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Middle East Conflict: GCC Energy Value Chain Shows Exposures

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What happened. On Feb. 28, 2026, media sources reported that the ongoing geopolitical tensions in the Middle East had led to the effective closure of the Strait of Hormuz, and several global shippers announced a suspension of their vessels passing through the strait. Media reports indicated that some tankers crossing the strait were even hit by missiles.

Why it matters. The Strait of Hormuz is a critical global trade route for multiple commodities, including oil, liquefied natural gas (LNG), chemical and petrochemical products (including fertilizers), and aluminum. The intensity and the scope of military actions in the Middle East represent a major escalation in hostilities, which is directly affecting oil and gas fields, energy infrastructure, and the supply chain through physical damage or because security concerns lead companies to reduce operations. At the same time, ongoing conflicts could weaken consumer and investor sentiment, which can weigh on demand, and asset values--indirectly affecting those industries. Other transmission channels include trade and supply routes, energy prices and volume flow, capital flows, tourism, and population movements.

The actual and expected duration of the Strait of Hormuz effective closure will determine the impact on global oil, gas, and petrochemicals markets in terms of flows, potential disruptions, and subsequently prices, and therefore to what extent rated entities are affected by these disruptions. We look at the potential effect of prolonged disruptions on entities in the hydrocarbon value chain with trade flows going through the strait, noting that Saudi and Qatari operators could be more exposed than those in the United Arab Emirates (UAE). The companies exporting LNG and oil from Gulf Cooperation Countries (GCC) countries through the Strait of Hormuz will feel the effects most acutely.

What we think. The length of time the disruption to shipping through the strait lasts will be critical. Qatar, and its operators--including flagship energy company Qatar Energy (AA/Stable/--), national shipping company Nakilat Inc. (AA-/Stable/--), and petrochemical and fertilizer company Industries Qatar QSC (AA-/Stable/--)--could be the hardest hit in the event of long-lasting disruptions. Qatar Energy LNG S2 and S3 (senior secured issue ratings: AA-/Stable/--) are similarly exposed as they account for a substantial portion of Qatar's LNG export capacity and rely predominantly on maritime routes through the Strait of Hormuz. There could also be implications for Saudi exporters such as Saudi Aramco (not rated) and Saudi Basic Industries Corp. (A+/Stable/A-1).

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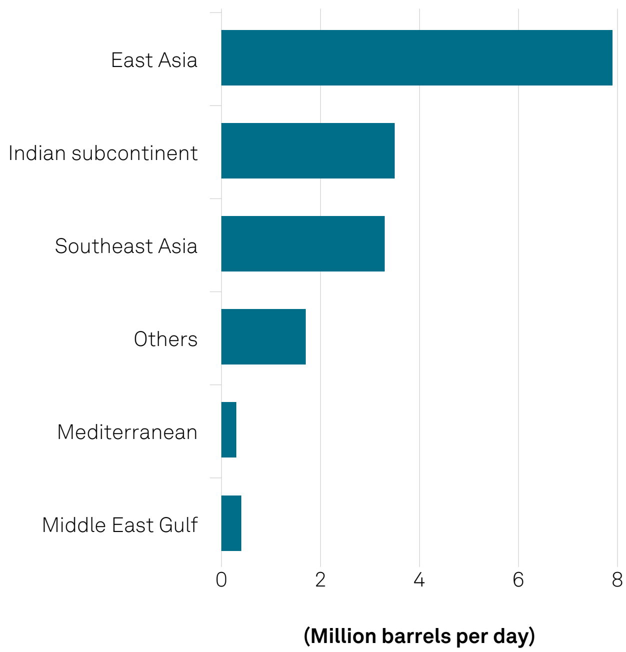
The availability of some alternative pipelines may help redirect a portion of the disrupted volumes. About 88%-90% (as of first quarter 2025) of crude oil and 85%-86% (as of first quarter 2025) of LNG transported through the Strait of Hormuz goes to Asia (namely China, India, South Korea, and Japan for oil, and China, India, Taiwan, South Korea and Pakistan for LNG). We calculate that about 12 million-13 million barrels per day of crude oil and about 9 billion-10 billion cubic feet per day of LNG are transferred to these Asian countries through the Strait of Hormuz. Finding immediately available alternative sources of energy, such as Russian oil and gas, to mitigate the impact could be challenging, given the absence of infrastructure or refining facilities to accommodate different crude grades (see "How Diverted Russian Gas Could Affect Asian Energy Markets," published Feb. 10, 2026 on RatingsDirect). It would also be diplomatically complicated for the European countries that imposed sanctions on Russia for many products and plan to phase out Russian gas imports, including LNG, in 2026 and 2027.

