

Energy Chokepoints: Force Majeure in Middle East Oil & Gas

The rapid escalation of conflict in the Middle East has created severe disruptions in global energy supply chains. With critical infrastructure compromised and the Strait of Hormuz effectively closed to commercial shipping, major energy entities are issuing declarations of force majeure, leaving Asian buyers highly exposed to supply shocks.



I. The Wave of Force Majeure Declarations

As the situation deteriorates, several key players in the global energy market have triggered force majeure clauses in their long-term Sales and Purchase Agreements (SPAs):

- **Supplier Declarations:** Major Middle Eastern suppliers, including QatarEnergy, have declared force majeure on multiple LNG deliveries following infrastructure attacks, halting production and stranding loaded tankers.
- **Buyer Declarations:** In Asia, major importers such as India's Petronet LNG and Indonesia's Chandra Asri have been forced to declare force majeure downstream, citing

the collapse of loading facilities and the inability to secure safe maritime passage for feedstock shipments.

- **Market Impact:** With an estimated 20% of the world's oil and LNG trapped, Asian LNG benchmarks and Brent crude prices have experienced significant volatility, threatening regional industrial output.

II. Legal Implications for Energy Contracts

The invocation of force majeure in energy SPAs requires careful legal scrutiny, as the threshold for a valid declaration is notoriously high under both English and Singapore law:

- **Causation and Foreseeability:** The party declaring force majeure must prove that the geopolitical event is the sole and direct cause of their inability to perform, and that the disruption was beyond their reasonable control.
- **Duty to Mitigate:** Most standard energy contracts require the affected party to take all commercially reasonable steps to overcome the disruption. A mere increase in shipping costs or insurance premiums (e.g., war risk premiums) generally does not constitute a valid force majeure event unless performance has become physically or legally impossible.
- **Notice Requirements:** Strict adherence to contractual notice periods is essential. Failure to provide timely and detailed notices of the triggering event and its anticipated impact can invalidate the force majeure claim.

III. Strategic Steps for Asian Importers

To protect their commercial interests, buyers and energy traders in Singapore and the broader Asian market should take immediate action:

- **Audit Existing SPAs:** Review all active energy contracts to assess the precise wording of force majeure and frustration clauses, paying close attention to governing law provisions.
- **Challenge Invalid Notices:** Assess whether suppliers are using the conflict as a pretext to abandon unprofitable contracts in a rising spot market.
- **Document Mitigation Efforts:** Maintain meticulous records of all attempts to secure alternative shipping routes or substitute supplies to satisfy the legal duty to mitigate losses.

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