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Legal Alert

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## Conflict in the Middle East – Legal considerations for Vietnam facing contracts

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Escalation across the Middle East has tightened energy markets and disrupted key sea-lanes. Vietnam has already raised retail fuel prices twice within three days under emergency pricing rules, while the Government has issued Resolution 36/NQ-CP dated 6 March 2026 (Resolution 36) to prioritise domestic energy security and enable rapid price adjustments and crude allocation. Shipping lines and insurance markets have restricted gulf transits, with widespread rerouting and new emergency surcharges.

Businesses with Vietnam-facing contracts should act now to preserve rights and cash flow, using statutory force majeure, fundamental change of circumstances, and contractual time/price adjustment mechanisms where available.

Managing this commercial risk requires a rapid assessment of your contractual frameworks to determine who bears the financial and schedule impacts of these disruptions.

## 1. Sector snapshots: The epicenter of the disruption

- **Oil refining and petrochemicals:** Vietnam's fuel security relies heavily on imported feedstocks. Major refining facilities face critical supply chain pivots due to their historical reliance on Middle Eastern crude. For domestic refiners and their international sponsors, the immediate commercial challenge is securing and processing alternative feedstocks without breaching existing long-term supply agreements or compromising operational safety.
- **Liquefied natural gas (LNG) and liquefied petroleum gas (LPG) distribution:** The disruption is already triggering legal mechanisms. With refrigerated vessels unable to safely transit conflict zones, major distributors have been forced to issue force majeure notices on imported LPG deliveries. Downstream industrial customers must urgently secure alternative energy sources while navigating sudden price spikes.
- **Energy, power and infrastructure:** Major engineering, procurement and construction (EPC) and supply contracts are highly vulnerable to critical path delays. The re-routing of vessels away from conflict zones is delaying the delivery of specialized project equipment (e.g., components for renewable energy projects or equipment for LNG terminals). Project directors must immediately assess whether these logistical delays entitle contractors to an Extension of Time (EOT) and, crucially, whether they are entitled to claim prolonged costs.
- **Manufacturing and supply chain:** Exporters and importers are facing war-risk insurance premiums and container surcharges. Margins are being instantly eroded, raising urgent questions about the ability to pass these costs upstream or downstream under existing supply agreements.
- **Consequential impact on the broader economy:** The energy shock is cascading into all sectors. Transport and logistics providers are facing spiked fuel costs, eroding margins that they will attempt to pass on to manufacturers and retailers, which can feed into broader inflation. Furthermore, energy-intensive industries (such as fertilizer and plastics manufacturing) are exposed to extreme input price volatility, threatening the financial viability of fixed-price supply contracts.

## 2. The legal action plan: Assessing your exposure

The availability of relief depends heavily on the governing law of your contracts and the specific drafting of your clauses.

- **Force majeure (FM) in supply contracts:** For delayed crude or gas shipments, declaring or receiving an FM notice is the first line of defense. Under Vietnamese law, FM provides a statutory right to relief. However, for cross-border energy contracts governed by a common law jurisdictions (such as English or Singaporean law), FM exists only if explicitly drafted into the contract. The standard of impairment is critical: does the Middle Eastern conflict strictly "prevent" the delivery of feedstock, or merely make it more expensive?
- **Change in law and government directives:** To safeguard energy security, the Vietnamese Government recently issued Resolution 36, authorizing Vietnam National Industry - Energy Group (Petrovietnam) to prioritize selling domestically extracted crude oil to local refineries rather than exporting it. If an export contract is broken because the government redirects the crude domestically, the affected party must urgently review "Change in Law" or "Acts of State" clauses to excuse performance or seek compensation.

- **Fundamental change of circumstances (hardship/price adjustment):** For downstream supply agreements governed by Vietnamese law, Vietnam's Civil Code offers a rescue mechanism. If the conflict causes a fundamental shift in circumstances (such as a 40% spike in raw material costs) that severely prejudices a manufacturer or logistics provider, it might trigger a statutory right to demand contract renegotiation within a reasonable period of time. If negotiations fail, a court may amend the pricing terms or terminate the agreement.
- **Sanctions and illegality:** The rapid deployment of international sanctions can make contract performance legally impossible. Under Vietnamese law, transactions violating legal prohibitions are invalid. If a payment is frozen due to a counterparty being sanctioned, this illegality lens may provide a defense against claims of default.

Because the application of these concepts varies drastically depending on whether your contract is governed by Vietnamese, English, or another jurisdiction's law, specific legal advice must be sought to interpret your exact contractual wording.

### 3. Immediate actions

To preserve your legal rights and commercial positions, the following steps are recommended:

- **Map your exposure and governing law:** The company needs, as a matter of urgency, identify all critical feedstock, fuel, and supply obligations falling due in the forthcoming two to four weeks and prepare a register of affected contracts, segregated by governing law and dispute-resolution forum, noting that the legal standards for frustration, force majeure, and hardship may differ materially across jurisdictions.
- **Strict compliance with notice provisions:** The company shall strictly comply with all contractual and statutory notice requirements by serving timely, written notices (including force majeure, change-in-law, and hardship notices, as applicable) in the form, by the method, and within the deadlines prescribed, and shall commit to providing reasonable rolling particulars as further facts and impacts become available.
- **Compile an evidence pack:** The company shall compile and maintain a contemporaneous evidence file sufficient to establish causation and impact, including (without limitation) relevant government directives (e.g., Resolution 36), port and carrier advisories, insurer or P&I circulars, supplier or counterparty notices (including any force majeure declarations), logistics reports, and internal delay and cost records.
- **Execute a mitigation plan:** Both Vietnamese and common law frameworks expect affected parties to take reasonable steps to minimize losses. The company shall implement and document all reasonable and proportionate mitigation measures consistent with its contractual and legal duties to minimise loss, including (as applicable) procuring alternative feedstocks, re-routing shipments, adopting substitute energy sources, re-sequencing deliveries, and engaging counterparties promptly to agree interim workarounds.
- **Review insurance:** The company shall review all relevant insurance policies (including, as applicable, war-risk, political-risk, marine cargo, business interruption, and supply-chain extensions) to identify notification triggers and time limits, and shall give prompt notice to insurers and brokers, comply with any claims-cooperation and loss-mitigation obligations, and preserve coverage rights.

#### 4. How EY can help

Navigating cross-border supply chain disruptions and energy market volatility requires swift, strategic action. EY Law Vietnam Limited Liability Company is experienced in assisting management teams through these complex operational challenges. The firm is on standby to provide rapid-response support, including:

- **Urgent triage:** Governing law mapping, red-flagging vulnerable supply clauses, and tracking notice deadlines.
- **Drafting notice and evidence packs:** Preparing robust FM, change in Law, and Article 420 hardship notices.
- **Renegotiation strategy:** Advising on temporary repricing mechanisms, variation requests, and alternative feedstock procurement contracts.

Important notice: This alert provides general guidance only and does not constitute legal advice. Specific advice should be sought for your unique circumstances.



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