

GIBSON DUNN

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Commercial and Supply Chain Implications of the Gulf Conflict: Shipping, Contracts, and Insurance

Gibson Dunn continues to monitor developments and is available to assist clients in evaluating contractual remedies, sanctions implications, dispute risk, and arbitration or litigation claims arising from the evolving conflict.

I. Introduction

The recent escalation of armed conflict involving the United States, Israel, Iran, and the Gulf States has rapidly transformed the Strait of Hormuz—one of the world’s most critical trade corridors—into a zone of acute commercial risk. Businesses with exposure to maritime shipping, energy markets, aviation logistics, and contracts tied to delivery timing should assess immediate and downstream implications for contract performance, operational continuity, and legal rights and continue to closely monitor developments.

2. Escalating Maritime Risk in the Strait of Hormuz

Following coordinated U.S.-Israeli strikes on Iranian targets on 28 February 2026 and Iran’s retaliatory strikes against multiple Gulf states, regional tensions intensified. Iran’s Revolutionary Guard Corps (**IRGC**) has declared the Strait of Hormuz closed,^[1] and warned vessels against transiting the Strait. Commercial shipping activity has declined sharply as insurers withdraw

coverage and vessels delay passage.^[2]

The Strait of Hormuz is a critical chokepoint for global trade. It carries approximately 15–20 million barrels per day of crude oil—roughly one-fifth of the world’s oil supply—and more than one-fifth of global liquefied natural gas (LNG) supply, much of which lacks alternative routing.^[3] Reports indicate that multiple vessels have delayed or suspended transit through the Gulf, and certain carriers have temporarily halted operations pending further risk assessments.^[4] Multiple tankers have reportedly been damaged, with dozens of vessels diverting or awaiting clearance.^[5] Roughly ten days’ worth of shipments are now stranded in the Gulf.^[6] According to some reports, the Strait is fast becoming unnavigable.^[7]

On 4 March 2026, Gas giant QatarEnergy, responsible for 20% of global LNG supply, declared *force majeure* on all LNG shipments, after Iranian attacks on its facilities and the closure of the Strait of Hormuz.^[8] Others are expected to follow suit.

The disruption is not confined to maritime shipping. Freight forwarders and logistics providers are warning of broader supply chain implications (beyond the Middle East region), including congestion, schedule unreliability, and cost increases as a result of aircraft redeployments, route extensions, service suspensions, and a tightening of available capacity across key trade lanes.^[9]

III. Cancellation of War-Risk Coverage and Insurance Market Volatility

One of the earliest commercial consequences has been the suspension or cancellation of war-risk coverage by marine insurers operating in the region.^[10] Insurers have reportedly withdrawn coverage for vessels transiting Iranian, Israeli, and/or adjacent Gulf waters or imposed sharply increased premiums—some rising by 50% or more.^[11] Premium increases may directly affect delivered costs.

Marine war-risk insurance—often an add-on to standard hull and cargo policies—may cover loss or damage resulting from acts of war, hostilities, terrorism, or related perils (depending on the policy language). Conventional marine policies do not generally insure these risks. The withdrawal of war-risk coverage may have immediate contractual and operational consequences.

For example, many charterparties and financing arrangements require vessels to be insured to specified levels. Where war-risk coverage is withdrawn or becomes prohibitively expensive, owners and charterers may face decisions regarding whether trips can proceed in accordance with contractual and financing obligations. In certain cases, a failure to maintain required insurance could constitute a breach under charter, loan, or sale agreements.

Businesses should carefully review their policies (including notice requirements, navigation warranties, and geographic exclusions) and stay apprised of rapidly changing military conditions.

IV. Downstream Effects on Contract Performance and Commercial Risk Allocation

Beyond immediate shipping and insurance implications, the Gulf Region conflict is likely to generate secondary effects across global supply chains. Freight forwarders have warned that rerouting, suspended services, and capacity constraints could disrupt delivery schedules and

increase transit times.^[12] In addition, carriers have introduced war-risk surcharges and other pricing adjustments to reflect elevated operating costs.^[13]

These developments may place pressure on contractual performance in several respects:

