling unacceptable risk assessment. **Implication:** Confirms U.S. assessment that Houthi activity has crossed from harassment to unacceptable threat to freedom of navigation. Likely triggers Houthi retaliatory escalation (attacks on U.S. naval vessels, U.S.-flagged commercial vessels, or U.S. regional partners). Iran faces decision point: provide Houthis with additional anti-ship capabilities (advanced missiles, naval mines, drones) to impose costs on U.S., or restrain Houthis to avoid direct U.S.–Iran confrontation. Commercial carriers interpret U.S. strikes as confirmation of high-threat environment, accelerating routing-suspension decisions. **NERAI measurability:** Yemen Threaten in International Relations index would spike if Houthi perception of U.S. threat increases. Open-source military reporting (War on the Rocks, USNI News, Defense One) provides strike confirmation. U.S. CENTCOM typically issues public statements on Red Sea operations within 24 hours. ---

5. Saudi Air-Defence Posture or Military Mobilisation

Current signal: Saudi Arabia Military Escalation 26.3/100 (RISING, 88th percentile), but Military De-escalation also RISING at 29.0/100 (95th percentile), indicating mixed signals. No open-source reporting of Saudi military mobilisation or air-defence posture change in the 18–20 August window. **Escalation threshold:** Saudi Arabia publicly announces enhanced air-defence readiness along Yemen border, deploys additional Patriot/THAAD batteries to southern regions (Najran, Jizan, Asir), or conducts large-scale military exercises near Yemen border. Alternatively, Saudi Arabia resumes airstrikes on Houthi positions in Yemen (first such strikes since April 2022 truce). **Implication:** Signals Saudi assessment that Houthi threat has escalated beyond tolerable harassment level. If Saudi Arabia resumes airstrikes, the 2022 truce is effectively dead, and Yemen returns to active multi-party war (Saudi coalition vs. Houthis, Yemeni government vs. Houthis). This would likely trigger Iranian material support increase to Houthis (to prevent Houthi collapse under renewed Saudi air campaign) and U.S. support to Saudi Arabia. Red Sea becomes an active war zone, not a harassment corridor. Commercial carriers would suspend routing immediately upon Saudi airstrike resumption. **NERAI measurability:** Saudi Military Escalation index would spike; bilateral Tension Index toward Yemen would rise sharply. Open-source defense reporting (Jane's, Defense News, Al Arabiya) typically covers Saudi military posture changes within 48 hours. NERAI does not have real-time satellite or SIGINT on Saudi deployments; relies on reported moves. ---

6. Commercial Carrier Routing Suspensions (Maersk, MSC, CMA CGM, Hapag-Lloyd)

Current signal: the corridor is experiencing selective, not universal, commercial avoidance. Lloyd's List Intelligence reported an initial roughly 24% fall in Bab-el-Mandeb traffic after the July blockade, followed by stabilisation; the tanker sector was the most affected, while major container lines continued trans-Suez operations. By mid-August, traceable traffic remained below the month before the ban and mainstream crude transits were still materially depressed. Reuters also reported on 18 August that a Japanese refiner was sourcing Saudi crude via Suez/Cape alternatives because of Bab-el-Mandeb disruption.

Escalation threshold: a coordinated suspension by multiple major container lines or a broad shift by mainstream tanker operators away from Bab-el-Mandeb. Implication: effective partial commercial closure. NERA's own current AIS geofence is not reliable enough to establish the threshold, so external transit-monitoring data should remain the operational verification layer until the geofence is corrected.

7. JWC Listed-Area Designation or Insurance War-Risk Premium Spike

Current signal: NERA's JWC-Cast estimates a 31.6% probability of a further Listed-Area change within six weeks. Bab-el-Mandeb / the Southern Red Sea is not outside the JWC framework: JWLA-034, issued 29 July 2026, amended the Persian/Arabian Gulf, Gulf of Oman, Indian Ocean, Gulf of Aden and Southern Red Sea area and extended the Red Sea boundary northward along Saudi Arabia. The relevant forward question is therefore whether the existing area is amended again or war-risk terms are repriced further, not whether Bab-el-Mandeb receives its first designation.

Escalation threshold: another JWC boundary/status amendment, a material rise in quoted war-risk premiums, or insurer/broker restrictions that make routine transit commercially unattractive. Implication: insurance can become the transmission mechanism from security risk to effective closure even while the waterway remains physically open.

WHAT WOULD CHANGE THE ASSESSMENT?

