The Changing Scene of Oil and Gas Supply from the Middle East

B & E Goulandris Foundation, Athens
April 29, 2026

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INSTITUTE OF ENERGY
FOR SOUTH EAST EUROPE

Background

- Following the Israel-USA attack on Iran on February 28 and the ensued hostilities, oil and gas supply from the region and especially from the GCC area has dramatically changed.

- Oil and gas supply, in the form of LNG, has been seriously disrupted on two counts:

  - Because of Iranian ballistic and drone strikes on oil and gas production, storage and loading facilities in Saudi Arabia, Oman, Quatar, Bahrain, UAE, Kuwait and Iraq

  - Because of difficulties in the safe passage of ships through the Straits of Hormuz

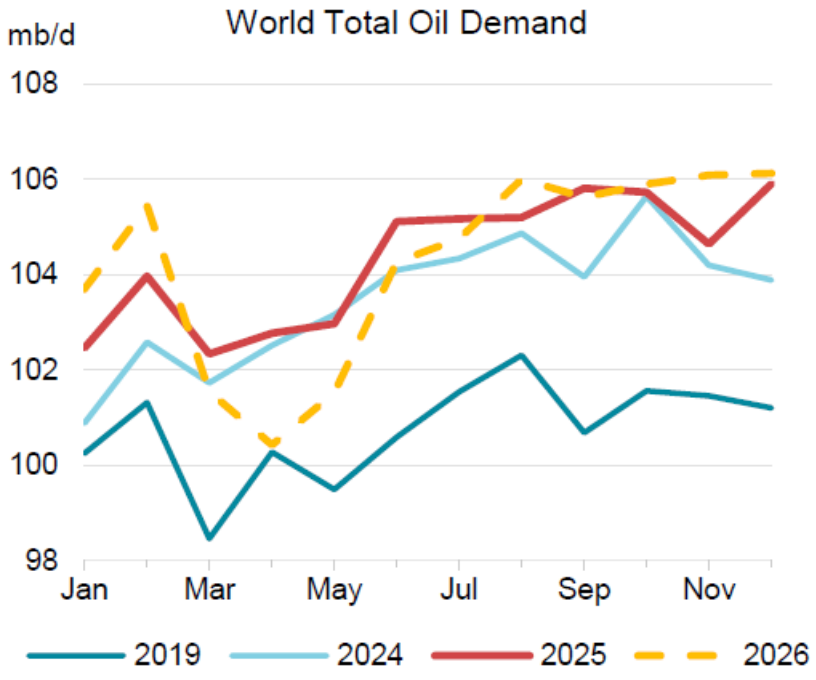
- We are facing a global oil crisis unlike any other before. In fact, we have two crises wrapped up in one (sharp fall in production and continued disruption of supply).

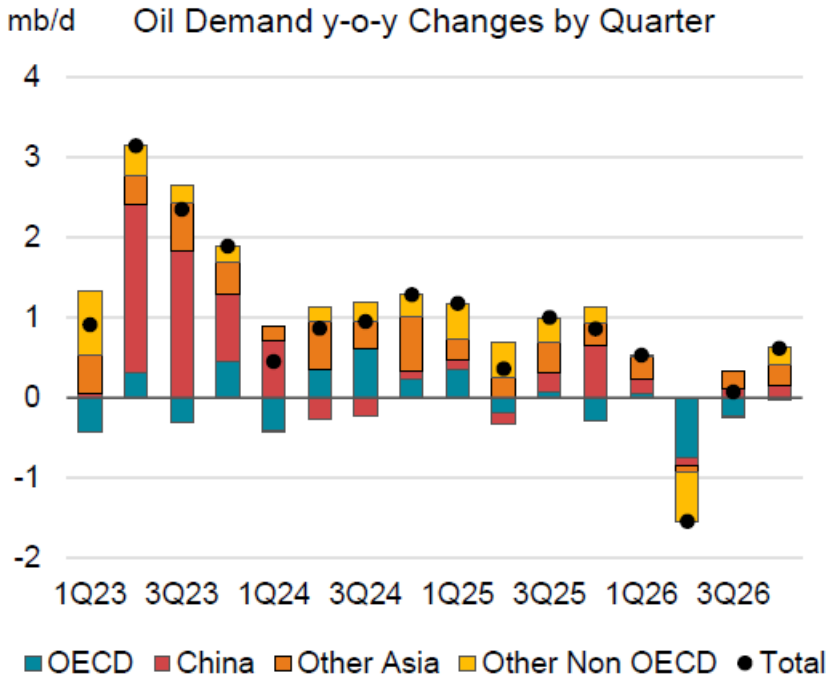
Global Oil Demand by Region

(thousand barrels per day)							
	Demand				Annual Chg (kb/d)		Annual Chg (%)	
	2019	2024	2025	2026	2025	2026	2025	2026
Africa	4 181	4 546	4 745	4 830	199	86	4.4	1.8
Americas	31 572	31 700	32 008	32 000	308	- 8	1.0	0.0
Asia/Pacific	36 274	38 905	39 270	39 411	366	141	0.9	0.4
Europe	15 119	14 305	14 265	14 225	- 41	- 40	-0.3	-0.3
Eurasia	4 663	4 815	4 833	4 824	18	- 10	0.4	-0.2
Middle East	8 950	9 222	9 222	8 968	0	- 254	0.0	-2.8
OECD	*47 548*	*45 897*	*45 890*	*45 654*	*- 8*	*- 236*	*0.0*	*-0.5*
Non-OECD	*53 211*	*57 595*	*58 454*	*58 605*	*858*	*152*	*1.5*	*0.3*
World	**100 759**	**103 493**	**104 343**	**104 259**	**851**	**- 84**	**0.8**	**-0.1**

Source: IEA Oil Market Report (April 2026)

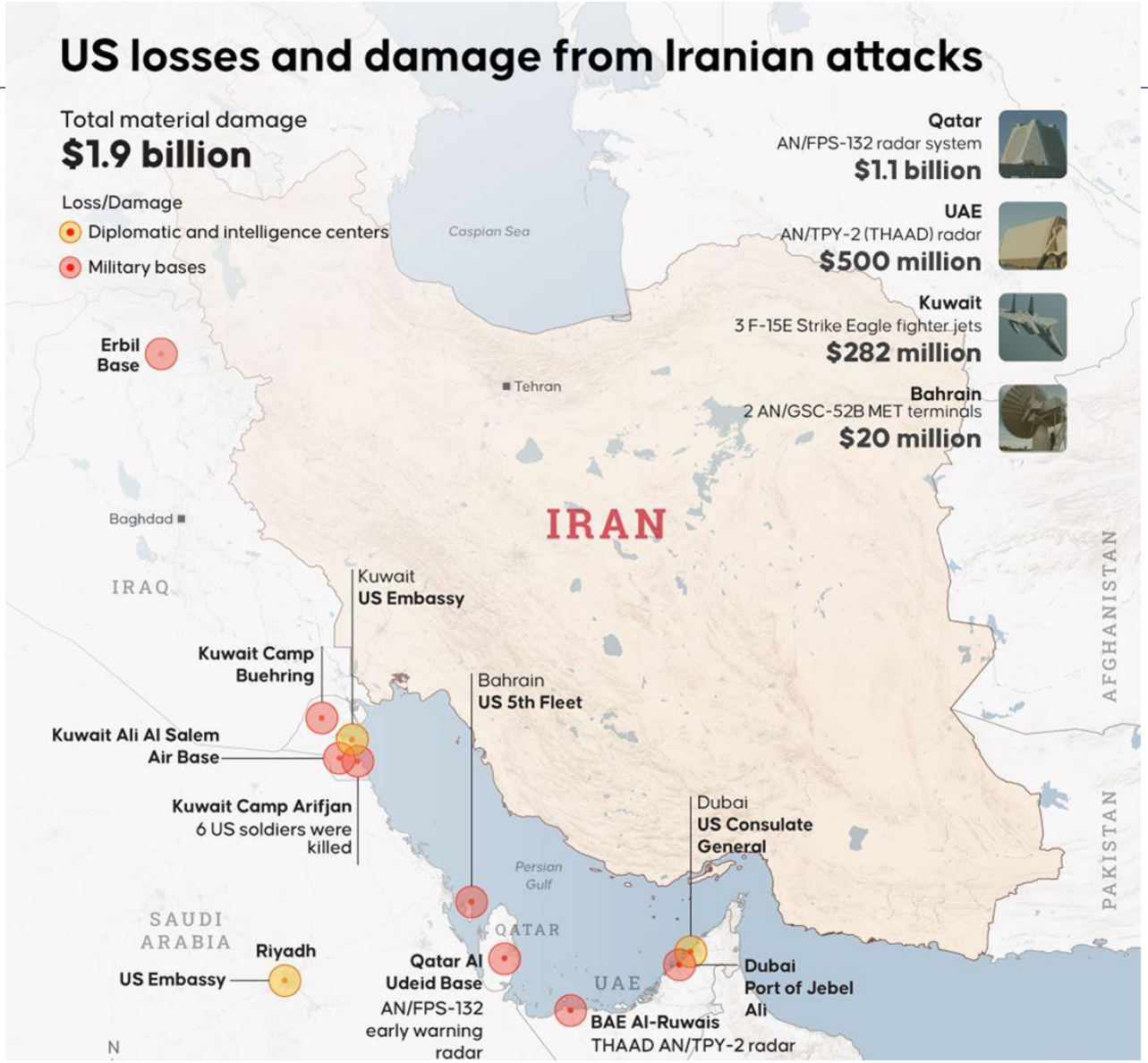
Global Total Oil Demand (LHS) and Oil Demand y-o-y Changes by Quarter (RHS)





Source: IEA Oil Market Report (April 2026)

Damaged Installations



Oil Product Exports Through the Straits of Hormuz in 2025

	Crude oil (including condensates)	Products	Total
Bahrain	0.00	0.21	0.21
Iran	1.69	0.72	2.41
Iraq	3.32	0.31	3.63
Kuwait	1.40	0.97	2.37
Qatar	0.73	0.69	1.43
Saudi Arabia	5.43	0.80	6.23
Saudi-Kuwaiti Neutral Zone	0.35	0.00	0.35
United Arab Emirates	2.02	1.22	3.24
Total Hormuz	14.95	4.93	19.87

Note: For the full year 2025.

