أديبك
ADIPEC

Host
أدنوك
ADNOC

Energy markets and geopolitics

STEERING THROUGH VOLATILITY: THE OUTLOOK FOR OIL AND GAS MARKETS

As global energy markets face increased geopolitical uncertainty and volatility, the need for a secure, stable and resilient energy future has never been more important. ADIPEC has launched this **Energy markets and geopolitics** series to provide market insights into the impact of the ongoing conflict on global energy markets and the way forward for the industry.

The series provides decision-makers with informed analysis, helping the industry navigate disruption, assess risk, and identify pathways to resilience in an increasingly complex energy landscape.

Thought leadership

What are the implications for the global economy when energy supply chains hit a chokepoint?

Simon Flowers, Chairman and Chief Analyst of Wood Mackenzie and author of The Edge

The Strait of Hormuz has been effectively closed for more than a month. With around 15 million barrels per day of oil exports and 11 billion cubic feet of gas normally passing through the Strait wiped from global markets, the world continues to grapple with the collapse of trade through the Strait of Hormuz and mounting infrastructure damage.

With competition intensifying for available supplies and little prospect of the Strait reopening soon, what can the rest of the world do to boost supply and what happens to the global economy when prices continue to climb?

The supply gap

Close to 9% of global oil production is now offline, primarily from Saudi Arabia and Iraq. The International Energy Agency released 400 million barrels from strategic petroleum reserves. Saudi Arabia has maximised the Yanbu East-West pipeline. The market still sits short by at least 10 million barrels per day.

Wood Mackenzie estimates the industry could squeeze around 1.8 million barrels per day more than

> “Close to 9% of global oil production is now offline … The market still sits short by at least 10 million barrels per day.”

Simon Flowers
Chairman and Chief Analyst of Wood Mackenzie and author of The Edge

> No Gulf exports beyond four or five months will mean annual LNG supply falls, upward pressure on prices through 2026 and demand destruction, particularly in Asia.

currently forecast from existing projects within a year. At 1.8% of global supply, that's more than some might think. But it requires everything to go well and no large-scale unplanned outages. It still only totals 12% of the volume normally transiting Hormuz and could not prevent the severe ongoing price pressure required to reduce demand.

On the gas side, 3.5 billion cubic feet per day could be added, mainly from the most LNG import-dependent producers. This is only 0.8% of global supply, but more crucially, is 30% of the LNG curtailed in Qatar. The gain is not enough to prevent serious price consequences, but enough to potentially soften some of the blow.

The LNG inflection point

The strike on Qatar's Ras Laffan facilities changed the trajectory of the LNG market. QatarEnergy confirmed that 12 million tonnes per annum of its 77 million tonne capacity are damaged and possibly unavailable for the next three to five years.

The global LNG market was nearing a turning point after four years of tightness caused by the Russian invasion of Ukraine. New projects developed as a result of that war, mainly in the US, are expected to add 35 million tonnes per annum — an 8% increase — to global supply this year.

The loss of export volumes from the Gulf is 6.5 million tonnes per month. The maths is simple. No Gulf exports beyond four or five months will mean annual LNG supply falls, upward pressure on prices through 2026 and demand destruction, particularly in Asia.

What the market reveals

Prices across the oil and product complex reveal the pressures building. As refined product balances tighten, notably for middle distillates, Asia and Europe are in fierce competition for jet cargoes. Crack spreads for jet fuel in Asia and Europe have soared five-fold to US$100 per barrel, equivalent to US$200 per barrel Brent. Diesel has followed a similar trajectory. The smaller spike in gasoline cracks is due to cuts in refinery runs in Asia where refiners are starved of Gulf crude feedstock.

On 23 March, President Trump surprised the market, announcing that 'productive' talks were

> For every 10% increase in oil prices, global GDP growth drops by around 0.13 percentage points … A more aggressive scenario of Brent averaging US$125 per barrel will lead to a global recession.

underway, prompting Brent to drop briefly below US$100/bbl before bouncing back above. However, if a geopolitical stalemate persists, the war drifts on and with inventory outside the Gulf dwindling; prices across the entire crude and product complex will push up.

The economic calculation

For every 10% increase in oil prices, global GDP growth drops by around 0.13 percentage points, according to Wood Mackenzie's Head of Economics, Peter Martin. A scenario of Brent averaging US$90 per barrel in 2026 would be inflationary and could push global GDP growth below 2% this year from the pre-war forecast of 2.5%. Major economies, including the US and Europe, might even slip into recession.

