Conflict in the Middle East

3rd March 2026

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Unfolding events

- The US and Israel conducted military action against Iran after nuclear talks failed to satisfy the US administration.
- Air strikes killed Iran's Supreme Leader, Ayatollah Ali Khamenei, and several high-ranking officials, sparking mixed reactions.
- Iran retaliated with missile attacks across the region targeting US bases and allies.
- Israel and Hezbollah, in Lebanon, exchanged strikes, widening the conflict.
- The Strait of Hormuz is effectively closed halting around 30% of global oil and 20% of global LNG supply.
- The situation is evolving rapidly, with the US seemingly not ready to cease hostilities.
- Qatar suspended 20% of global LNG production due to attacks on its largest liquefaction plant.
- Israeli gas exports halted (Leviathan & Karish), Egypt lost 15–20% of its gas overnight, and Jordan lost ~85% of pipeline imports.
- Iran's pipeline to Turkey is at risk, threatening Turkey's gas supply and increasing competition for LNG.

Market Impacts so far…

- Oil prices have risen ~8% (less than LNG due to broader disruption).
- Front-month European and UK gas prices surged over 40%, with the front season up over 30%.
- Price impacts diminish the further down the curve you go.
- Global LNG supply disruptions are concentrated in Asia but are causing a significant global impact.
- Most global LNG plants are operating at capacity, limiting flexibility; therefore, price and demand management are the main tools to address shortages.
- US LNG supply is maxed out at liquefaction plants, limiting additional export capacity, though US domestic supply currently remains insulated due to disconnection from global market.
- Insurance premiums and war risk considerations are driving freight rate increases which ultimately pushes end user prices up.

Potential future price drivers

Potential Market Bearish Factors

- There are large amounts of LNG set to come to market in the coming months.
- The LNG "glut" that was expected may now turn into plugging gaps in supply.
- US plans to export Venezuelan oil may accelerate to add supply to the global market.
- The US has clearly stated it is not anticipating a protracted conflict.
- A small amount of flexibility exists for regional exports via Oman, Saudi Arabia, and UAE pipelines, but this would only allow incremental volume increases due to being close to capacity already.
- China is a main off taker of Iranian oil and significant volumes of Iranian oil are offshore China; China also has high oil stocks which may buffer immediate supply issues.
- India may resume importing Russian oil, of which large volumes remain at sea, reversing previous US pressure restrictions.
- The US may turn a blind eye to sanctioned oil during this time.
- Mild NW European weather forecasts is helping the fundamental supply outlook.

