May 20, 2026

The Current Middle East Crisis and the Global LNG Supply-Demand Outlook

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The attacks by the U.S. and Israel on Iran on February 28, subsequent Iranian attacks on neighboring Gulf countries, and the continuing blockade of the Strait of Hormuz have significantly impacted the global LNG market. Specifically, LNG exports from Qatar (with an annual LNG production capacity of about 78 million tonnes) and the UAE (with an annual LNG production capacity of about 6 million tonnes), accounting for about 20% of global LNG trade (about 400 million tonnes annually), have become difficult. Meanwhile, Oman (with an annual LNG production capacity of about 11 million tonnes), continues to export LNG constantly since the country has LNG shipment ports facing the Arabian Sea, outside the Strait of Hormuz, facing the Arabian Sea.

After this crisis, and by May 15, a total of four LNG tankers from Qatar and the UAE had passed through the Strait of Hormuz (the two from Qatar to Pakistan, the one from the UAE to China, and the one from the UAE to Japan). In addition, it is reported that the other eleven LNG tankers out of the twelve remaining in the Gulf have likely turned off their location signals, aiming to pass through the Strait. However, it remains uncertain whether these changes will lead to the recovery of LNG production in Qatar and the UAE, by taking consideration that these LNG cargoes have been stranded in the Gulf, and have not been produced newly after the crisis.

In this paper, based on these current situations, I will examine the LNG supply and demand outlook for the latter half of 2026 in two scenarios: 'if the blockade of the Strait of Hormuz continues' and 'if the blockade is lifted,' and I will also consider the implications for the mid- to long-term outlook toward 2030.

Scenario 1: "If the blockage of the Strait of Hormuz will continue"

In this case, since there are currently no detour routes other than the Strait of Hormuz for Qatar and the UAE to export LNG[1], about 20% of global LNG exports will continue to stagnate. Although LNG supply

[1] Qatar has the Dolphin Pipeline (with an annual capacity of about 14 million tonnes) supplying its gas

is expected to expand, especially from the U.S., from the latter half of 2026, it will not cover all supplies from Qatar and the UAE, and global LNG supply in 2026 may decrease by 30 to 40 million tonnes compared to the previous year[2]. On the demand side, Europe is expected to increase gas inventories for winter through the latter half of 2026, and Asia, including Japan, is also expected to see rising cooling demand toward summer and heating demand toward winter.

Therefore, even if supply from the U.S. will increase, there will remain uncertainty regarding whether LNG supply and demand will be less tight, and whether spot LNG prices for Asia will fall from the current level around $17/MBTU[3].

Furthermore, the LNG expansion project in Qatar, which was initially planned to begin and increase production gradually from the latter half of 2026, will be delayed due to related equipment delivery constraints caused by the blockade and the recovery of damage to existing facilities[4]. As a result, the basic scenario before the crisis that the expansion of supply from Qatar and the U.S. will lower LNG prices, stimulating demand mainly in Asia, and will expand the global LNG market size from the current annual 400 million tonnes to about annual 650 million tonnes by 2030, will become difficult to realize.

Scenario 2: “If the blockade of the Strait of Hormuz will be lifted"

In this case, LNG production and export from Qatar and the UAE is expected to be recovered gradually, while it should also be noted that Qatar has announced that it lost 17% of its existing production capacity due to an attack from Iran in March and that recovery would take up to five years. Additionally, this would be the first time for these two countries to restart LNG facilities that had been completely shut down, so it could take several months for such restart. Therefore, it will take considerable time for LNG exports from these two countries to return to pre-crisis levels.

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to Oman via the UAE, while LNG export volume is restricted within Oman's existing liquefaction capacity.

[2] For example, Plaquemines, with a combined annual LNG production capacity of 27 million tonnes for Phase 1 and Phase 2, are expected to increase its export from the current level of 17 million tonnes in 2025. Corpus Christi Stage 3 with annual LNG production capacity of 10 million tonnes is also expected to start export in 2026. Furthermore, Golden Pass with annual production capacity of 15.6 million tonnes, started its shipment in March 2026 and is expected to increase its export. Assuming LNG exports from Qatar and the UAE in 2026 will be difficult over the ten months during March and December, a simple calculation shows about 70 million tonnes among the annual 84 million tonnes capacity will be lost from the global LNG market.

[3] Before the recent Middle East crisis, spot LNG prices for Asia were around $11/MBTU.

[4] The initial plan was to expand Qatar's annual LNG export capacity from the current 78 million tonnes to 142 million tonnes by 2030.

Additionally, even in this scenario 2, the Qatar expansion project will be inevitably delayed to some extent, because Qatar should put priority on restoring the damaged existing facilities.

Furthermore, since the blockade of the Strait of Hormuz has become a reality now, even if the blockade is lifted, the LNG market will continue to consider the risk of recurrence, so spot LNG prices are unlikely to stabilize back to the pre-crisis level (around $/11/MBTU) for a while.

Other factors that could impact both scenarios above include whether the EU will halt LNG imports from Russia within 2026 as originally planned, even as Qatar's expansion project is likely to be delayed under the current situation[5]. On the supply side, it is also important to watch how the "Domestic Gas Reservation Scheme," which Australia government has just announced and plans to introduce in July 2027, will be legislated[6].

Regarding the above EU policy, the EU could increase LNG imports from outside Russia, and regarding the above Australian policy, Australia could constrain its LNG exports, both of which could further tighten the global LNG market, bringing a higher LNG price.

Such LNG price hikes could lead to insufficient LNG procurement, especially in financially vulnerable South Asian countries, leading to power outages and a shift back to coal. In fact, Pakistan, which imports over 90% of its LNG procurement via the Strait of Hormuz, has been facing a severe gas shortage since the current Middle East crisis, and had to introduce power cuts in April. As I mentioned at the beginning, two shipments from Qatar have just arrived in Pakistan in May, so the short-term gas shortage appears to have eased, but in any case, Pakistan's power situation will continue to largely depend on the situation in the Strait of Hormuz.

In conclusion, I hope that the efforts to stabilize the global LNG market will be realized through a more strengthened close dialogue between LNG exporters and importers.

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[5] EU has been expecting to increase LNG procurement from the Qatar expansion project as the main alternative for LNG from Russia (about 15 million tonnes imported in 2025), and the long-term procurement contracts to Europe have already been signed, totaling an annual 10 million tonnes. Other alternatives include pipeline gas imports from Romania's Neptune project, which is scheduled to start operations in 2027 with an annual capacity of about 5 million tonnes, and increased LNG imports from the U.S.

[6] The scheme aims to require the volume equivalent with 20 % of LNG exports to be supplied to Australian domestic market. For more details, please refer to the link below, IEEJ Research Paper titled "How Can Australia's Proposed Domestic Gas Reservation Scheme Be Interpreted?" published on May 14, 2026, by Hiroshi Hashimoto, Takafumi Yanagisawa, and Yoshimasa Mori.
https://eneken.ieej.or.jp/data/13255.pdf