



Conflict in the Middle East Update

26th March 2026

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ENERGY



The conflict in the Middle East persists but with hopes of de-escalation

Latest developments

- Despite indications of a calming of hostilities, attacks continue. With Israel attacking both Iran and stepping up operations in Lebanon. While Iran continue counter attacks across the region.
- Last week the US threatened to attack Iranian power infrastructure but later rescinded the threat after a "constructive" call with Iran.
- Significant damage has occurred at the worlds largest LNG plant in Qatar (Ras Laffan) after it was hit by an Iranian missile.
- US is believed to have handed over a 15-point peace plan via Pakistan who are acting as an intermediary – Iran have reportedly said the plan is excessive and provided a 5-point counter terms proposal.
- Pentagon is reportedly preparing to deploy more troops to the region despite claims that their war goals have almost been met.
- After initial hesitancy, many US allies have said they would help secure the Strait of Hormuz.
- Via the UN Iran have said that "non-hostile vessels" can pass through the Strait of Hormuz - some ships from China, India and Pakistan have already been passing through the vital waterway.
- The US administration is considering a relaxation of sanctions against Iranian oil currently at sea to ease pressure on prices.

Market impacts

- Markets had been falling for a few trading sessions – reacting quickly to ongoing news – especially to statements from the US President. They rebounded slightly on 26th.
- Oil prices have been volatile reacting to news rapidly, currently trading around \$110 barrel.
- European and UK gas prices have fallen over the past week, with front month prices falling around 10% in the last 5 days, currently settling ~55% higher than end-February levels.
- Power prices have followed gas movements, reflecting the continued role of gas-fired generation as the marginal price setter. Front season power prices currently ~50% higher than the end of February.
- The UK gas curve inversion has reverted, with winter 26 contracts trading marginally above summer 26. The small spread creates limited incentive to fill storage.
- Suspicious trading activity has been highlighted showing large positions being taken shortly before statements from the US President.

Outlook



Near-term energy market direction remains heavily dependent on the timing of resumed maritime flows through the Strait of Hormuz. As a key route for global LNG and oil supply, any prolonged disruption continues to underpin price volatility and supply risk.

While recent statements from Iran and the United States have been inconsistent, there are tentative signs of a potential de-escalation in hostilities. However, reported continued US military deployments suggest that geopolitical risk remains elevated and the situation fluid.

In Europe, policymakers have been exploring measures such as reducing gas storage targets, but a reversal of the phase-out of Russian gas imports remains highly unlikely, reinforcing longer-term supply tightness.

Previous expectations of a looser market this summer, driven by new LNG capacity, have shifted. Instead, demand displacement is required to reduce consumption in hopes of maintaining a small LNG supply surplus.

The potential for longer lasting elevated energy prices is reflected in market positioning, with institutional investors moving into longer-dated gas contracts out to 2028. This signals expectations of sustained supply constraints and ongoing storage pressures.

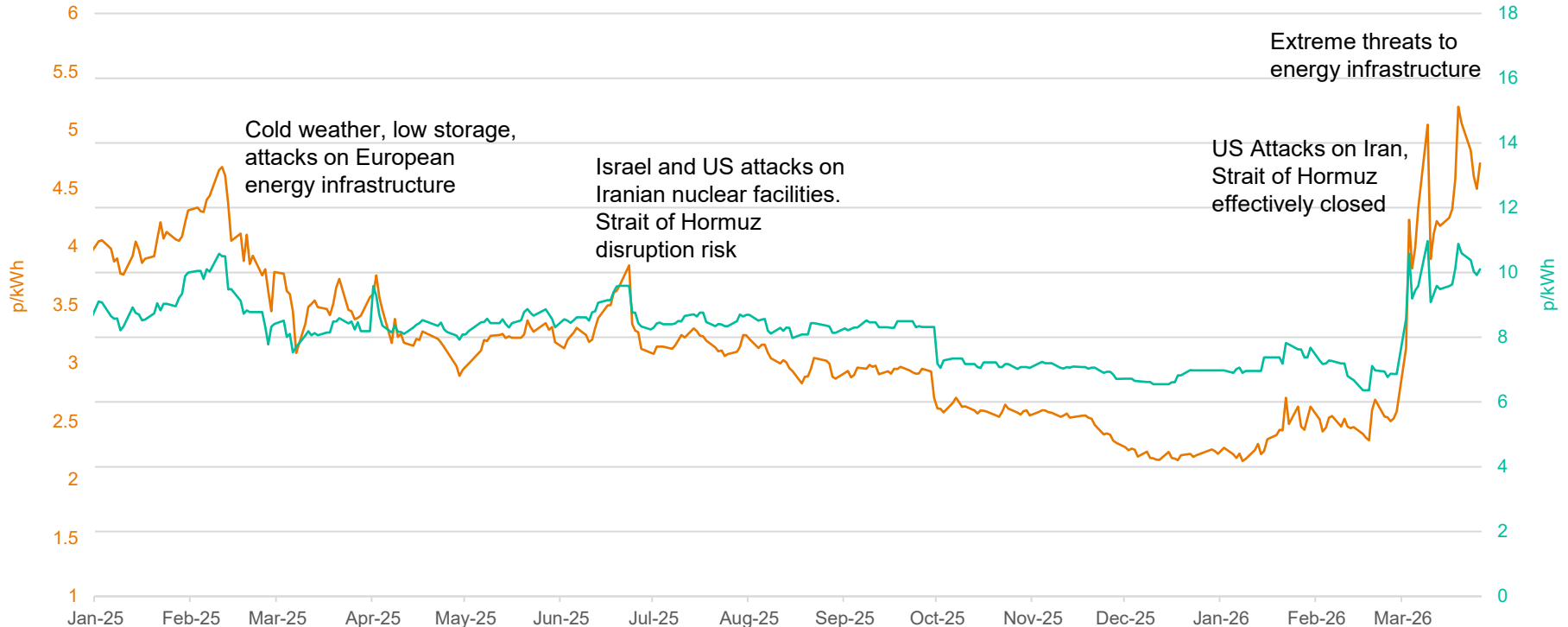
If there is no further damage to key infrastructure and flows through the Strait resume by the end of April, market supply could start to normalise within two to three months. However, any disruption extending beyond this point would materially increase market risk. Even with a return of flows through the strait market prices are expected to remain higher than the pre-Iran war levels for some time to come.

