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Data Centres Are Now War Targets?

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By **Manasee Kurlekar** | October 12, 2026



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That would be bluster from most capitals. Iran is different: on **early March 2026** its drones took out three Amazon Web Services data centres in the UAE and Bahrain. Two of AWS's three UAE availability zones went dark, and so did banking apps across Dubai and Abu Dhabi. Analysts called it the first confirmed military attack on a hyperscale cloud provider.

So the market can't ask whether Iran *would* target AI infrastructure. It already has. The question now is what this repeat warning does to the most ambitious compute build-out *ouIran has put the Gulf's AI build-out back in the crosshairs. It has already hit these targets once this year, so the Gulf's pitch as a safe home for the world's compute now carries a war-risk discount.*

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What Tehran said, and why now

Iran has paired a stalled peace process with an explicit threat to Gulf digital infrastructure. On Sunday, Mohsen Rezaei, who heads Iran's Supreme National Security Council, called Washington's latest reply to Iran's peace proposal "insufficient." He said Tehran would stop responding until the US clarifies its position, and warned that cables, data centres and AI facilities in the region would be at risk if heavy fighting resumes.

The backdrop is ugly:

- **A US naval blockade of Iranian ports** has run since 14 July. CENTCOM says 135 ships have been turned back.
- **Houthi strikes on Saudi Arabia** hit Riyadh's main airport twice over the weekend and Dammam's on Sunday. Saturday's strike killed at least 12 people and wounded 309.

- **Trump says the US "may" join Saudi strikes** on the Houthis. He has also said he won't attack Iran before the 3 November midterms.

This is not the first such warning. In April, an Iranian military video zoomed in on the **Stargate UAE** site in Abu Dhabi. Tehran has also published a list of **29 tech targets** across Bahrain, the UAE, Qatar and Israel, naming AWS, Microsoft, Google, Nvidia, Oracle and Palantir facilities.

What's at stake: the Gulf's compute bet

"\$100 billion" actually understates the exposure. Saudi Arabia, Qatar and the UAE have pledged roughly **\$2.5 trillion** to US-linked technology investment, and they are targeting **8-10 GW** of AI compute between them. For scale, India's entire data centre fleet is about 1.4 GW. The hard, project-level money is smaller but still vast:

Project	Backers	Scale	Status
Stargate UAE (Abu Dhabi)	OpenAI, Oracle, G42; MGX also in the \$500B US Stargate	5 GW campus, the largest AI site outside the US	First 1 GW cluster under construction
Humain (Saudi Arabia)	PIF; Nvidia supplying up to 600,000 GPUs	1.9 GW by 2030, 6.9 GW by 2034	Build-out targets
Microsoft in the UAE	Microsoft, with G42	~\$15B committed through 2029	Committed
AWS AI hub, Riyadh	Amazon	\$5.3B	Committed
Brookfield-QIA (Qatar)	Brookfield, Qatar Investment Authority	\$20B partnership	Confirmed proceeding mid-war

The pitch behind all of it is simple: cheap power, sovereign capital, empty land and a US security umbrella. The war is stress-testing the last of those.

Why data centres make perfect targets

A data centre is a giant, fixed, publicly mapped building that costs billions, and it can't be moved. That's the opposite of what you want in a war zone. Three things make the Gulf's version especially exposed:

- **Concentration.** AWS built its UAE region as three availability zones so a failure in one wouldn't matter. Iran's drones hit two of the three at once. Banking apps, payments and delivery platforms in a region of about 50 million people went down together.
- **Cables.** The Gulf's data has to leave the region somehow. Seventeen submarine cables run through the Red Sea, and more pass Hormuz, the very waters now being fought over. Repair ships can't safely work in an active war zone, so a cut could last months.
- **Symbolism.** Iran frames US-linked compute as an extension of American military power. That makes a GPU cluster a political target, not just an economic one. When Rezaei names "AI facilities" alongside cables, he is signalling exactly that.

The money question

The build-out won't stop, but it will get more expensive and more cautious. Sunk capital doesn't walk away, and neither do sovereign funds built to sit through volatility. The cost of the next dollar is a different story:

- **Insurance.** Standard commercial policies exclude acts of war. Every developer about to break ground in the Gulf is now pricing war-risk cover, if it can get
 - it at all. In shipping, Gulf war-risk premiums have already hit double-digit millions of dollars per voyage.
 - **Customers.** After March, AWS told clients to consider moving workloads out of the Middle East. A hyperscaler telling its own customers to leave a region is about as damaging as marketing gets.

- **Capex discipline.** Saudi Arabia's PIF has signalled a 15% cut in capital spending, and several big UAE data centre projects are reportedly under review. Goldman estimates that a long war could cut Saudi GDP by about 3% and the UAE's by about 5%.
- **The counterweight.** Brookfield and the Qatar Investment Authority went ahead with their \$20B partnership anyway, and the 1 GW Stargate UAE cluster is still rising. The Gulf is betting that geopolitics fades long before 10-year compute contracts expire.

Our read: expect **dual-region designs** (a Gulf site mirrored somewhere "boring"), hardened facilities and higher hurdle rates. All three make Gulf AI compute pricier than the brochure promised.

The India angle: the "boring" alternative

Every Iranian threat against Gulf compute makes a case for India. After the March strikes, AWS and Microsoft reportedly looked at shifting West Asia workloads to India and Singapore. Mumbai, Chennai, Hyderabad and Kochi were the cities in the frame.

- **Scale is coming.** India has about 1.4 GW of data centre capacity today. Industry projections run from roughly 4–5 GW by 2030 to about 10 GW within seven years, and OpenAI has announced a 1 GW Indian site.
- **Policy is helping.** A draft National Data Centre Policy offers up to 20 years of conditional tax breaks and full electricity-duty exemption.
- **But India isn't risk-free.** Grid reliability, heavy diesel backup, water stress in the anchor cities and its own border tensions all count against it. Omdia's advice to builders is to weigh geopolitical risk *first* in site selection, and on that test India scores well against the Gulf, not perfectly.

There's a human exposure too. An Indian national died after Saturday's Riyadh airport strike, a reminder that India's huge Gulf workforce sits inside this conflict, not beside it.

The WBW take

For a decade, the Gulf sold the world one idea: energy security. Now it is trying to sell compute security, and Iran is attacking that idea directly. The petrodollar-to-AI pivot needs these sites to feel as safe as a server farm in Virginia. One drone campaign and one repeat warning have priced that safety at a discount. The money won't flee, but the next tranche will cost more, demand redundancy elsewhere and move slower.

What to watch

- **Whether the US joins Saudi strikes on the Houthis.** That is the most direct path to the escalation Rezaei says would put data centres back in play.
- **Hyperscaler earnings later this month.** Listen for Middle East region commentary, capex reallocation or anything on war-risk insurance.
- **Stargate UAE's first 1 GW cluster.** Any slippage, a new insurer or new partners would be the tell.
- **Iran's reply to Washington.** Rezaei has frozen it. Any thaw is the clearest de-risking signal for Gulf compute.

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