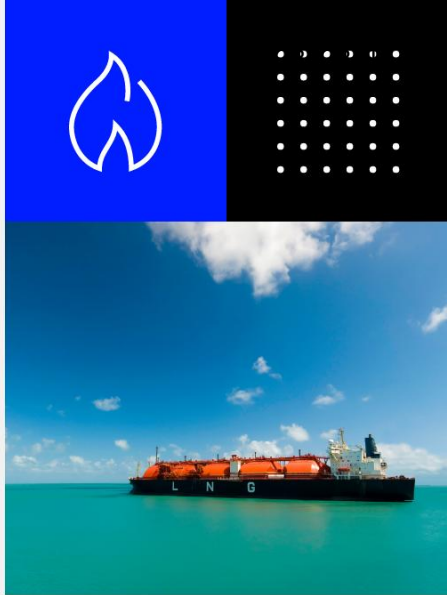




Middle East LNG disruption and the global market

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Introduction

With the outbreak of armed conflict in the Middle East on 28 February, a key risk within the global gas market passed into reality, removing almost 18% of global LNG supply from the market and threatening key liquefaction infrastructure.

This report reviews the immediate impact on Middle Eastern and North African LNG fundamentals and subsequent global pricing responses, before focusing on how the LNG market could find balance in the event of a more prolonged conflict and how this could affect fundamentals and pricing going forward.

Regional impacts: Curtailed supply, more demand

As the conflict began, the Strait of Hormuz, connecting both export terminals in Qatar and the UAE and import facilities in Kuwait, Bahrain and the UAE with the global market, was effectively shut. Shipping war risk insurance premiums have rose sharply and some policies have been cancelled entirely. Subsequently, Iranian armed forces officials were reportedly planning to strike any shipping that would attempt passage through the strait.

Cut off from the global market and reportedly targeted by Iranian drones, Qatar's 105 bcm/yr Ras Laffan liquefaction terminal halted production on 2 March, with operator QatarEnergy highlighting attempted drone strikes on the facility, though no damage has been reported. The status of the UAE's 7.9 bcm/yr Das Island liquefaction terminal remains unclear, though ship-tracking data suggest that the facility may have loaded a partial cargo onto the *Mubaraz* on 2 March. A small number of empty LNG carriers had passed into the Arabian Gulf before the Strait of Hormuz closure, which could have potentially prolonged output from Ras Laffan by a couple of days before limited storage capacity would have forced shutdown.

The closure also cuts Middle Eastern importers off from suppliers outside the region. This is unlikely to significantly affect the summer-peaking markets of Bahrain or the UAE's Dubai, neither of which typically receive LNG through spring months. Kuwait, however, is likely to face a substantial shortfall in its gas supply having taken at least a few cargoes per month over this winter, though this effect could be netted off for several weeks by delivery of the estimated five Qatari cargoes that were loaded before the Ras Laffan shutdown and remain within the Arabian Gulf.

LNG demand in Egypt and Jordan has also been affected by the conflict, as Israel shut down its Leviathan and Karish gas fields to avoid any damage to this infrastructure. The fields' closure has severely cut Israeli pipeline gas exports to Egypt and Jordan, which are typically around 30 mcm/d, to just the small amount of other gas production that is surplus to the country's domestic needs. Egypt has already come to the market for additional March LNG supply.

Finally, the status of Iranian pipeline gas flows to Turkey remains unclear. These flows average some 25-30 mcm/d in addition to minor deliveries to Iraq. There have been strikes reported on Asaluyeh, where some processing for the South Pars field takes place, though no information on impact to these operations has been ascertained. That said, there remains some potential for Iranian exports to be diverted for domestic needs, which would in turn support Turkish LNG demand.

