argus
argusmedia.com

Argus Analytics:

Cross-commodity assessment of the Middle East conflict

Flash estimates as of 20 March 2026

illuminating the markets®

Foreword

The conflict in the Middle East has been running for just under a week at the time of writing. Aside from the immense toll it is exacting on those living in the region, commodity markets have experienced high volatility while with first-order economic impacts from the Middle East crisis have centred on increases in energy prices & freight costs. During the first six days crude tanker freight rates increased by between 35% and 115%. Though less steep, gains for energy commodity prices have been significant for Brent crude futures (+15%), gasoil futures (+40%), European FOB jet fuel (+50%) and TTF natural gas futures (+60%).

Given that we are only six days into the crisis, long-term assessments on the structural implications for the global economy will require more time and more clarity on outcomes to be useful. Clearly though, the economies of Iran and the broader Middle East region face substantial infrastructural damage and adverse balance of trade impacts, being unable to capture revenue from elevated energy prices while routes to market remain impeded. However, as the broader Middle East region accounts for only 3% of nominal world GDP, the transmission into global GDP growth may therefore be limited. Any prolonged energy price shock is likely to have the greatest adverse effect on highly import-dependent, high-debt emerging market economies, notably those already confronting elevated inflation levels. Negative impacts would flow not only from sustained high prices but also the potential for a strengthening US dollar. As a significant commodity importer from the Middle East, China's heavily export-oriented manufacturing sector would also appear very susceptible to elevated freight costs, longer delivery lead times and higher raw material import costs. A fragile European manufacturing sector, already undermined by the after-effects of the conflict in Ukraine, will again confront elevated natural gas prices which, if sustained, are likely to drive regional electric power prices higher also. In contrast, given access to comparatively cheap local energy supplies, the US economy will be less affected by inflationary pressures directly attributable to the war in the Gulf, even if tariff-related inflation may be more apparent in 2026 than it was in 2025.

And so, despite fervent speculation, media coverage and government briefings, there remains no clear path to peace and no credible estimate as to how long the conflict will continue. In the face of this uncertainty, Argus's Analytics division has produced this report to support our clients to understand the potential implications of the conflict on the commodities most important to them. In it, we explore the implications for each commodity under three scenarios that consider a cessation of fighting within i) one month; ii) 3 months; or iii) 6 months.

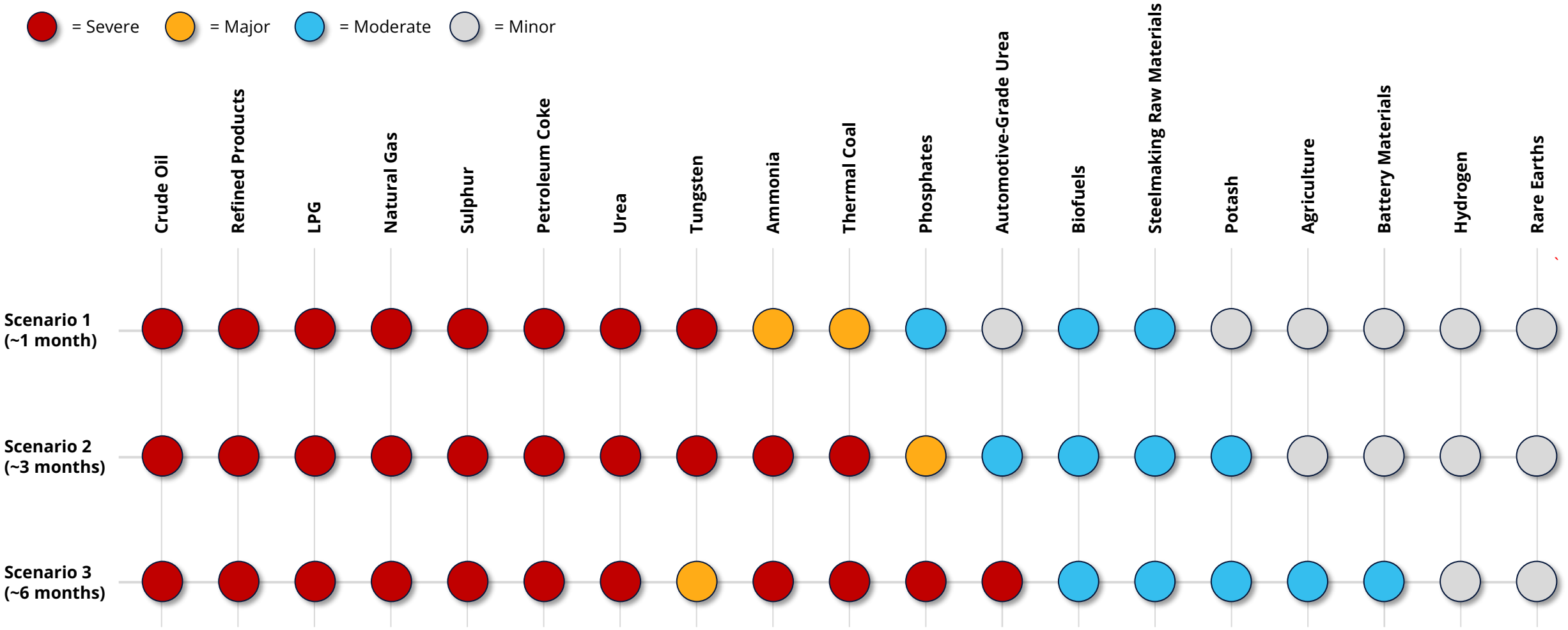
Looking at the summary graphic on the next page, and in reading the analysts' views over the subsequent 18 slides, it is evident that there is a very wide range of implications, with, predictably, those commodities that have strong connections to oil and gas being the most materially impacted; while those more closely linked to the energy transition seeing less dramatic consequences.

The most salient "so what" from this thought exercise, for me at least, is that the consequences of a conflict lasting for months rather than weeks are almost too significant to contemplate. As the politicians negotiate for peace and the armed forces exert their power, it might well be the economic imperative for peace that brings this conflict to an end sooner rather than later.

*- **Simon Morris**, Argus's Head of Analytics -*

Summary of implications by scenario

Anticipated disruptions to commodity value chains:



Crude oil

Crude transiting the Strait of Hormuz averaged close to 14mn b/d in 2025, almost a third of global seaborne crude exports. Iran's effective blockade of the waterway would be a major disruptor to the global oil market, and whilst almost 90pc of this crude flows east of Suez, global crude markets – particularly medium and heavy sour crude grades – will be heavily impacted as long as vessel transits remain obstructed.

1

Impact: Severe

Several incremental sources of supply could offset the loss through the Strait of Hormuz. Saudi Arabia's East-West pipeline optimistically has 3mn b/d of spare capacity, but would mean routing crude to the Red Sea, which is also facing disruption from the Houthi rebels in Yemen. UAE's 1.5mn b/d Habshan-Fujairah pipeline has around 500,000 b/d of spare capacity but Fujairah has also come under attack. Elsewhere, up to 1.5mn b/d of CIS crude sanctioned by the US could return to market, with India signalling some intent to resume buying Urals. SPR releases could also start to help ease market tightness, with the US, other OECD and China all capable of drawing down from sizable stocks. Nevertheless, the global oil market would remain short. Prices would have to rise to close to $100/bl to destroy enough demand to clear the market – similar to the price spike in June 2022.

2

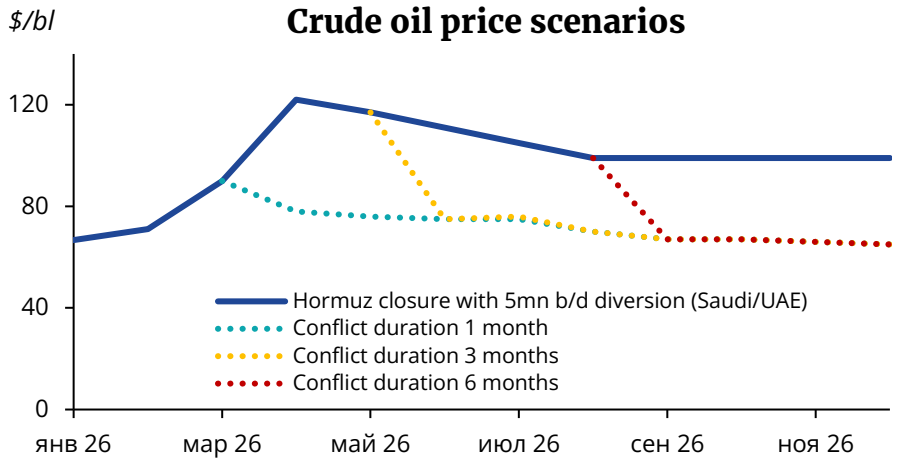
Impact: Severe

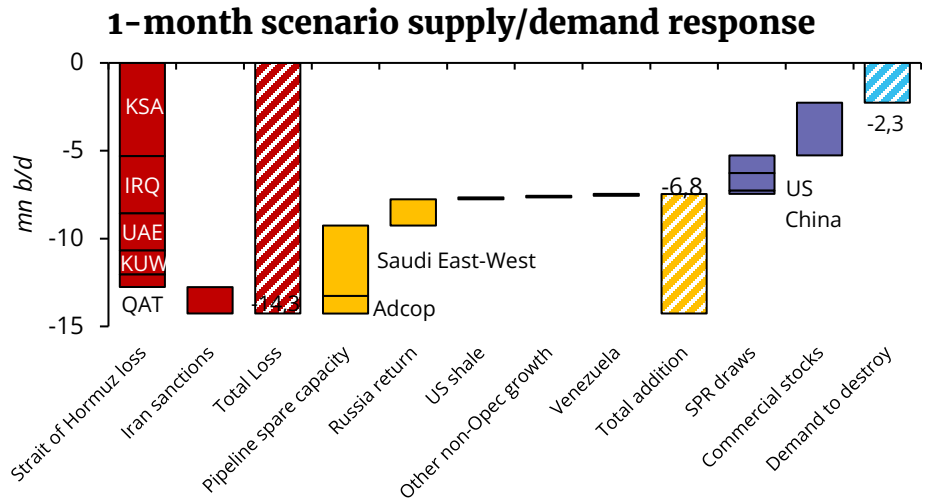
With prices having risen strongly, some additional non-Opec crude production comes to market. US shale production growth slowed last year, with WTI prices falling below the breakeven price for some operators. With $100+/bl prices, extra US shale growth is incentivised compared with a slight decline for US shale oil in scenario 1. Relatively short lead-times of 6-8 months for US shale would lead to an increase in production from 3Q26 onwards. Meanwhile, growth in Brazil, Guyana and Canada will help balance the market.

3

Impact: Severe

Crude prices will remain entrenched at ~$100/bl, triggering a significant supply response from the US shale oil sector. These prices also prove sufficient to incentivise more US and western companies to ramp up activities or enter Venezuela with the potential to increase production there by 300-500k b/d by the end of 2026. Further demand destruction due to elevated prices will play a crucial role in balancing the market.