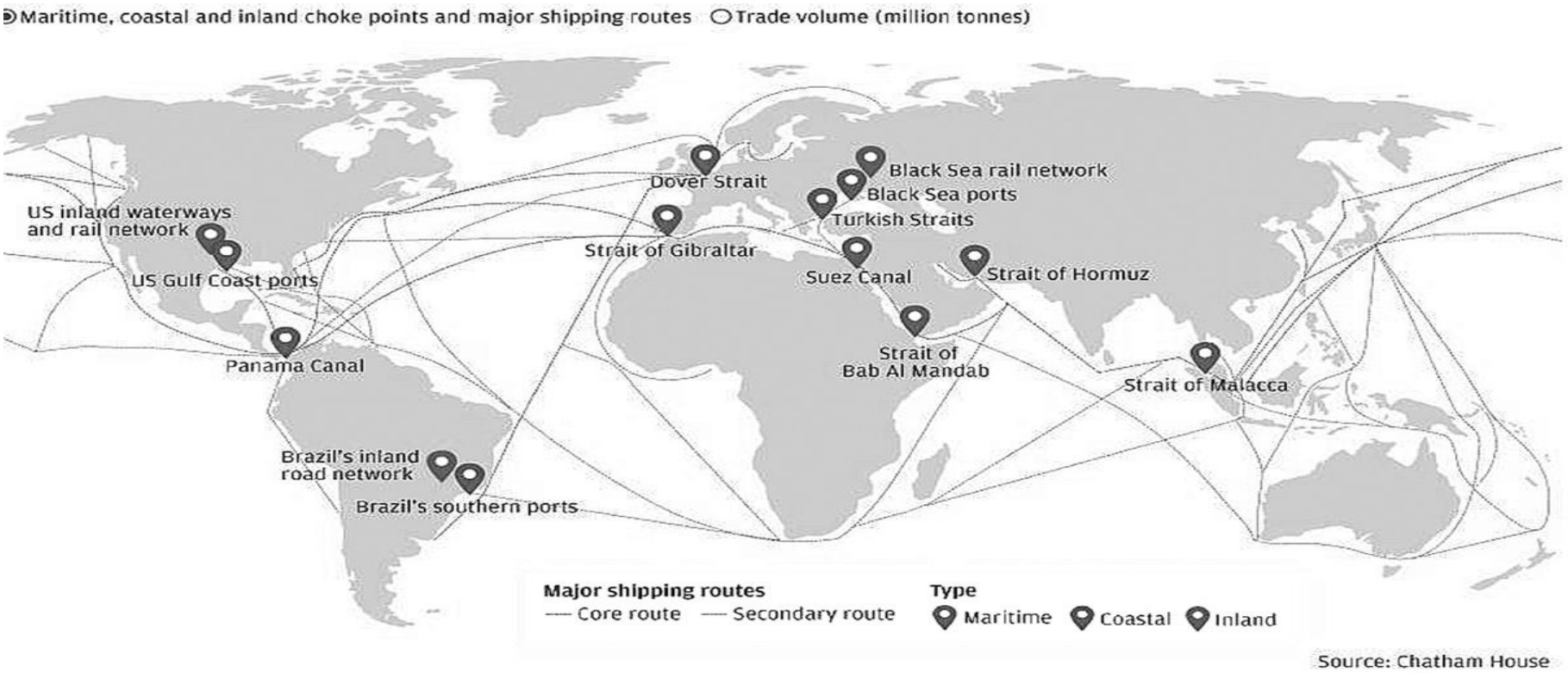
Source: IEA

Estimated Gulf Crude Production in April 2026

Estimated Gulf Crude Production in April 2026 (mb/d)				
	Estimated Crude Production Without War	Still Producing	Not Producing Because of Reported Physical Damage	Not Producing for Other Reasons
Total	25.4	11.0	0.3	14.2
Saudi Arabia	10.1	6.1	0.3	3.7
Iraq	4.4	1.4	0	3.0
Iran	3.5	1.0	0	2.5
UAE	3.5	0.8	0	2.7
Kuwait	2.6	1.4	0	1.2
Qatar	1.3	0.2	0	1.0

Source: Financial Times

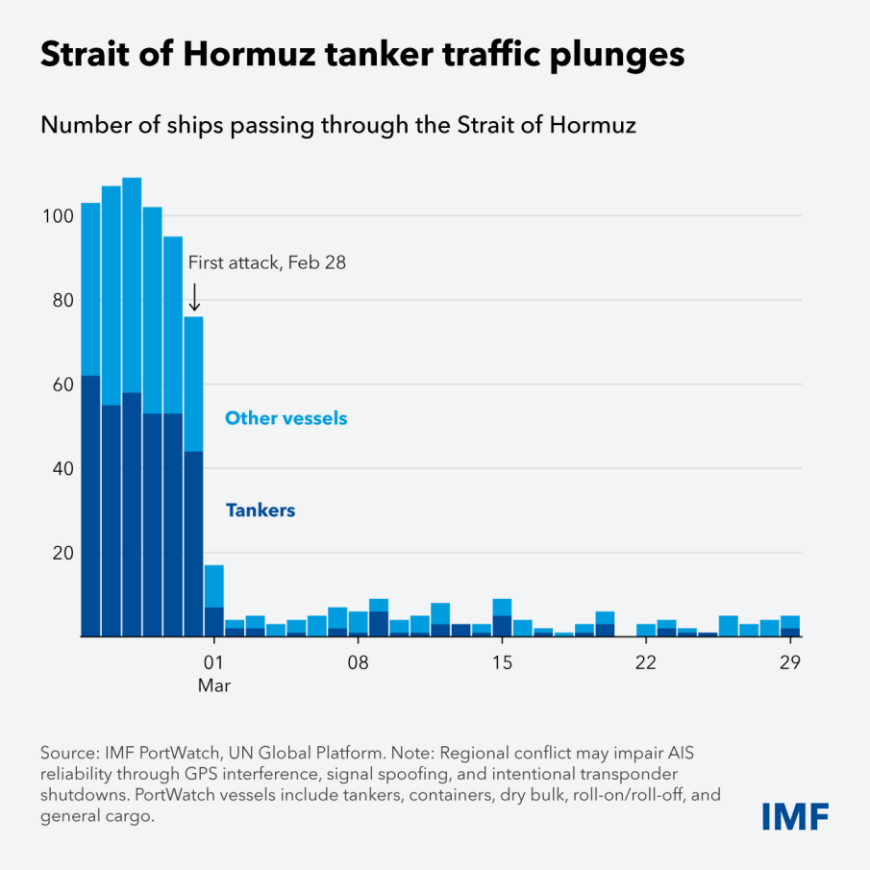
Main Maritime Choke Points

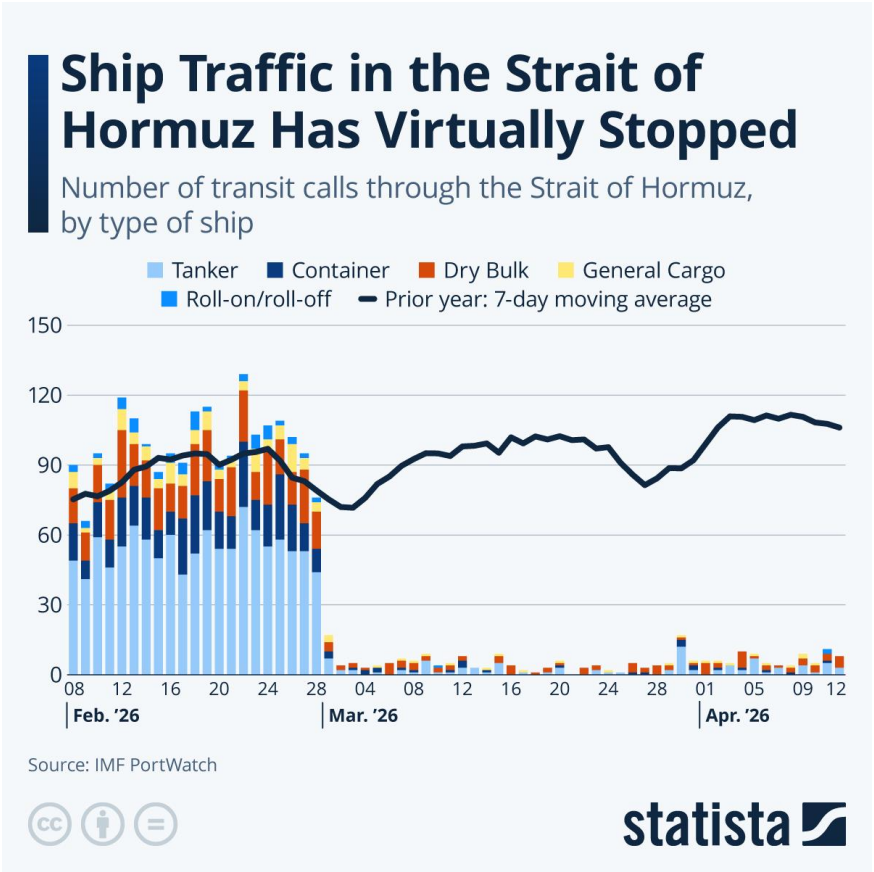


Sea Traffic Through the Straits of Hormuz (I)

Source: Marine Traffic

Sea Traffic Through the Straits of Hormuz (II)





How Has Oil and Gas Supply Been Affected?

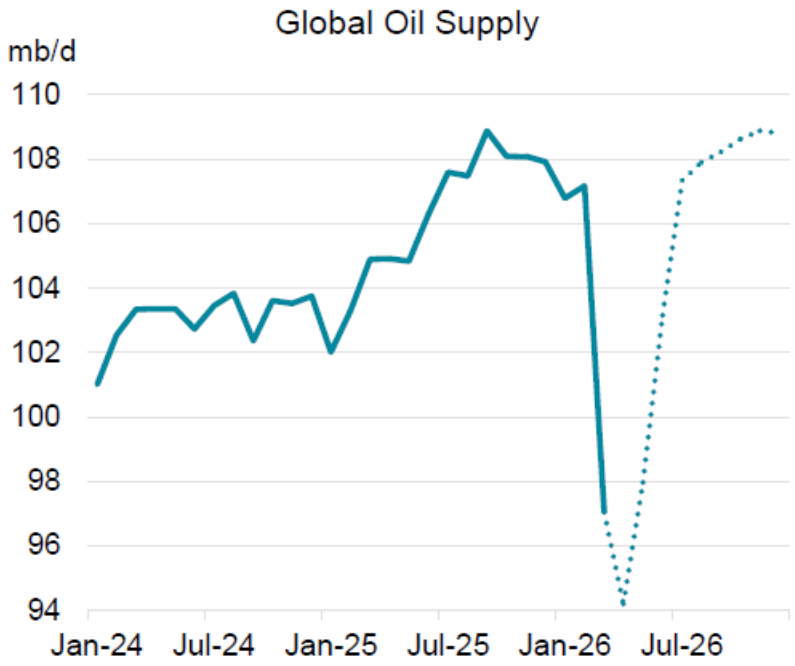
- Based on data provided by the IEA and OPEC, oil supply has been reduced by approx. 13 mb/d from 20 mb/ d before the conflict. If we are to add approx. 1.5 mb/d of Iranian exports since April 10 (because of USA naval blockade), the total at present rises to 14.5 mb/d missing crude and product oil exports from the Gulf region.