Global impact: Prices rise, buyers look for replacement cargoes

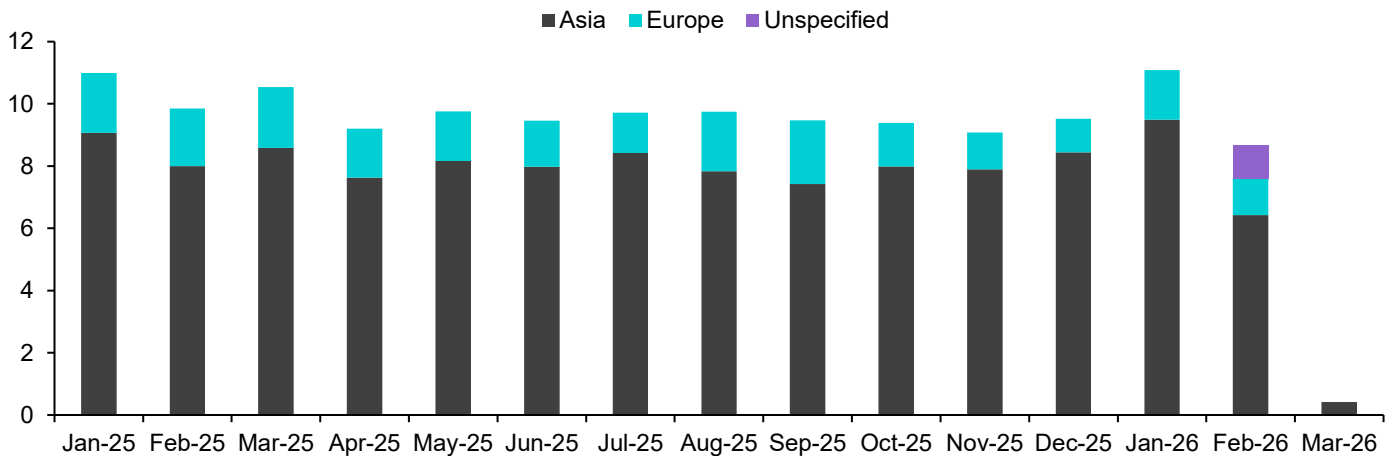
Prices for LNG and gas in both Europe and Asia had already been slightly supported by the risk for conflict in the days running up to its start, but they quickly rose as trading began for the week on 2 March. The Dutch TTF gas hub's April contract rallying to above \$13/MMBtu as the market opened, from marginally above \$11/MMBtu at its close the previous Friday.

These gains were likely predicated on expectations for a reasonably quick resolution to the conflict. An even greater jump later that day, however, was triggered by QatarEnergy announcing that Ras Laffan had halted production, following Iranian drones targeting the facility. In addition to the greater risk for liquefaction facility damage, the conflict duration expectations were lifted by the general assumptions that any restart procedures of the massive liquefaction plant can extend to weeks. QatarEnergy subsequently declared force majeure on its supply contracts.

This was further compounded by an even greater rise at the market open on 3 March, following comments by US President Trump the night before that the conflict was anticipated to last 4-5 weeks. Although some market activity would have likely stemmed from traders liquidating positions in the aftermath of the previous day's gains, the comments further lengthened expectations for the conflict's duration.

Asian countries are the primary buyers of Qatari and UAE LNG, and face the most immediate loss of supply as these two exporters are cut off from the global market. In March 2025, Qatar and the UAE exported 10.5bcm over the month, 4.4bcm of which was delivered to Northeast Asia and 4bcm to the rest of Asia. Europe, on the other hand, took just 1.4bcm of those March loadings, while Kuwait received around 0.5bcm. That said, while Middle Eastern export expectations for March this year ahead of the conflict were little changed on the year, Europe could have taken slightly more of this supply, given a looser market balance on weaker Asian demand and increased global supply. In turn, this does suggest a slightly greater impact on Europe than last March's flows may have implied.