Refined products

The middle distillates market are the most exposed to any disruption in supplies through the strait of Hormuz, with jet fuel particularly vulnerable. Jet fuel is the third largest refined product traded through the strait after naphtha and LPG, accounting for roughly 22pc of global jet exports in 2025. Most of these volumes move west, making Europe particularly vulnerable as nearly half of Europe's jet fuel imports depend on transit through the strait. Any prolonged interruption would therefore tighten the region's supply balances quickly and significantly.

1

Impact: Severe

Disruptions coincide with the spring refinery maintenance in Asia and Europe, which has already tightened the market. European middle distillate prices stay elevated to attract arbitrage barrels. Jet fuel remains the most exposed as Europe relies on the strait for nearly half of its jet imports. Restricted airspace curbs air traffic and softens demand growth but is not enough to offset supply tightness. This widening jet regrade incentivizes refiners to produce more jet fuel at the expense of diesel. The Asian naphtha market heavily relies on Mideast Gulf suppliers, and so with limited supplies, higher feedstock cost prompts petrochemical suppliers to cut steam cracker run rates. Shipping and bunkering activity in the Middle East will be heavily disrupted by the conflict with bunker Middle East demand projected to decline by 3.4mn t in 2026.

2

Impact: Severe

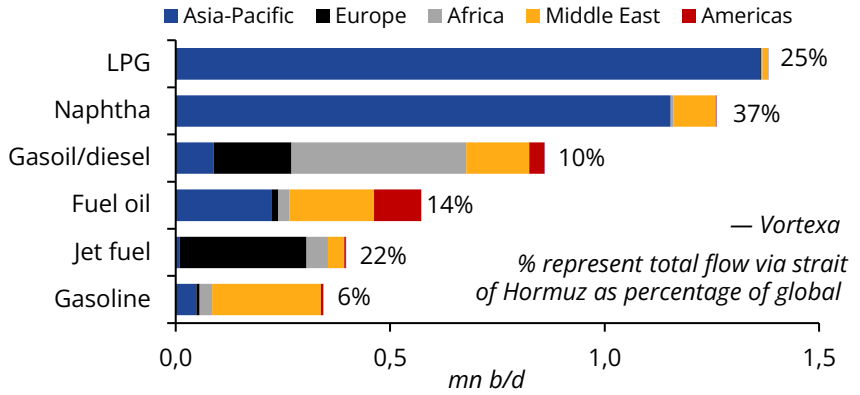
A rapid reshuffle of diesel and jet fuel trade results in more European imports from N America, Asia-Pacific, and potentially Nigeria, depending on the Dangote refinery. Similarly, naphtha flows from N America, Europe, and CIS to Asia-Pacific pick up. Diesel prices stabilise as the market rebalances, but a rise in crude prices will drive most product prices higher. Some degree of government intervention such as subsidy expansion, price caps or tax cuts is likely to cushion the impact of higher costs. Despite reshuffling of trade flows and longer shipping routes, global conventional bunker demand faces disruption, reducing by 4.7mn t.

3

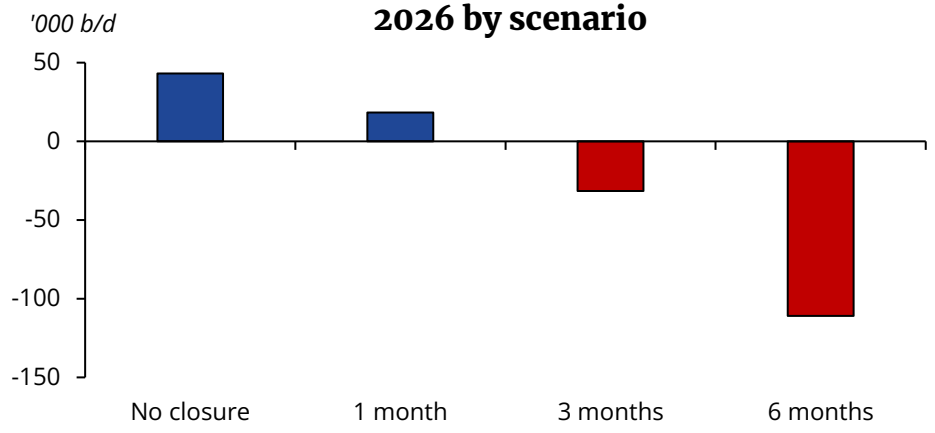
Impact: Severe

Ongoing reductions in Middle East air traffic, cuts 2026 global jet demand growth below 100,000 b/d (from 250,000 b/d pre-conflict). Crude is restricted into Asia-Pacific, even after stock releases, with reduced flows of heavy and medium sour Mideast Gulf grades lowering diesel yields at some Asian refiners, prompting governments to curb product exports to prioritise domestic supply. With broader macroeconomic fallout, global GDP growth slows, deepening the decline in product demand, particularly for diesel and global conventional bunkers.

Refined products destinations via the Strait of Hormuz



Middle East jet-kero demand increment in 2026 by scenario



LPG

LPG and naphtha markets are expected to face one of the most significant supply disruptions from the conflict given the Mideast Gulf's central role in global supply of these products. Approximately 28pc of global seaborne LPG exports and around 37pc of naphtha flows transit the Strait of Hormuz. The impact is likely to be felt most acutely in Asia, which is the main destination for Middle Eastern LPG and naphtha. We expect the most immediate effects to emerge in the petrochemical sector, reflecting its high sensitivity to price movements.

1

Impact: Severe

Disruption to flows through the Strait of Hormuz significantly tightens global LPG supplies. Argus AFEI, the key LPG price benchmark, surged by $128/ t following the closure, marking a record single-day increase, with prices are likely to remain elevated. India is most exposed, with Middle Eastern split cargoes supplying most of its inelastic residential demand, though demand destruction is unlikely before April given domestic prices are adjusted monthly. Asia's already-strained petrochemical sector will struggle to pass higher feedstock costs through the value chain, likely forcing run-rate reductions. This petrochemical demand response should eventually help cap how high delivered LPG prices in the Far East can rise.

2

Impact: Severe

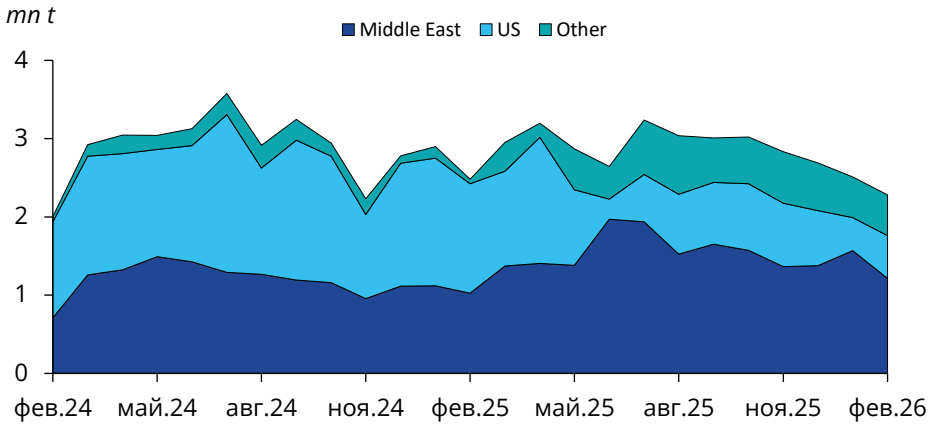
Global LPG trade flows are materially reshaped as Asian buyers seek cargoes from alternative sources. With several VLGCs stranded in the strait of Hormuz and no near-term additions to the LPG carrier fleet, freight rates face strong upward pressure. With naphtha supply also strained, LPG prices remain elevated, pushing feedstock costs higher, prompting Asian petrochemical producers to reduce operating rates further. Some relief emerges with Northern Hemisphere's summer, reducing heating demand, while butane demand for gasoline blending eases as refineries shift to summer-grade specifications. Additional supply from the US, supported by the Nederland terminal, could partially offset losses, but given the Middle East's dominant role in global butane exports, it is still likely to trade at a wider premium to propane.

3

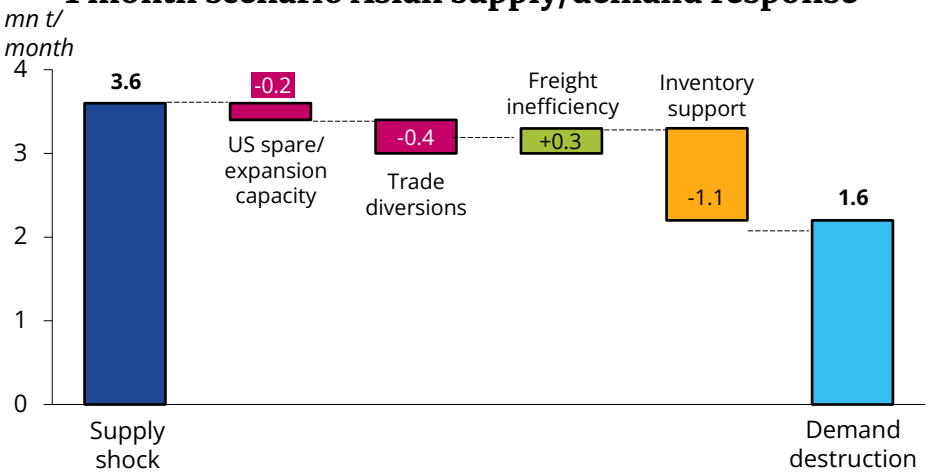
Impact: Severe

Disruptions delay the start of the seasonal LPG inventory build, as elevated prices discourage buyers. Some relief may come from the planned 360,000 b/d expansion of Enterprise's Neches River terminal in the US. However, as strategic crude inventories begin to decline, refinery run rates come under pressure, potentially weighing on LPG production. On the logistics side, the delivery of newbuild VLGCs is expected to begin during this period, which could help alleviate tight vessel availability and provide some relief to freight costs.

China's increasing dependence on Middle East LPG



1 month scenario Asian supply/demand response



Natural gas/LNG

The strait of Hormuz separates 82.6mn t/yr of LNG, 20pc of global supply — or 291mn m³/d of pipeline gas equivalent — from international markets. China, India, South Korea, Taiwan, Pakistan and Bangladesh are the most exposed to disruptions to Qatari supply, as they hold over 50mn t/yr of active supply contracts. The US is already maximising its LNG exports, so it cannot increase supply in response to a spike in international gas prices, but US offtakers can and will deliver to the location willing to pay the highest price. Elevated prices will be needed to incentivise fuel switching and demand restraint to cover any loss of Middle Eastern LNG supply.

1

Impact: Severe

Asian buyers need to partially replace lost contracted volumes, pushing northeast Asian LNG prices to a temporary premium to the TTF. Uncertainty over the duration of the disruption requires gas prices to rise to a premium to all other energy forms — likely to €55-70/MWh — to provide a clear signal for fuel switching and demand restraint. The reopening of the Strait of Hormuz and the restart of Ras Laffan would reverse the TTF spike. Prices initially fall to around €45/MWh, the upper boundary of the European coal-gas switching range, before falling to the mid-€30s/MWh, assuming no material damage to LNG-producing assets in Qatar.

