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Six Months into the War: Rethinking Energy Security
and Economic Development in the GCC

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Six months into the U.S./Israeli war on Iran, the Gulf Cooperation Council (GCC) states face a markedly different strategic and economic environment. The immediate effects are visible in lost hydrocarbon exports, disrupted shipping, damaged infrastructure, weaker tourism and aviation revenues, and mounting fiscal pressures and defense expenditures.² Yet these losses may not capture fully the depth of the toll left by the crisis. Far more important are the mid- to long-term consequences: the conflict has challenged several assumptions on which the GCC countries built their economy-politics model, particularly their approach to energy security, focused on security of demand. By 2026, it had been usually taken for granted that the Gulf hydrocarbon production can be reliably connected to global markets and they were in a position to manage the risks and threats. It was believed that accumulated financial wealth provided the GCC states with sufficient protection against external shocks and that economic diversification was already reducing exposure to regional geopolitical instability. Likewise, there was a corollary belief that the Strait of Hormuz, however politically vulnerable, would ultimately remain commercially navigable, due largely to the security guarantees extended by the United States.

Indeed, throughout the current conflict, the GCC states proved to be remarkably resilient in many respects.³ Governments continue to function, social spending has largely been protected, sovereign assets provide substantial financial buffers, and most long-term development programs have not been formally abandoned. Nonetheless, the crisis has exposed a deeper vulnerability.⁴ Despite much of the economic transformation undertaken over previous decades, the GCC states

¹ All articles published under “Gulf Insights” series have been discussed internally but they reflect the opinion and views of the authors, and do not reflect the views of the Center, the College of Arts and Sciences or Qatar University, including the terms and terminology used in this publication.

² Tunagur, E., & Ghaddar, A. (2026, August 5). “Gulf oil exports steady in July, still 40% below pre-war mark,” *Reuters*. <https://www.reuters.com/business/energy/gulf-oil-exports-steady-july-still-40-below-pre-war-mark-2026-08-05/>

³ Al-Kuwari, Maryam (April 2026). “Beyond Geopolitics and Economics: The Socio-Political Dimensions of War in the Gulf,” *Gulf Insight*, No 109. <https://www.qu.edu.qa/en-us/Research/gulfstudies-center/Documents/GulfInsight109E.pdf>.

⁴ MECGA. (2026, May 26). *Gulf sovereign wealth funds and the cost of crisis resilience* [Situation assessment]. <https://mecouncil.org/publication/gulf-sovereign-wealth-funds-and-the-cost-of-crisis-resilience/>

remain dependent on a relatively small number of transport corridors and on the Gulf's reputation as a secure location for energy production, international trade, aviation, tourism and investment. Meanwhile, the erosion of the U.S.-security provision model further compounded the geopolitical vulnerabilities.⁵ This altered environment forces the GCC states to rethink their approach to energy security, particularly as it pertains to security of transit.

One Crisis, Six Different Outcomes

A striking outcome of the conflict has been how it has created a divergent impact across GCC economies. Normally, in a conventional oil-price shock caused by a crisis such as the closure and disruption of Hormuz, the most immediate impact would be higher prices, which would then automatically strengthen the position of hydrocarbon producers. Instead, this time around, the crisis created a distinction between states with access to international markets and those without access.⁶ By August 2026, forecasts pointed to expected annual contractions of around 8.1 per cent in both Qatar and Kuwait, approximately 5.1 per cent in Bahrain and 0.5 per cent in the UAE.⁷ Saudi Arabia and Oman, by contrast, were expected to retain positive growth of around 1.4 and 3.1 per cent, respectively. GCC growth as a whole was projected at approximately 1.3 per cent, down from 4.4 per cent in 2025.⁸

Oman: blessing of geography?

The main factor explaining these differences across the countries is geography and infrastructure. Oman occupies the most advantageous position because its principal export facilities lie outside Hormuz. Saudi Arabia possesses the East-West pipeline linking its eastern oil-producing regions with the Red Sea. The UAE has the Habshan–Fujairah pipeline and is accelerating additional infrastructure toward its eastern coast. Qatar and Kuwait, in contrast,

⁵ Miller, R., Ş. Kardaş (2026), "Visions of Gulf Security in an Era of Uncertainty: Between External Alignment and Regional Autonomy", *Middle East Policy*, Vol.33, No:3.

