



# Conflict in the Middle East Update

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**ginger**  
ENERGY



# The conflict in the Middle East continues into its third week

## Unfolding events

- The US and Israel continue coordinated military strikes across Iran and Lebanon, with Iran responding via drone attacks across the region.
- The Strait of Hormuz remains effectively closed due to heightened security risks, disrupting the transit of c.20% of global oil and LNG supply.
- Shipping risks have escalated, with multiple tanker attacks reported in the Persian Gulf.
- The US reports significant damage to Iran's naval capabilities, including mine-laying vessels.
- President Trump has called on international partners to support efforts to secure safe passage through the Strait.
- EU ministers are in discussions over potential emergency measures, though consensus on intervention remains limited.
- Germany has ruled out any return to Russian gas imports; however, the US has temporarily eased sanctions on Russian oil to support near-term supply.
- The International Energy Agency has released 400 million barrels from strategic reserves—equivalent to c.18 days of Strait of Hormuz flows, but less than 4 days of global oil demand.

## Market Impacts so far...

- Oil prices briefly approached \$120/bbl before easing to just above \$100/bbl, still up ~50% since the onset of the conflict.
- The pullback reflects the coordinated strategic reserve release and more market-supportive US messaging.
- European and UK gas prices have stabilised over the past week, with prompt prices currently settling ~60% higher than end-February levels.
- Power prices have followed gas higher, reflecting the continued role of gas-fired generation as the marginal price setter.
- The UK gas curve has inverted, with summer contracts trading above winter, signaling acute near-term supply risk.

# Potential future price drivers



The primary driver of near-term market direction remains the timeline for the resumption of maritime flows through the Strait of Hormuz.

Further strategic reserve releases or policy interventions are unlikely to materially ease prices while the Strait remains effectively closed. Although the US is seeking international support to secure the route, appetite for involvement among potential partners appears limited.

While US messaging suggests progress towards its strategic objectives, any de-escalation is unlikely to result in an immediate recovery in shipping flows. Iran is expected to retain significant leverage and may continue to disrupt transit if it is dissatisfied with the terms of any resolution.

Markets are currently attempting to price two divergent scenarios:

A reopening of the Strait, which would likely drive a sharp correction lowering prices.

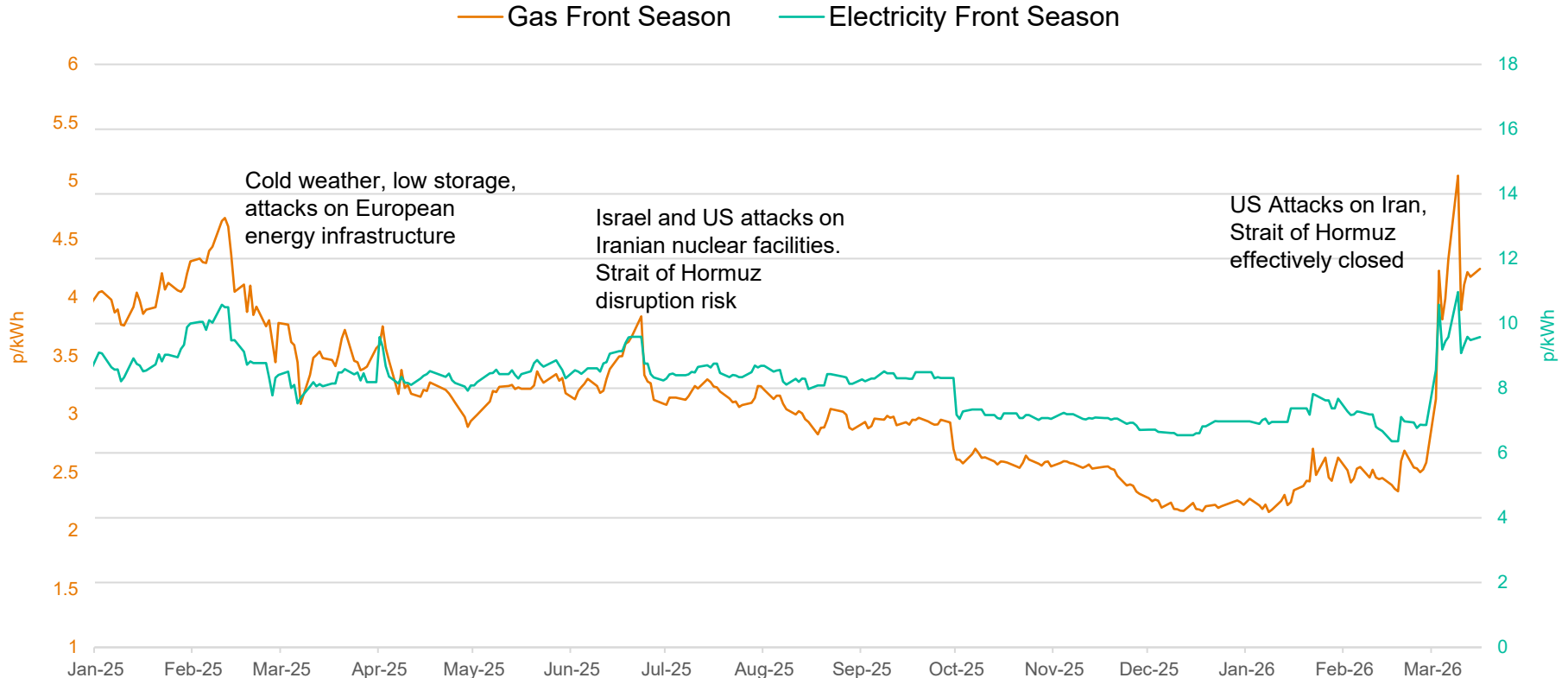
A prolonged disruption to transit and/or regional production, which would reinforce bullish pressures in an already tight global market.