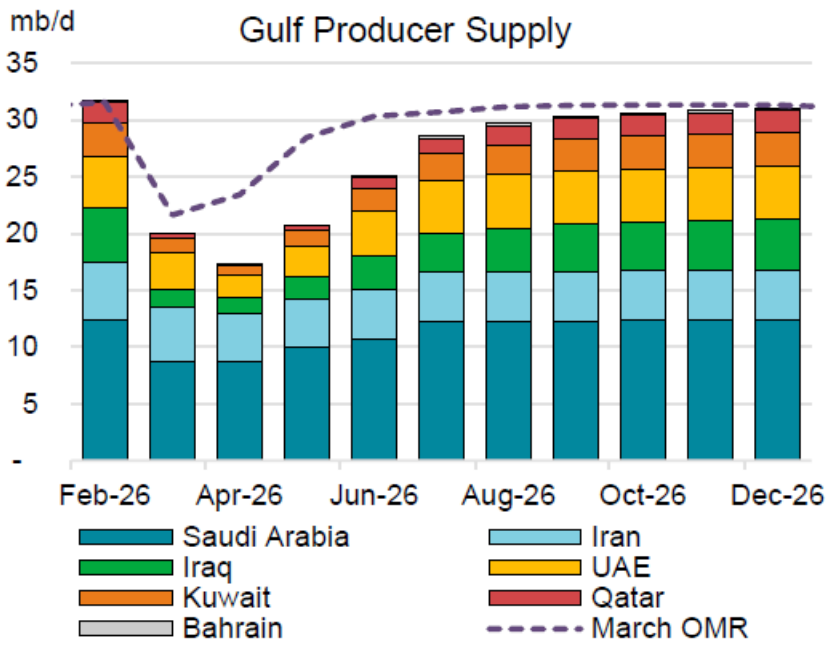
- This volume of missing oil corresponds to approx. 13.8% of global oil supply and cannot be replaced that easily. Hence, oil prices, both spot and futures, have risen considerably while exhibiting strong volatility. Over the past weeks, Brent and WTI have been steadily trading above $100 pb and $90 pb respectively, and spot prices anywhere between $120 and $150 per barrel.

- With the great discrepancy between oil future prices and dated prices indicating increased scarcity of oil cargoes.

- The region still exports limited amounts of crude oil and product thanks to land pipelines within Saudi Arabia, the UAE and Iraq-Ceyhan. These exports amount approx. to 7.2 mb/d.

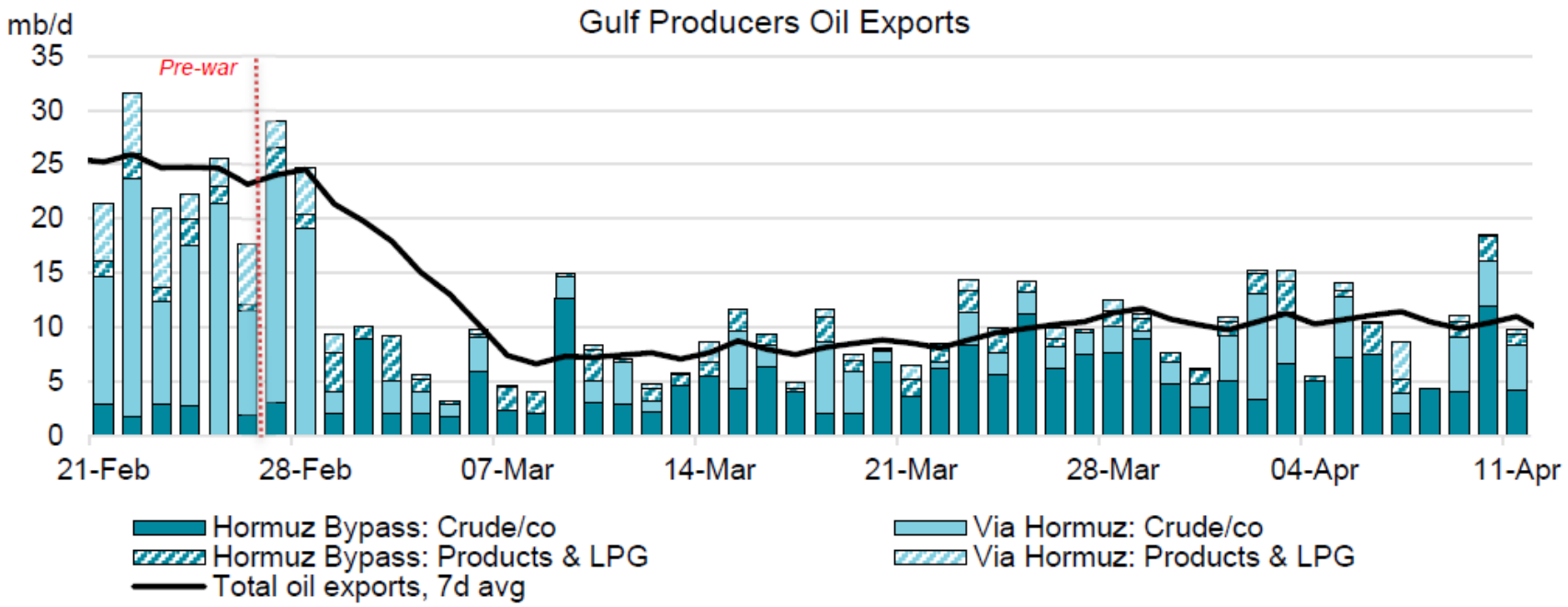
Global Oil Supply (LHS) and Gulf Producer Supply (RHS)





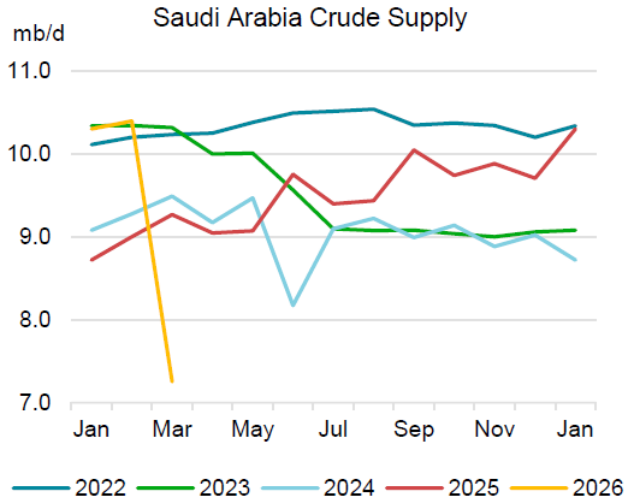
Source: IEA Oil Market Report (April 2026)

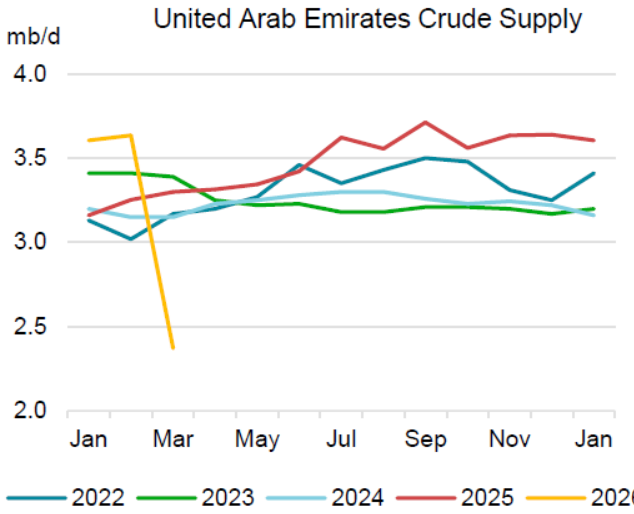
Gulf Producers Oil Exports

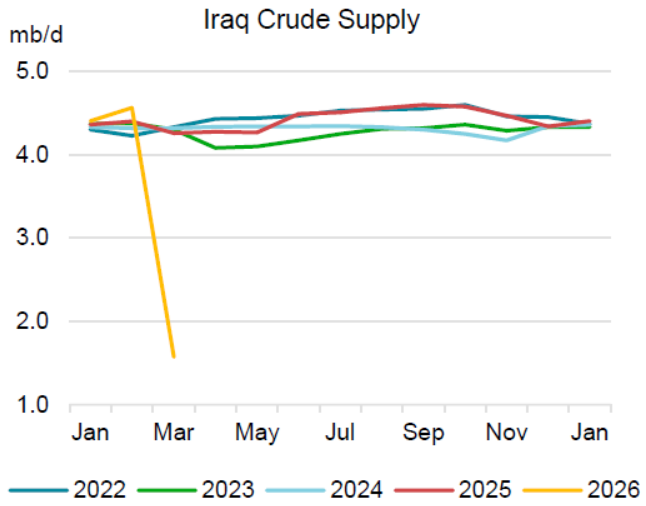


Source: IEA Oil Market Report (April 2026)