Factors that would reduce disruption probability:

1. Renewed Yemen ceasefire or a sustained reduction in Houthi external operations. This would lower the probability that threat pressure converts into broader commercial avoidance.
2. Credible evidence of Iranian restraint combined with reduced material support to Houthi military operations. NERA's Iran indices alone are insufficient; actor-level reporting should confirm the shift.
3. Stable or recovering Bab-el-Mandeb tanker and container transits, together with no further JWC expansion or material war-risk repricing. This would show that carriers and insurers are adapting without moving toward effective closure.

Probability impacts in this section are scenario sensitivities, not separately calibrated model outputs unless explicitly identified as NERAI probabilities. A ceasefire or sustained diplomatic restraint would be expected to lower the 8-week disruption risk, while a major vessel-strike cluster, broad carrier withdrawal or renewed Saudi-Houthi air war would push it higher. The direction of impact is more robust than the exact percentage-point adjustment.

Factors that would increase risk include: (1) a confirmed multi-vessel strike cluster or one high-consequence vessel loss; (2) sustained Israeli, U.S. or Saudi strikes on Houthi military infrastructure; (3) a broadening of Houthi targeting criteria beyond Saudi-linked shipping; (4) an Egypt HMM deterioration accompanied by Suez-area stress; and (5) further JWC/insurance tightening. These triggers should be used to update the NERAI corridor probability and scenario weights rather than treated as deterministic switches.

IMPLICATIONS FOR SHIPPING, ENERGY, INSURANCE, AND REGIONAL SECURITY

Shipping & Logistics

A sustained Bab-el-Mandeb disruption would lengthen Asia-Europe voyages for cargo that shifts around the Cape of Good Hope and would increase fuel, time-charter and inventory costs. The scale depends on how much traffic diverts and for how long. Current evidence already shows adaptation rather than uniform withdrawal: traffic fell sharply after the July blockade but then stabilised, with tanker flows more disrupted than container traffic. Scenario cost percentages in this report should therefore be read as stress-test assumptions, not as direct NERAI forecasts.

Longer routes raise the amount of cargo and oil tied up in transit, reduce effective fleet availability and can tighten spot freight markets. The exact landed-cost effect varies by vessel class, fuel price, charter rate and cargo urgency. The earlier draft used single-point cost estimates that implied more precision than the evidence supports; this revision treats them as illustrative stress ranges only.

Energy-market exposure is meaningful because Bab-el-Mandeb flows have risen sharply in 2026 as Saudi Arabia rerouted crude away from Hormuz. EIA estimates total oil flows through the strait at about 5.4 million barrels/day in 1Q26 and about 8.1 million barrels/day in 2Q26. A renewed decline would increase voyage length and freight costs and could amplify an already tight market, but the report does not assign a deterministic Brent price to any single corridor outcome.

Likewise, war-risk insurance can transmit security deterioration into commercial avoidance. The operative variable is not a generic premium percentage but the actual terms quoted by underwriters and the willingness of carriers to accept them. JWLA-034 has already expanded the relevant Red Sea listed area, so further insurance stress should be measured through additional JWC changes, broker/underwriter pricing and carrier decisions.

Bottom line: the report's strongest conclusion is about transition mechanics, not a precise oil-price or logistics-cost forecast. Selective disruption is already visible; the high-impact risk is a move to sustained avoidance if kinetic incidents, insurance repricing and regional escalation reinforce one another.

SOURCE NOTE: Time-sensitive factual corrections and external verification sources are listed on page 21. Proprietary NERAI model outputs have not been independently re-estimated in this editorial revision.

SOURCES & VERIFICATION NOTES

This page documents the external sources used to correct time-sensitive factual claims in the revised report. NERAI index values, HMM states and corridor probabilities remain proprietary model outputs and were not independently recalculated.