In the UK gas market, the inverted summer/winter spread will discourage storage injections despite low inventory levels. This dynamic risks shifting price pressure further along the curve if the storage deficits persist into next winter.

# Historical context (Last 14-months)

Season prices have subsided from the recent highs that were witnessed last Monday and for the last few days have settled at a similar level to those seen in February 25.

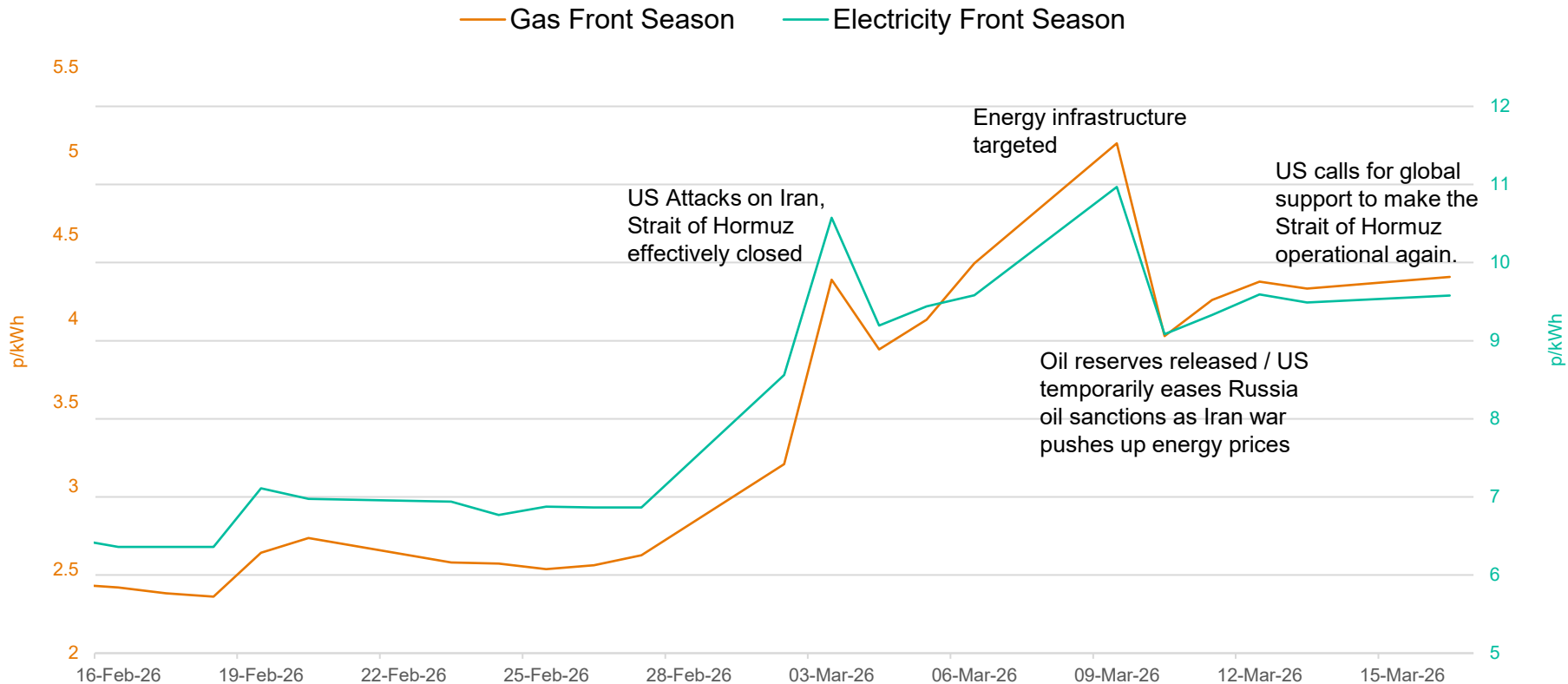
**Front Season** - at any point in time the price represents the cost of securing energy to be delivered for the 6-month period starting from the next season (e.g., the price in January 25 represents the cost of energy to be delivered from Apr 25 (Apr 25-Sep 25) and in April 25 the price represents the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