Qatari and UAE deliveries by load month (bcm)



Several Asian countries have already signalled intentions to buy at least some LNG in replacement for expected lost Qatari and UAE supply, but gas consumption restrictions—from power-sector fuel switching or industrial restrictions—are also set to help close the supply gap.

Asian demand for additional LNG has significantly lifted inter-basin competition for LNG supply from the US, with the inter-basin arbitrage for West African supply already opening ahead of the conflict. This has helped to drive a huge rise in shipping demand, given the much greater journey time from the US to Asia via the Cape of Good Hope, compared with delivery of US LNG to Europe. In turn, prompt spot charter rates have quickly risen in the days after the conflict began to around \$300,000/d for two-stroke carriers in the Atlantic basin, having mostly held below \$40,000/d so far this year. The higher charter rates also increase the premium needs for Asian buyers to pull supply from the Atlantic basin. That said, reports on 5 March suggested that QatarEnergy is subletting some of its idle carriers, which would support vessel supply in the LNG freight market.

So far, there have been a few apparent diversions of cargoes already on the water away from Europe to Asia, such as the *BW Brussels* changing path after loading in Nigeria. This does not suggest an immediate significant swing of flows, though there is scope for shifts in supply that is about to be loaded at US terminals.

Demand responses and therefore pricing movements, do—and will continue to—hinge on how long Qatari and UAE LNG is cut off from the market, however. A recent rise, which is expected to continue through the coming months, in supply from elsewhere in the global market combined with some flexibility afforded by terminal and underground storage do allow for some supply interruptions to be absorbed. But this ability is limited, and the potential for Middle Eastern supply curtailments to be brief is appearing increasingly less likely.

Regional fundamentals: Less supply, more demand

The ability for Qatari and UAE exports to rebound to significant volumes broadly depends on how long the conflict lasts, and subsequently when LNG shipping flows through the Strait of Hormuz can resume. Finally, there is uncertainty around how much time is required to restart liquefaction capacity up to reasonably high run rates.

The lack of clarity on this conflict's duration is considerable. On the one hand, there is the previously-noted 4–5-week timeframe given by US President Trump. But this has been juxtaposed against unconfirmed reports on 4 March that Iranian officials were open to discussions.

President Trump has announced plans to provide insurance and military protection to ships transiting the Strait of Hormuz, which could allow for a resumption of LNG flows from the Middle East without a hiatus or end to the conflict. But sentiment from market participants has been that the risk remains too high, especially for LNG carriers given their high vessel value, to allow for a resumption in transit substantial enough to underpin a restart to liquefaction operations.

The amount of time required to restart Ras Laffan's 14 liquefaction trains is similarly unclear given how unprecedented such a process is. An approximate estimate could be that a train requires around a week to restart after brief downtime, providing no unanticipated issues with the process. Even then, giving the likely warming from low temperatures of different parts of the facility, this start-up time could be greater the longer the downtime lasts. While it is likely reasonable to assume that Ras Laffan would not start up trains sequentially, a key question is how many units can be restarted simultaneously. Furthermore, it remains unclear if the entire facility being offline for a period would leave significant ramifications for feedgas inflows to ramp up again.

Utilising the conflict timeline of 4-5 weeks, plus a restart period of some 2-3 weeks, this would leave production at zero until mid-April, with considerable potential to extend beyond this period to later in the month or early May.

Across the Ras Laffan and Das Island terminals, no resumption of significant exports before mid-April would likely cut around 14bcm from global supply, though this would be tempered by a reduction in Kuwaiti imports of almost 0.6bcm. Considering additional Egyptian and Jordanian demand as pipeline deliveries from Israel are offline until early April, adding some 0.5bcm of demand, the disruption in the region would amount to a net supply loss of around 14.2bcm. And each week extending beyond this timeframe would remove a further 2.3bcm.