Crude Supply of Indicative Gulf Producers

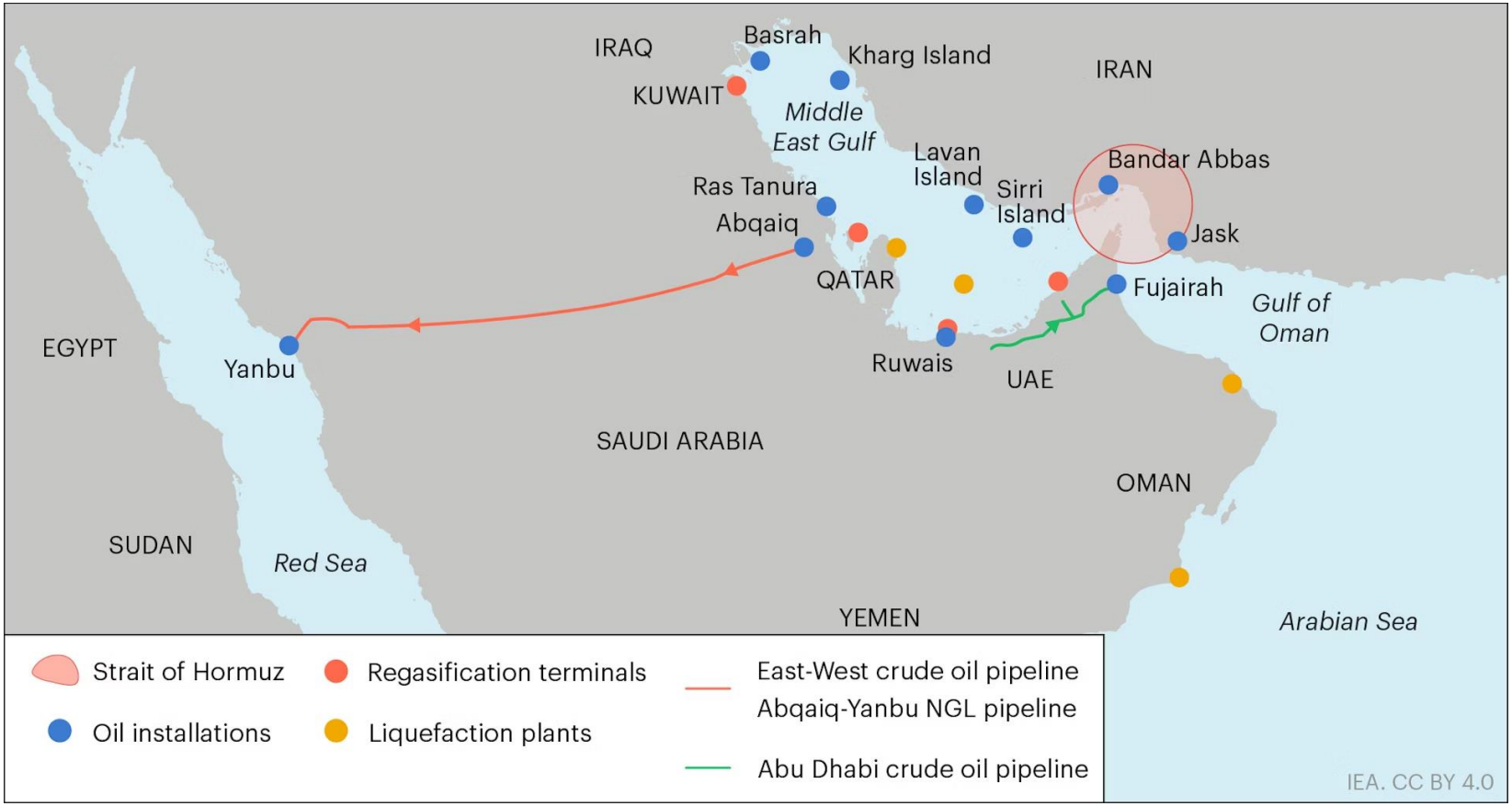






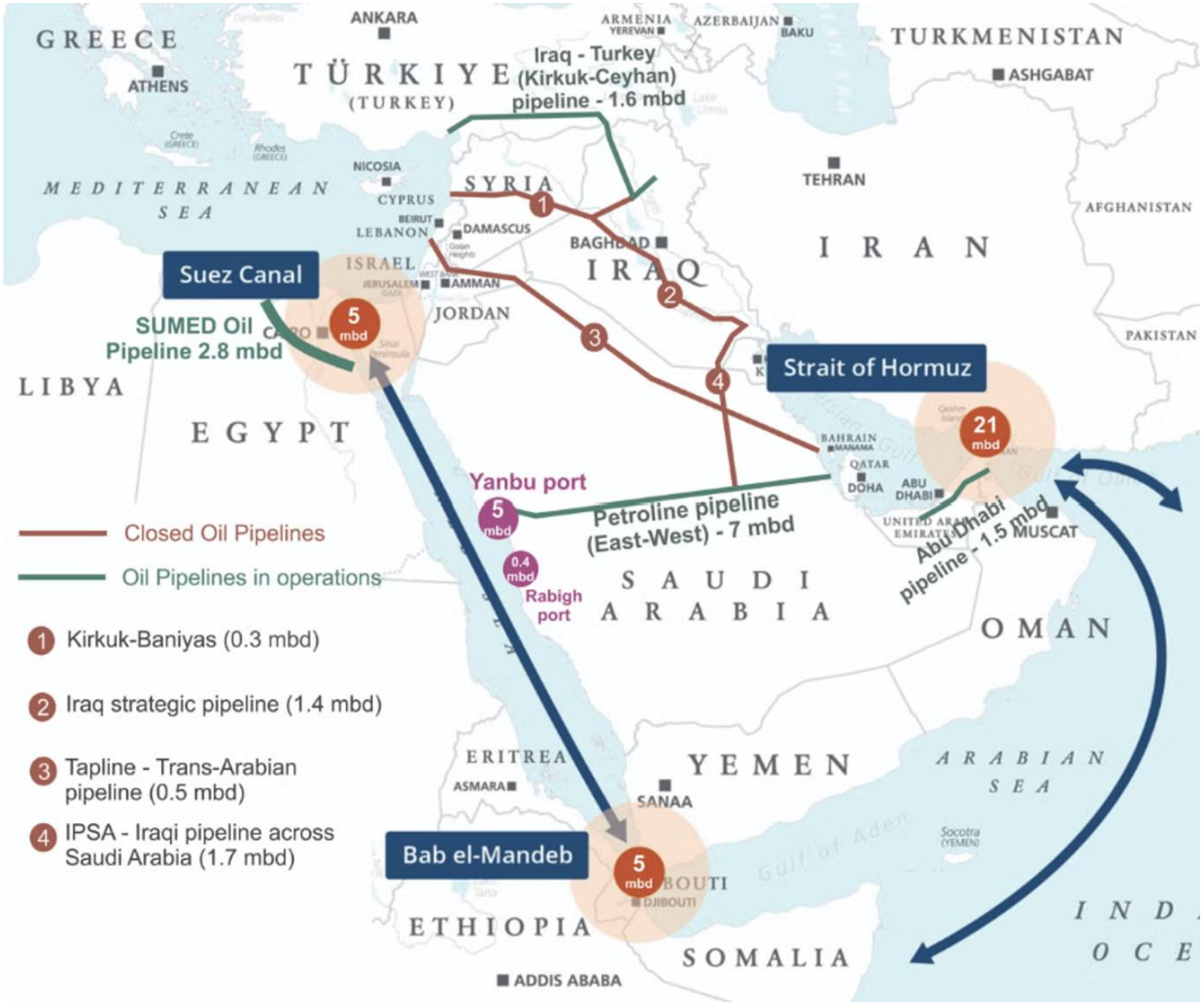
Source: IEA Oil Market Report (April 2026)

Oil Pipelines in the Region (I)



Source: IEA

Oil Pipelines in the Region (II)



Source: Independent

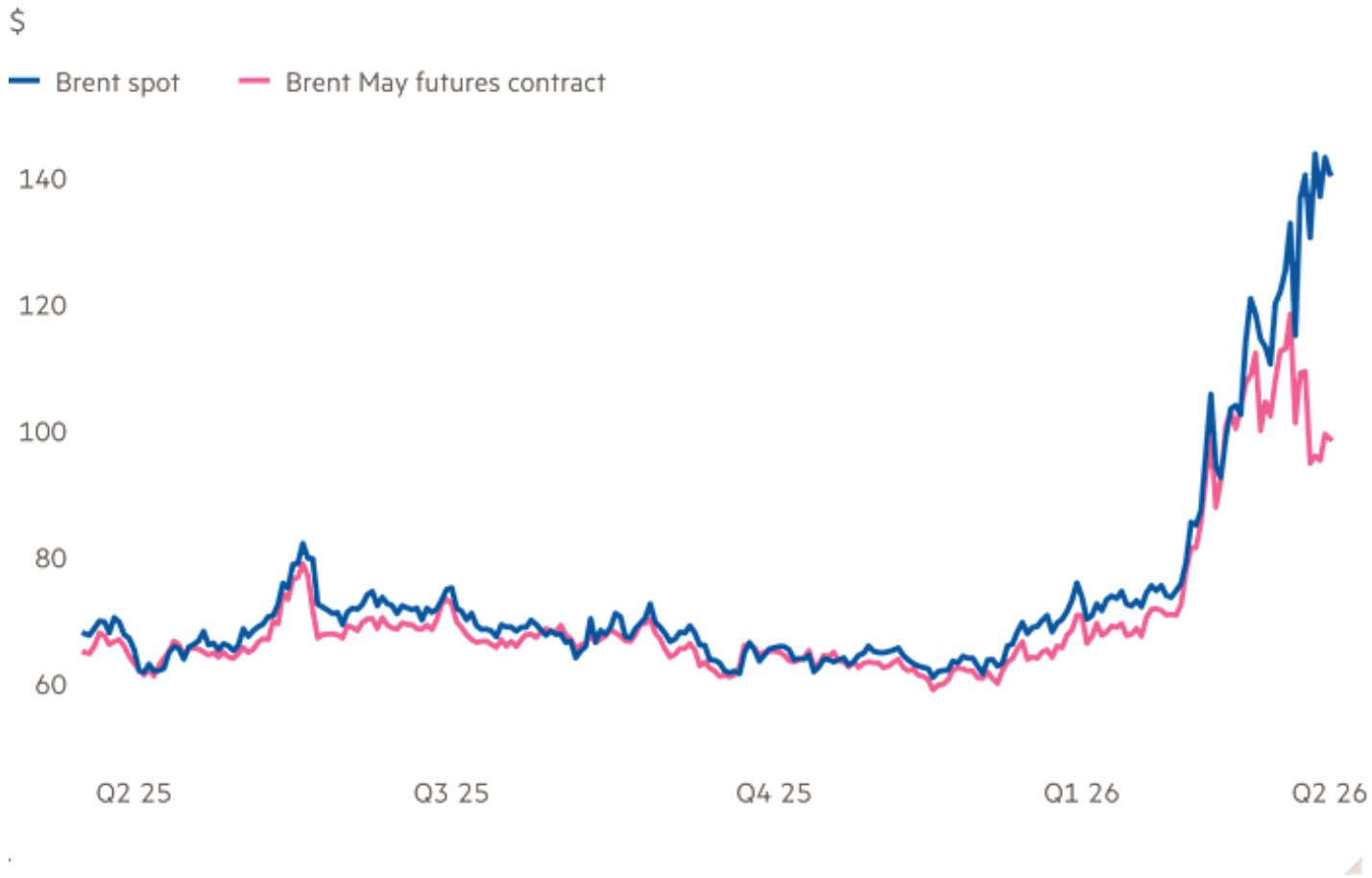
Brent Crude Oil Prices Over the Last 6 Months