Temporary closure of the Strait of Hormuz could disrupt crude oil and LNG flows. We understand that about 20% of global crude flow and about 20% of global LNG passes through the Strait of Hormuz daily. In our view, Asian markets are likely to be the most severely hit by sustained disruptions. This is because the majority of exports from the region through the strait are to Asia, namely China and India (see chart 1). We believe that in the short term, existing stockpiles could provide some buffer to any petroleum shortage. Most Asian countries have strategic reserves to cover at least 20 days of their domestic demand; South Korea and Japan, for example, hold enough reserves to cover over 200 days of their domestic consumption. A more prolonged closure of the strait, however, would be felt in the global energy market, and subsequently the broader oil and gas entities. In particular, while the geopolitical premium for oil prices could be between an estimated $5 per barrel [/bbl]-$20/bbl in 2026, a prolonged supply shock disruption could restrict access to about 20% of global crude oil and LNG, which is very material.

Chart 1

More than 85% of crude oil through the Middle East Gulf goes to Asia

Export locations

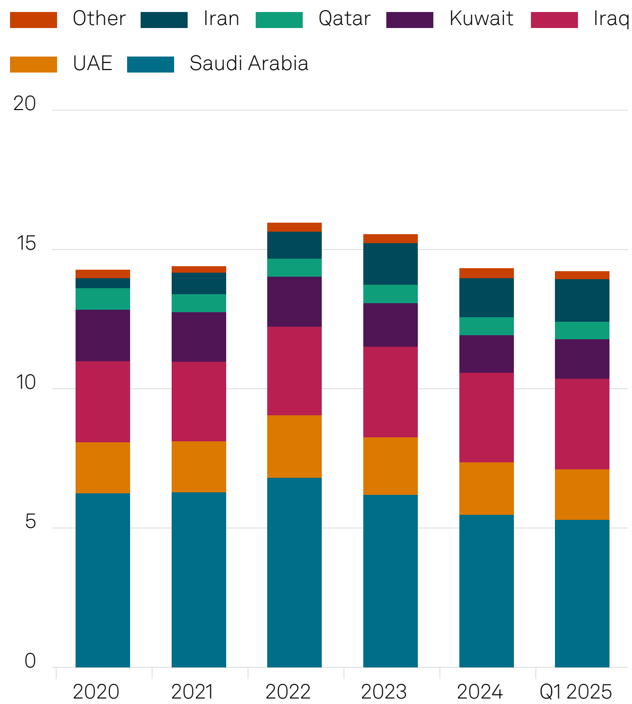


Data for January-February 2026. Sources: S&P Global Energy, S&P Global Ratings.

Chart 2

The majority of crude oil and petroleum products are from GCC countries

Crude oil and petroleum products through Strait of Hormuz (million barrels per day)



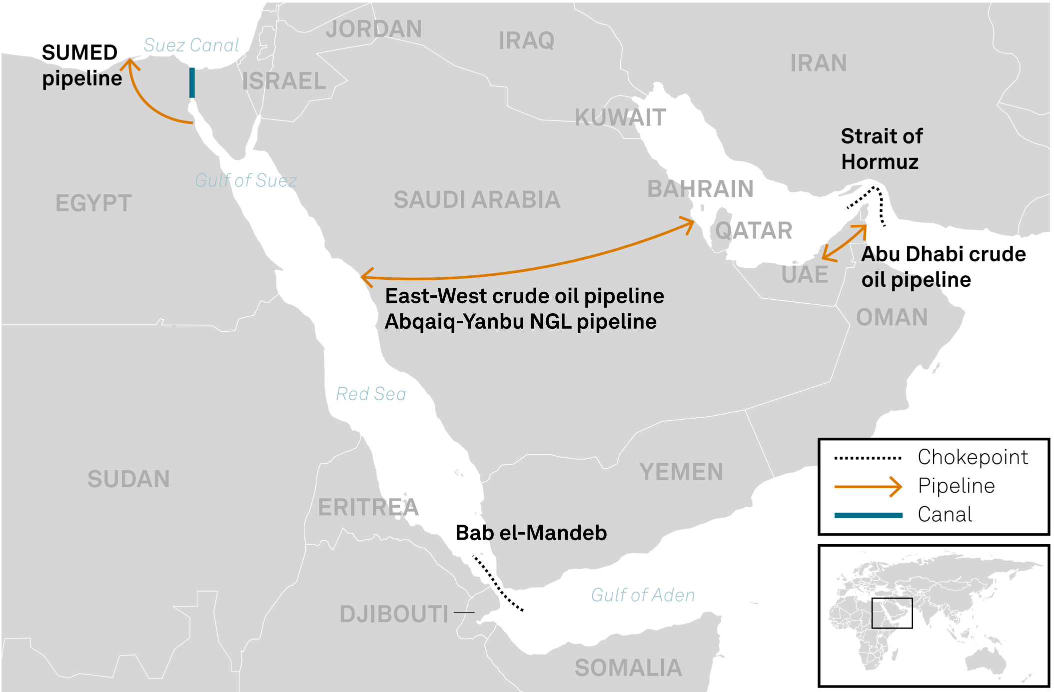
Sources: US Energy Information Administration (EIA), S&P Global Ratings.