Historical context (Last 14-months)

Seasonal prices reached their recent peak after strong threats were made to Iranian energy infrastructure by the US President. They have since calmed slightly as the possibility of hostilities calming and peace talks beginning has appeared.

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)).

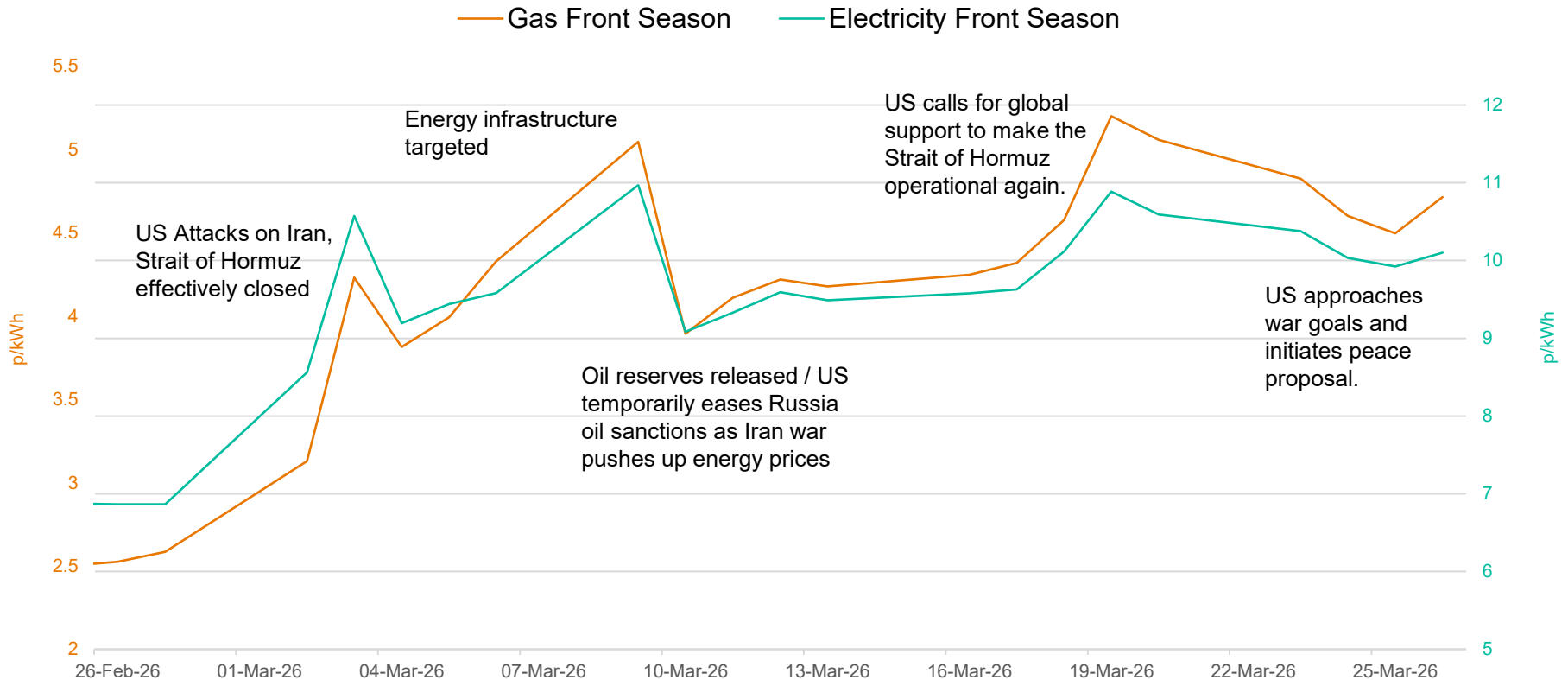
— Gas Front Season — Electricity Front Season