Sources: ICE, Financial Times

Brent Crude Oil Prices Over the Last 1 Week

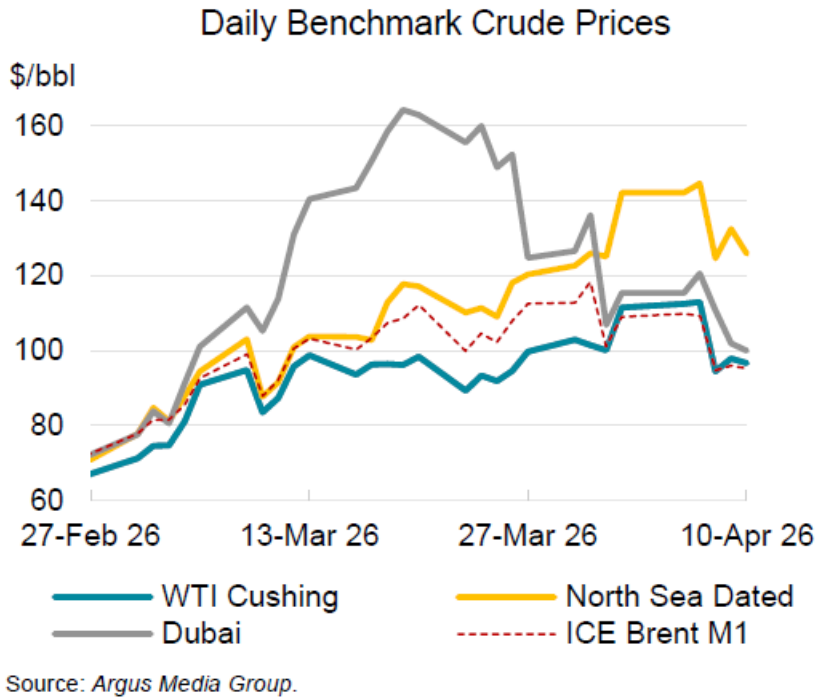
Sources: ICE, Financial Times

Brent Spot and Futures Crude Oil Prices, Q2 2025 - Q2 2026

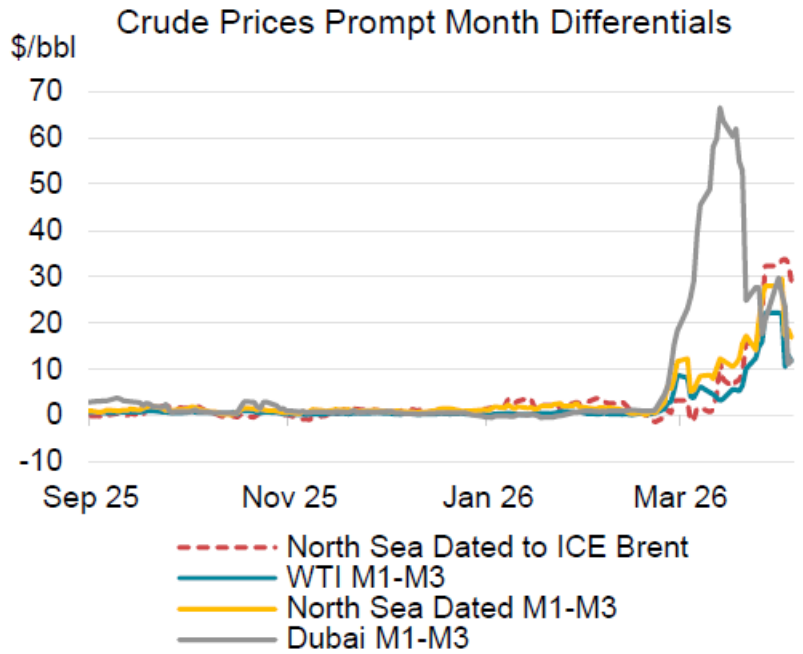


Sources: ICE, Financial Times

Daily Benchmark Crude Prices (LHS) and Crude Prices Prompt Month Differentials (RHS)



Source: *Argus Media Group.*



Source: *Argus Media Group.*

Source: IEA Oil Market Report (April 2026)

The Impact on LNG Production

- Since March 3, Qatar Gas, the main LNG producer in the Gulf, has declared force majeure, having suffered severe damage because of ballistic bombardment to two of its 14 trains, which have been completely damaged and has therefore halted production from the whole plant.

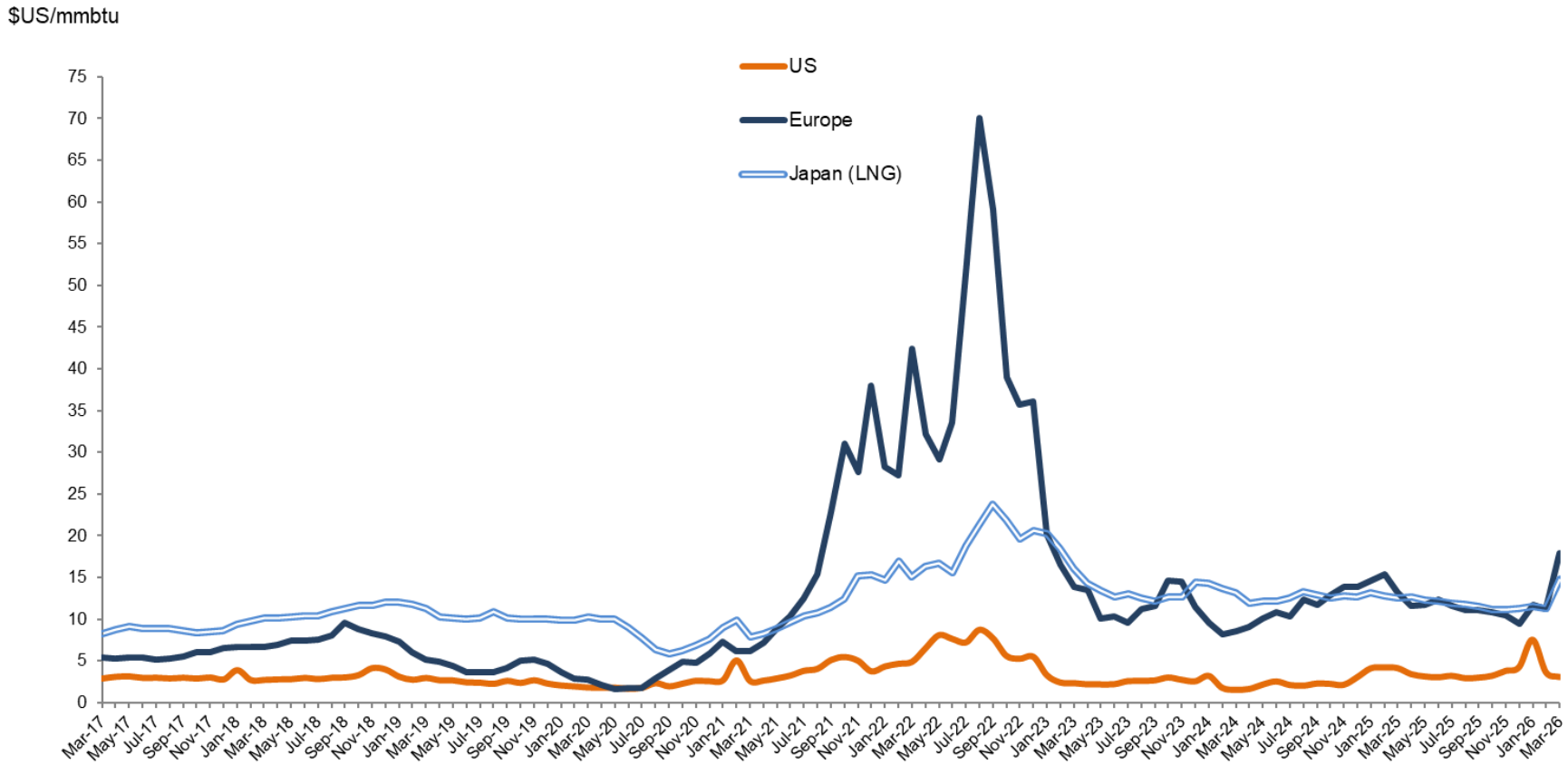
- Qatar used to produce and export some 110 bcma corresponding to roughly 20% of global production mainly supplying Asian markets and 11% of European needs.

- Again, such volumes are difficult to replace within a short period of time. Consequently, we have seen a rise in global LNG prices

Dutch TTF Natural Gas Futures Over the Last 3 Months

Source: ICE

Natural Gas Prices, March 2017 - March 2026

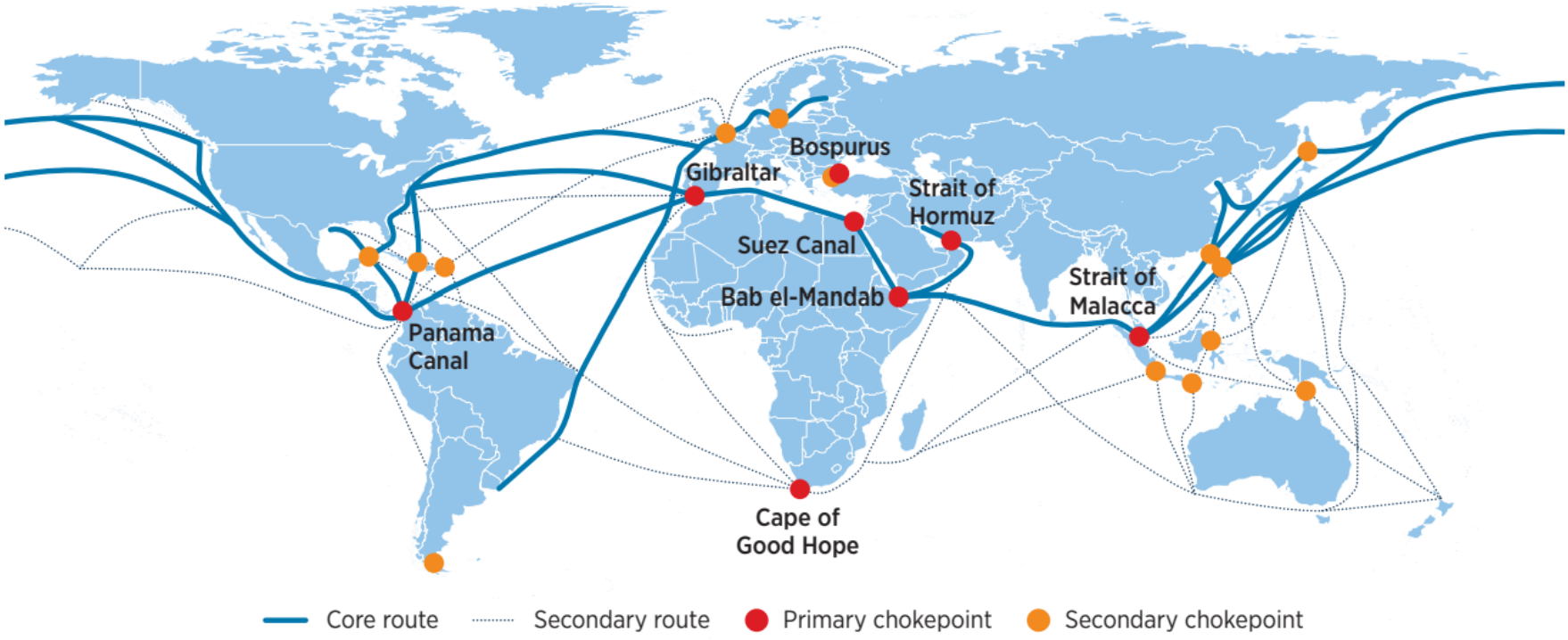


Source: World Bank

New Oil and Gas Sea Routes (I)