A more aggressive scenario of Brent averaging US$125 per barrel will lead to a global recession. Asian countries, heavily dependent on imported oil and LNG, have high economic exposure to the crisis. China is 72% dependent on oil imports, with 47% coming from the Middle East. India is 88% dependent, with 45% from the region. South Korea: 98% and 70%. Japan: 99% and 80%.

The policy response

With a geopolitical stalemate, a war drifting on, and inventory outside the Gulf dwindling, prices continue to push up. Governments are scrambling to mitigate the economic impact. India, South Korea, Indonesia, Thailand, Malaysia, and Vietnam have started to cushion consumers with price caps for diesel and gasoline.

Sri Lanka's decision to limit gasoline and diesel purchases at the pump and declare Wednesdays a holiday to conserve fuel is an example of things to come. In India, gas is being rationed where city gas distribution is prioritised, while allocation to industrial sectors is halved. In power markets, thermal coal's share in generation will inevitably increase.

Beyond the immediate challenges, the crisis could augur profound changes for the LNG industry. Buyers exposed to LNG from the Gulf will look to diversify supply sources. The biggest risk, however, is that importing countries will reassess LNG's role in energy policy. What began as a supply disruption is becoming a stress test of global energy architecture and the investment decisions that will define the next decade. ■

Steering through volatility: the outlook for oil and gas markets

The ongoing Middle East conflict situation has reshaped global energy flows and security calculations. Before the conflict, Gulf producers formed the core of the global oil and gas trade, collectively supplying nearly a third of seaborne petroleum and close to a fifth of LNG. Saudi Arabia, the UAE, Kuwait, and Iraq exported crude and refined products primarily through the Strait of Hormuz, while Qatar shipped 110 bcm of LNG annually to Asia, Europe, and increasingly Africa. This system relied on secure routes with few backups.

Today, that balance is upended. The Strait of Hormuz, which typically handles around 15-20% of the global oil and gas supply, now sees minimal flows, posing the risk of the largest energy supply disruption in modern history. Gulf output cuts total 8–10 mbd amid full storage and weak bypass routes. Attacks on refineries, export terminals and LNG trains have disrupted refineries at Ruwais and Ras Tanura (3–4 mbd offline) and at Qatar's Ras Laffan (17% of global LNG) and sectors such as fertilisers and petrochemicals. The combined effect has flipped markets from surplus to shortage in just weeks.

> "The Strait of Hormuz, which typically handles around 15–20% of the global oil and gas supply now sees minimal flows, posing the risk of the largest energy supply disruption in modern history."

New oil market dynamics

For Gulf NOCs, this disruption breaks sharply from the pre-conflict era of reliable exports and steady growth. Producers such as ADNOC, Saudi Aramco, and QatarEnergy had leveraged stable market access to expand refining and LNG capacity and anchored the region's role in global supply to Asia, Europe, and Africa.

The new situation brings uncertainty, with the potential restart of any closed ports taking 3 to 12 months or even years for key assets, including ADNOC's 922,000 b/d Ruwais refinery complex, Saudi Aramco's Ras Tanura, and Qatar's LNG facilities. The immediate focus has shifted from growth to asset protection and supply-chain stabilisation, which includes costlier rerouting, storage logistics, insurance exposure, and new terminals. Yet Gulf NOCs show strong resilience to rebound quickly once infrastructure is secured from prolonged attacks.

Non-OPEC+ production growth from US shale offered limited relief (+0.8 mb/d). Brazil, and Guyana offers only limited relief. Demand remains strong in the short term, driven by 2.5% annual growth in petrochemicals and aviation (with air travel recovery outpacing EVs, reaching 15% of the fleet by 2030), limiting deeper price drops.

Brent trades USD 80–100/bbl amid 200 million barrels of stranded cargoes and stock draws. The IEA projects that, once restarts gradually materialise, the short-term imbalance could ease to a modest 1 mb/d oversupply by late 2026. Yet market power appears to be shifting. The priority is now less about stabilising prices and more about redefining their role in an increasingly fragmented global energy system.

Production under threat

3–12 months

Minimum restart timeline

Market under pressure

200 million barrels

Stranded cargoes

By the numbers: oil in crisis

+0.8 mb/d

US shale growth

+2.5% per year

Demand growth (aviation and petrochemicals)

New natural gas and LNG market dynamics

The global gas market faces tightening as disruptions from Qatar's Ras Laffan (about 17% of global LNG capacity) trigger force majeure declarations and delay new Gulf expansion projects. For QatarEnergy, ADNOC and other regional NOCs, the focus has shifted from output growth to restoring export reliability and managing long-term contracts under constrained infrastructure.