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 slightly more settled over the few weeks, but high-levels of volatility are likely to be present for the foreseeable future.

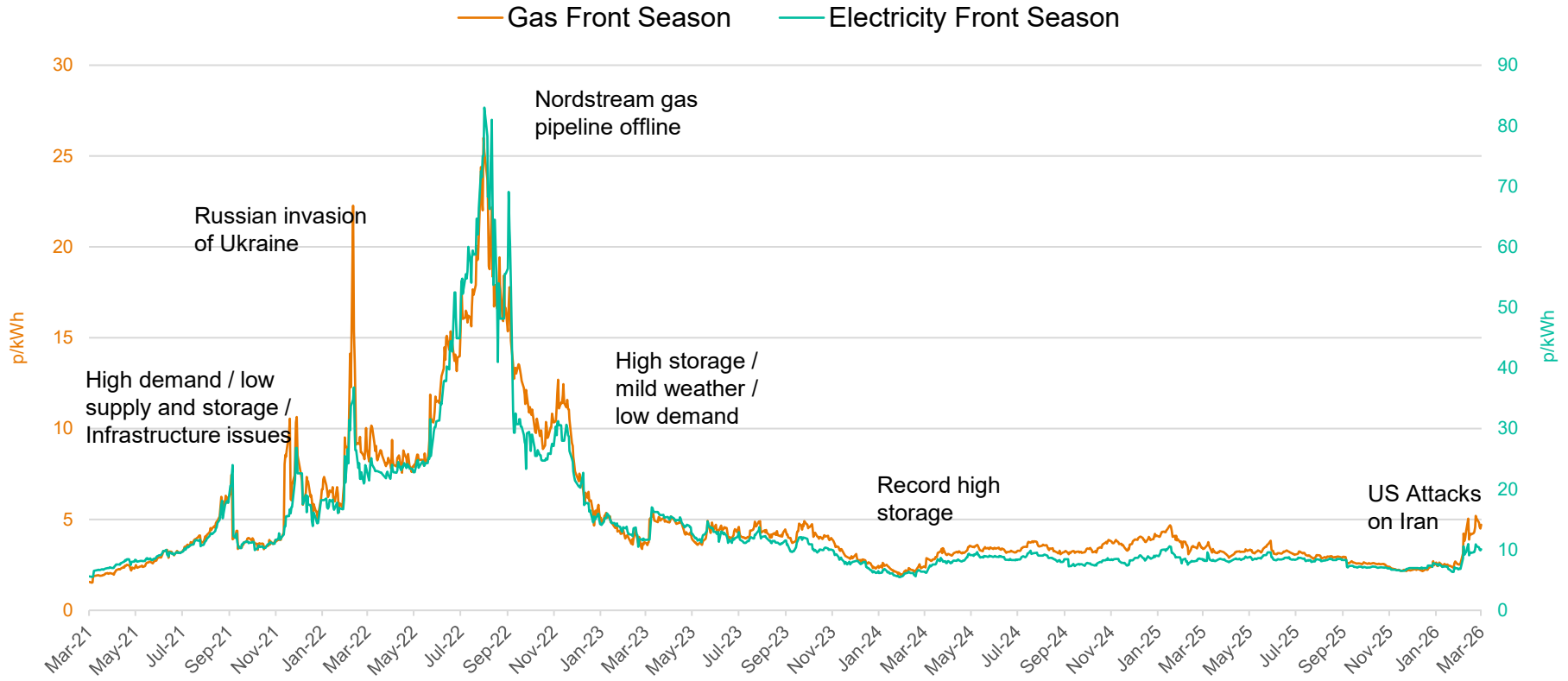
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Wider historical context

Although markets witnessed the largest daily movement in several years, prices are still far below the levels that were tested during the energy crisis. However, the price movement witnessed does represent a substantial financial impact for consumers and has global implications.

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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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