2

Impact: Severe

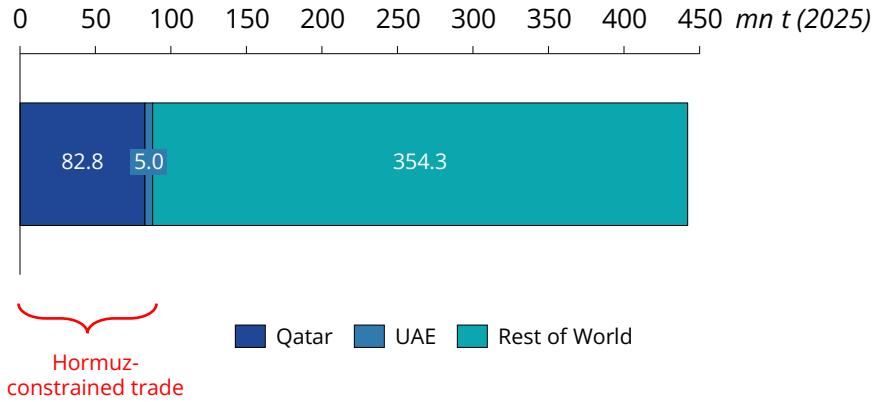
Qatari LNG being offline for the entire spring injection window forces more injection demand into the third quarter, causing European storage to enter the 2026-27 winter significantly below 90pc. Demand destruction begins because of sustained gas prices above €70/MWh. The TTF differential to northeast Asian LNG narrows to attract US LNG for the summer stock build. A geopolitical risk premium would become structurally embedded in the forward curve, not just the prompt market.

3

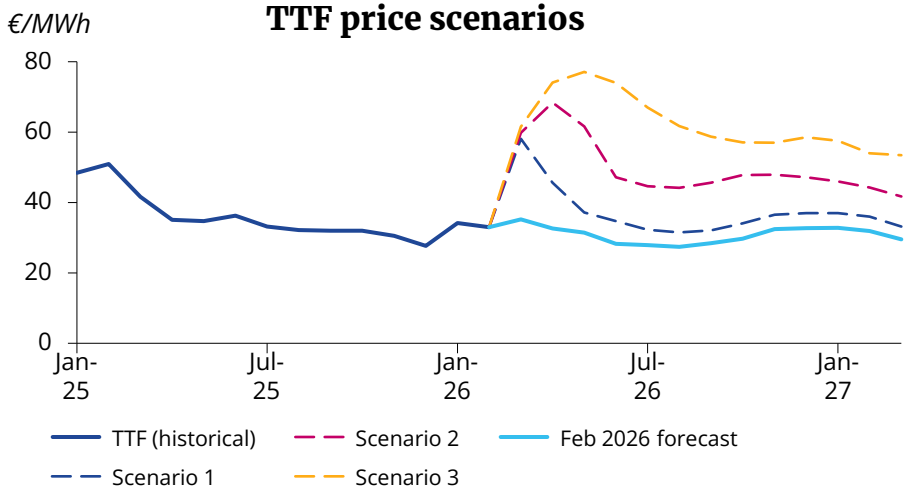
Impact: Severe

Europe enters the 2026-27 winter with storage at critically low levels. An indefinite delay to Qatar's LNG capacity expansion removing a key market balancing mechanism. The risk of a European recession rises sharply, and energy-intensive industries accelerate permanent relocation and offshoring decisions. The ramp-up of additional LNG supply from LNG Canada, Corpus Christi and Golden Pass in the US, Congo LNG 2, Energia Costa Azul in Mexico and Pluto 2 in Australia would enable a partial easing of prices towards parity with the upper end of oil-product switching rates of around €50-55/MWh.

LNG supply at risk



TTF price scenarios



Sulphur

Source: *Argus Sulphur Outlook Service*
Contact: *Meena.Chauhan@argusmedia.com*

Sulphur exports via the Strait of Hormuz totalled c. 19.5mn t in 2025, just under half of global sulphur trade. Around 33pc of global production is concentrated in the countries that utilize this route, with Iran estimated to supply around 4pc of global trade. Regional disruption, even briefly, will impact global prices and trade flows in an already structurally tight market. China imported 56pc of its 9.6mn t from the Middle East last year, while shipments from the region to Indonesia represented 76pc of supply.

1 **Impact: Severe**

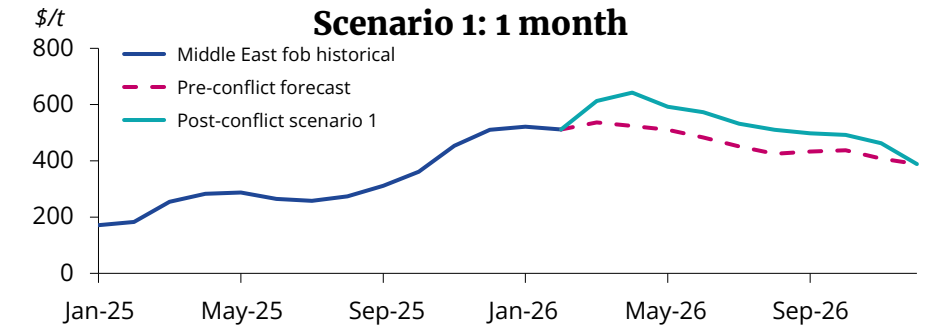
Drone strikes have led to Saudi Aramco taking its Ras Tanura refinery offline (a loss of c. 100 kt/yr sulphur capacity) and Qatar has halted sulphur production. This will lead to prices exceeding $600/t fob, peak around $650s/t fob in April before a correction ensues. The supply chain backlog, the ongoing risk pushing freight rates up and strong demand from China and Indonesia will prevent prices from crashing. The trade balance deficit will remain for the rest of the year with the lack of CIS tonnes continuing to exacerbate the tightness amid an export ban, which now seems unlikely will be lifted at the end of March.

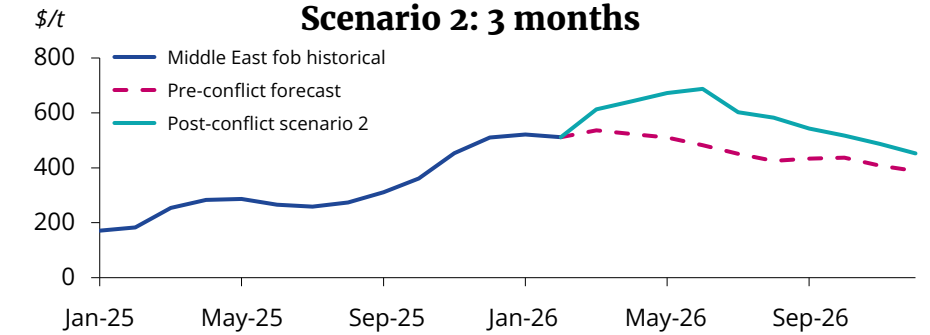
2 **Impact: Severe**

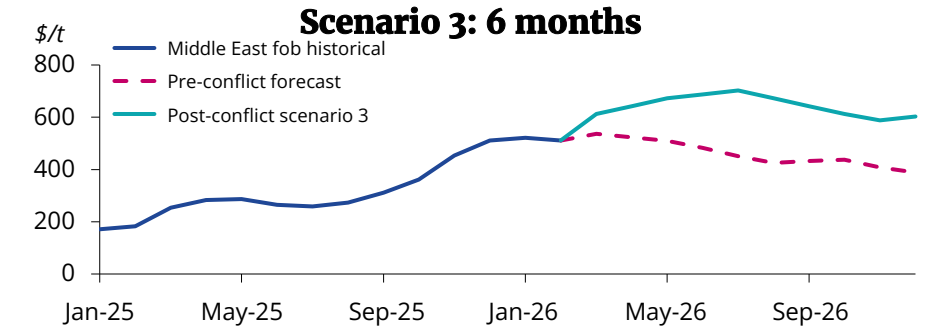
Supply does not emerge from alternative sources, with other major exporters already moving available tonnes. The changing crude oil slate could impact production, but even in a scenario with heavier crude from Venezuela this will not offset critical losses from the Middle East. Oman will remain the main Middle East exporter via Duqm. Key end user markets China, Brazil, Indonesia, India and Morocco may be able to remain out of the market for part of March, but beyond this will need to procure tonnes and replenish stocks. Freight rates will rise, with added risk premiums keeping cfr pricing high even after the Strait reopens. Demand destruction in the processed phosphates sector is expected once pricing lifts to above $600/t, triggering a softening from July.

3 **Impact: Severe**

Sulphur prices will remain high and peak around $700/t fob before stabilising around $650/t. There is no equivalent supply in the global sulphur market that can replace Middle Eastern tonnes. The CIS sulphur export ban could lift in Q4, and only small incremental sources of supply could emerge, but a trade deficit is forecast to remain, particularly as the peak season for the fertilizer market approaches and new Indonesian sulphur burners start up in H2 for nickel operations. The ongoing absence of Middle Eastern supply will increase competition for tonnes from N America and central Asia, driving up prices across all benchmarks.







Petroleum coke

While the Middle East accounts for a relatively small amount of anode-grade petroleum coke supply, regional disruptions will impact the shipment of key feedstocks to China, resulting in lower coke production. Around 2.8mn t/yr of fuel-grade coke supply typically ships from the Middle East to Indian cement makers. Expensive heavy crude will result in lighter crude slates in the US, leading to lower coke output and further tightening supply. Gas-to-coal fuel switching caused by disrupted LNG supply will support coal prices and in turn coke prices. Regional aluminium production and exports could be curtailed shifting anode-grade coke flows.

1 **Impact: Severe**

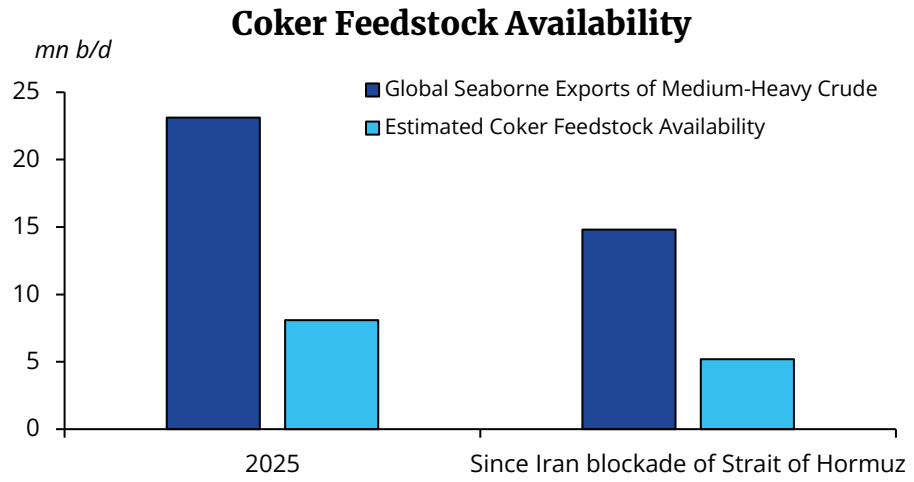
Shipments of medium-sulphur anode-grade coke from Kuwait, the UAE and Oman will be halted, reducing supply for calciners and supporting GPC prices. However, green coke stockpiles at China's Rizhao port rose in late February, much of which is likely to be anode-grade GPC that can sustain the Chinese market temporarily. Expensive heavy sour crude will result in lighter crude slates in the US that produce lower coke volumes. As fuel-grade coke supply was already tight, lower output from the US and disruption of Saudi Arabia's coke shipments will significantly tighten supply and drive up prices. A short-lived spike in coal prices will also support coke prices. Risk premiums will increase freight rates and make delivered prices expensive.

