

The long-term consequences of the war in the Persian Gulf on natural gas markets

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The war between the U.S., Israel and Iran is causing a widening disruption to global LNG trade, with the complete shutdown of LNG trade via the Strait of Hormuz continuing at the time of writing. In the short-term, this could result in a severe supply shortfall, and in weeks and potentially months of exceptionally high prices and volatility.

In [our summary of the scenarios for the evolution of the conflict](#), we discussed why it is increasingly likely that these events will have long-term consequences, potentially lasting well beyond the end of the ongoing military engagement. This paper takes the next step and outlines the most significant long-term impacts that can be drawn out at this point, highlighting the consequences for market participants across the LNG value chain.

These are:

1. **Change in energy policy by LNG importers** – the events of March 2026 are likely to further push energy importers to see an excessive dependence on LNG imports as a strategic liability, in a way that could permanently degrade the prospects for long-term global LNG demand growth
2. **Change in the perception of Qatari and Emirati supply** – the shutdown of trade via the Strait of Hormuz is likely to represent yet another incentive for market participants to pursue a diversified portfolio of supplies and may in the worst-case scenarios permanently damage the perception of reliability of Qatari and Emirati exports
3. **Effect on U.S. politics** – the impact of a prolonged war on the U.S. economy and on public opinion could increase the likelihood of a change in administration in 2028, which would lead to more policy uncertainty and, under the right circumstances, could change expectations for the world's largest LNG exporter
4. **Continued escalation of geopolitical volatility** – this disruption to LNG trade is to be read not as a single black swan event but as a key symptom of the continued ramp up of geopolitical instability, which can be expected to continue playing a prominent role in shaping the evolution of global gas markets

The magnitude of each of these effects remains tied to the duration of the conflict and the materiality of the supply crisis that emerges. What can be stated with certainty, however, is that each of these effects will play out at least to some degree. This will change the outlook for the market permanently, affecting the strategic priorities of participants.

1. Change in energy policy by LNG importers

This new and growing supply crisis is taking place just as the market was about to fully recover from the crisis that followed the almost complete cut in Russian pipeline gas supply to Europe. The disruption to trade via the Strait of Hormuz is likely to once again push for the prioritisation of security of supply and import independence by LNG buyers. This is especially the case as, for many importers, energy affordability and security of supply can be achieved at the same time through the utilisation of domestic fuels, such as coal, or relatively cheap renewables, whose attractiveness increases materially in periods of high gas prices.

It is therefore possible that a severe disruption to LNG exports via the Strait of Hormuz could lead to an acceleration of decarbonisation efforts. This won't be a result of sustainability concerns, but rather primarily because of strategic and economic drivers.

The last two years had seen, especially in Europe, a growing perception that a long-term reliance on natural gas (and primarily LNG), was an inevitable route to prioritise energy affordability and industrial competitiveness. In a worst-case scenario that sees a severe global LNG supply crisis last for most of 2026, this could be seriously put into question. Even if disruptions to global LNG trade due the war in the Persian Gulf were to remain limited, the attractiveness to European policymakers of a growing exposure to the LNG market is likely to be dented.

The most significant impact on prospects for global demand growth is however likely to come from China. The Chinese market is expected to provide a crucial element of the global demand growth that was meant to absorb the supply wave set to hit the market in the coming five years. A growing sensitivity to the strategic vulnerability created by a reliance on energy imports had already been a key pillar of Chinese energy policy before the events of March 2026. The events of the last two weeks are likely to increase even further China's prioritisation of energy independence as a driver for investments in domestic hydrocarbon and low-carbon sources. This could potentially lower the exposure to LNG imports sought by Chinese policymakers and increase the attractiveness of a diversification of imports through projects such as Power of Siberia 2, in cooperation with Russia.

Similar concerns for energy affordability and security are also likely to affect the prospects for growth from other smaller Asian markets, which were expected to drive much of the continued growth in global demand past 2030. LNG demand growth in these markets is predicated on sustained economic growth and a prolonged period of low prices driven by the wave of new supply currently under construction. A period of instability in the Middle East and uncertainty on the reliability of oil and LNG trade via the Strait of Hormuz threatens both these factors. This could critically threaten the development of key LNG and gas infrastructure, pushing governments to focus limited economic resources on other, more attractive, energy sources.

