

## The impact of growing tensions between the US and Iran on global natural gas markets

*Authors: Francesco Sassi and Giovanni Bettinelli*

---

- Escalating rhetoric and a growing military build-up have significantly increased the risk of a new round of US strikes on Iran
- Both the US and Iran are however expected to be incentivised to avoid any limited military confrontation from escalating further
- At present the most likely market impact of these events remains a limited period of price volatility, with a geopolitical premium driving prices to levels above what would be expected by fundamentals alone
- While a disruption to LNG trade via the Strait of Hormuz is not currently the most likely scenario, this remains a concrete possibility

Over the last two months, the Trump administration has returned to an increasingly aggressive rhetoric against Iran's regime. At first, this came in response to the brutal crackdown of the anti-government protests that took place at the start of January. In the last few weeks, however, the US narrative has shifted to focus on the open question of the future of Iran's nuclear programme. This suggests that the US administration is seeking to leverage the current weakness of the Iranian regime to extract favourable concessions in this key area.

US military presence in the Middle East has also been steadily ramping up over the last month, and tensions between the two countries reached a new peak on 19<sup>th</sup> February as President Trump stated he would decide within the following 10 days whether to conduct a military strike. This has occurred despite ongoing talks between the two countries aimed at reaching a deal on Iran's nuclear programme.

These developments leave the region in a heightened state of tension, with oil and LNG trade transiting through the strait of Hormuz coming once again under the spotlight. The perception of the risk of further escalations is being reinforced by the behaviour of the Trump administration in its first year in office, with strikes on Iran in June 2025 and the removal of Venezuela's President Maduro in January 2026 providing key precedents.

It is precisely this recent history, when considered in the context of the escalating rhetoric and military build-up of the last weeks, that makes some form of limited US military strike on Iran the most likely outcome at present. Such a limited strike is likely to be perceived by the Trump administration as the best route to extract further concessions from the Iranian regime and achieve a rapid strategic victory. This belief might be built on Washington's confidence in the wake of the recent streak of success by the US military. The current state of weakness of the

Iranian regime and the limited ability to fight back during the 12-day war are likely to further support US confidence in such an action.

Recent history however also suggests that neither the Trump administration or the Iranian regime have the appetite for a protracted confrontation. The Iranian regime faces limited prospects of success in such a conflict, which would instead be a critical threat for the regime's own survival at a time when it has already been tested by a growing set of external and internal threats. Also, while the Trump administration has demonstrated a propensity for an overwhelming show of military force for the rapid achievement of strategic objectives, these have been isolated operations with clear and limited objectives, with no desire for military occupations or prolonged engagements. These factors mean that, following any initial confrontation, both parties are likely to have strong incentives to avoid further escalations.

An outcome similar to what occurred in June 2025 therefore remains the most likely at present, with US strikes being used to extract concessions from the Iranian regime. These could be followed by a limited face-saving Iranian response, which would likely have minor consequences. The possibility, however, that a destabilisation of Iran or the region follows these strikes remains a concrete risk.

Given the significance of the region to global LNG trade, these events are likely to trigger volatility in global gas markets and add a geopolitical premium to spot gas prices. This was already clear on 19<sup>th</sup> February, which saw TTF prices reversing the decline of the previous days in response to news from Washington. This geopolitically-driven market volatility is likely to continue in the coming weeks and would be exacerbated by any limited military action.

A material disruption to LNG exports via the Strait of Hormuz, however, is only likely to occur following a significant escalation that leads to a prolonged conflict or that destabilises the region. As mentioned above, this is not the most likely scenario at present. Nevertheless, as it remains a concrete possibility, the ways in which such a conflict could affect global gas markets are worth exploring.

A disruption to Middle Eastern LNG exports could come from three sources:

1. through a blockade of the Strait of Hormuz or a direct attacks on cargoes by the Iranian military; or
2. through physical damage to Qatari LNG production capacity; or
3. through a wave of attacks by Iranian proxies against regional energy infrastructure.

In the first case, a disruption would come as a desperate Iranian regime seeks to "hold hostage" global oil and gas markets. This would be done in the hope of leveraging the strong price response that would follow to obtain concessions from the regime's adversaries. It is highly uncertain, however, how long such an operation could be sustained for. The reaction of global oil and natural gas prices that would follow such attacks would likely trigger a strong military response by the US (and potentially its military allies), which Iran's regime has not demonstrated it cannot withstand.

Any direct attacks on Qatari LNG infrastructure, if successful, would have a more lasting impact on global LNG market balances, as restoring production would take time regardless of the evolution of the conflict. It is unclear, however, what strategic objective Tehran would achieve from such an attack, making this a less likely eventuality.

Finally, a regional destabilisation has the potential to trigger a new wave of attacks by Iranian proxies and allied regional militias, which could affect a wide range of targets, including ships, port and energy infrastructure, perceived to be aligned to Western interests. This could be similar to the Houthi attacks on Saudi oil infrastructure that took place in 2019 and, with less repercussions, in 2022. While attacks by such proxies are likely to be more limited in scale than any action taken by the Iranian military, they are also more unpredictable. The more chaotic nature of these attacks may also make any Western military response more challenging, potentially prolonging their impact. Such a development may put some constraints on local shipping routes or add a risk premium to commodities traded in the region and, potentially, lead to local energy crises where critical infrastructure has been targeted.

If any disruption were to happen, the impact on global market balances could be profound. Data published by [Vortexa](#) show that LNG exports via the Strait of Hormuz reached 87 mt in 2025, almost 20% of global supply. The sudden removal of even a part of this supply would trigger a rapid surge in global spot prices and alter the outlook for global trade balances. In the worst-case scenario, which would see most of this supply removed from the market for a prolonged period of time, this could resemble the events that in 2022 followed the removal from the market of a large volume of Russian pipeline supply to Europe. However, even in this case, there are important differentiating factors to the events of 2022.

The majority of Qatari exports occur via long-term oil-indexed contracts delivered primarily to Asian buyers. Such buyers would be forced to replace any lost supply from Qatar with purchases in the spot market, rapidly tightening global market balances. South-Asian markets such as India, Pakistan and Bangladesh stand as the most exposed. A material disruption in Qatari exports could reach the point of triggering a severe energy crisis in these countries, as they would struggle to replace lost Qatari supply with spot market purchases in an environment of exceptionally high prices. Other Asian buyers, such as South Korea and Japan, would also be much more exposed to such a surge in spot prices compared to 2022, as they also would lose volumes supplied under oil-indexed long-term contracts.

While Qatari and Emirati LNG supply represents a relatively smaller fraction of total European imports, Europe would not be isolated by such a crisis. The continued high dependence of Europe on the spot market means that European buyers would have to compete in a spot market made tighter by all the other markets that lost Qatari supply. European security of gas supply would in this scenario require European gas prices to be sustained at a level that keeps the more price-sensitive Asian buyers out of the market, even as they face energy supply crises.

The other differentiating factor from the events of 2022 is that such a sudden disruption in supply would occur as a large volume of new capacity is set to enter the market. While this would help in limiting the duration of the worst effects of such a crisis, the fact that a large portion of new capacity under development is in Qatar and the UAE will reduce the effectiveness of this mitigating effect.

These events highlight how growing geopolitical volatility is becoming a structural feature of global gas markets. The growing boldness of the Trump administration in the utilisation of military force to achieve strategic objectives has been a key driver of this volatility over the last 12 months, as demonstrated by the events of the last weeks. Even if no physical disruption was to occur as a result of the current US-Iran tensions, as appears to be the most likely

outcome at present, the events of these weeks need to be understood as another element of this shifting geopolitical environment.