* SPECIAL REPORT *

MARCH 2, 2026

Qatar Declares FM as Iran Conflict Puts LNG in Firing Line

POTEN & PARTNERS
a BGC company

QatarEnergy closed its LNG export facilities on March 2 and is understood to have declared *force majeure* on shipments after Iran attacked Ras Laffan with drones. This comes as Tehran conducted reprisal attacks across the region after US-Israeli military action against Iran, which started on Feb. 28 and resulted in the death of Iranian Supreme Leader Ayatollah Ali Khamenei and other leading Iranian officials.

The conflict represents the biggest disruption to global LNG markets and the shipping industry since Russia's invasion of Ukraine. Transit through the Strait of Hormuz has sharply declined following security warnings and elevated insurance premiums, with nine laden LNG carriers understood to be stuck near Qatar and the United Arab Emirates.

The disruption in Qatari volumes could see Asia-Pacific markets compete for volumes originally destined for Europe, leading to further upside price potential, underscoring the importance of US LNG supply.

On March 2, QatarEnergy said that it had ceased production of LNG and associated products.

An Iranian drone targeted a power plant in the Ras Laffan industrial area on March 2, said Qatar's defense ministry. Another Iranian drone targeted a power plant in Qatar's Mesaieed Industrial City.

LNG exports from Ras Laffan were about 80 MMt in 2025, accounting for about 18% of the 439.1 MMt of global supply, according to Poten's ***Global LNG Outlook***. QatarEnergy markets term volumes primarily through two entities, QatarEnergy Long Term Marketing (QELM) and its trading outfit QET. Abu Dhabi's ADNOC may also face disruptions at its Das Island facility, which delivered 5.3 MMt last year.

QELM is marketing volumes from production facilities at Ras Laffan and the North Field expansion while QET is marketing term supply on a portfolio and third-party basis. Free-on-board offtakers such as India's Petronet from QatarEnergy and Securing Energy for Europe from ADNOC, will likely be hit more than those with delivered ex-ship (DES) contracts. For DES contracts, suppliers are obligated to fulfill cargo obligations, most likely from their portfolios or by securing cargoes on the spot market.

The first train for Qatar's North Field East (NFE) is expected to start up in 4Q 2026. It is unclear whether the conflict will affect that timetable.

Oman LNG could also face disruptions. Although its export facility at Qalhat is on the other side of the Strait of Hormuz, Oman has sustained attacks from Iran. The recent attacks, including on the Duqm port and nearby tankers, have brought Oman into the conflict zone, raising the possibility of disruptions there.

Iran also hit Saudi Arabia's Ras Tanura oil refinery on March 2, and launched missile and drone strikes at other countries in the region, including the British military bases in Cyprus, Kuwait, Bahrain and Iraq.

Mideast players may tap alternative supplies

Although the Strait of Hormuz is closed, LNG carriers chartered by the trading entities of QatarEnergy and ADNOC, plus Oman's OQ Trading, and importer Bahrain LNG, regularly lift cargoes from the US, giving them access to alternative supplies out of the conflict zone. Buying mostly spot cargoes or using short-term tenders, the companies lifted 80 cargoes during 2025 and have purchased another 23 so far this year.

The biggest buyer is QET, whose tankers lifted 68 US LNG cargoes in 2025 and another 22 so far this year. More than half the cargoes came from Venture Global's Plaquemines LNG, while roughly a third came from Cheniere's Sabine Pass LNG and the remainder came from Venture Global's Calcasieu Pass LNG, Sempra's Cameron LNG and Cheniere's Corpus Christi LNG. Nearly two-thirds of those cargoes went to Belgium, France and the UK where QatarEnergy owns regasification capacity. Some of the remaining cargoes went to Brazil, South Korea and Taiwan where QatarEnergy holds sales and purchase agreements with various end users.

If the conflict extends beyond April, the 18-MMt/y Golden Pass LNG export project that is currently undergoing commissioning in Texas could act as a source of supply. QatarEnergy holds a 70% stake in the project. Based on the pace of construction and US regulatory filings, the plant's Train 1 unit is not expected to begin producing LNG until late March at the earliest. That would make the timing of its first export cargoes closer to mid-April. The company bought and/or chartered more than a dozen LNG carriers that were originally supposed to be used for Golden Pass LNG cargoes, but those ships are currently being used for spot market cargoes and trading.

Carriers chartered by ADNOC's trading arm lifted five US LNG cargoes in 2025 and one so far this year. The cargoes were sourced from Cameron LNG, Corpus Christi LNG and Sabine Pass LNG. Tankers chartered by OQ Trading lifted six US LNG cargoes in 2025 that were sourced from Corpus Christi LNG, Freeport LNG and Sabine Pass LNG. Importer Bahrain LNG lifted one US cargo from Sabine Pass LNG in 2025.

Price spike

Global LNG and gas prices have risen sharply on the developments. European TTF prices hit a high of €48.66/MWh ($16.68/MMBtu) on March 2, up 50% from Feb. 27's close. Additional gains were seen in Asia-Pacific markets. Qatar sells most of its LNG to Asia-Pacific markets. European LNG importers will likely have to turn to the US and even Russia to make up for any shortfalls from Qatar and other Gulf suppliers if the disruptions continue for more than a few weeks. US Henry Hub prices were relatively flat and remained below $3.00/MMBtu. Adding shipping and other expenses, a US LNG cargo produced with a $2.50 liquefaction fee could be delivered to Europe for $7.35/MMBtu or delivered to Asia for $8.10/MMBtu.

European markets are concerned over the potential disruption to LNG supplies through the Strait of Hormuz and potential disruption to shipping through the Suez Canal. Europe's major LNG supplier from the region is Qatar, which accounted for approximately 9% of European LNG supply at the start of this year. European underground storage levels are currently below 30%, which are the lowest since 2022.

Meanwhile, the Israeli government asked Chevron to temporarily close the Leviathan field, which supplies gas domestically, as well as to Egypt and Jordan. It is unclear if it will also need to shut the smaller Tamar field. Energean has also temporarily halted operations at its Karish field. The halt in Leviathan exports could potentially lead to increased Egypt LNG demand. Similarly, any disruption in Iranian pipeline gas supplies to Turkey could see additional LNG import requirements to cover any shortfall.

Gas experts at the European Commission are scheduled to meet on March 4 to discuss the impact on supply to the 27-state group.

The market's key concerns are centered on how long the military action will continue and when tanker traffic will be confident enough to enter or exit the Strait of Hormuz.

Iran shares the giant North Field with Qatar (called South Pars on the Iranian side) and is a major supplier of pipeline gas to countries including Turkey and Iraq. It has enough reserves to become a major player in LNG markets if the US administration shows willingness to engage with Tehran after hostilities are over, although there would be a long timeline for any such development.

LNG Terminals in the Middle East