- First, parties should closely review *force majeure* and hardship provisions (which has already been invoked by QatarEnergy, as noted above). Whether the current situation qualifies as a *force majeure* event will depend on the governing law and the specific contractual language. Clauses referencing “*acts of war*,” “*hostilities*,” “*blockades*,” or “*governmental actions*” may be implicated. Even where performance remains technically possible, sharply increased costs or the unavailability of required insurance could trigger renegotiation rights or commercial impracticability arguments in certain jurisdictions.
- Second, contracts with fixed delivery deadlines or liquidated damages provisions may be strained by transit delays, port congestion, or airspace restrictions.
- Third, the introduction of war-risk surcharges and rising shipping costs may generate disputes over cost allocation where pricing mechanisms did not contemplate volatility in insurance premiums or routing expenses.
- Fourth, letters of credit, trade finance facilities, and commodity sale contracts often incorporate documentary requirements tied to shipment dates, routes, or insurance coverage. Parties should assess whether compliance remains feasible under revised routing arrangements or modified insurance programs.

V. Impact on Energy Markets and Broader Economic Effects

The widening regional conflict has numerous knock-on effects across different economic sectors. Energy-intensive sectors—manufacturing, transport, aviation, chemicals, aluminum, and fertilizers—are particularly exposed.

Hydrocarbons

The concentration of global hydrocarbon flows through the Strait of Hormuz heightens systemic risk, as even temporary or partial disruptions can introduce price volatility and downstream cost increases affecting manufacturers, transportation providers, and energy-intensive industries worldwide.^[14] These macroeconomic effects may compound contractual disputes in supply chains that are already sensitive to geopolitical shocks.

Oil prices rose because of a nearly complete halt of shipments through the Strait of Hormuz.^[15] As the war spreads, experts expect that the price could go much higher.^[16]

In addition, as Qatar halted LNG production following Iranian drone attacks on facilities, the price of natural gas increased by almost 50%.^[17] Given Europe’s reliance on LNG imports following the reduction of Russian LNG flows, a prolonged disruption of Qatari supply could limit the region’s LNG supply and unleash competition with Asian importers, including India and China, for replacement cargoes.^[18] For companies with LNG-linked supply contracts, this raises risks relating to, *inter alia*, cargo cancellation and delay; price revisions tied to benchmarks; and, *force majeure* notices by upstream producers.

In parallel, to make up for oil shortfalls, relax the pressure on prices, and stabilize markets, governments may adjust their existing sanctions regimes to facilitate alternative supply flows from jurisdictions such as Venezuela or, potentially, Russia. Any such policy shifts would likely be incremental and politically sensitive. Companies should continue to closely monitor sanctions developments and exercise caution before relying on potential relaxations, as compliance obligations may shift rapidly and inconsistently across jurisdictions.

Shipping Logistics

Container lines have suspended Gulf and Red Sea routes and, in some cases, resumed diversions around the Cape of Good Hope. A large-scale return of container ships to the Red Sea and Suez Canal routings, previously projected for 2026, is now reportedly unlikely in the near term.^[19] Rerouting around the Cape of Good Hope can add up to two weeks to voyage times and materially increase freight rates.^[20]

Costs of shipping oil from the Middle East to Asia (already at six-year high) are set to rise further as the widening of the conflict deters shipowners from sending vessels to the region.^[21]

Freight forwarders have warned of tightening capacity across key trade lanes as aircraft redeploy and vessels avoid high-risk corridors. These conditions can create exposure under time-sensitive delivery contracts and just-in-time manufacturing supply chains.

Aluminum

Aluminum markets are likely to be affected by disruption of shipping through the Strait of Hormuz. The Middle East produces approximately 22% of global refined aluminum (excluding China) and exports about 75% of its output.^[22]

Aviation

The Gulf conflict has also disrupted aviation across the Middle East and beyond as countries imposed prolonged airspace restrictions and suspended operations at major global transfer hubs such as Abu Dhabi, Doha, and Dubai—the busiest airport in the world. For passenger and freight airlines operating along the critical East-West corridor, rerouting around restricted airspace—on top of existing regional constraints and closed Russian airspace—can materially lengthen flight times, increase fuel and crew costs, and reduce aircraft and cargo capacity, leading to downstream price increases and consequences for time-sensitive freight and just-in-time supply chains, as demonstrated during prior regional airspace closures.^[23] In a prolonged conflict, further operational impacts could give rise to contractual, *force majeure*, and insurance issues across both passenger and cargo operations.