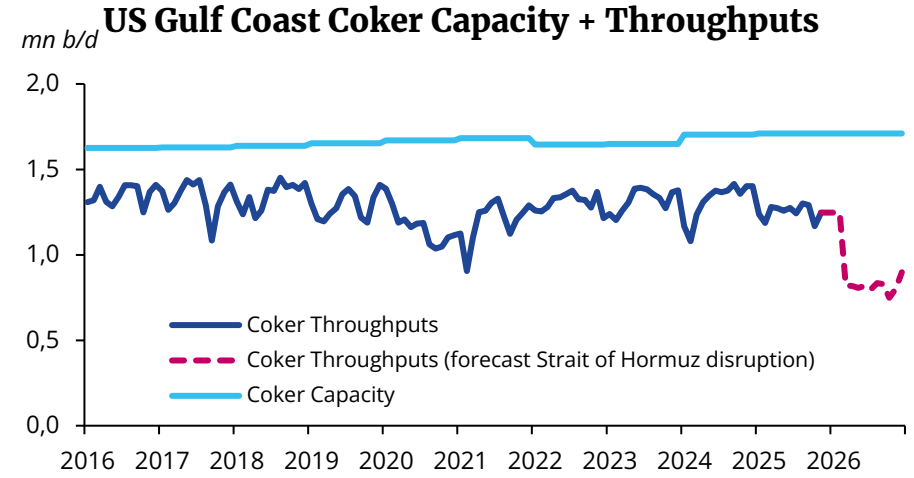
2 **Impact: Severe**

An extended loss of Middle East crude availability will result in lower overall refinery runs and coker throughputs for Chinese independent refiners, leading to lower anode-grade coke output. The independent Chinese refining sector is a major supplier of anode-grade petcoke, and so lower supply from these producers will support prices, especially as coke stockpiles are also drawn down. Sustained coal prices and tight fuel-grade coke supply will continue supporting coke prices. Prolonged price strength will result in demand destruction. One of the most likely candidates is China's glassmaking industry given demand has been weak already and other sectors, like the Indian and Turkish cement sectors, have greater fuel needs.

3 **Impact: Severe**

A lengthy disruption to raw material imports and aluminium exports through the strait of Hormuz could lead to production curtailments in the Mideast Gulf, although capacity is relatively small globally. Other regions may respond by increasing aluminium output and restarting idled smelters, shifting anode-grade coke demand, but tighter anode-grade coke supply could limit smelters' ability to increase output. Tight heavy crude markets will continue to limit US Gulf coke production, but the US Gulf could see some respite as investment in Venezuelan crude production partially offsets tight markets.





Source: *Argus Urea Outlook Service*
Contact: *Owen.gooch@argusmedia.com*

Urea

How long the war continues – and how long the Strait of Hormuz remains effectively unnavigable – will determine the extent of the urea price spike. Due to a conflict in 2022, urea prices increased by about $200/t within four weeks before falling more than $300/t over the next two months. But Middle Eastern producers ship roughly 20mn t/yr of urea, about one-third of global export supply, so any sustained disruption has far greater implications.

1

Impact: Severe

The urea market experiences a short-term tightening. Qatar and Iran's urea export base means even temporary outages influence spot availability, pushing prices higher. Freight disruptions through the Strait of Hormuz inflate costs, but once stability is restored, urea supply chains recover relatively quickly. Import-dependent regions will likely delay or ration purchases until price volatility eases, reducing the longer-term impact.

2

Impact: Severe

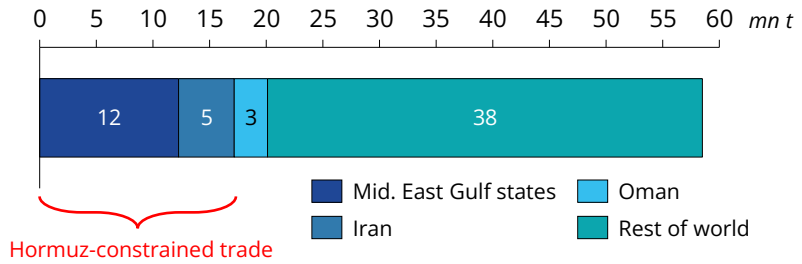
Hopes will turn to China's ability to begin exporting earlier, and under larger quotas than it did in 2025. But this remains a hope rather than a firm expectation. With around 85pc of the gas consumed in Indian urea production coming from RLNG, there is a real risk that the urea supply gap could widen if India struggles to replace Qatari volumes (over 50 pc of India's LNG supply) with alternative supply. Elsewhere, although Egypt sources most of its LNG from the US Gulf, the disruption to Israeli gas pipeline imports stretches an already tight gas balance, putting urea production run rates at risk.

3

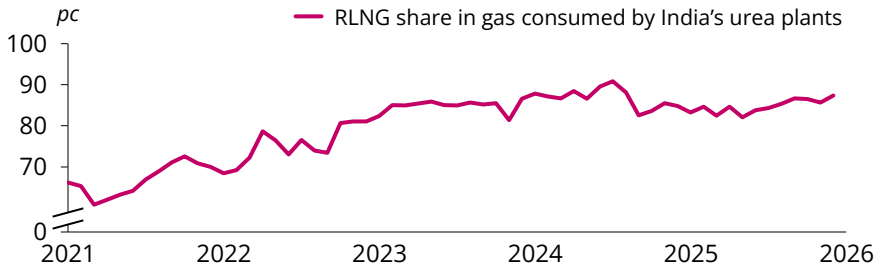
Impact: Severe

A sustained period of elevated urea prices brings fertilizer affordability back into focus. Buyers' resistance had already been seen at $500/t cfr, but fob values have already moved rapidly well above this level. Affordability in several major markers had already fallen to its lowest levels since 2022 conflict, prior to the onset of conflict in the Middle East Gulf.

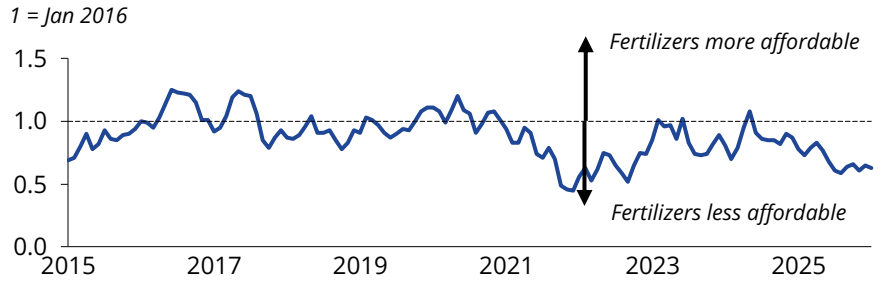
Urea trade at risk, 2025



Indirect impact: Indian urea relies on Qatari LNG



European nitrogen fertilizer affordability index



Source: *Argus Tungsten Analytics Service*
Contact: *Mark.seddon@argusmedia.com*

Tungsten

Tungsten is a critical strategic material in military applications, and any large conflict significantly impacts the whole value chain. It is widely used as a high-performance, non-radioactive alternative to depleted uranium for heavy-duty military hardware, particularly in armour-piercing ammunition and missiles for kinetic bombardment.

1 **Impact: Severe**

The tungsten market is already fundamental tight due to a shortage of concentrate, particularly in China. China is finding it difficult to maintain domestic production and is increasingly relying on imports to feed into downstream processing. Tungsten prices have doubled year-to-date and since the attack on Iran, have increased a further 17%. Most of this latest increase will be due to speculation and so prices should begin to moderate from April.

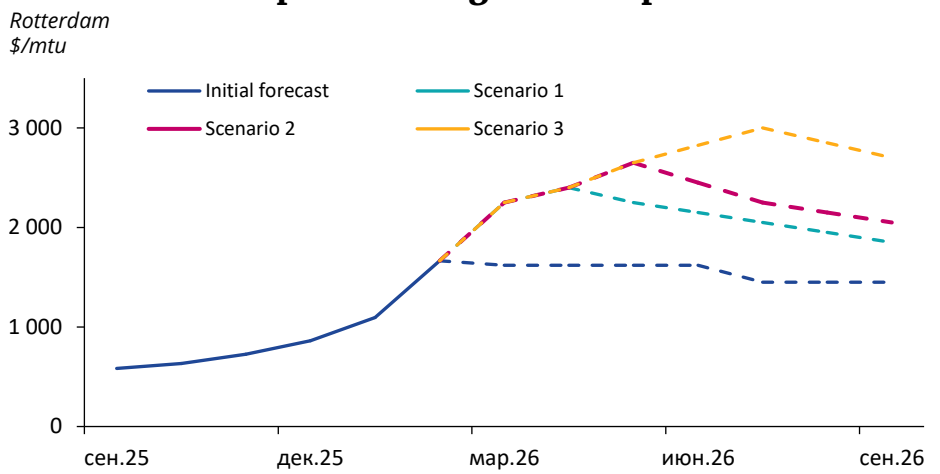
2 **Impact: Severe**

The fundamental situation in the market remains relatively unchanged but speculative activity continues to push tungsten APT prices to new record levels and a peak 450% higher than September 2025 . The peak in prices is pushed out to May and prices then moderate but would remain around 10% higher. The level of depletion of missile stocks will become more apparent and give some indication of the medium- to longer-term requirement for restocking, and consumption of tungsten in the defence sector.

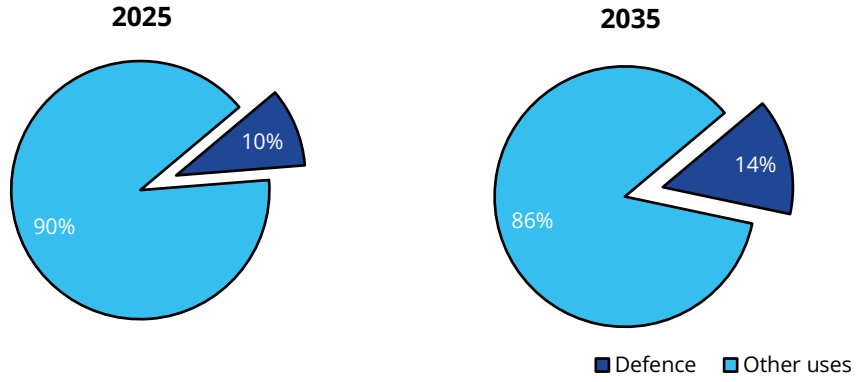
3 **Impact: Major**

Tungsten APT prices push on to $3,000/mtu (over 500% higher than September 2025) and remain 45% higher than scenario 1 by September 2026. A longer-term conflict will severely deplete stocks of missiles and lead to increased demand for tungsten as the parties to the conflict seek to rearm and replenish stocks. It is possible that a longer conflict in the Gulf region will push countries to spend more of their GDP on defence, over and above current commitments, with a corresponding increase in tungsten demand for military applications.