⁶ Ghaddar, A., & Saba, Y. (2026, April 6). "Hormuz closure divides the fortunes of Middle Eastern oil states," *Reuters*. <https://www.reuters.com/business/energy/hormuz-closure-divides-fortunes-middle-eastern-oil-states-2026-04-06/>

⁷ Chandak, A. (2026, July 16). "Most Gulf area economies face deeper downturns this year on Hormuz disruption," *Reuters*. <https://www.reuters.com/world/middle-east/most-gulf-area-economies-face-deeper-downturns-this-year-hormuz-disruption-2026-07-16/>

⁸ World Bank. (2026, April 8). *Conflict hits MENAAP economies, underscoring need for action to boost resilience, create jobs*. <https://www.worldbank.org/en/news/press-release/2026/04/08/conflict-hits-menaap-economies-underscoring-need-for-action-to-boost-resilience-create-jobs>

remain overwhelmingly dependent on maritime access through Hormuz. Bahrain occupies a somewhat different but still highly vulnerable position. Its domestic crude production is small, while the refinery at Sitra relies heavily on Saudi Arabian crude delivered through the approximately 350,000 b/d pipeline that runs from Saudi Arabia to Bahrain. Although it reduces Bahrain's dependence on seaborne crude transportation through Hormuz, it does not provide an equivalent bypass for its downstream exports: refined products still have to leave Bahrain by tanker through the Strait of Hormuz. Bahrain is therefore less exposed than Qatar or Kuwait on the crude side, but its position is complicated by the need to export refined products through the same disrupted regional maritime system.⁹

Oman's experience has been revealing, in terms of the rather positive impact of the crisis. Oil production reached approximately 1.15 million barrels per day in the second quarter of 2026, compared with around 1 million barrels per day in 2025.¹⁰ In the first half of 2026, government revenues increased by 13 per cent, with oil revenues rising by 10 per cent and gas revenues by 32 per cent.¹¹ Sohar, Duqm and Salalah have simultaneously become more important as potential logistical gateways for neighboring GCC states. For the first time in many years, Oman's geographical position may therefore represent an economic advantage comparable in strategic importance to the larger hydrocarbon reserves and financial assets of some of its neighbors.

The Limits of the Saudi and Emirati Advantage

Saudi Arabia and the UAE occupy an intermediate position. Both have demonstrated the value of infrastructure constructed to reduce dependence on Hormuz, but both have also discovered its limitations. Saudi Arabia's East-West pipeline has a capacity of approximately 7 million barrels per day. Once Red Sea refineries are supplied, around 5 million barrels per day can potentially be exported through Yanbu during the initial phase of the crisis, this gave Riyadh an important advantage.¹² In March 2026, crude exports fell by approximately 26 per cent year-on-

⁹ Bakr, S., & Mogielnicki, R. (2026, June 29). "Lingering vulnerabilities: Bahrain's political economy and the Iran war," *Arab Gulf States Institute*. <https://agsi.org/analysis/lingering-vulnerabilities-bahrains-political-economy-and-the-iran-war/>

¹⁰ Mills, R. (2026, July 30). "Oman in the war," *Arab Gulf States Institute*. <https://agsi.org/analysis/oman-in-the-war/>

¹¹ Oman News Agency. (2026). "State public revenues rise 13 percent by end of Q2 2026," <https://omannews.gov.om/topics/en/80/show/130288/dark>

¹² Saba, Y., Rashad, M., & Azhari, T. (2026, July 7). "Exclusive: Saudi Arabia considers expansion of oil pipeline to Red Sea, sources say," *Reuters*. <https://www.reuters.com/business/energy/saudi-arabia-considers-expansion-oil-pipeline-red-sea-sources-say-2026-07-07/>

year to 4.39 million barrels per day, yet estimated oil revenues increased by 4.3 per cent because higher prices compensated for part of the volume loss.¹³

Nevertheless, Saudi exports fell from 7.28 million barrels per day in February to 3.43 million in May and stood at approximately 3 million by September.¹⁴ Saudi Arabia is consequently considering increasing East-West capacity by another 1-2 million barrels per day. However, the recent Houthi advances in Yemen, which put the Bab el Mandab route at risk, and the attacks on the East-West pipeline, originating from Iraq, which halted oil flows through Saudi Arabia's principal route for bypassing the Strait of Hormuz, underscore that Saudi Arabia, too, is fragile.¹⁵ As much as Saudi Arabia may need new pipeline capacity and routes, without addressing their vulnerabilities, an alternative route can itself become a new strategic chokepoint. Replacing dependence on Hormuz with greater diversion to the Red Sea might have initially improved resilience, but it does not produce complete security.

The UAE faces a similar dilemma. Its existing Habshan–Fujairah pipeline provides approximately 1.5-1.8 million barrels per day of bypass capacity, but this is insufficient relative to pre-war oil production of around 3.4 million barrels per day.¹⁶ Exports recovered strongly to approximately 3.7-3.8 million barrels per day in June 2026 before falling to about 3.46 million in July 2026.¹⁷ The UAE maintained part of these flows through additional tankers, risky passages through Hormuz and occasional ship-to-ship transfers near Oman.¹⁸ Abu Dhabi has responded by accelerating the approximately 1.5 million barrel-per-day Jebel Dhanna–Fujairah route, now planned for 2027 that will increase the volume of oil exported by the UAE from the outside of the

¹³ Ghaddar and Yaba (2026).