1. U.S. Energy Information Administration (EIA), Short-Term Energy Outlook / energy-security analysis, May-August 2026. Bab-el-Mandeb oil flows: ~5.4 mb/d in 1Q26 and ~8.1 mb/d in 2Q26.
2. Joint War Committee / Lloyd's Market Association, JWLA-034, 29 July 2026. Amended Persian/Arabian Gulf, Gulf of Oman, Indian Ocean, Gulf of Aden and Southern Red Sea Listed Area; Saudi Red Sea coverage expanded.
3. Lloyd's List Intelligence, Red Sea Briefs, 6 and 13 August 2026. Initial ~24% fall in Bab-el-Mandeb traffic after the Houthi blockade, subsequent stabilisation, and disproportionate tanker impact.
4. Reuters, 24 July 2026. Houthi attacks on Saudi oil sites at Jizan/Yanbu and subsequent Saudi-led strikes on Houthi positions.
5. Al Jazeera / AFP / Reuters, 13 July 2026. Yemen's internationally recognised government struck Sanaa airport; this event was incorrectly attributed to Israel in the earlier draft.
6. Reuters, 23 July 2026. Reporting that IRGC personnel and missile/drone equipment were flown to Houthi-controlled Yemen; used as an actor-level counterpoint to NERAI Iran restraint indices.
7. Reuters, 13 August 2026. UN warning that Yemen faced its highest risk of major conflict since the 2022 truce.
8. U.S. Congressional Research Service, Yemen: In Brief, 12 May 2026. Post-2022 de-escalation arrangements remained in place but were under increasing regional pressure.
9. Allison Minor, Brookings Institution, How the United States Could Have Prevented the Yemen War, Working Paper 189, 2024. Corrects the earlier Bruce Riedel attribution.
10. Ayman Omar, Carnegie Endowment for International Peace, Struggling Over Every Drop: Yemen's Crisis of Aridity and Political Collapse, 29 April 2025. Corrects the earlier publication date.
11. Trevor Johnston et al., RAND Corporation, Could the Houthis Be the Next Hizballah? Iranian Proxy Development in Yemen and the Future of the Houthi Movement, 2020. Corrects the earlier 2026 dating.

Methodological correction: Granger-causality statistics are treated as temporal predictive associations and are not used as proof of actor intent or geopolitical causation. Country-level and bilateral NERAI indices are not automatically equated with Houthi leadership decisions.

About the Author

NAME	Serhan Ayik
TITLE	Founder & Lead Geopolitical Risk Analyst, NERAI Strategic Insights Lab
LOCATION	Brussels, Belgium
CONTACT	kagan@neraicorp.com · linkedin.com/in/serhan-a

Serhan Ayik is the founder and Lead Geopolitical Risk Analyst at NERAI Strategic Insights Lab, an AI-enabled strategic intelligence firm based in Brussels (NERAI BV, VAT BE 0726.888.207). With over 15 years of combined analytical experience spanning government intelligence and independent research, he specialises in geopolitical risk, political and economic risk analysis, and sanctions-sensitive environments — with deep regional expertise across the Middle East (Turkey, Syria, Iraq, Gulf), Eastern Europe, and Russia-sensitive jurisdictions.

Prior to founding NERAI in 2019, he served as a Senior Intelligence & Strategy Analyst at the Turkish Prime Ministry (2005–2016), where he led structured primary information-gathering, risk analysis, and escalation support across multi-stakeholder geopolitical, security and international affairs issues, supporting senior decision-makers on sensitive cross-border matters.