Impact on Tungsten APT price



Tungsten demand in defence



Ammonia

Source: *Argus Ammonia Outlook Service*
Contact: *Jake.preston@argusmedia.com*

The Middle East plays a critical role in global ammonia trade, accounting for over 4 Mt of seaborne ammonia with 3.6 Mt explicitly Hormuz-constrained. Any disruption immediately affects supply availability and pricing across the value chain. The conflict could materially reshape global ammonia trade due to the region's role in seaborne supply, and threatens both short-term price stability and the structural balance of global ammonia supply.

1 **Impact: Major**

Global ammonia prices remain elevated due to supply constraints following strikes in Qatar which caused a halt in LNG production. Output losses would be limited in duration, but shipping through the Strait of Hormuz would face elevated insurance premiums and transit delays. Trade flows normalise quickly once Qatar resumes LNG and associated product operations. Exports quickly return to pre-conflict levels, alleviating supply tightness. Prices would still remain elevated into Q2 as the market seeks alternatives, but would have normalised by May, in time for India's buying for the Rabi crop season.

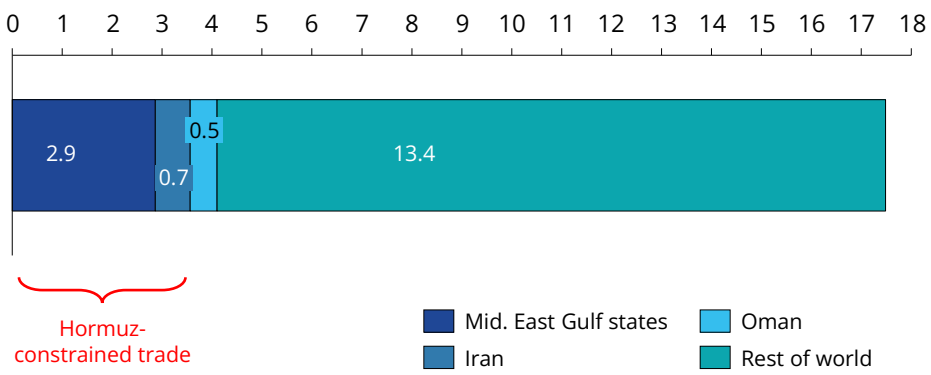
2 **Impact: Severe**

A prolonged loss of Middle Eastern ammonia, particularly Saudi supply, would cause prices to firm quickly in Q2, reaching a level similar to the onset of the conflict in 2022, when a comparable volume of merchant ammonia was cut off from international markets. New capacity, including Woodside's Beaumont Texas plant, could offset lost volumes as production ramps up. Exports would resume in June 2026, after which prices would return towards current levels over the following 1–3 months, depending on downstream demand. Industrial buyers in East Asia will likely cut their imports first, preventing prices from exceeding $750/t fob Middle East.

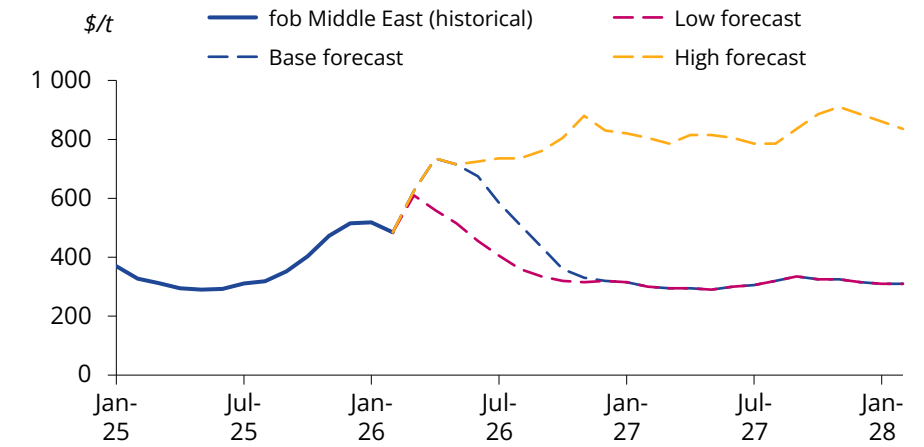
3 **Impact: Severe**

4mn t/yr of Middle Eastern ammonia is cut off from the market resulting in structurally higher ammonia prices globally and huge seasonality swings. Fertilizer demand from key markets would drive up prices to above $900/t at fob Middle East from September–December. Widespread demand destruction would ensue, with the traded market likely falling below 15mn t for the first time since at least 2000.

Ammonia trade at risk



Ammonia trade at risk



Source: *Argus Seaborne Coal Outlook Service*
Contact: *Alex.Thackrah@argusmedia.com*

Thermal coal

The Middle East accounts for <1% of global seaborne steam coal demand so there is little disruption risk to physical coal infrastructure. The main impact is via higher demand driven by gas-to-coal fuel-switching and petcoke substitution. Negligible coal volumes transit Hormuz but c. 2mn tonnes/month coal transits Suez. The conflict comes at a time when the Indonesian government has been enforcing supply controls, tightening the global balance.

1 **Impact: Major**

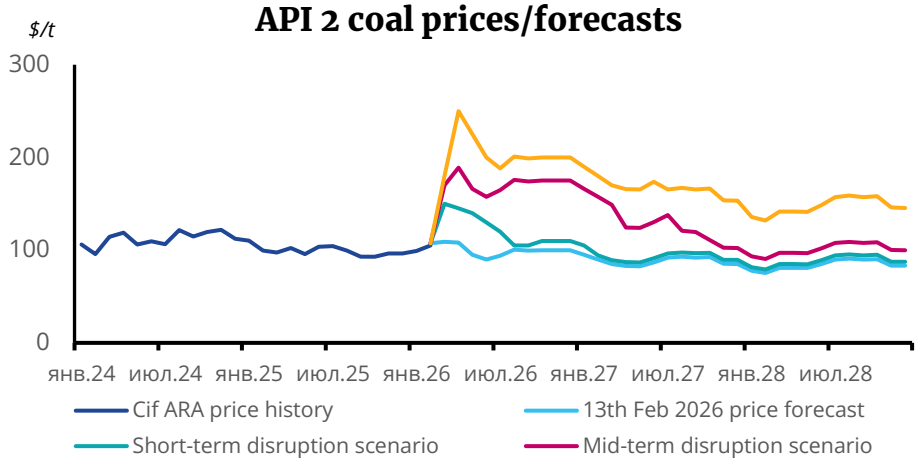
In the event of a short-lived disruption to LNG supply, the associated coal price spike would also be short-lived. But a higher balance of 2026 spot demand from the EU, Japan, South Korea and Taiwan (JKT) would be expected, driven by gas-to-coal switching from the power sector. Prices would ease during 2Q/3Q 2026 as supply chains normalise and nuclear availability in Japan and Korea improves. Disruption to LNG and petcoke supply would stimulate higher cement-sector coal demand from India, but the impact on India's power-sector imports would be limited by high domestic coal inventories.

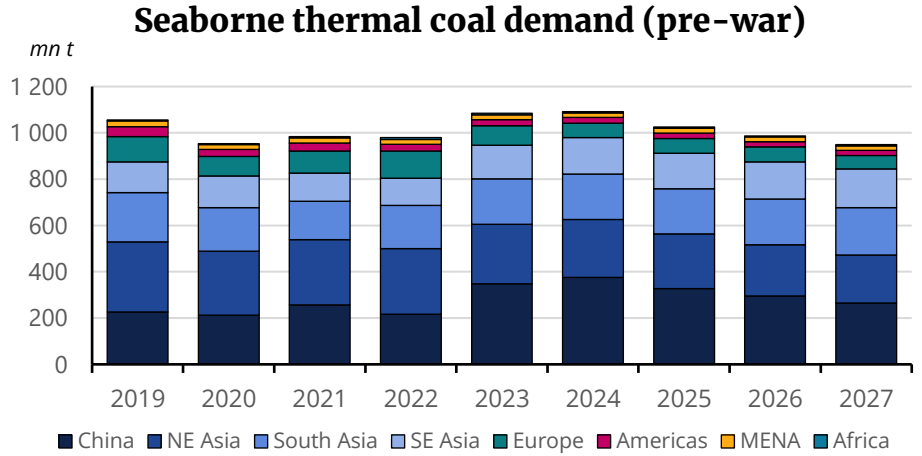
2 **Impact: Severe**

If LNG supply is constrained for months, then coal burn would become entrenched in NW Europe and JKT for the duration of 2026, leading to a rollback of certain emissions restriction policies. Mothballed coal plants in the EU would receive mandates to restart, to assist with its summer gas storage refill. Idled coal plants in Taiwan would return, with demand destruction from price-sensitive buyers such as Pakistan and Vietnam. High-CV coal prices would be sustained in the mid-to-high $100s/t, incentivising additional supply from key CIS producer, South Africa, Indonesia and Colombia.

3 **Impact: Severe**

Prolonged disruption to LNG supplies would stimulate multi-year demand for seaborne coal. Governments would roll back on ESG policies, while power-sector buyers would prioritise diversification through higher coal procurement as confidence in LNG supply chains diminishes. Coal power plant phase-outs would be delayed again, while stickier energy/cost inflation would support a materially higher coal price floor. Post-conflict rebuilding efforts could support higher coal demand for cement/industry, but this would need to be weighed up against the prospect of lower GDP growth.





Phosphates – DAP/MAP

The impact of the US-Iran conflict on the DAP/MAP market has not been immediate as a) operations in Saudi Arabia and Jordan have been unaffected, b) it is low season, and c) market participants are taking time to assess the situation. But it is the closure of the Strait of Hormuz and constrained sulphur and ammonia availability which could disrupt the phosphate market globally if the conflict is prolonged.

1 **Impact: Moderate**

Initial impacts will be somewhat mitigated with it being low season for many key consuming regions and with some P_2O_5 demand destruction seen earlier in the year. But, with interest starting to emerge for the key spring and kharif application seasons coupled with the conflict, prices will rise more quickly as sulphur/sulphuric acid and ammonia supply constraints drive up costs for those producers able to procure these products. A lack of availability will result in lower operating rates from key producers; OCP is already holding back processed phosphate offers on raw material supply concerns. Saudi Arabian producers (c. 16pc of global DAP/MAP exports) are unlikely to see major raw material sourcing difficulties, but the closure of the Strait of Hormuz will hinder DAP/MAP exports, tightening the market further. Saudi Arabian product.