An extended period of market volatility and exceptionally high prices may also make it increasingly challenging for smaller private entities to participate in the market and manage risks. This could potentially lead to a growing aggregation of market power in the hands of large portfolio players or state-owned entities. In the most extreme scenarios, we may see once again the nationalization of struggling energy companies (as happened in Germany in 2022).

Finally, a prolonged market shock and a global supply crisis is likely to push policymakers to see market mechanisms as incapable of providing energy security and affordability, resulting in increased direct regulatory intervention on the market. This had already occurred in 2022, especially in Europe, and a new round of regulatory interventions is to be expected in the coming months if the crisis is not resolved rapidly, potentially disrupting the business-as-usual scenarios of many energy stakeholders.

2. Change in the perception of Qatari and Emirati supply

A crucial difference with the events of 2022 is that any loss in global supply as a result of the closure of the Strait of Hormuz is likely to be only temporary. This means that we are unlikely to see the same push for the development of new supply as occurred in 2022. The large volume of new supply capacity currently under construction will also play a role in mitigating the need to bring additional capacity online rapidly.

The most significant impact of this conflict on the supply side is however likely to be a changed perception of the reliability of supply from Qatar and the UAE. Even if QatarEnergy and ADNOC bear no responsibility in the disruption to supply, the closure of the Strait of Hormuz and direct attacks on Ras Laffan signify the crossing of a red line that is unlikely to be rapidly forgotten. Regardless of the actions of the suppliers affected, a heightened perception of the liability created by the exposure to this chokepoint is likely to persist. How deeply this changed perception will influence the behaviour of buyers, however, remains mostly tied to how the conflict will end. An end to military action that sees the current Iranian regime remaining in place would maintain high the threat of further military escalations in the region, resulting in the deepest impact on the market's perception of risk.

This will push those importers that in the past did not hesitate to remain highly reliant on supply transiting via the Strait of Hormuz to diversify their supply sources. This is likely to translate into a win for those players that have sought to aggressively build length into their portfolios and are now seeking to secure buyers. These events may even provide a small boost to projects currently seeking to take FID, as some buyers will be looking to diversify their supply portfolio by securing volumes from locations such as Argentina and Africa, which are perceived to carry a lower level of geopolitical risk. Smaller projects that can be brought to market quickly, such as FLNG, especially stand to benefit.

QatarEnergy and ADNOC could also seek to further diversify their supply sources, building on recent efforts of Middle Eastern NOCs to develop larger global portfolios, of which ADNOC's XRG is the most significant example. The next few years could therefore see an intensification of commitments to supply from pre-FID projects by these two players. This may further contribute to the build-up of new supply.

Lastly, these developments create significant uncertainty on QatarEnergy's ability to market the large volume of currently uncontracted new supply it will bring to the market in the next five years. It is now a concrete possibility that the market will perceive differently the reliability of exports via the Strait of Hormuz and the national security of the state of Qatar. There is also the possibility that this will force QatarEnergy to revise its commercial model. Whether this will force QatarEnergy to review traditional policy choices, including offering an increasing level of flexibility to customers, remains today in limbo.

3. Effect on U.S. politics

A prolonged war which results in higher oil and gas prices, higher inflation and lower global economic growth will have a direct impact on domestic U.S. politics. The war already appears to have a relatively low approval among the U.S. public, and a deepening impact on the economy may damage hopes for a Republican victory in the Midterm elections, later in the year, and in the 2028 presidential elections.

A more fragile Trump's presidency, or a Democratic victory in 2028, have the potential to weaken the prospects for further growth in U.S. LNG exports and may induce a reversal of many of the Trump administration's policies aimed at supporting the oil and gas industry from 2028. This could bring back energy policy akin to that of the Biden administration.

A prolonged period of high natural gas prices was already expected because of the rapid growth of LNG exports at a time of growing domestic natural gas demand. This could be exacerbated by high global LNG prices, potentially increasing the political attractiveness of more regulatory intervention in the U.S. natural gas industry.