Potential Market Bullish Factors

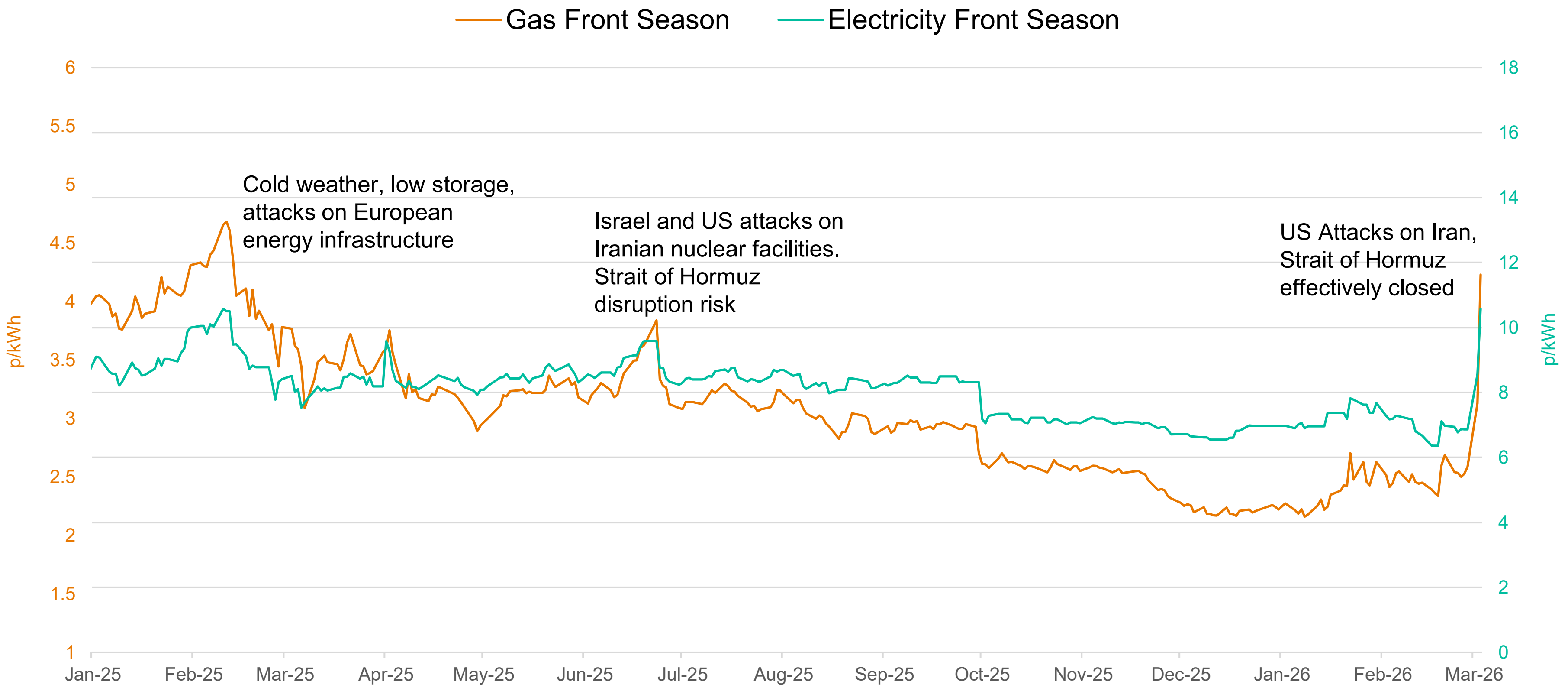
- A ceasefire may not immediately ease market pressures as the key is the reopening of the Strait of Hormuz and restoration of normal shipping.
- Strait of Hormuz will only become safe for transit once it has been swept for mines which would take time.
- Restarting the large LNG plant in Qatar has an unknown timeframe.
- Further attacks that specifically impact energy infrastructure in the region.
- Japan and South Korea are active LNG buyers with no alternative but to go to the global market.
- Despite the US not wanting a protracted conflict, it is difficult to see the offramp to de-escalation at this stage.
- Low European gas storage means there will be a high need to import LNG over summer injection season.

We are currently in the very early days of the conflict and events are evolving quickly. Prices are extremely sensitive as the market tries to rapidly assess the real supply and demand ramifications of the events as they unfold.

Historical context (Last 14-months)

Seasonal prices have moved extremely quickly in recent days, but it is important to understand wider market context. Whilst the recent price movement does represent tangible financial risk in the here and now, it is important to consider long term implication of any decisions made.

Front Season - at any point in time the price represents the cost of securing energy to be delivered for the 6-month period starting from the next season (e.g., the price in January 25 represents the cost of energy to be delivered from Apr 25 (Apr 25-Sep 25) and in April 25 the price represents the cost of energy to be delivered from October 25 (Oct 25-Mar 26).



Wider historical context

Although markets have seen largest daily movement in several years, prices are still far below the levels that were tested during the energy crisis, highlighting the importance of managing risk effectively.