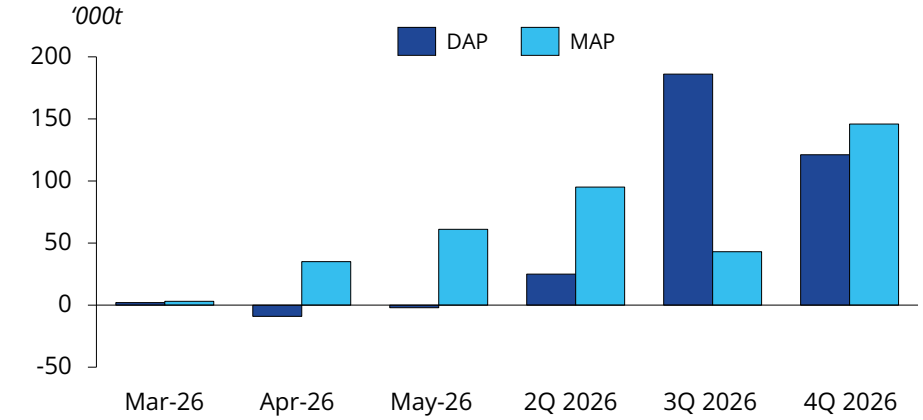
2 **Impact: Major**

Q2 is the key consumption period for many markets as it is the start of spring and kharif application seasons. The continued closure of the Strait will limit deliveries of processed phosphates to global consumers from some key producers and the shortage of raw materials will curtail production from others. OCP's production (c. 26pc of global DAP/MAP export supply) will be exposed as it is 100pc reliant on imported sulphur and ammonia. Phosphate prices will firm rapidly with supply shortages and rising raw material prices pushing up production costs for those still operating setting a price floor.

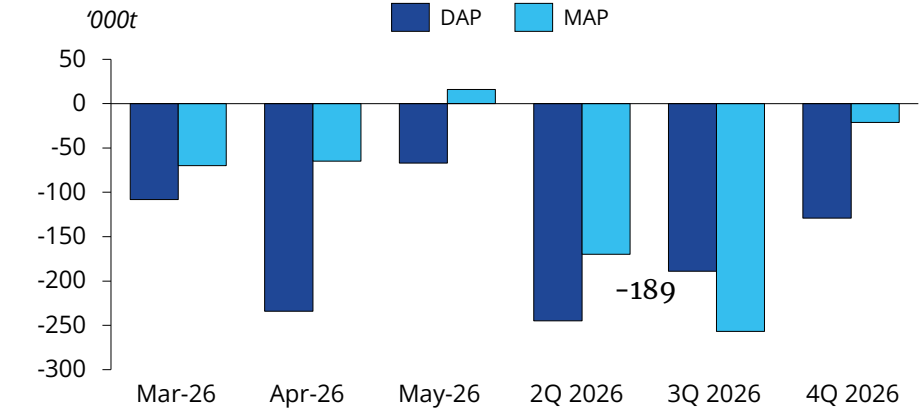
3 **Impact: Severe**

The return of Chinese tonnes to the merchant market and ensuing surplus from July/August had been the key driver of expectations on steep price decline in H2 2026. An extended conflict would keep sulphur prices elevated, in turn keeping Chinese DAP/MAP exports heavily reduced for an extended period. This would compound the drivers noted above, push the short-term trade balance into significant deficit and drive phosphate prices even higher. But by this point demand destruction would be significant in European, Latin America and Southeast Asia markets which have already been struggling with fertilizer affordability for several years. The situation would be further compounded with the startup of new phosphate production units likely delayed because of limited raw material availability.

DAP/MAP trade balance, Feb 2026



DAP/MAP trade balance: Scenario 3



Automotive-Grade Urea (AGU)

Source: *Argus AdBlue-DEF and TGU Analytics Service*
Contact: *Bryn.James@argusmedia.com*

India's automotive-grade urea (AGU) import requirement is forecast around 117 kt, with c. 40pc coming from Saudi Arabia and Iran. Prices are rising across the board with disruptions through the Strait of Hormuz leading to higher insurance premiums and longer lead times. Cessation of Egyptian output would impact buyers west of Suez, particularly Europe. Key CIS producer would likely fill the supply gaps in Europe and the Americas, but AGU prices could rise well above $800/t.

1 **Impact: Minor**

European supply would be mostly unaffected as the Middle East plays a smaller role in its import market and high pre-CBAM stocks continue to supplement demand. Pipeline gas supply between Israel and Egypt has stopped, but there have been no reports of gas shortages requiring a drop in Egypt's AGU output. During the Israel/ Iran 12-day war in June 2025, all seven of Iran's urea plants weeks (at least two sell into the AGU market) were closed for up to four, but this caused no major disruption to Indian buyers, particularly as no assets were damaged and fresh Iranian offers emerged following a ceasefire.

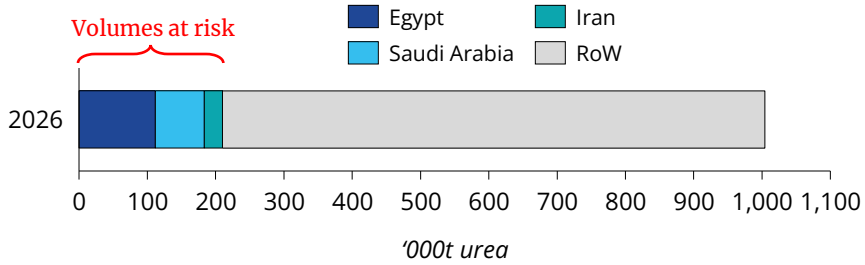
2 **Impact: Moderate**

Egyptian production cuts could see European importers turn to CIS despite a punitive tariff of €40/t, rising to €60/t in June (in addition to the existing 6.5pc duty). The ceiling for AGU prices is unclear, but there is precedent to suggest a longer conflict could lead to delivered prices well above $800/t in Brazil and India. Traders will hope for an earlier Chinese export window with larger quotas above 2025 volumes. China proved in the H2 2025 that they could meet domestic demand while still participating meaningfully in the export market. But this remains a hope rather than firm expectation.

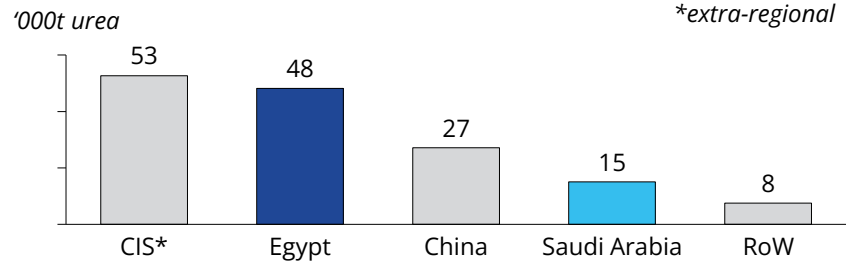
3 **Impact: Severe**

A longer conflict would put pressure on the major importers, with Chinese AGU the only market capable of keeping India afloat if Middle Eastern volumes remain unavailable, meaning it could set the price ceiling. Some producers in SE Asia such as PVFCCo in Vietnam or Pupuk in Indonesia might be able to contribute, but spot availability is usually limited and could face firm international competition. Key CIS producer would likely sustain import requirements in the Americas, which has been its main market following European tariffs imposed on a CIS producer since July 2025. European tariffs on this CIS producer may not be much of a deterrent to European buyers in the absence of Egyptian origins which would mean further competition in the Americas.

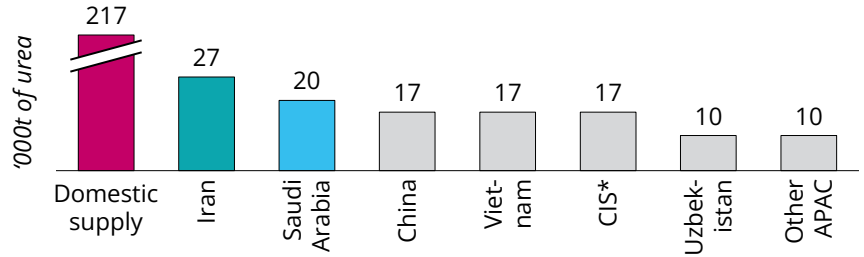
Extra-regional AGU trade at risk, 2026



Forecast European AGU imports* by origin, 2026



Forecast Indian AGU supply by origin, 2026



Biofuels

Source: *Argus Biofuels Outlook Service*
Contact: *Alex.kauffmann@argusmedia.com*

Biofuels will see knock-on impacts of rising diesel and gasoline prices, but impacts will be cushioned by counter-adjusting biofuel premiums. The Middle East plays a minor role in global biofuels markets as both capacity and demand in the region is limited. As such, biofuels prices have had a muted reaction as premiums fell, but lower premiums could boost voluntary demand. If the conflict persists, rising energy costs could pressure margins and raise prices.

1 **Impact:** Moderate

Most biofuels markets trade as a differential to underlying product prices. As these move to multi-year highs, premiums will ease to leave outright prices steady. Biofuel premiums are reflected in credit prices such as RINs in the US and tickets in Europe, which will lose value. In the short term, this might encourage additional discretional blending as biofuels will be relatively cheaper. However, because most biofuels consumption is mandated, excess blending will imply reduced demand towards the end of the year.
Ethanol will be most exposed to rising natural gas prices which will translate into price increases. Rising energy costs could also pressure thin biodiesel margins, but less so than ethanol. RD/HVO/SAF have stronger margins so pressure will be limited. Rising freight rates could impact markets which imports biofuels. For example, Europe's SAF supply mostly originates in China, so rising freight rates will raise SAF prices in Europe while China remains the marginal supplier.

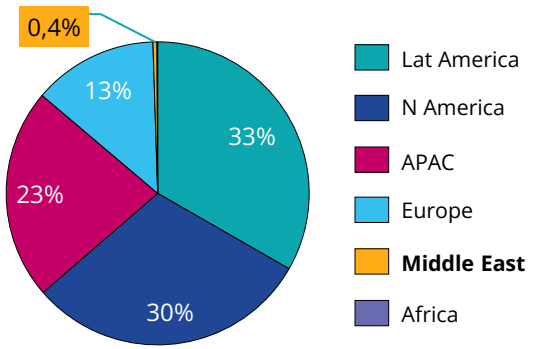
2 **Impact:** Moderate

While the impacts will not fundamentally differ if the conflict extends, some stickiness in biofuel credit prices and ticket prices are probable, which may have a slower reaction. Therefore, if high diesel and gasoline prices persist for a longer period this will erode credit and ticket prices.

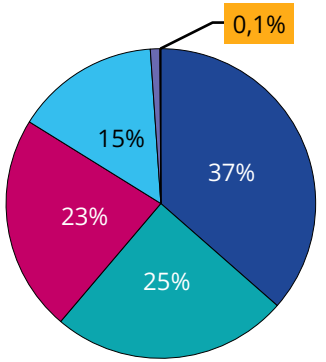
3 **Impact:** Moderate

Impacts are not expected to fundamentally differ as a result of a longer conflict.

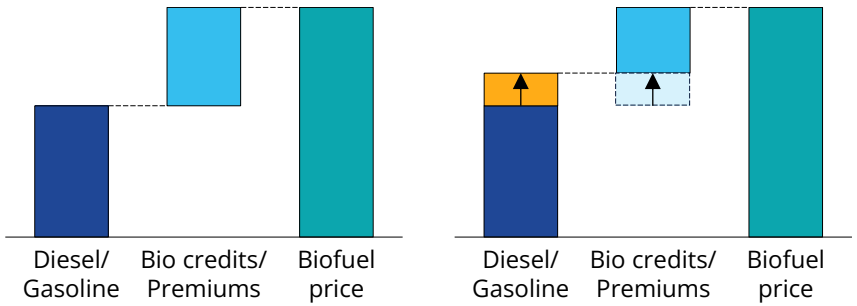
Biofuels capacity, 2026



Biofuels demand, 2026



Impact of rising product prices on biofuels (illustrative)



Steelmaking Raw Materials

Source: *Argus Steel Raw Materials Outlook Service*
Contact: *Dale.Hazeleton@argusmedia.com*

Iran is a small player in the global iron ore market, with most of its exports going to China. Its local role is more important, where it supplies around 5pc of the region's iron ore imports and more than 1mn t to Oman. Bahrain, Qatar, and UAE will be most impacted by the closure of the Strait of Hormuz with an estimated 34-35mn t of iron ore flows, both imports and exports, potentially impacted.