Finding balance: Which countries could take less

There is little potential supply-side response to curtailed Middle Eastern supply, beyond minor adjustments to imminent planned downtime where possible, given present high-capacity utilisation already. This means that most impact will be placed on demand. Asia and Europe are likely both set to receive less LNG, but how the share falls will depend primarily on how much Asian consumption the higher prices can remove and how slow Europe is willing its early summer storage injection season to be. LSEG Gas Research within its last Seasonal Outlook published in September 2025 approximated price-elasticity of demand globally, for a price rise to \$17/MMBtu, could readily reduce overall demand by 1.5-2bcm per month, mostly from the power sector.

At a regional level, as already noted, Asia is the primary recipient of Middle Eastern LNG supply and faces the most immediate loss in deliveries but is likely to partially replace this supply with cargoes from elsewhere. Given delivery timelines, any reduction in Middle Eastern supply is set to be apparent in South Asia from the end of the first week of March, and in Northeast Asia in the second half of March.

Using the same mid-April timeframe for a restart to significant Middle Eastern liquefaction operations, this would leave Asia short by around 11.5bcm. The rise in prices has already helped to meet some of this reduction by driving switching to coal in power sectors across the region and curtailing industrial gas supply in South Asia in particular. But this will be insufficient to fully absorb the loss, meaning that some countries will need to seek alternative supplies, the volume of which remains unclear but will likely reach at least a few billion cubic metres of pipeline-equivalent LNG.

Qatar also has several delivered LNG contracts with buyers in Europe, most notably Edison in Italy, EdF in Belgium and Orlen in Poland. These equate to around 1.7bcm of lost supply.

Both regions also typically receive Qatari LNG supply outside of long-term contracts. In Asia this is mostly spot cargo sales, while QatarEnergy will often use its capacity at the UK's South Hook to deliver a few cargoes into the country's NBP gas hub.

There may be potential for Europe to absorb some of the loss, and also cede some other supply to be used in Asia, by curtailing underground gas storage injections. Demand in Europe, given limited power sector fuel-switching potential and other factors, is less price-responsive than most of the Asian markets also facing lost Middle Eastern supply, leaving only around 0.5bcm per month of potential demand displacement in Northwest Europe from the recent rise in prices. But the availability of underground gas storage allows some flexibility to allow for slower LNG deliveries that is not afforded to much of the Asian market besides China.

While the rate of Europe's stock depletion earlier this winter had drawn storage levels to their lowest this decade, milder weather in February and March has eased concerns about reaching critically low levels. The region is, however, still on track to end the season with the lowest storage levels in years, leaving it vulnerable to late weather disruptions or short-term supply-side disruptions. The transition into early summer will reduce immediate consumption, however, and offers some buffer to replenish those inventories.

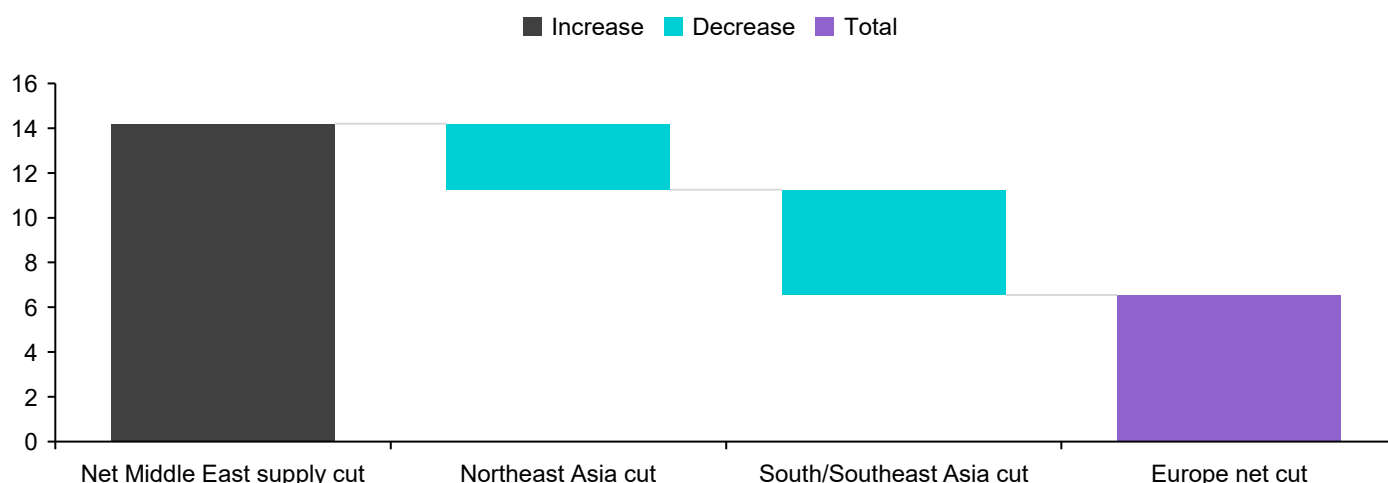
The delivery timelines from Qatari's Ras Laffan to Europe is around a month, assuming passage via the Cape of Good Hope, placing the lost supply into April and the first half of May, typically when the region's underground gas storage cycle begins. Given few apparent diversions so far, the region's end-winter stocks are unlikely to be significant threat.