# Recent market movement (Last 30-days)

Front season prices witnessed large spikes in the first two weekends of the war as markets reacted to unfolding events. They have been more settled over the last week, but high-levels of volatility are likely to be present for the foreseeable future.

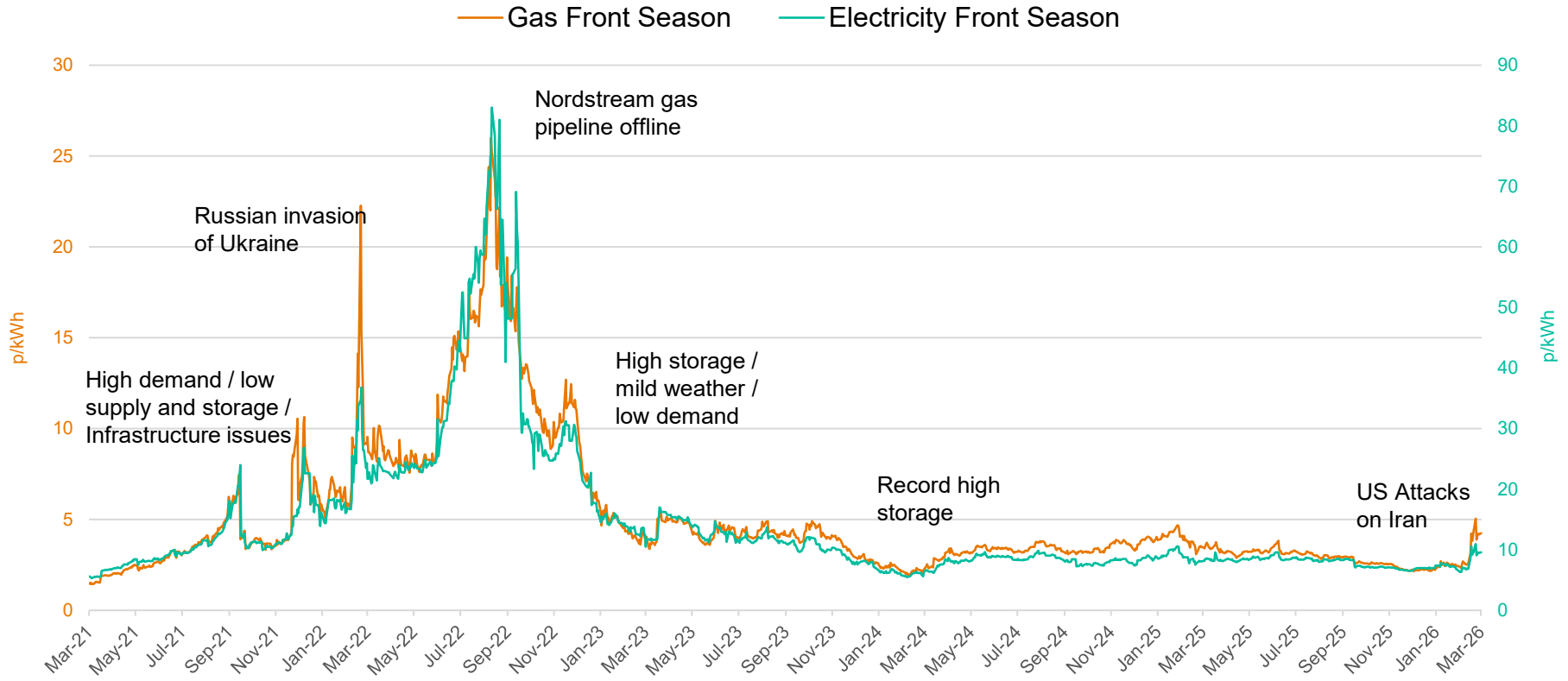
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# Wider historical context

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.

## **Be ready**

At times like this is important that decisions can be made quickly. To allow for this, consider completing any pre-market engagement your business may require and prepare decision makers. Try to ensure that internal governance processes do not impede your ability to make decisive decisions.



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



# Focusing our energy on yours

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