1 **Impact:** Moderate

The main impact on the ferrous market will come from freight disruption. After the war began, iron ore and scrap trading paused as the market waited for freight volatility to stabilize and for new rate offers. Steel producers also withdrew offers, and prices are expected to rise—especially in Europe, where electric arc furnace (EAF) producers face surging power and gas costs. The strongest price effects are likely in the Middle East and Europe, with opportunities for Brazilian iron ore shipments.

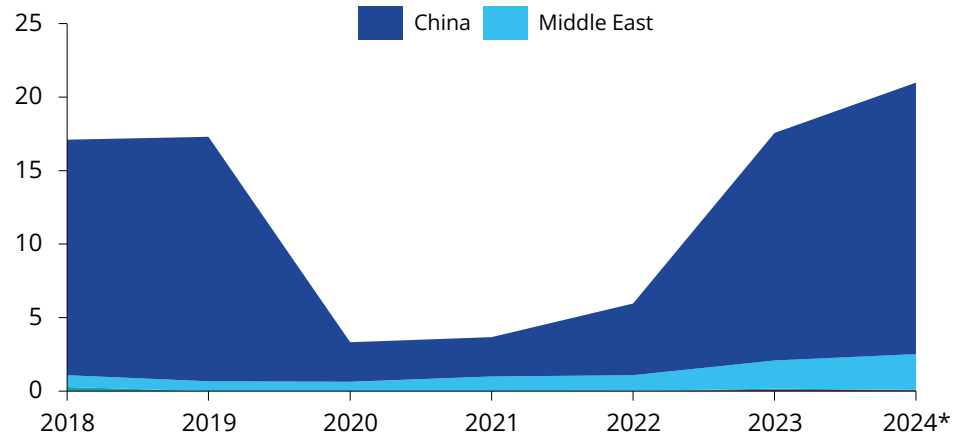
2 **Impact:** Moderate

Risks remain concentrated in Europe and the Middle East, driven by high electricity costs and Strait of Hormuz constraints. Europe is particularly exposed with nearly half of Europe's steel expected to come from EAFs this year. Upward pressure from higher input costs will come up against the downward pressure of weak steel demand. If steel prices don't rise, production curtailments would become likely and, eventually, push up steel prices to incentivize enough production to meet demand.

3 **Impact:** Moderate

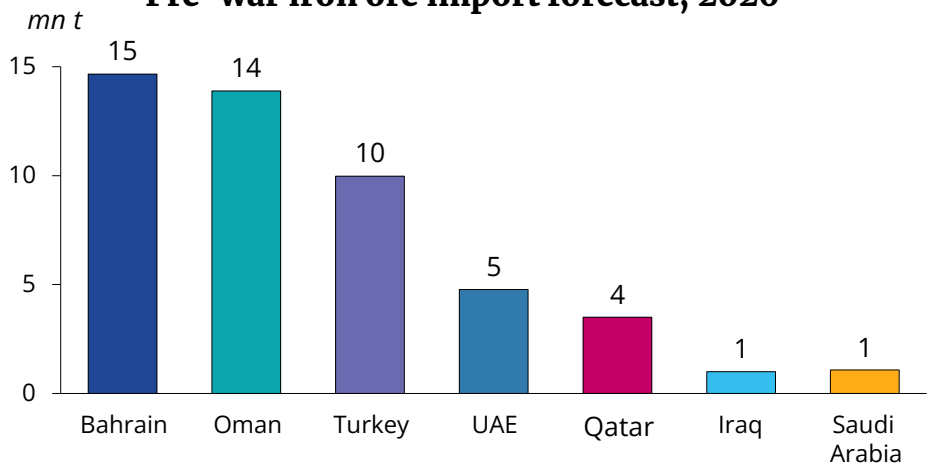
In a prolonged conflict with persistently high European electricity prices, blast furnace production could increase. With mill utilization below 70% last year, there is enough spare capacity to offset EAF curtailments, a trend that may start within three months and accelerate over the year. This shift would boost demand for Brazilian and African ore, but rising global production means any price gains are unlikely to last. Even in this scenario, additional seaborne supply should ultimately push iron ore prices lower.

Iran's iron ore export destinations



**2024 is last full reported year.*

Pre-war iron ore import forecast, 2026[2]



Potash – MOP/SOP

Source: *Argus Potash Outlook Service*
Contact: *Timothy.evans@argusmedia.com*

The US-Iran conflict has not had an immediate impact on the MOP market as operations at key regional producers in Israel and Jordan have not been affected. Some MOP suppliers have withdrawn offers globally and the market largely anticipates higher fertilizer and freight costs, although most suppliers are well committed in the near term. SOP is reacting more quickly, as substantial sulphur supply moves through the Straits of Hormuz.

1 **Impact: Minor**

Even though MOP itself is not a major Hormuz transit commodity, the conflict has quickly driven up war-risk insurance premiums, freight rates, and routing inefficiencies across global shipping. Beyond freight, the main risk is disruption to regional production or reliable market access. ICL in Israel and APC in Jordan are operating normally, and there are no disruptions to shipments departing from Israel and Jordan but the risk remains, adding price support. The SOP market faces a more immediate impact via rising input costs. Egyptian producer Evergrow, has paused new SOP offers given the uncertainty of sulphur prices.

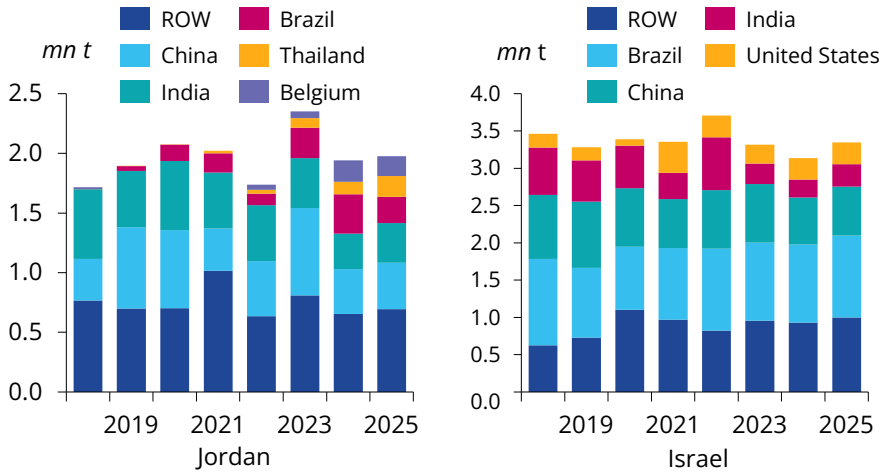
2 **Impact: Moderate**

Q2 was already expected to be a tight market for MOP. In scenario 2, although market fundamentals don't materially shift, the ongoing risk to regional supply provides producers with leverage to raise prices. While no impacts on regional MOP export volumes are predicted, the top graphs show the main destinations of Israeli and Jordanian MOP exports. Recently, ICL and APC have shipped more to Western markets vs to the East, and this would likely be amplified. Chinese SOP exports remain banned, and a reduction in SOP Mannheim production over this period will tighten the market further, widening the premium over MOP.

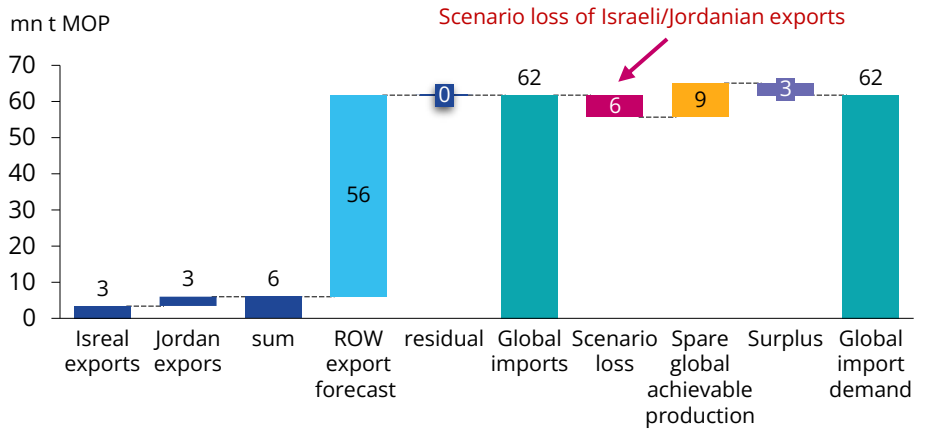
3 **Impact: Moderate**

Assuming there is no impact on ICL and APC operations there will be limited further price firming. But the ongoing risk will likely dampen the softening effects of new capacity coming online in 2026 and slow the rate of decline in H2. Beyond six months, farmer MOP demand may be eroded by sustained elevated input costs. The bottom graph looks at an extreme and unlikely scenario of prolonged supply constraints out of Israel and Jordan. Even with 6mn t of exports removed, there is reasonable spare achievable production in 2026, which will be able to meet import demands. But even if the market can respond, pressure from a smaller pool of suppliers would lead to rising prices.

Jordan and Israeli MOP exports by destination



Spare achievable MOP production, 2026



Agriculture

Source: *Argus AgriMarkets Outlook Service*
Contact: *Maxence.devillers@argusmedia.com*

Agricultural trade with the Gulf is small and makes up only 4-6pc of world grains imports. The conflict in the region is therefore not expected to have a direct effect on grain prices or supply. Wheat and corn prices rose on the first trading day after the Strait of Hormuz closed, as markets reacted to uncertainty. Prices then fell back in the days that followed, showing that the impact eased quickly.

1 **Impact:** Minor

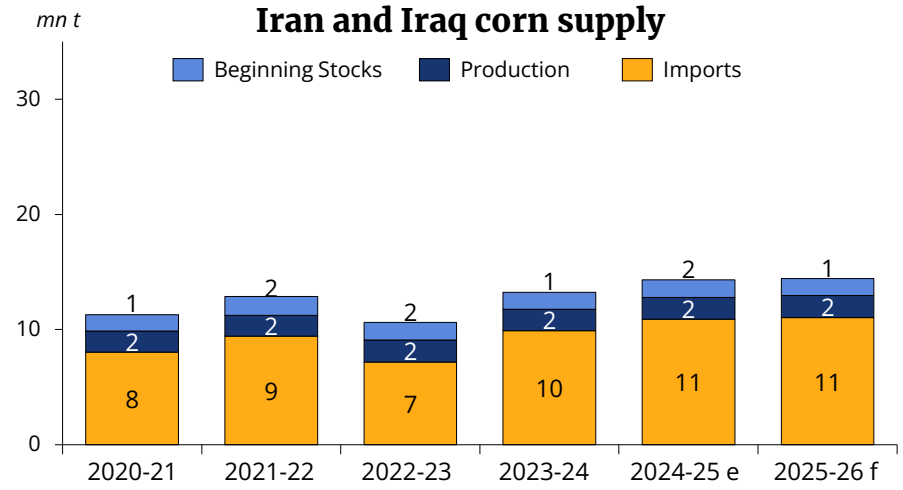
The US-Iran conflict is likely to have only a small effect on farm commodities in the first month because trade between the Middle East and the main exporters is limited. The conflict could still make prices more volatile, as trading activity by funds could trigger short-term moves.