LSEG European Gas Research in mid-February, as part of its Front-Month report, forecast that anticipated LNG supply—given supply increases across several markets and weak Asian demand—was theoretically sufficient to reach full storage capacity in Northwest Europe by the end of the injection season. This would still have left the global market long by around 6bcm. Considering last year's highest fill level was much lower than maximum storage capacity, this provided some flexibility for summer of around 10-15bcm.

While this flexibility can certainly not be fully utilised in a short window of early summer, it does provide the ability to absorb some of the supply losses anticipated from the Middle East conflict. Furthermore, price signals so far suggest scope for slower deliveries to Europe from late March, while seasonal price spreads are signalling a disincentive to inject gas into storage early in the summer injection season.

The level of price-inflexible demand, especially in Northeast Asian markets, remains highly unclear. But in a scenario where Asian buyers purchase around 4bcm of LNG to replace its near-12bcm of lost Middle Eastern supply, primarily to meet price-inflexible demand in Northeast Asia, this would leave Europe taking almost 7bcm less than it otherwise could have. Given delivery timelines, this would mostly be removed from April deliveries, which were already forecast to be very high, with some reductions in May, as well as minor cuts to late March receipts because of cargo diversions. In turn, while March deliveries to Northwest Europe could still reach almost 10bcm in March, they would fall sharply to 8bcm in April before slightly increasing to 8.8bcm a month later. While some of this near-7bcm shortfall could be addressed by weaker power sector gas demand, much of it would likely be covered by substantially less injections.

Global impact for mid-April restart and 4bcm Asian repurchasing (bcm)



There is also a risk for disruption to loadings from Oman's 14.1 bcm/yr Qalhat liquefaction terminal. Located in the Gulf of Oman, loadings had continued after 28 February, but there were unconfirmed reports on 5 March that some buyers are not clearing their carriers to load at the facility. While the impact of this is unclear, any removal of the terminal's 1.2bcm monthly loadings would further tighten the global balance.

If the conflict is prolonged, extending beyond the timeframe used in this report, Europe is unlikely to be able to absorb a large part of the supply loss further into summer, meaning it would need to compete more with Asia to pull Atlantic cargoes to Europe. As such, any substantial lengthening of the conflict of the Middle is set to quickly drawn down Europe's ability to absorb of the lost supply and require prices to rise significantly to displace demand across the global market and again find balance.

In contrast to this very large upward price risk, there is much less downward risk. Even if the Strait of Hormuz reopened immediately, the restart timelines for liquefaction capacity in the region would lead to at least a few weeks of supply being cut from the global LNG balance, which offer substantial support to prices.

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