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Middle East crisis: What miners need to know

As the US-Iran crisis enters its fifth month, cargo volumes passing through the Strait of Hormuz remain at about 10% of pre-war levels.

The impact on the energy markets from the effective closure of the waterway continues to grab headlines. According to the International Energy Agency (IEA), the current energy shock is worse than the energy crises of the 1970s and 2022 combined.

Speaking to *Mining.com.au*, Robert Bradshaw, a partner at the law firm LALIVE who often advises on energy and mining disputes, explains that while consumers are *"feeling the pinch at the pump"*, the impact of the crisis extends beyond energy.

"The Strait of Hormuz is also a chokepoint for petrochemicals, sulphur, and other industrial materials that are critical to mining," Bradshaw says.

"That may be diesel in order to power heavy machinery and vehicles, sulphuric acid used in leaching minerals such as battery metals and uranium, and ammonia used to create explosives for blasting."

According to Bradshaw, mining companies face the risk of disputes over contractual non-performance, interrupted operations, and cost inflation.

What this means is that even if the deadlock between the US and Iran is resolved, the impact on supply chains is likely to continue for months, while legal disputes may carry on for years.

Supply chain disruptions

The Middle East crisis is leading to supply constraints of many materials needed by miners. Before the conflict, around 20% of the world's seaborne trade in crude and refined oil passed through the Strait of Hormuz. This includes diesel used to fuel heavy equipment, trucks, and generators, particularly in remote regions.

Bradshaw notes this may be problematic if a mining company is responsible for supplying fuel to its subcontractors under fleet agreements.

"While the impact has been mitigated so far by stockpiles, global oil inventories are being fast depleted," he tells this news service.

Before the war in Iran, around half of the world's seaborne sulphur — a key by-product from oil refining — passed through the Strait of Hormuz.

Reduced sulphur availability is, in turn, threatening production of sulphuric acid, which is used in the leaching of minerals including copper, cobalt, lithium, nickel, and uranium. It is also affecting the production of other sulphur-based products such as sodium metabisulphite, which is used in processing gold, silver, and zinc as well as treating tailings.

In addition, the Persian Gulf is home to around 30% of global ammonia production, affecting the production of explosives used in blasting.

These supply chain disruptions are already affecting miners in some markets. In April 2026, three miners in the Democratic Republic of the Congo were reported to be reducing copper and cobalt production to preserve sulphuric acid stocks.

Globally, supply chain pressure is likely to increase following China's recent ban on sulphuric acid exports, effective 1 May. Smaller producers are likely to be affected most, given their more limited leverage and resources to source alternative suppliers.

Downstream, the crisis may also affect offtake contracts linked to commodities such as bauxite and aluminium, with around 9% of global aluminium produced in the Middle East.

Bradshaw uses the example of Emirates Global Aluminium declaring force majeure on some contracts after Iranian drones and missiles struck its smelter in Al Taweelah, United Arab Emirates, in March.

"Aside from ensuring the safety of their workforce and any physical damage to facilities, difficulties with securing vessels and insurance may also prevent offtakers from performing contracts," Bradshaw says.

Mining companies may therefore be faced with force majeure declarations from suppliers or offtake partners. Or, they may need to declare force majeure themselves if supply disruptions leave them with no option but to suspend or scale back operations.

Force majeure

Force majeure is a contractual clause that excuses parties from their obligations when an extraordinary, uncontrollable, and unforeseen event occurs, such as the Middle East war.

From a legal perspective, Bradshaw says mining companies should carefully review the force majeure provisions in their contracts.

"The conditions for force majeure will depend on the wording of the relevant contract, as well as its governing law," he explains.

"In the absence of an explicit force majeure clause, companies may need to invoke general doctrines such as frustration or impossibility, if available under applicable law."

Typically, a party must give notice to its commercial partner, setting out why events outside its control prevent it from performing the contract. But Bradshaw notes that companies should not assume that they are automatically entitled to declare force majeure under their downstream contracts simply because a supplier upstream has done so.

For example, if a supplier of sulphuric acid is unable to perform its contract, the mine operator wanting to rely on force majeure would have to show that there was no other supplier reasonably available.

If the acid must be shipped from further afield, then depending on stockpiles available, force majeure may justify temporarily slowing or stopping production due to the additional shipping time.

Bradshaw adds that sometimes there are strict requirements in terms of giving notice within a certain period after the force majeure event arises.

"You may also need to declare force majeure to your downstream counterparties, as well. Make sure that you deliver that notice promptly, and show that you're exploring alternative suppliers," Bradshaw says.

"What's really important, in case this goes to a dispute down the line, is that you keep a record of everything you are doing so that you can show you've acted promptly and reasonably."

Rising costs, price volatility, and hardship claims

Beyond supply chain disruption, the conflict is rapidly feeding through to mining costs. Mine operators are grappling with higher energy and reagent prices, while developers face the prospect of more expensive builds and financing.

Brent crude oil, which was roughly US$60 ($86) at the beginning of this year, has fluctuated significantly in price, at times reaching US$118 per barrel. Meanwhile, sulphuric acid prices have reportedly doubled since the outbreak of the US-Iran conflict.

For projects still in development, rising input costs and elevated interest rates threaten to inflate capital expenditure and place further pressure on project economics.

Bradshaw says that commodity markets have been equally volatile. Base metals initially sold off in the immediate aftermath of the conflict before rebounding sharply, with copper and aluminium reaching fresh highs.

At the same time, higher freight rates, insurance premiums, and shipping costs are squeezing margins throughout the downstream supply chain.

Ultimately, the question becomes who bears these additional costs. As is often the case, the answer depends on the terms of the contract.

Practical lessons for miners

While the current conflict presents significant short-term challenges, it is unlikely to alter the mining sector's long-term demand outlook. If anything, renewed concerns over the security of global oil and liquefied natural gas (LNG) supplies could accelerate investment in renewable energy, electrification, and energy security, further underpinning demand for critical minerals.

Bradshaw notes that *"in terms of the energy transition and investment in electric vehicles (EVs), for which we know the mining industry is absolutely crucial, I think longer term the crisis could reinforce focus on that"*.

In the near-term, however, Bradshaw says miners should prepare for continued disruption across supply chains, project delivery, and commercial relationships.

He says companies can strengthen their position by taking several practical steps.

- Review relevant contracts for force majeure, price adjustment, hardship, notice, termination, and dispute resolution clauses.
- If it becomes necessary to rely on force majeure, ensure that you serve any notices promptly and in accordance with the contract. Failure to provide notice within an applicable time limit, or at all, can be fatal to a force majeure claim.
- Document your communications with suppliers and offtakers, as well as any other supporting evidence for a force majeure or hardship claim (for example, vessel cancellations, stock levels, and mitigation efforts such as attempts to use alternative suppliers or routes) and any increased costs.
- Make sure any temporary commercial solutions (for example, order cancellations, revised delivery windows, or sharing increased costs) are properly recorded. Clearly set out the scope and end date of these compromises, noting that they are without prejudice to your contractual rights. In this way, you reduce the risk of any concessions coming back to haunt you or prejudicing your legal position if the commercial fix does not hold.

"This is not a problem that's going to go away overnight — we are now more than four months into the crisis," Bradshaw concludes.

The Middle East crisis serves as another reminder that geopolitical shocks can reach far beyond the region where they originate. For the mining industry, the consequences are likely to be felt through higher energy prices, disrupted shipping routes, volatile commodity markets, and increased pressure on project costs and supply chains.

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Images: Unsplash

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