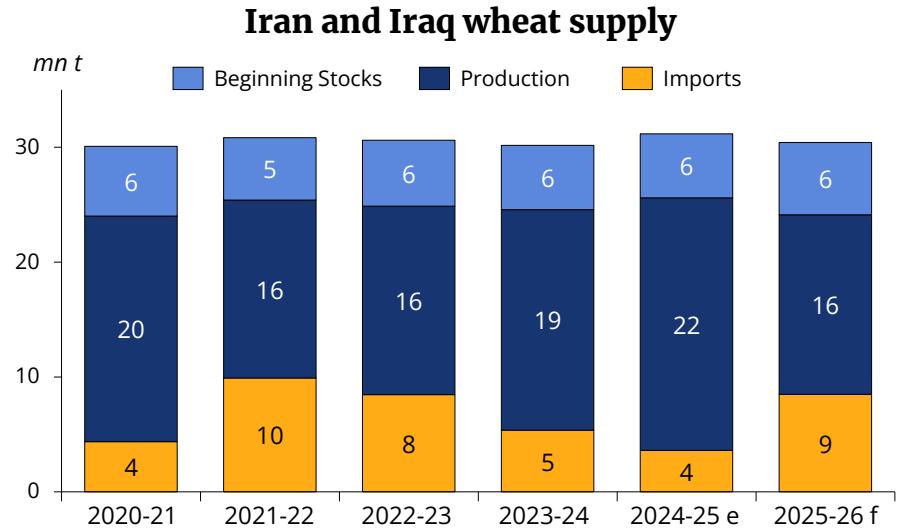
2 **Impact:** Minor

The first scenario still applies for the reasons above. Global supply remains comfortable but tightness could build later in the spring if new crop condition-related factors appear. Grains imports are likely to decrease in the months to come, following a seasonal pattern as a major part of the import needs will have been met.

3 **Impact:** Moderate

A halt in Gulf imports would put pressure on prices as exporters seek other buyers for these volumes. In the flows, some exports from the Black sea appear to be going to Türkiye, but a portion of these shipments are destined for Iran. Gulf countries buy from many suppliers, so a drop in demand could disrupt trade at first. Higher fuel costs remain the main source of upward pressure in the long run. More expensive fuel would raise freight and fertiliser costs, increase import bills, and reduce crop area, yields and output in the next harvest.





Battery materials

Source: *Argus Battery Materials Analytics Service*
Contact: *Dylan.khoo@argusmedia.com*

The conflict will have negligible short-term effects on the sector. Gulf-neighbouring states are not significant producers, processers, or purchasers of any battery materials. In more severe scenarios there will be second-order effects dependent on increases in the price of inputs for battery materials production.

1 **Impact: Minor**

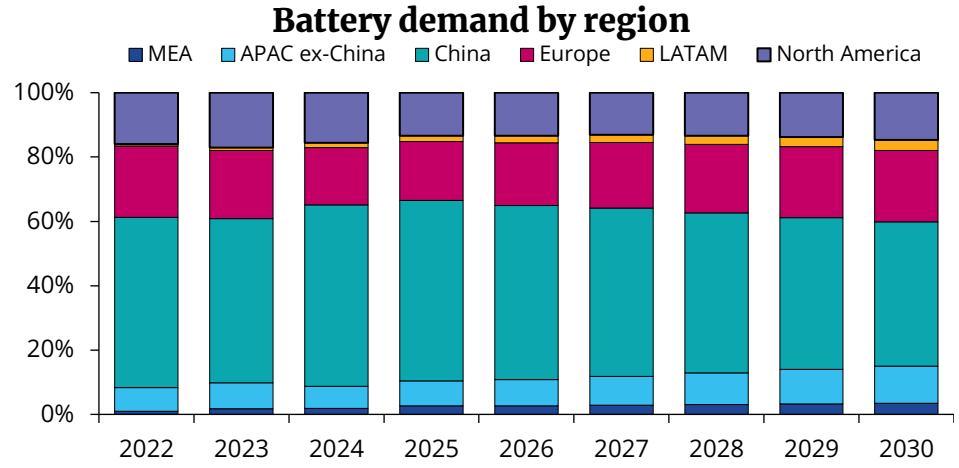
There will be negligible impact on supply or demand. Saudi Arabia and the UAE are significant customers for ESS, but there is unlikely to be disruption to this demand beyond some delays in deliveries or tender processes.

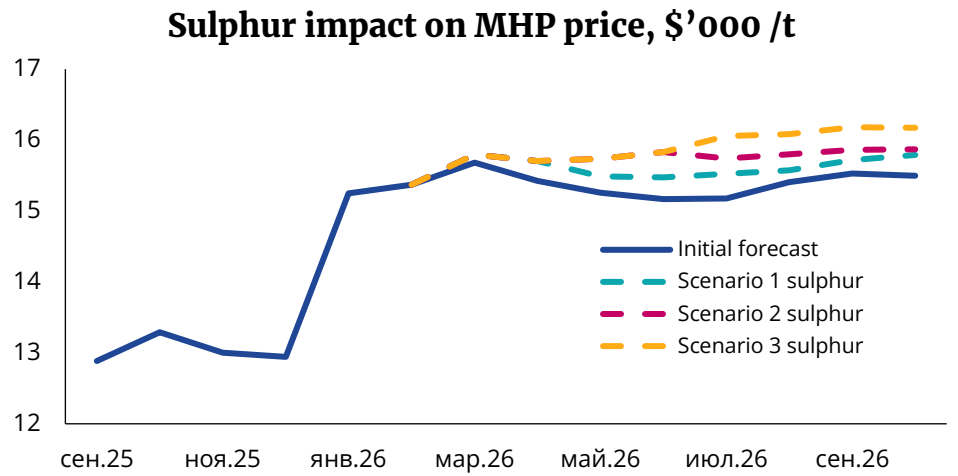
2 **Impact: Minor**

Restrictions to sulphur exports will impact sulphuric acid supply, an essential input for nickel produced through the HPAL method, which requires 25-30t of acid per tonne of contained nickel in MHP. Elevated acid prices will increase production costs for nickel, amplified by the Indonesian government's cuts to nickel ore quotas. At current prices of $163/t, sulphuric acid accounts for 11pc of the price of MHP, assessed at $15,570/t, up from 8pc in Q1 2025. Far less sulphuric acid is required to extract and process other battery materials, so tight sulphur supply will primarily impact high-nickel battery chemistries, increasing the price gap between NMC and LFP CAM.

3 **Impact: Moderate**

Increased energy prices will disrupt industry in Japan and Korea, and to a lesser extent Europe, while China will be relatively unaffected. This will further China's low-cost electricity advantage that contributes to its low costs for raw materials, cells, EVs, and ESS. This will increase the challenges of implementing critical mineral policy aimed at reducing reliance on China, hindering efforts to build diversified and domestic supply chains.





Commodities with no or minor impacts

Hydrogen

Low-carbon hydrogen remains in the early stages of development; therefore, the US-Iran conflict is expected to have little-to-no immediate impact in the short-term. However, a prolonged conflict could start to impact zprojects currently under development, raising production costs and reducing the economic viability of these projects.

Phase 1 of ACME's green hydrogen/ammonia project in Duqm, Oman is slated to be the first low-carbon hydrogen project to start up in the Middle East, with anticipated commissioning in H2 2026. The green ammonia volumes (17,500 t/yr H2 equivalent) are to be exported to Europe. Yara is an offtaker and the volumes would be used to decarbonise its fertilizer production to comply with the REDIII industrial mandates, which do not come into effect until 2030. Therefore, a temporary delay in construction is unlikely to have a material impact.

If the situation persists, it could have a knock-on impact on the region's planned low-carbon capacity, the volumes of which are also destined for Europe. In turn, Europe could look to other potential low-cost suppliers to meet its demand for hydrogen and/or revisit the role hydrogen has to play in the EU's decarbonisation strategy.

Rare Earths

The conflict will have negligible short-term effects on the rare earths sector. Iran and neighbouring states are not significant producers, processers, or purchasers of any rare earths and price assessments since the initial attack have fallen in line with a weakening fundamental situation.

Military uses for rare earths are varied, including rare earth permanent magnets in magnets in precision-guided munitions, REEs in electronic warfare systems, targeting radars, and engine components in aviation and naval applications, night vision goggles and laser systems. Consumption of REEs in the defence sector accounts for less that 5% of total demand.

In more severe and longer lasting scenarios there could be a significant impact on the rare earth magnet materials (Neodymium, Praseodymium , Dy and Tb) market, due to the use or rare earth permanent magnets in precision-guided munitions. The longer the conflict goes on, missile stocks will become depleted and will need replenishing, thereby increasing demand for rare earth permanent magnets.

Disclaimer and Notices

This presentation (the "Report") is confidential, made available strictly under licence and has been prepared solely for the internal use of the applicable Argus licensee (a "Client"). Any use or disclosure of this Report and its contents without specific written permission from Argus is strictly prohibited. No duty of care is owed by Argus to any third party and Argus disclaims all liability in relation to any third party who seeks to rely upon or use the Report or any of its contents. The Report, including the Argus trademarks and logo/legal notices, may not be altered. Derivative works of all or part of the Report may not be created without prior written permission.

The data, information or opinions contained in this Report are provided on an "as is" basis without any warranty, condition or other representation as to its accuracy, completeness, or suitability for any particular purpose and shall not confer rights or remedies upon the recipients of this presentation or any other person. Data and information contained in the Report come from a variety of sources, some of which are third parties outside Argus' control and some of which may not have been verified. Argus does not warrant that this Report is in all respects accurate and complete and does not warrant any results obtained or conclusions drawn from the use of this Report. Argus has no obligation to maintain or update this Report.

All analysis and opinions, data, projections and forecasts provided may be based on assumptions that are not correct or which change, being dependent upon fundamentals and other factors and events subject to change and uncertainty; future results or values could be materially different from any forecast or estimates described in the Report.

Subject to any agreement between Argus and its Client, Argus expressly disclaims any and all liability for any direct, indirect or consequential loss or damage, claims, costs and expenses, whether arising in negligence or otherwise, in connection with access to, use or application of these materials or suffered by any person as a result of relying on any information included in, or omission from, this Report and related materials or otherwise in connection therewith, to the maximum extent permitted by law.

The Client's use of the Report is entirely at the Client's own risk. This Report does not offer or provide financial, tax or legal advice.