The availability of alternate routes will be important to determine the impact of supply chain disruptions. Most crude oil and petroleum that flows through the Strait of Hormuz are from GCC countries (about 65% as of first quarter 2025): namely Saudi Arabia (37%), the UAE (13%), and Kuwait (10%), followed by Iraq and Iran. For LNG, Qatar transports the majority of the LNG volumes in the Strait of Hormuz (93% as of first quarter 2025), followed by the UAE (7%).

We calculate that more than 80% of Saudi crude oil exports flow through the Strait of Hormuz, compared with about 65%-68% for the UAE. We understand that the UAE and Saudi Arabia have alternative options to transfer crude oil: for Saudi Arabia, through East-West Crude Oil Pipeline in Yanbu's Red Sea port, whereas in the UAE, through the Gulf of Oman pipeline in Fujairah.

According to the Energy Information Administration, these pipelines do not operate at full capacity. As a result, about 2.6 million barrels a day of capacity is available to offset the impact of the disruptions. For Qatari entities, however, the Strait of Hormuz is the primary export route, and therefore, even a partial closure would be more material to rated Qatari entities exposed to oil and gas.

Maritime chokepoints around the Middle East



NGL--Natural gas liquid. Sources: U.S. Energy Information Adminstration, S&P Global Ratings.

What this means for exposed oil and gas producers

Overall, the impact will be based on the duration of the escalation, and how long the Strait of Hormuz remains closed. Higher spot prices for oil and LNG, due to geopolitical premium, are unlikely to offset rapidly diminishing flows for exporters. Companies reliant on export routes via the strait of Hormuz are especially susceptible to operational network vulnerabilities such as shipping delays and reroutes, higher freights rates, and potential chokepoint closures if a prolonged blockage materializes, leading to higher insurance premiums. Most large energy players in the Middle East are partly, or fully, state owned and their credit quality could also suffer from weaker public finances in the country where they mostly operate.

From a project finance perspective, exposure may differ depending on contractual structures and leverage profiles. LNG liquefaction projects in the region typically operate under long-term take-or-pay sale and purchase agreements, which provide a degree of cash flow visibility even during temporary shipping disruptions. In past episodes of regional tensions, such contractual frameworks have helped maintain operational and financial stability for LNG projects. In addition, relatively low operating costs and solid financial headroom may also help ease short-term logistical constraints. While elevated European gas prices could partly offset short-term volume disruptions, sustained export constraints affecting cargo liftings would likely be more credit-relevant, particularly for projects whose exports rely predominantly on maritime routes through the Strait of Hormuz, as the duration of restricted trade flows would ultimately determine the extent of the financial impact.

In addition to disruptions in ports across the region (namely so far in Oman and the UAE), we expect operational challenges across the value chain (including shipping companies, port operators, and downstream). This could also extend to drillers if disruptions are prolonged, given that they are typically highly leveraged, which could have a material credit impact. War risk insurance premiums for vessels transiting the Gulf have risen sharply, with some policies reportedly cancelled and repriced at materially higher levels, in certain cases by as much as 50%. That said, we acknowledge not all of these impacts are uniform; some could reverse rapidly when the geopolitical situation improves (for example, flows), others may take more time to converge to normalized levels as the perception of structurally higher risks in the region may take longer to dissipate (for example, debt instrument spreads or insurance policies). Potentially higher prices would also translate into improved cashflow generation for the producers that can sell their products and access markets. Moreover, we understand that the contracts of the national oil companies (NOCs) in the region would likely include clauses that, if invoked, would aim to mitigate the impact of potential disruptions arising from geopolitical tensions and trade restrictions that are beyond the reasonable control of the NOCs.

Related Research

- Middle East Conflict Is Starting To Strain Credit Channels Across Sectors, March 2, 2026
- How Diverted Russian Gas Could Affect Asian Energy Markets, Feb. 10, 2026
- Red Sea Disruptions: Impact On Rated Qatari Entities Exposed To Oil And Gas, Jan. 25, 2024

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