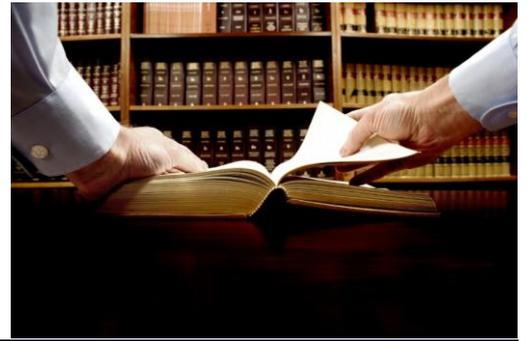


inBrief

**Conflict in the Gulf: Contractual Disruption, Force Majeure and Risk Allocation under UAE Law**

By Chatura Randeniya | 06 March 2026

The recent escalation of hostilities involving the United States, Israel, Iran and several Gulf States has increased security risks across key transport and energy routes in the region. Reports of attacks on commercial shipping, rising war-risk insurance premiums, and the potential disruption of navigation through the Strait of Hormuz have already begun affecting maritime and aviation activity.

For businesses operating in or through the Middle East, such developments can raise immediate questions regarding the performance of contractual obligations, particularly in sectors reliant on shipping, logistics, commodities, construction supply chains, and energy transport.

This inBrief outlines how these developments may affect contractual obligations under UAE law and highlights key issues businesses should consider when assessing contractual risk.

Regional disruption and supply chain impact

The Strait of Hormuz remains one of the most strategically important maritime corridors in the global energy market. A significant proportion of the world's oil and liquefied natural gas exports transit the Strait, meaning that disruption to navigation in the region can quickly affect shipping availability, insurance markets, and global supply chains.

Recent reports indicate that some shipping operators have delayed voyages, altered routes, or reassessed operations in the Gulf in response to increased security risks. At the same time, war-risk insurance premiums have reportedly risen sharply, and in some cases, cover has been restricted or withdrawn. Airspace restrictions and operational changes have also affected certain aviation routes across the region.

These developments may affect contractual performance in several ways, including:

- delays in shipment or delivery of goods;
- reduced availability of vessels or aircraft;
- withdrawal or significant increases in insurance costs;
- increased freight and logistics expenses; and
- disruption to energy supply or raw material availability.

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Where such issues arise, parties will often first examine whether the relevant contract provides relief through force majeure or other contractual risk-allocation mechanisms.

Force majeure under UAE law

Although the UAE Civil Code does not contain a single comprehensive definition of force majeure, the concept is recognised in several provisions.

Article 273 of the Civil Code provides that if a force majeure event renders the performance of a contract impossible, the corresponding obligation ceases and the contract may be automatically cancelled. UAE courts have historically interpreted this principle strictly. The key requirement is **impossibility of performance**, rather than mere inconvenience or increased cost.

Accordingly, the fact that performance has become more expensive or commercially unattractive will not ordinarily be sufficient to establish force majeure.

Where a contract contains a force majeure clause, the availability of relief will depend primarily on the wording of the clause. Provisions referring to events such as war, hostilities, blockades, governmental restrictions, or disruptions to transport routes may be particularly relevant in the present circumstances.

Parties seeking to rely on force majeure should also ensure that any contractual procedures—particularly notice requirements—are carefully followed.

Exceptional circumstances and contractual hardship

Where performance remains possible but has become significantly more onerous, a party may seek relief under Article 249 of the Civil Code.

Article 249 provides that if exceptional events of a general nature occur which could not reasonably have been foreseen and which render performance oppressive so as to threaten the obligor with serious loss, a court may adjust the obligation to a reasonable level after balancing the interests of both parties.

Unlike force majeure, this provision does not terminate the contractual obligation. Instead, it allows a court to rebalance the contract where circumstances have fundamentally altered its economic equilibrium.

In situations involving sustained geopolitical disruption, significant increases in shipping costs, or systemic constraints affecting transport or energy markets, parties may seek to rely on Article 249 where strict force majeure arguments cannot be established.

Liability and extraneous causes

Article 287 of the Civil Code may also be relevant in certain circumstances. This provision states that a party may avoid liability if it can demonstrate that the harm arose from an extraneous cause in which it played no part, such as force majeure, a sudden incident, or the act of a third party.

Where contractual non-performance results directly from external events such as conflict-related disruptions to shipping routes or government restrictions affecting transport operations, parties may seek to rely on this principle in defending claims for damages.

Insurance and contractual risk allocation

Another practical issue concerns contractual insurance obligations.

Many commercial arrangements—including charterparties, commodity sale agreements, financing arrangements, and shipping contracts—require vessels or cargo to maintain specified levels of insurance coverage. If war-risk insurance becomes unavailable or prohibitively expensive, parties may encounter difficulties complying with these contractual requirements.

Disputes may arise as to whether the inability to obtain insurance constitutes a contractual breach or whether the underlying circumstances justify suspension or renegotiation of contractual obligations.

Similarly, increases in freight costs or the imposition of war-risk surcharges may raise questions regarding cost allocation where contracts do not expressly address such contingencies.

Practical steps for businesses

Businesses with exposure to regional transport routes or energy supply chains may wish to consider the following steps:

- review key commercial contracts to identify force majeure provisions, delivery obligations, insurance requirements, and cost-allocation mechanisms;
- confirm the scope of marine, cargo, and political risk insurance coverage;
- monitor potential supply chain disruptions that may affect contractual performance; and
- ensure timely communication with contractual counterparties and compliance with any contractual notice requirements.

Conclusion

Periods of geopolitical instability frequently give rise to contractual disputes concerning delay, non-performance, and increased costs. Under UAE law, parties seeking relief must carefully assess whether the circumstances amount to force majeure, exceptional hardship, or simply commercial difficulty.

The outcome in any particular case will depend on the facts, the contractual wording, and the applicable legal framework. Businesses affected by regional disruption should therefore review their contractual position at an early stage in order to manage risk and preserve available remedies. ■

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