On the demand side, Asia's industrial and power sectors continue to expand, with 7% growth in 2026 led by China and India, while Europe's heating and energy security needs sustain imports through 2030. Prices have decoupled from traditional oil linkages, with TTF and Henry Hub up around 35–46% in recent months, as roughly one-fifth of global LNG trade remains exposed to Gulf disruptions.

In response, regional trade patterns are also shifting. Europe has sharply increased US LNG imports (up 25% y-o-y), while Asian buyers diversify by adding more Australian cargoes and later blending them with Qatari cargoes as capacity returns. This keeps the market tight through 2028, with price volatility expected to ease only as new US Gulf Coast export terminals come online, while ongoing investments in infrastructure and shipping could help Gulf NOCs further strengthen supply chain reliability in LNG markets over the next decade.

LNG supply disruption

17% Global LNG capacity (Ras Laffan)

~20%

Global LNG trade at risk

Gas prices breaking away

+35% to +46%

TTF and Henry Hub increase

Demand keeps rising

+7% (2026)

Asia gas demand growth

Until 2030

Europe import dependence

Global LNG rebalancing

+25% YoY

US LNG to Europe

Key risks and uncertainties

Gulf NOCs face dual pressures: immediate physical risks and longer-term market shifts. Reliance on the Strait of Hormuz, which carries 15–20% of global oil and LNG, creates a major vulnerability. Refineries and downstream assets remain constrained by logistical bottlenecks, stranded production, full storage and cash flow strains.

Escalation duration will determine the speed of recovery. Prolonged issues could keep infrastructure offline for months, even years, and stress budgets. Price volatility remains acute: short-term spikes above US$120 per barrel continue to alternate with medium-term corrections toward 1.1 mbd oversupply by late 2026, as per IEA, driven by non-OPEC+ growth. However, Gulf producers stand ready to resume regular supplies quickly once the conflict ends.

Medium-term demand risks grow, too. Consumption in aviation, petrochemicals, and LPG segments indicates signs of contraction, while limited storage options force additional upstream shut ins. Over the longer term, competition from non-OPEC+ producers could threaten Gulf market share and pricing influence, particularly if shifts in trade patterns persist.

Extreme oil swings

US$120+/bbl

Short-term price spikes

1.1 mb/d

Projected oversupply (2026)

Pressure on Gulf operations

Months to years

Potential infrastructure downtime as per current situation

Losing ground?

Shrinking demand signals

Aviation • Petrochemicals • LPG

Key opportunities for the industry

Market volatility gives Gulf NOCs two key advantages: higher prices that strengthen fiscal resilience and a chance to become essential global energy stabilisers, leveraging ADNOC's 1–2 mbd spare capacity for swift response. Smart storage use and well-timed export could create opportunities to profit from price differences across markets.

Infrastructure diversification also offers resilience. Bypass routes such as Saudi Arabia's East-West pipeline and the UAE's Fujairah terminal could reduce chokepoint dependency. Aramco's strategic-commercial storage in Japan, South Korea, China and the Netherlands provides effective buffers. Emerging pathways, such as Red Sea terminals, potential India-Middle East-Europe Corridor (IMEC) linkages, or floating LNG units and pipelines, could create further options.

Broader strategies could secure long-term leadership. Gulf NOCs should expand LNG capacity to meet Asia's growing demand with flexible contracts (mixing spot and long-term deals). Vertical integration from production to refining, petrochemicals, and trading would strengthen cash flow. With hedging and reliability branding matching the security focus of importers, Gulf energy giants should be able to sustain their influence through 2030 market tightness.

Built for rapid response

1–2 mb/d ADNOC spare capacity

Energy beyond borders

4 key storage hubs

Japan • South Korea • China • The Netherlands

Diversifying the flow

Multiple bypass routes

Pipelines • Terminals • LNG • Corridors

Sources and acknowledgments:

EIA; energycomment.com; IEA; oilprice.com; Reuters; S&P Global; tradingnews.com

Series powered by

Energy Connects

أديبك
ADIPEC

Host
أدنوك
ADNOC

2-5 November 2026 – Abu Dhabi, UAE

ENERGY SECURITY IS GLOBAL SECURITY

Energy markets and geopolitics: expert perspectives

Over four days, ADIPEC hosts 1,800+ speakers, 16,500+ delegates, 2,250+ exhibitors and 239,000 attendees. Hear the diverse perspectives of ministers, global energy heads, technology pioneers, and more, as they seek to advance collaborative industry progress towards a more affordable, secure, and sustainable energy future for all .

BOOK A STAND	REGISTER TO VISIT	ATTEND THE CONFERENCES
adipec.com/book	**adipec.com/visreg**	**adipec.com/delreg**

adipec.com

Brought to you by:
dmg events