¹⁴ Argam. (2026, July 21). "Saudi oil exports hit lowest level at 3.43M bpd in May 2026."

<https://www.argaam.com/en/article/articledetail/id/1921976>; Argam. (2026b, April 22). "Saudi oil exports rise to 7.28M bpd in February: JODI." <https://www.argaam.com/en/article/articledetail/id/1898461>; Bloomberg. (2026, September 2). "Saudi oil exports dive as tankers at risk from Hormuz to Red Sea."

¹⁵ Quillen, S (2026, 12 September), "Saudi Arabia shuts critical oil pipeline after drone attack: What it means," *Al Jazeera*. <https://www.aljazeera.com/news/2026/9/12/saudi-arabia-shuts-critical-oil-pipeline-after-drone-attack-what-happened>.

¹⁶ Ghaddar and Yaba (2026).

¹⁷ Gnana, J. (2026, August 3). "UAE's Hormuz oil exports more than halve in July as shipments bypass strait," *The National*. <https://www.thenationalnews.com/business/energy/2026/08/03/uaes-hormuz-oil-exports-more-than-halve-in-july-as-tankers-avoid-route/>; Ghaddar, A., Saul, J., & Adomaitis, N. (2026, July 3). "Gulf oil exports jump in June on record UAE flows," *Reuters*. <https://www.reuters.com/business/energy/gulf-oil-exports-jump-june-record-uae-flows-2026-07-03/>.

¹⁸ Tan, F., & Saba, Y. (2026, June 30). "UAE exports record oil volumes after OPEC exit, ship-tracking data shows," *Reuters*. <https://www.reuters.com/business/energy/uae-exports-record-oil-volumes-after-opec-exit-ship-tracking-data-shows-2026-06-30/>

Gulf.¹⁹ The strategic direction is therefore clear: the UAE is attempting to transform partial redundancy into a much more comprehensive alternative system to route its main export volumes.

The Most Affected Countries

Qatar is one of the most affected countries by the conflict. Prior to the conflict, Qatar had enormous financial strength, one of the world's most important LNG industries, and ambitious plans to expand its role in global gas markets. Yet approximately 93 per cent of its pre-war seaborne LNG exports passed through Hormuz.²⁰ Without an alternative maritime outlet, the consequences have been dramatic. Between March and August 2026, Qatar exported only 18 LNG cargoes, compared to 509 during the corresponding period in 2025 (a decline of around 96 per cent). Lost gas revenues are estimated at approximately \$24 billion.²¹ Notably, two of Qatar's 14 LNG trains were damaged. Together they represent around 12.8 million tonnes per annum, or 17 per cent of the country's pre-war capacity of 77 million tonnes. Their reconstruction may require three to five years.²² Despite its enormous financial reserves, which bolster its resilience even in these difficult times, Qatar cannot build new infrastructure to break its dependence on the chokepoint around Hormuz.

Similarly, Kuwait demonstrates how extensive financial reserves can provide social and fiscal protection, without resolving the underlying physical vulnerability. Before the confrontation, Kuwait produced around 2.6 million barrels per day and depended almost completely on Hormuz for exports of crude, petroleum products and condensate.²³ In April 2026, production fell to approximately 600,000 barrels per day.²⁴ It recovered to around 1.65 million in June and 1.97

¹⁹ Maccioni, F., El Safty, S., & Siddarth S. (2026, August 28). "Pipelines and ports: Iran war spurs Gulf infrastructure investment," *Reuters*. <https://www.reuters.com/business/energy/pipelines-ports-iran-war-spurs-gulf-infrastructure-investment-2026-08-28/>

²⁰ IEA. (n.d.). *The Middle East and global energy markets*. Retrieved September 13, 2026, from <https://www.iea.org/topics/the-middle-east-and-global-energy-markets>

²¹ Rashad, M., Buli, N., & Williams, C. (2026, August 26). "As war strands Qatari gas for 6 months, US sales rise and European stocks plummet," *Reuters*. <https://www.reuters.com/business/energy/war-strands-qatari-gas-6-months-us-sales-rise-european-stocks-plummet-2026-08-26/>

²² El Dahan, M., Mills, A., & Saba, Y. (2026, March 19). "Iran attacks wipe out 17% of Qatar's LNG capacity for up to five years, QatarEnergy CEO says," *Reuters*. <https://www.reuters.com/business/energy/iran-attack-damage-wipes-out-17-qatars-lng-capacity-three-five-years-qatarenergy-2026-03-19/>