These factors, combined, could materially change the value of investments in the U.S. natural gas value chain. Regulatory stability and a highly liberalised market were crucial factors in making U.S. LNG exports attractive, and especially supported its role as a reliable source of supply. The events of the last two weeks may, in due course, be seen as having been an important step that led to a change in these expectations.

4. Continued escalation of geopolitical volatility

Finally, the most significant impact of the ongoing war in Iran is probably as its role as another stepping stone towards a structurally more volatile global order. These events need to be read as another landmark moment in this progressive escalation in geopolitical instability. The very concrete possibility that the Middle East will be left in a more chaotic and fragmented state once the U.S. and Israeli military action is over also plays a part in raising the expected level of global volatility going forward.

Crucially, this demonstrates how concentration of supply and demand in a few geopolitical hotspots, such as the U.S., the Persian Gulf, China and Russia, represents a structural vulnerability of global natural gas markets. What's more, almost all of these regions are expected to rapidly grow in their share of global supply or demand in the next five years – the growth of Russian supply alone remains highly uncertain, but the potential for the return of at least some volumes of Russian gas or LNG exports to the market remains.

In late January we discussed [in this paper](#) and in a presentation at the LNG2026 conference why geopolitical volatility has been rapidly increasing and what the consequences for natural gas markets are. The events of recent weeks demonstrate that the conclusions reached then remain as significant as ever.

Conclusion

Less than a month from the start of the U.S. and Israeli military action against Iran, these events are already having an increasingly dramatic impact on short-term market balances, as well as setting the conditions for events that could permanently change the outlook for the LNG market.

All the potential impacts discussed in this paper have a single theme in common: in the long run, a war that disrupts trade via the Strait of Hormuz will have a negative effect on the outlook for the LNG industry. To put it simply, the longer the war and the more severe the disruption, the worse the impact on the industry will be.

It is true that, in the short-term, these events will provide a short-term boost to the profitability of LNG portfolios. Once the immediate supply crisis subsides, though, the result is likely to be a significant reinforcement of incentives pointing at the prioritisation of import independence in many key global LNG markets (which, in some markets, was already growing before the start of the war). For the same portfolio players that stand to benefit in the short-term, then, this may reduce prospects for sustained long-term growth, and, in some cases, result in a more direct prioritisation of the ability to deliver energy security over rapid expansion.

The last two years have seen a growing belief that the affordability of LNG imports in a period of supply glut would cement its role as an irreplaceable long-term solution to meet growing energy needs. This was expected to take place even if it had to come at the cost of a higher dependence on imports (crucial in Asia, less in Europe) or at the cost of watering down the most ambitious decarbonisation targets (crucial in Europe, less in Asia). A prolonged LNG supply crisis and an extended period of geopolitical instability will change the equation for energy importers. In the most extreme scenarios, these events could remove the dilemma of choosing between energy security and affordability, with LNG potentially seen as unable to deliver either.

LNG is a high-cost fuel, with a value chain that is concentrated in a few geopolitical hotspots and whose transportation and long-term storage are difficult. Its attractiveness could be materially dented in a world in which a heightened level of geopolitical volatility affects energy affordability and economic growth. This is a crucial shift, and market participants need to understand and address the potential vulnerabilities of legacy commercial models in this changing environment.

The most significant strategic error that could be made at this point is seeing the events of the first months of 2026 as only a short-lived black swan event. There is at present no clear route to a rapid resolution of the conflict that results in a stable and U.S.-aligned Iran: this is likely to breed further instability in the Middle East. At the same time, multiple other sources of geopolitical disruption remain open. The future of Russian gas and LNG exports remains uncertain and tied to the resolution of the war in Ukraine. The U.S.-China rivalry remains active, and the question of Taiwan could result in yet another military escalation that has the capacity to shock the global economy. This makes it clear that a period of heightened volatility and repeated cycles of disruptions are to be expected: it is therefore necessary to revisit the previously held expectations on the stability of global energy markets and on the globalisation of commodity trade. These considerations deeply affect the business-as-usual scenario for all gas and LNG players and stakeholders.