

**STEPHENSON
HARWOOD**

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Special Edition*

WELL HEELED

*The bulletin for the LNG
and gas transportation,
trading and offshore
production industry*

INTRODUCTION



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Welcome to a special edition of Well Heeled, Stephenson Harwood's newsletter for clients engaged in the production, transportation and use of LNG and other liquefied gases.

We hope this edition finds you well. The experienced global Stephenson Harwood LNG team has been involved in all of the issues discussed in this issue and continues to be at the forefront of LNG issues. Details of the team and how to contact them can be found at the back. If you have comments or would like to learn more on any topic, please do not hesitate to get in touch with us.

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US/IRAN - ATTACK ON RAS LAFFAN, QATAR

Background

Escalating tensions between the United States and Iran have led to attacks on Gulf energy infrastructure, including a strike on Ras Laffan Industrial City in Qatar. Ras Laffan is the central hub for Qatar's LNG production and export, hosting the liquefaction facilities used by QatarEnergy and its partners. On 2 March 2026, the complex was hit by a coordinated drone and missile attack attributed to Iranian-backed militias. The facility was shut down, and it has been reported that QatarEnergy has since declared force majeure on LNG supplies. With Iran proclaiming the "closure" of the Strait of Hormuz, the narrow maritime passage linking the Persian Gulf to the Gulf of Oman and the Indian Ocean, and now the US "blockage" the global supply of LNG faces continued severe and wide-spread disruption.

Importance of Qatar's LNG Exports

Qatar's LNG is vital to Asia's energy security. *Over 80% of exports go to Asian buyers, supported by long-term contracts with Japan, South Korea, China, and India . Following the attack, Asian spot LNG prices surged nearly 40%, and European futures rose 70% .* QatarEnergy's North Field expansion and its historic LNG carrier newbuild program underscore the country's commitment to meeting global demand. A sustained outage at Ras Laffan would disrupt not only buyers and charterers but also shipowners and shipyards involved in these projects, affecting the entire LNG supply chain.

Charterparty Considerations

Off-hire and Termination

Standard time charter principles provide that a vessel remains on hire unless a specified off-hire event occurs. Under a standard ShellLNGTime1 or ShellLNGTime 2 delays due to lack of cargo or issues at the loading terminal do not typically permit a charterer to place a vessel off-hire.

Therefore, even if liquefaction facilities are temporarily offline, hire will generally continue to accrue while the vessel awaits instructions. The specific outcome will depend on the terms of the charterparty and any project-specific provisions. Owners should also check to see whether this type of event will trigger termination, even if the vessel remains on-hire for an agreed period.

Force Majeure

Force majeure is not a general doctrine under English law and must be expressly included in the contract. Well-drafted force majeure clauses may allow parties to suspend or terminate obligations in the event of war, terrorism, government intervention, or physical damage to infrastructure. The applicability of such clauses will depend on their wording and the facts. If Ras Laffan remains offline for an extended period, parties may seek to rely on force majeure provisions in the charterparty, if any, to excuse non-performance or suspend obligations. The affected party must demonstrate that the event was beyond its control and directly prevented performance and must comply with any notice and mitigation requirements. Relief may be temporary or, if the event persists, may allow for contract termination. Again, the parties need to check carefully as to whether the prolonged existence will result in the ability to terminate the charterparty.

Frustration

Frustration operates to discharge a contract when an unforeseen event makes performance impossible or radically different from what was agreed. English law applies this doctrine narrowly: increased difficulty or expense is not enough. Frustration may be relevant only if the charterparty cannot be performed at all, or if the delay is so extensive that it fundamentally alters the contract. Whether frustration applies will depend on the circumstances and the wording of the charterparty.

ATTACK ON RAS LAFFAN

Safe ports

Where an express warranty as to the safety of a port is included in the charterparty, the classic test under English law is set out in *The Eastern City* [1958] 2 Lloyd's Rep 127, namely that a port will only be safe if *"the particular ship can reach it, use it and return from it without, in the absence of some abnormal occurrence, being exposed to danger which cannot be avoided by good navigation and seamanship"*.

Where a safe port obligation exists, a charterer must nominate a port that is prospectively safe when the vessel is due to arrive, stay, and depart. If a nominated port becomes unsafe, the charterer is required to cancel the order and nominate an alternative. The potential issue in relation to LNG charters, however, is that the charterer's obligation as to safety is generally watered down to a due diligence obligation only. If the charterer persist in their nomination, the question arises as to whether the owner will lawfully be entitled to refuse the nomination.

War Risk Clauses and Insurance

A common feature in LNG charters is that the owner is entitled to refuse or deviate from the charterer's order where the vessel may be exposed to war risks and where "commercially available" insurance or a Government backed scheme of insurance is not available. Over recent days, we have seen insurers cancel certain discrete types of war risk cover. That said, war cover remains available, albeit at very high additional war risk premiums (AWRP). The US government has also promised a government backed insurance programme. The question for the owner therefore

is whether insurance is "commercially available" such that they are obliged to proceed to the load port, notwithstanding they may have genuine concerns as to the safety of the vessel and crew. Needless to say, a wrongful refusal of orders will expose the owner to very significant claims.

Implications for Shipbuilding Contracts

If LNG exports from Qatar are materially disrupted for an extended period, charterers may reassess the timing or commercial necessity of new vessels ordered for the Qatar project. While shipbuilding contracts are generally binding, a prolonged reduction in cargo flows could affect delivery schedules, charter commencement, and long-term deployment of these vessels. In practice, shipowners and charterers may seek to negotiate deferrals or amendments to delivery dates, extend payment milestones, or renegotiate charter terms. Shipyards may face uncertainty regarding their construction schedules and cash flow, especially where their orderbooks are heavily exposed to the QatarEnergy program.

The ability to delay or cancel shipbuilding contracts will depend on their terms, including force majeure, delay, and cancellation provisions. Most contracts set strict criteria for permissible delays or cancellations, and force majeure clauses may not cover market-driven disruptions. Parties should review their contractual rights and obligations carefully and engage with counterparties early to manage potential risks.

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