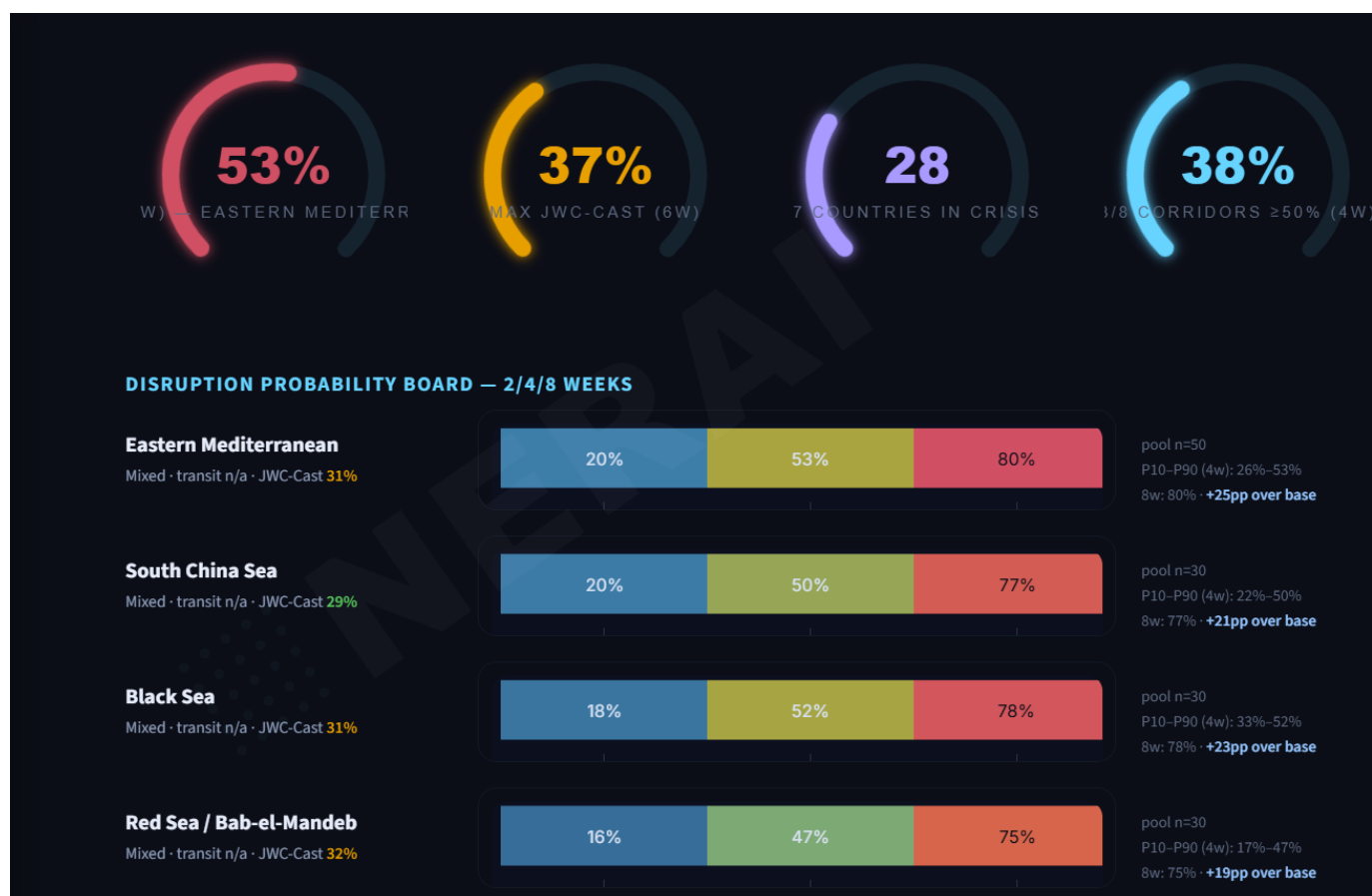
He holds a Master's in International Affairs / Security Studies from Pennsylvania State University and a Bachelor's in International Relations from Middle East Technical University (Ankara). His current work through NERAI applies AI-enabled risk monitoring across 60+ countries to deliver real-time, decision-relevant intelligence for institutional and private-sector clients across supply-chain risk, country risk, and cross-border investment decisions.

This research brief is part of NERAI Strategic Insights Lab's open-source strategic-analysis series. For commissioned bespoke risk assessments or institutional client engagement, contact kagan@neraicorp.com.

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APPENDIX A — SUPPLEMENTARY CORRIDOR VISUALS: CROSS-CORRIDOR CONTEXT

The cross-corridor board places Bab-el-Mandeb inside the wider chokepoint picture. It is **not** the highest-risk corridor at every horizon — the Eastern Mediterranean screens higher at **4 weeks (53%)** and **8 weeks (80%)**. Even so, Bab-el-Mandeb remains distinctive because its **8-week disruption probability still reaches 75%** while its **JWC-Cast reading is the highest among the corridors shown (32%)**. The board also shows a wider stress environment, with **7 countries already in crisis** and **3 of 8 corridors at or above 50% disruption probability at four weeks**.



APPENDIX B — SUPPLEMENTARY CORRIDOR VISUALS: BAB-EL-MANDEB RISK STRUCTURE

This dossier visually reinforces the report's core argument. The disruption fan confirms an **accelerating medium-term profile: 16% at 2 weeks, 47% at 4 weeks and 75% at 8 weeks**. That supports the assessment that the key issue is whether current selective disruption broadens into sustained commercial avoidance.

The contribution bars show that **threat-topic pressure** and **attack-cluster pressure** dominate over **live transit disruption** and port incidents — strong support for the report's “pressure-to-disruption” thesis. The escalation ladder also matters: Yemen and Saudi Arabia are already in **CRISIS** states with near-zero short-horizon transition probabilities (persistence, not safety), while **Egypt remains CALM** but shows roughly a 30% deterioration probability, making it the key spillover variable for the Suez system.

