March 12, 2026

The Iran Conflict: Scenarios and Geopolitical Impact

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Introduction

The war in Iran raises some serious questions. Will the regime survive? If so, in what form? If not, what might replace it? Could Iran dissolve into chaos? This report will examine a range of potential scenarios.

Scenario 1: Regime survives with strategic concessions

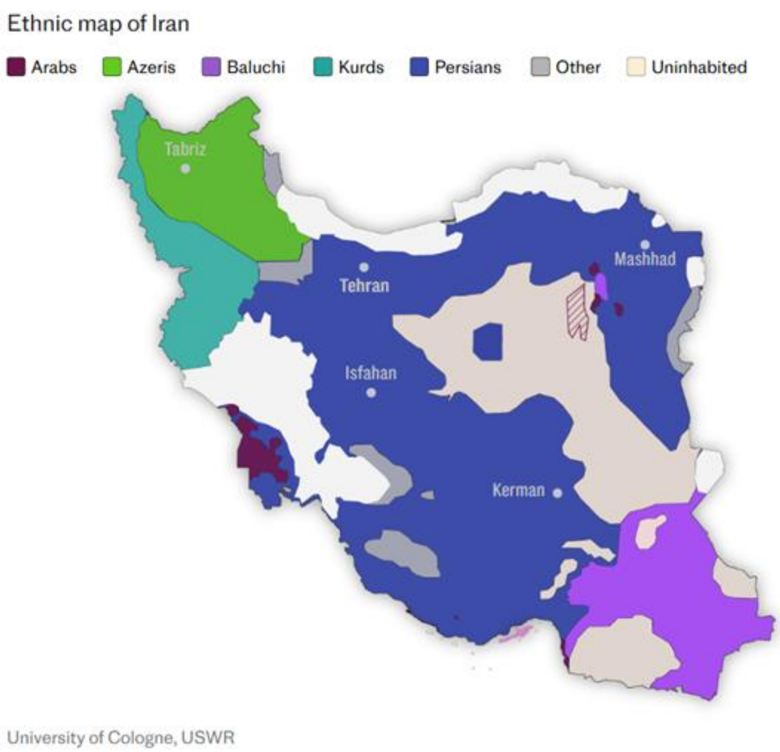
With the Iranian government weakened by sustained bombing and the United States growing increasingly concerned about oil prices, inflation, and mounting pressure from allies, a ceasefire agreement is reached. The Iranian regime survives—wounded but intact. It agrees to end most of its nuclear program, including uranium enrichment. Its missile program is curtailed. It agrees to cease supporting regional proxies. Washington claims deterrence has been restored; Tehran declares victory by virtue of survival. Underlying tensions persist, however. The Iranian population remains under strict control.

To ensure compliance with the terms of the agreement, the United States will probably have to maintain an ongoing military presence in the area. Accusations of non-compliance could lead to periodic bombing campaigns. This raises the risk of a repeat of the situation that arose after the 1991 Gulf War, when the United States used sanctions and intermittent airstrikes to contain Iraq under Saddam Hussein.

One of the main reasons the Iranian regime remains in power is the lack of significant defections from the military and government.

Scenario 2: A protracted civil war and chaos

Anti-regime protests break out across the country, with demonstrators seizing government buildings. The military suffers a growing number of defections. However, the various opposition groups fail to coalesce into a united movement capable of stepping into the power vacuum. Instead, factions of the former regime, protest movements, and sections of the military begin to fight with one another. Parts of the army and the Revolutionary Guards end up in opposing political camps. Complicating matters further, ethnic minorities seek to assert control over areas where they hold a demographic majority to safeguard their communities.



Source: “How the war in Iran ends,” The Telegraph, March 6, 2026

Examples of regime change operations that resulted in long-running civil wars include Iraq (2002) and Libya (2011). They also produced large-scale refugee crises.

Scenario 3: A swift and peaceful transition

The Iranian armed forces and the Islamic Revolutionary Guard Corps stand down; opposition factions come together to form an interim government. The nuclear program is dismantled, support for regional proxies is terminated, and severe limits are placed on the ballistic missile program. With international support, a transitional authority is established. A constitutional framework begins to emerge, and economic reconstruction gets underway. Iran takes initial steps toward a more stable future.

Iran, along with Venezuela, is moving into the United States' sphere of influence. Russia is the sole major adversarial oil power left standing. The lifting of sanctions and renewed investment drives a significant increase in oil production over time. Prior to the 1979 revolution, Iran produced five to six million barrels a day. Today, its production stands at 3.2 million barrels.[1]

Most likely scenario: Regime survives with major policy concessions

At present, the first scenario appears to be the most likely. Modern governments are rarely overthrown by air power alone, and the Iranian regime appears to be deeply entrenched. The armed forces have not splintered, partly because many within the security apparatus fear severe reprisals under a successor government. The underlying bargain is straightforward: the regime will not be attacked if it complies with U.S. demands regarding its nuclear program, ballistic missiles, and hostile activity against Israel and other allied states. As with Venezuela, the United States could impose restrictions on Iran's oil exports to exert pressure and enforce compliance.

Over time, however, this outcome could generate instability within the country, particularly if the regime intensifies its repression of the population or is accused of violating the terms of the agreement. Either of these situations could trigger a U.S. military response.

Despite this difficult situation, Iran's highly educated population and the entrepreneurial capabilities of its diaspora suggest that the emergence of a more stable state at some point in the future cannot be ruled out entirely.

The continued shift toward more secure supply chains in a lower-trust world

The conflict around the strait of Hormuz highlights that the global economy is entering a phase of lower trust where major countries are increasing their efforts to produce essential supplies domestically or in allied nations. This trend is being driven by disruption to not only the oil and gas industries but also the fertilizer, aluminium, and helium sectors. (Helium is a crucial gas for semiconductor production.)

Conclusion

The most likely outcome of the Iran conflict is that the regime survives in exchange for strategic concessions. However, this carries the risk of long-term instability and repeated U.S. military intervention. The conflict also reinforces the global focus on supply chain security.

If the region remains unstable over the long term, this could weaken the United States' geopolitical standing and make it harder to form alliances in other areas.

In this environment, Canada's natural resources and its distance from major geopolitical flashpoints become ever more appealing to its allies. These considerations, together with U.S. concerns about higher costs, could facilitate a deal in the upcoming USMCA talks, particularly in key sectors such as aluminum, steel, and fertilizer production.

1 "U.S. Success Against Iran Could Be a Game Changer for World Oil Security," Wall Street Journal, March 3, 2026

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