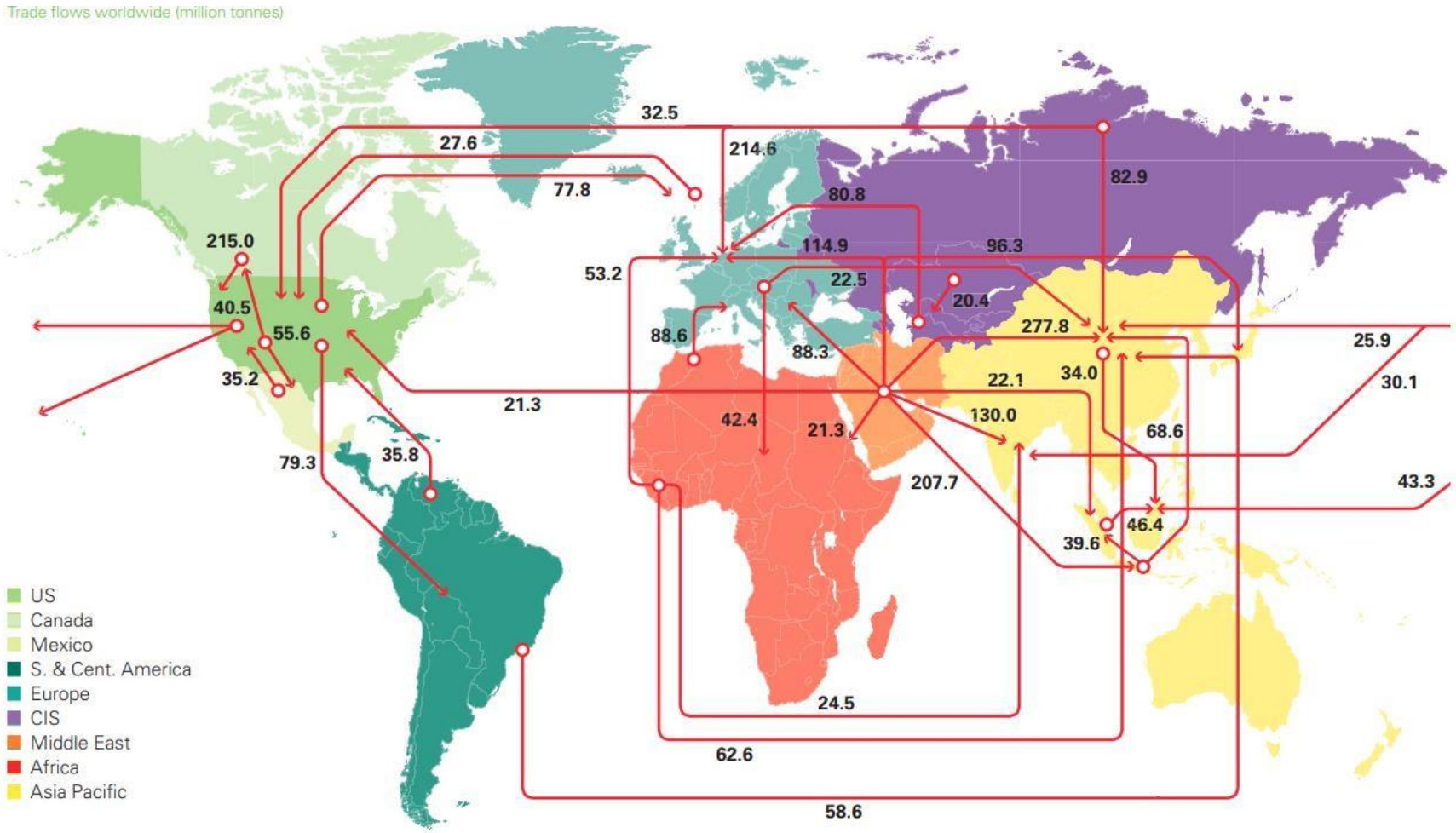
- As a result of the sharp drop of oil and gas exports from the Gulf area, we are seeing a redrawing of oil and gas sea routes:
  - ✓ A surge of oil tankers and LNG vessels heading to the East coast of the USA and some to the North Sea
  - ✓ Increased exports from Russia's Yamal region and from the Black Sea, from the Novorosisk and Batum terminals but also from Ceyhan in Türkiye's Mediterranean coast.
  - ✓ As long as the Gulf producers are unable to export their full volumes of oil and gas, USA and Russia emerge as the two main beneficiaries having substantially increased their exports since rhetoric start of March.

Main Maritime Shipping Traffic Routes



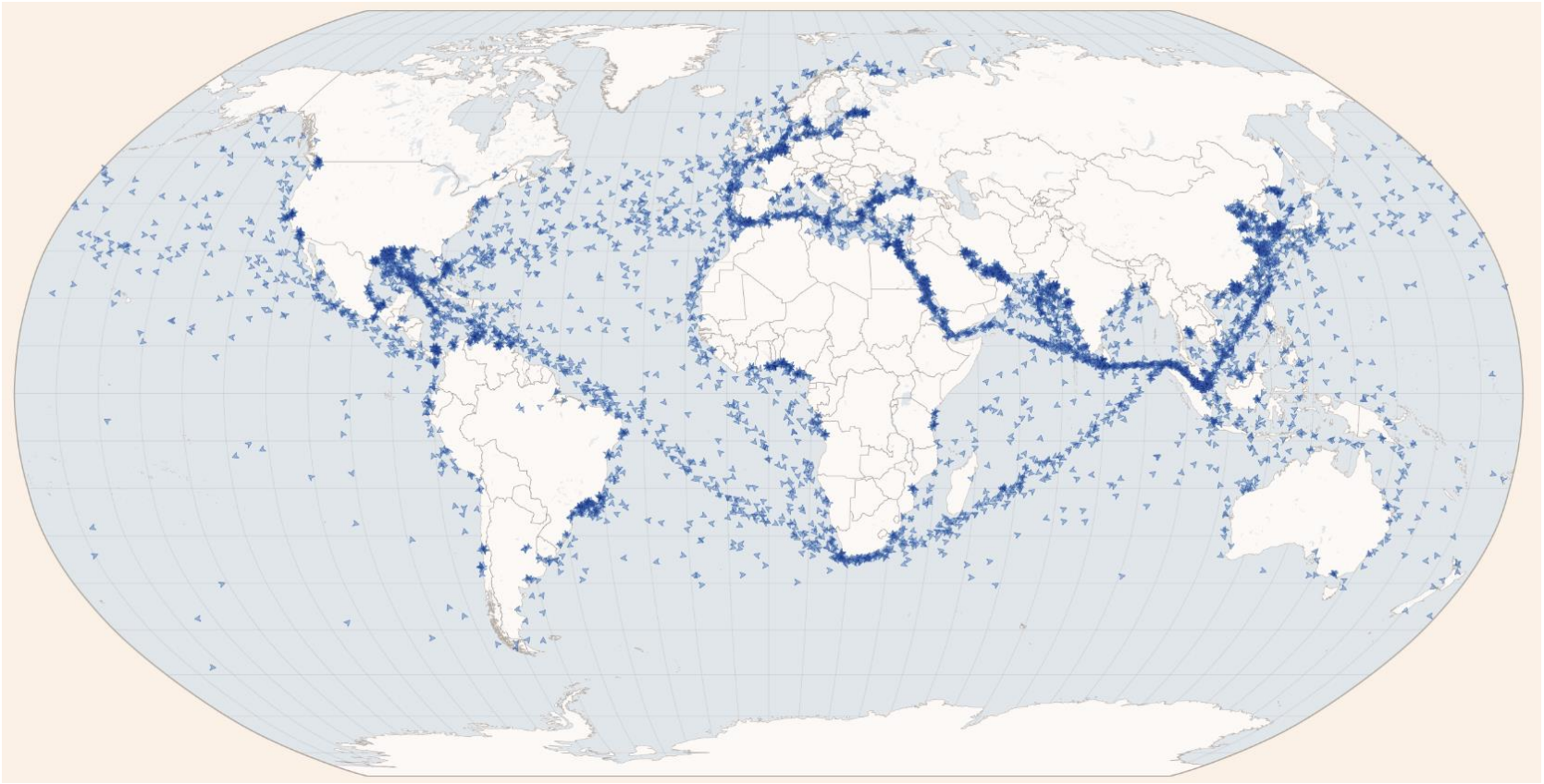
Source: IRENA Decarbonising Shipping 2021

Major Oil Trade Movements (2021)

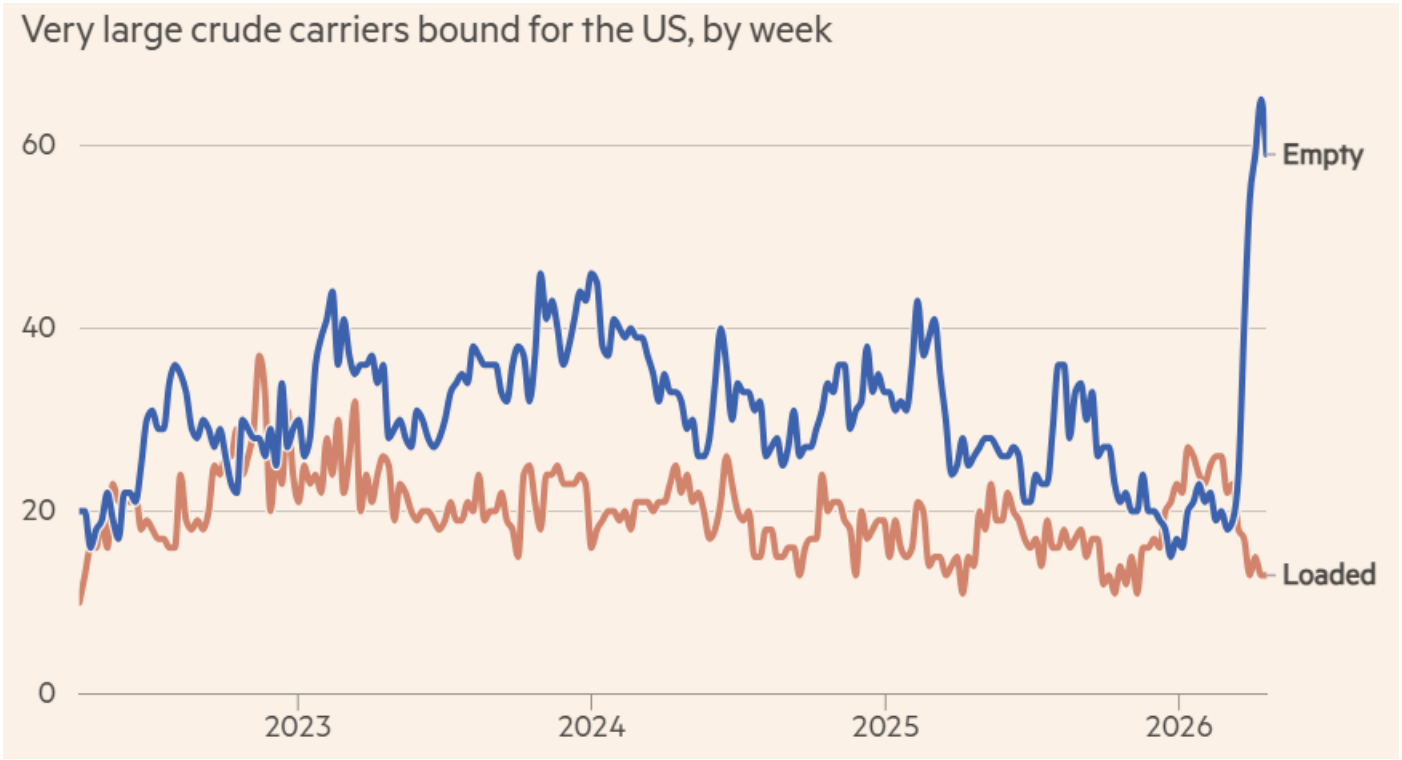


Source: BP Statistical Review of World Energy 2022

New Oil and Gas Sea Routes (II)