²³ OPEC (2026, May 13). *Monthly oil market report: May 2026*. <https://www.opec.org/assets/assetdb/momr-may-2026.pdf>; Mogielnicki, R. (2026, August 17). "Kuwait gets some good news amid tough times," *Arab Gulf States Institute*. <https://agsi.org/analysis/kuwait-gets-some-good-news-amid-tough-times/>

²⁴ OPEC, 2026.

million in July 2026, but storage constraints limited the ability to maintain production without reliable exports.²⁵

While Bahrain also appears to be positioned similarly to Qatar and Kuwait due to the geographical constraints, it faces deeper challenges, considering the lack of similar financial reserves. At the outset of the conflict, it had public debt expected to reach 150 per cent of GDP in 2026 and a fiscal deficit above 10 per cent of GDP. Damage to the Sitra refinery compounded the problem, while disruption affected aluminum, trade, aviation and tourism.²⁶ While all three are geographically vulnerable, Qatar and Kuwait's financial buffers give them time to adjust. Bahrain faces a much narrower margin and will probably require continued support from Saudi Arabia, the UAE and Kuwait, even if the regional security situation improves. Financial wealth therefore matters enormously, by improving the resilience against geographical vulnerability, although it alone cannot eliminate that vulnerability itself.

Conclusion

While declining hydrocarbon production, lost revenues, or contracting passenger traffic are major immediate negative externalities of the US/Israeli war on Iran during its first six months, they are potentially reversible in the mid- to long-term. Irrespective of how and when the conflict comes to an end, it will leave a deeper legacy, which might be more conceptual: how to rethink the issue of energy security.²⁷ For decades, GCC economic planning implicitly treated access to international markets as a largely constant variable. Indeed, Hormuz was always treated as a geopolitical chokepoint. GCC countries' economic strategies were nevertheless designed around the assumption that even periods of tension would not fundamentally prevent the movement of

²⁵ Tunagur and Ghaddar 2026; Mogielnicki 2026.

²⁶ Bakr, S., & Mogielnicki, R. (2026, June 29). "Lingering vulnerabilities: Bahrain's political economy and the Iran war," *Arab Gulf States Institute*. <https://agsi.org/analysis/lingering-vulnerabilities-bahrains-political-economy-and-the-iran-war/>; Dudley, D. (2026, May 27). "Bahrain suffers wartime trade slump," *Semafor*. <https://www.semafor.com/article/05/27/2026/bahrain-suffers-wartime-trade-slump>.

²⁷ Kardaş, Ş. (March 2026). "GCC responses to the US-Israeli war on Iran: between fear of entrapment and restoring deterrence," *Gulf Insight*, No.104. <https://www.qu.edu.qa/en-us/Research/gulfstudies-center/Documents/Gulf%20Insight%20104.pdf>.

hydrocarbons, goods, capital and people. The experience of the 2026 conflict might have undermined that assumption.²⁸

The GCC states are now confronted with a new reality in which unrestricted geographical access itself is an economic asset. Oman possesses more of it than previously appreciated. Saudi Arabia has substantial but imperfect diversification capacity. The UAE is investing rapidly to acquire more. Kuwait and Qatar have discovered the enormous cost of lacking it. Bahrain has discovered that overlapping geographical and fiscal vulnerabilities are particularly dangerous. This will call for a new look and prioritization across different dimensions of energy security: supply, demand, and transit. For a long time, the GCC countries were confident that long-term contracts, market dominance or competitive prices will support security of demand, while their enormous hydrocarbon reserves will yield security of supply for their customers. As the crisis has once again reminded, neither is sufficient without securing the ability to move exports to customers despite regional disruption. A sustainable solution to this challenge will require a major rethinking of Gulf investments in infrastructure and alternative transportation corridors. Unless a collective, region-wide approach to transit security is adopted, solutions will be partial, and the differential impact of the crisis will only widen the divisions within the GCC.

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The "Gulf Insights" series is published by the Gulf Studies Center on a weekly base with the aim to promote informed debate with academic depth. The Gulf Insights are commentaries on pressing regional issues written by the GSC/GSP faculty, staff PhD and MA students, as well as guest scholars, and they can be between 1,200 to 1,500 words. All articles published under "Gulf Insight" series have been discussed internally but they reflect the opinion and views of the authors, and do not reflect the views of the Center, the College of Arts and Sciences or Qatar University.

²⁸ Albimani, S. (March 2026), "The Strait of Hormuz amid a Turbulent Gulf Region: From a Crucial Water Passage to a Destabilizing Factor to Global Energy Market," *Gulf Insight*, No. 105. <https://www.qu.edu.qa/en-us/research/gulfstudies-center/documents/gulfinsight105.pdf>.