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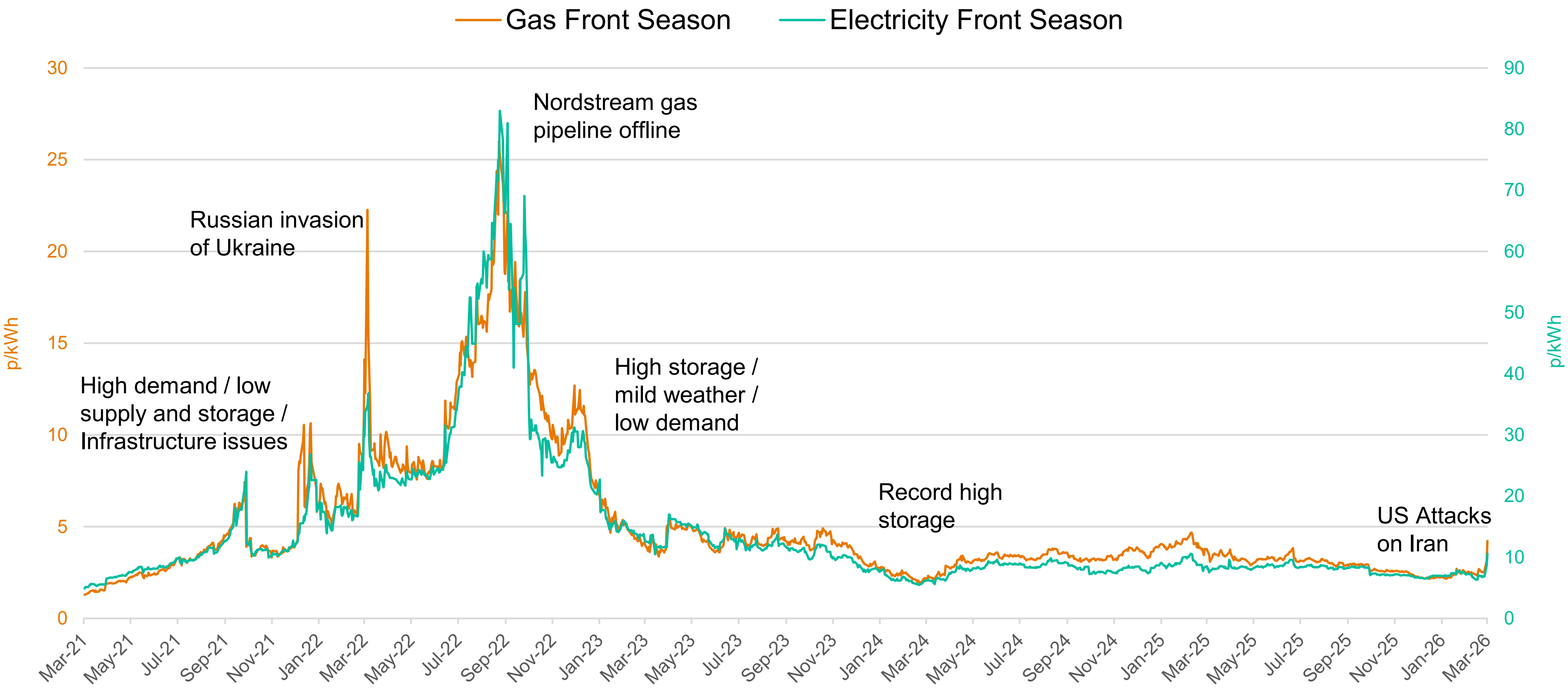

What to do next?

Every call-to-action is going to be bespoke depending on contract status, contract type, and individual customer needs.

Below are a few things to consider to help you navigate the current volatile environment.

Do not make knee jerk decisions
Make sure all decisions are as well informed as they can be and relevant for your bespoke set of circumstances. Weigh up the financial risk and consider your longer-term energy strategy.

Learn from the energy crisis (2022)
Long-term deals in this type of market scenario are very rarely going to be appropriate.

Consider waiting
If no immediate action is required, consider waiting for initial reactions to subside. If you are receiving a call to action from a new counterparty, carefully consider who the instructed action would benefit.

The situation is evolving very rapidly
Reach out to your specific trusted energy advisors

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Focusing our energy on yours

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The Cloisters, 12 George Road,
Edgbaston,
Birmingham.
B15 1NP

0345 307 3433
info@gingerenergy.co.uk
www.gingerenergy.co.uk