A Record Number of Empty Supertankers are Heading to the US

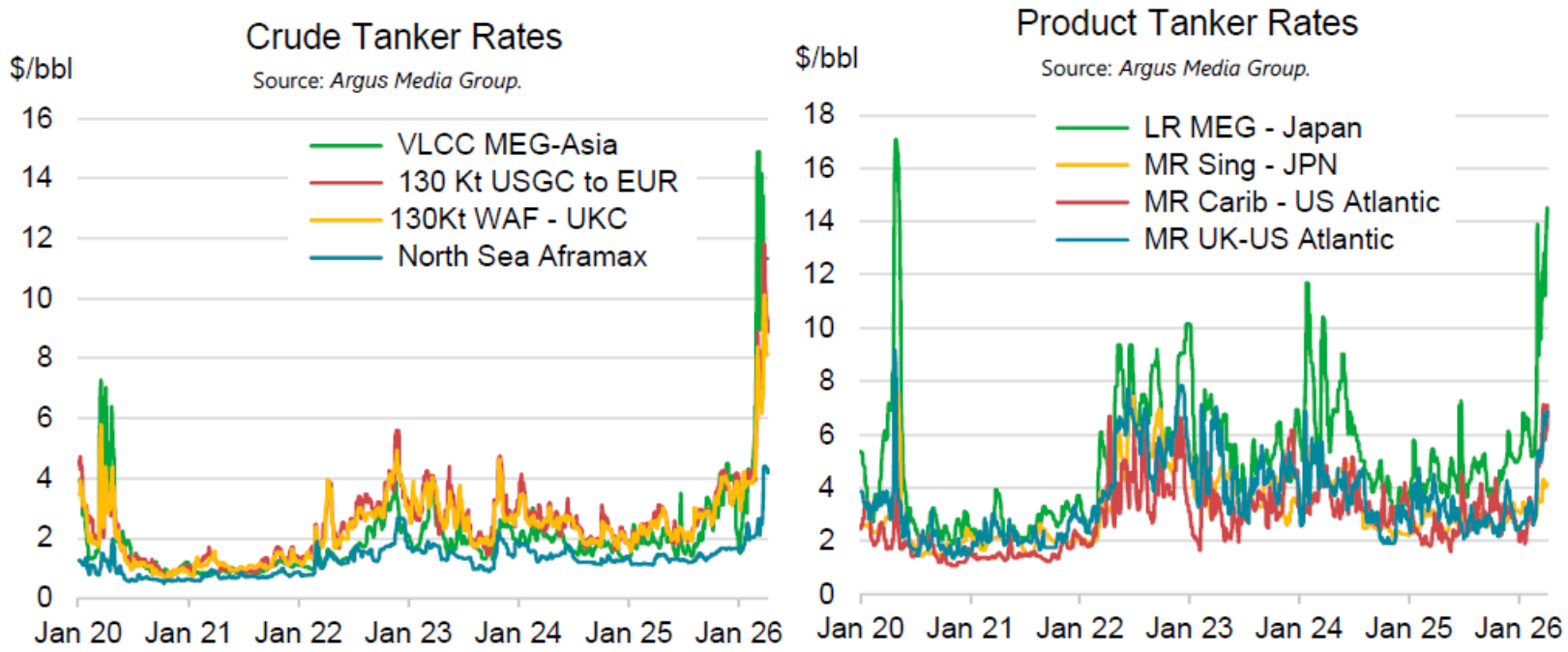


Source: Kpler

Several LNG Tankers Were Re-routed After the Conflict Began

Source: Marine Traffic

Crude Tanker Rates (LHS) and Product Tanker Rates (RHS)

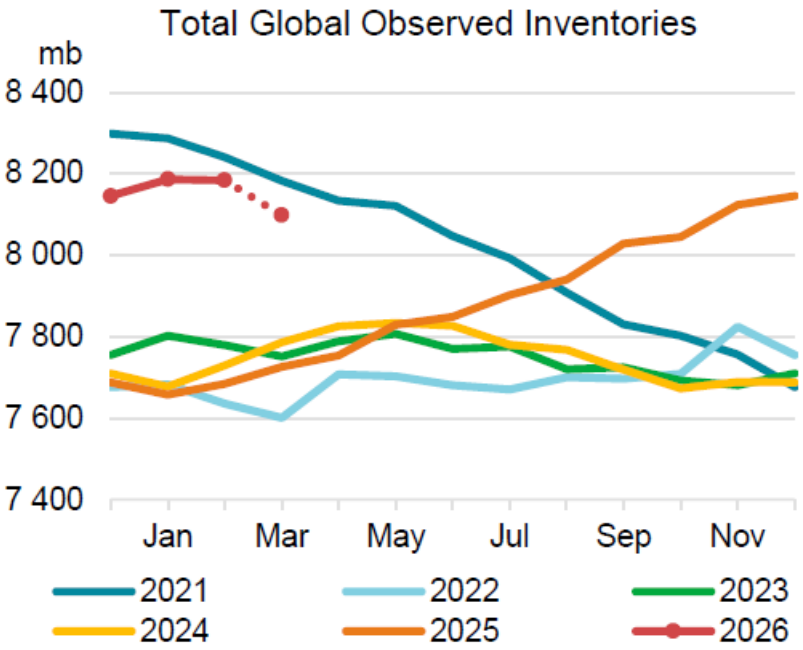


Source: IEA Oil Market Report (April 2026)

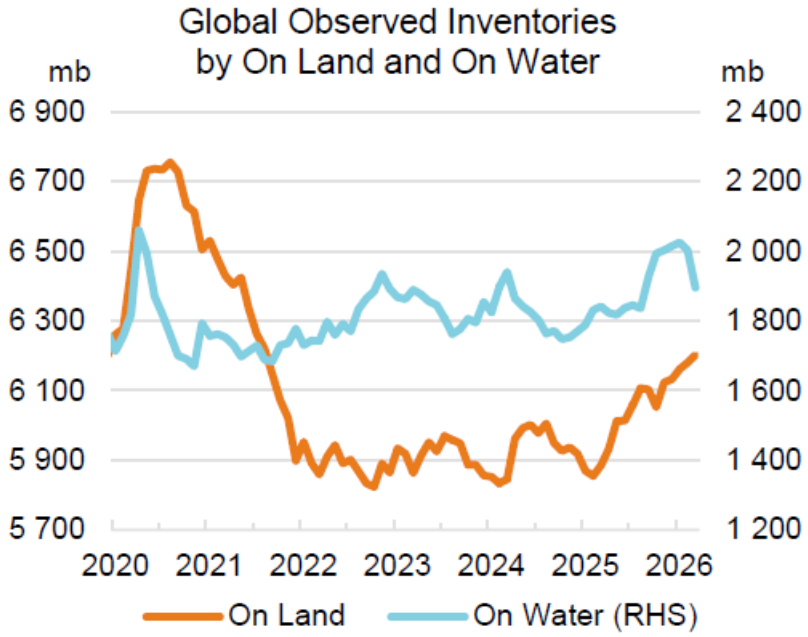
The Role of Strategic Oil Reserves

- **Buffer against supply shocks:** Strategic oil reserves are used to cushion sudden disruptions in global supply, such as geopolitical conflicts, embargoes, or natural disasters, ensuring that markets and economies do not experience immediate shortages.
- **Stabilization of prices:** By releasing reserves during periods of extreme price volatility, governments and agencies can help moderate spikes in oil prices and reduce inflationary pressure on consumers and businesses.
- **Energy security tool:** They strengthen national and regional energy security by reducing dependence on continuous imports and providing a temporary alternative supply when external sources are unreliable.
- **Crisis response mechanism:** Coordinated releases (for example through the International Energy Agency) are often used as part of emergency responses to large-scale disruptions, helping maintain continuity in transport, industry, and electricity generation.
- **Market signaling function:** The existence and potential use of strategic reserves can deter panic in energy markets, signaling that governments have the capacity to intervene if supply conditions deteriorate sharply.