VI. Conclusion

In light of these developments, companies with exposure to Gulf transit or related supply chains may wish to consider the following steps:

- *Contract Review*: Conduct a targeted review of *force majeure*, insurance, routing, and cost-allocation provisions in key supply, charter, and logistics agreements.

- *Insurance Audit*: Evaluate existing marine, cargo, and political risk policies, with particular attention to war-risk exclusions, cancellation rights, and notice obligations.
- *Operational Contingency Planning*: Assess alternative routing options, inventory buffers, and supplier diversification strategies to mitigate potential delays.
- *Proactive Communications*: Provide timely contractual notices to counterparties where required and maintain dialogue regarding potential delays or cost impacts.

Given the fluidity of the situation, businesses can anticipate continued volatility in insurance markets, shipping availability, and energy products. Early coordination among legal, risk management, and logistics teams will be critical to preserving contractual rights and minimizing exposure.

Gibson Dunn continues to monitor developments and is available to assist clients in evaluating contractual remedies, sanctions implications, dispute risk, and arbitration or litigation claims arising from the evolving conflict.

[1] See Al Jazeera, [Shutdown of Hormuz Strait raises fears of soaring oil prices](#) (Mar. 3, 2026).

[2] See Reuters, [Ship insurers cancel war risk cover due to Iran conflict](#) (Mar. 2, 2026).

[3] See *id.* See also The Economist, [War in Iran could cause the biggest oil shock in years](#) (Mar. 1, 2026); Reuters, [Gas giant QatarEnergy throttles LNG supply by declaring force majeure](#) (Mar. 4, 2026).

[4] See Reuters, [Ship insurers cancel war risk cover due to Iran conflict](#) (Mar. 2, 2026).

[5] See The Economist, [War in Iran could cause the biggest oil shock in years](#) (Mar. 1, 2026); Financial Times, [For Insurers, Gulf Will Be “Just Too Dangerous” \(Iran Conflict Day 2 as it Happened: Oil Flows Through Strait of Hormuz Dry Up \)](#) (Mar. 1, 2026).

[6] See The Economist, [War in Iran could cause the biggest oil shock in years](#) (Mar. 1, 2026).

[7] See *id.*

[8] See Reuters, [Gas giant QatarEnergy throttles LNG supply by declaring force majeure](#) (Mar. 4, 2026).

[9] See Air Cargo News, [Forwarders warn of supply chain disruption following Iran strikes](#) (Mar. 2026).

[10] See Reuters, [Ship insurers cancel war risk cover due to Iran conflict](#) (Mar. 2, 2026).

[11] See *id.*

[12] See Air Cargo News, [Forwarders warn of supply chain disruption following Iran strikes](#) (Mar. 2026).

[13] See *id.*

[14] See Reuters, [Ship insurers cancel war risk cover due to Iran conflict](#) (Mar. 2, 2026).

[15] See The Economist, [War in Iran could cause the biggest oil shock in years](#) (Mar. 1, 2026).

[16] See *id.*

[17] See Financial Times, *Gas Prices Soar as Iranian Attacks Force Shutdown of Qatari Production* (Mar. 2, 2026).

[18] See Financial Times, *Gas Prices Soar as Iranian Attacks Force Shutdown of Qatari Production* (Mar. 2, 2026).

[19] See Air Cargo News, [Box lines unlikely to return to Suez Canal in 2026 following Middle East strikes](#) (Mar. 2, 2026).

[20] See Financial Times, *Iran Conflict Day 2 as it Happened: Oil Flows Through Strait of Hormuz Dry Up* (Mar. 1, 2026).

[21] See Reuters, [Ship insurers cancel war risk cover due to Iran conflict](#) (Mar. 2, 2026); Financial Times, *Gas Prices Soar as Iranian Attacks Force Shutdown of Qatari Production* (Mar. 2, 2026).

[22] See Financial Times, *Iran Conflict Day 2 as it Happened: Oil Flows Through Strait of Hormuz Dry Up* (Mar. 1, 2026).

[23] See The Guardian, [Airlines Pay the Price as 'No-Go' Airspace Increases Due to Global Conflicts](#) (June 23, 2025); Freightwaves, [Air Freight Rates Expected to Spike as Iran War Escalates](#) (Mar. 2026).

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