Total Global Observed Inventories (LHS) and Global Observed Inventories by on Land and on Water (RHS)



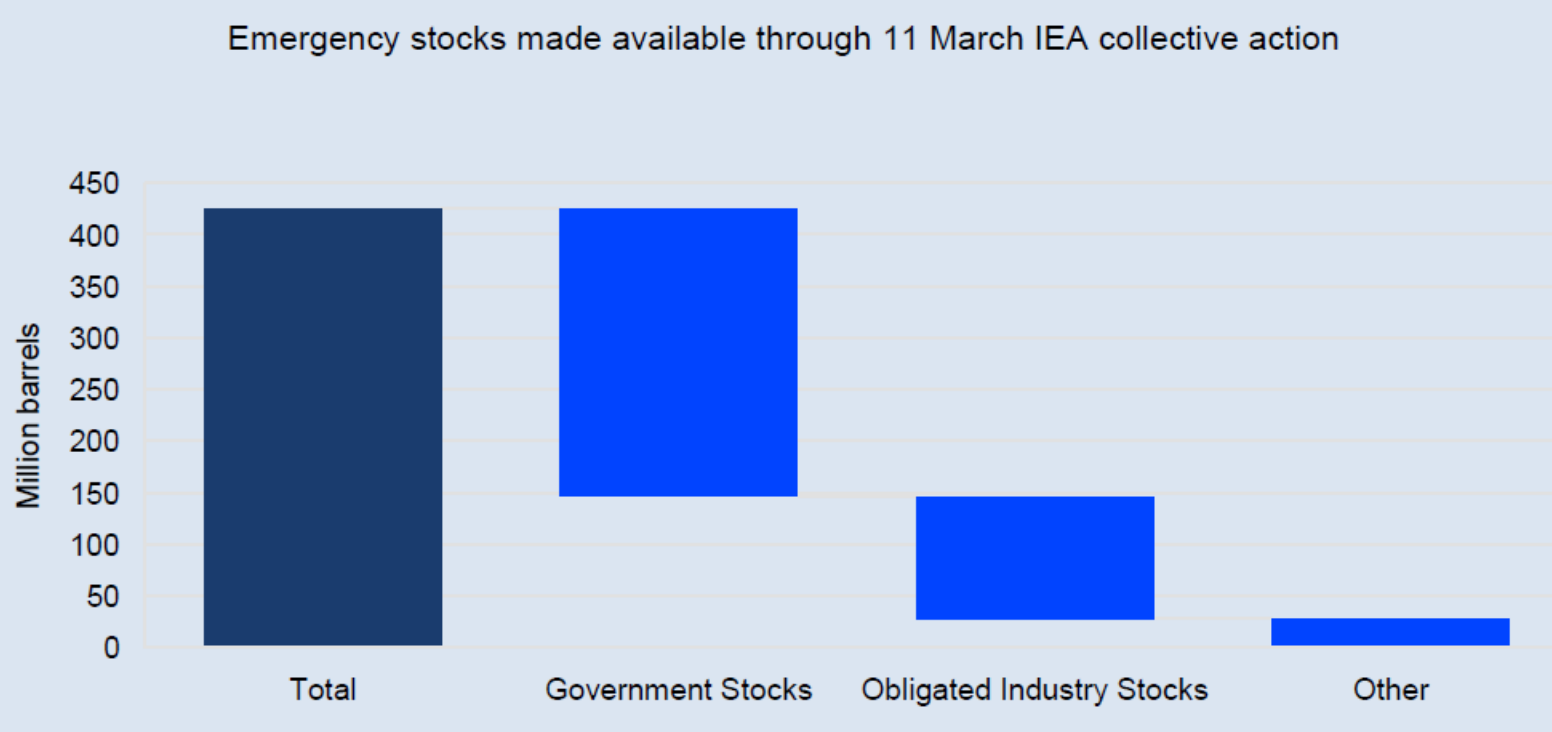
Sources: IEA, *Kayrros, Kpler, FEDCom/S&P Global Platts, Enterprise Singapore.*



Sources: IEA, *Kayrros, Kpler, FEDCom/S&P Global Platts, Enterprise Singapore.*

Source: IEA Oil Market Report (April 2026)

Emergency Stocks Made Available Through 11 March IEA Collective Action

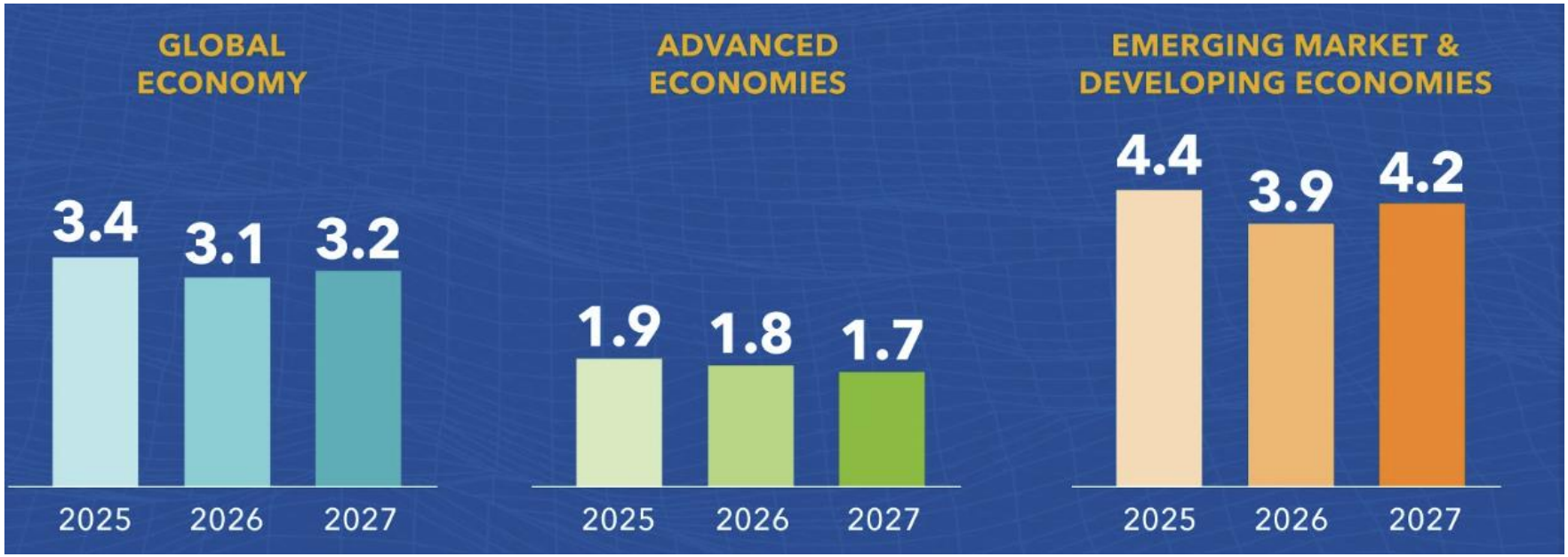


Source: IEA Oil Market Report (April 2026)

Impact on Global Economy

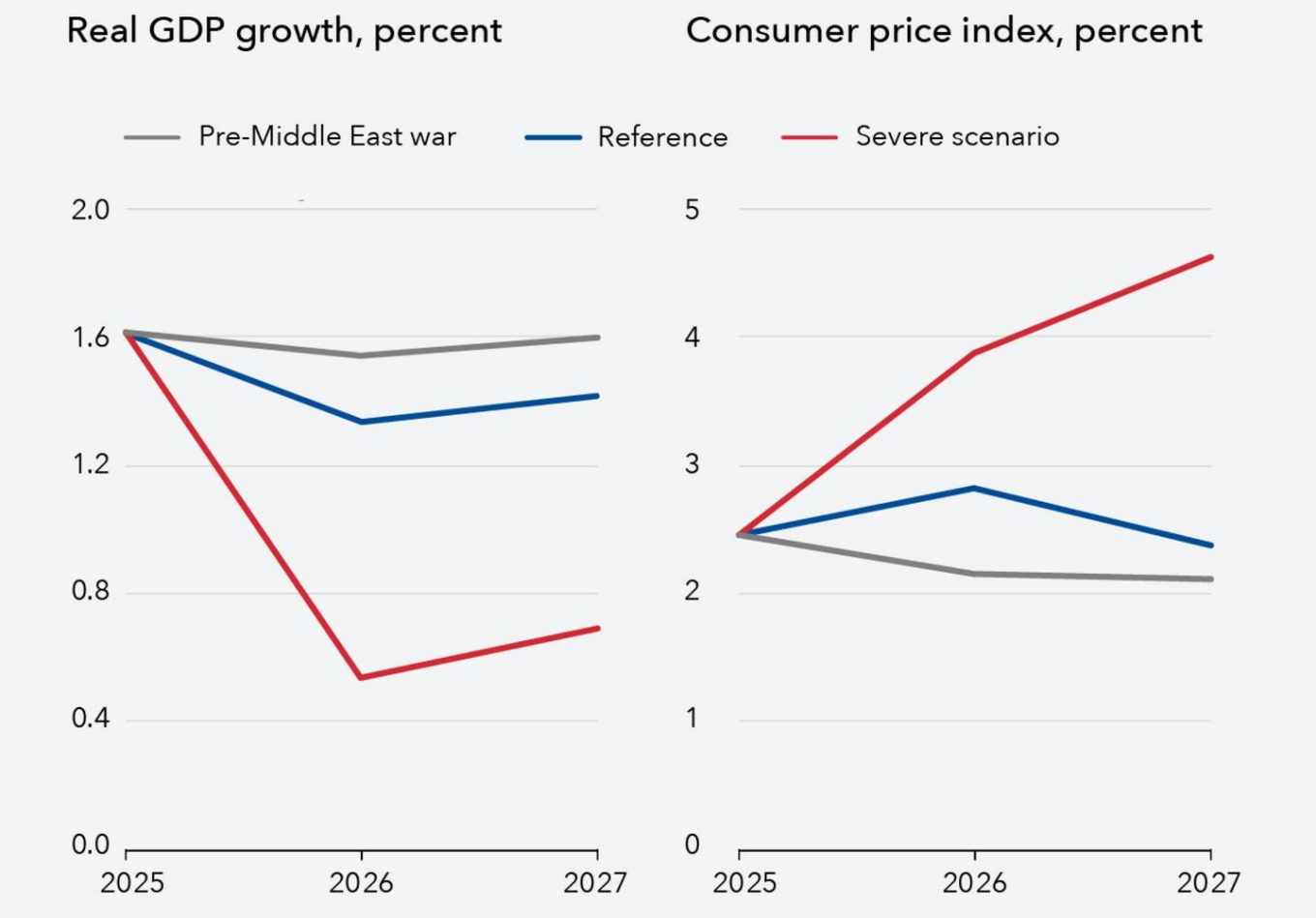
- **Global economic slowdown:** Disruptions in oil supply and pricing instability tend to reduce global economic growth to 3.1% in 2026 from 3.4% by increasing production and transportation costs across industries, weakening overall economic activity.
- **Rising inflation worldwide:** Higher energy prices feed directly into inflation to 4.4% in 2026 from 4.1%, as oil affects everything from logistics to manufacturing and agriculture, leading to widespread increases in consumer prices.
- **Negative impact on the European economy:** Europe is particularly vulnerable due to its dependence on energy imports, resulting in higher trade deficits, reduced industrial competitiveness, and pressure on household incomes.
- **Strain on Asian economies:** Many Asian economies, especially those heavily reliant on energy imports, face significant cost increases in manufacturing and exports, which slows industrial output and weakens trade performance.
- **Inflationary pressure in the United States:** Even though the US is a major energy producer, global oil price spikes still raise domestic fuel and transport costs, contributing to persistent inflation and complicating monetary policy responses.
- **More ominous scenarios by major US banks foresee global economic growth dip to 2.8%-2.9% in 2026, with inflation jump to 5.0%.**

Global Economic Growth Projections



Source: IMF World Economic Outlook (April 2026)

EU Growth Falls and Inflation Rises in Severe War Scenario



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