Energy
Transitions
Commission

Energy transition in 2026: implications of the war in the Strait of Hormuz

ETC Asia-Australia Meeting

21 April 2026

The Middle East war is exposing a structural vulnerability in the global energy system: a regional conflict with global impact

Reuters

World Business Markets Sustainability Legal More

Iranian leader Khamenei killed in air strikes as U.S., Israel launch attacks

By Phil Stewart, Parisa Hafezi, Maayan Lubell and Andrew Mills

February 28, 2026 7:37 AM GMT · Updated March 1, 2026

FK3D

Will the Iran war derail the energy transition?

08/04/26 | On-line news

Iran + Add to myFT

Iran war is causing largest disruption in history to oil supplies, says IEA

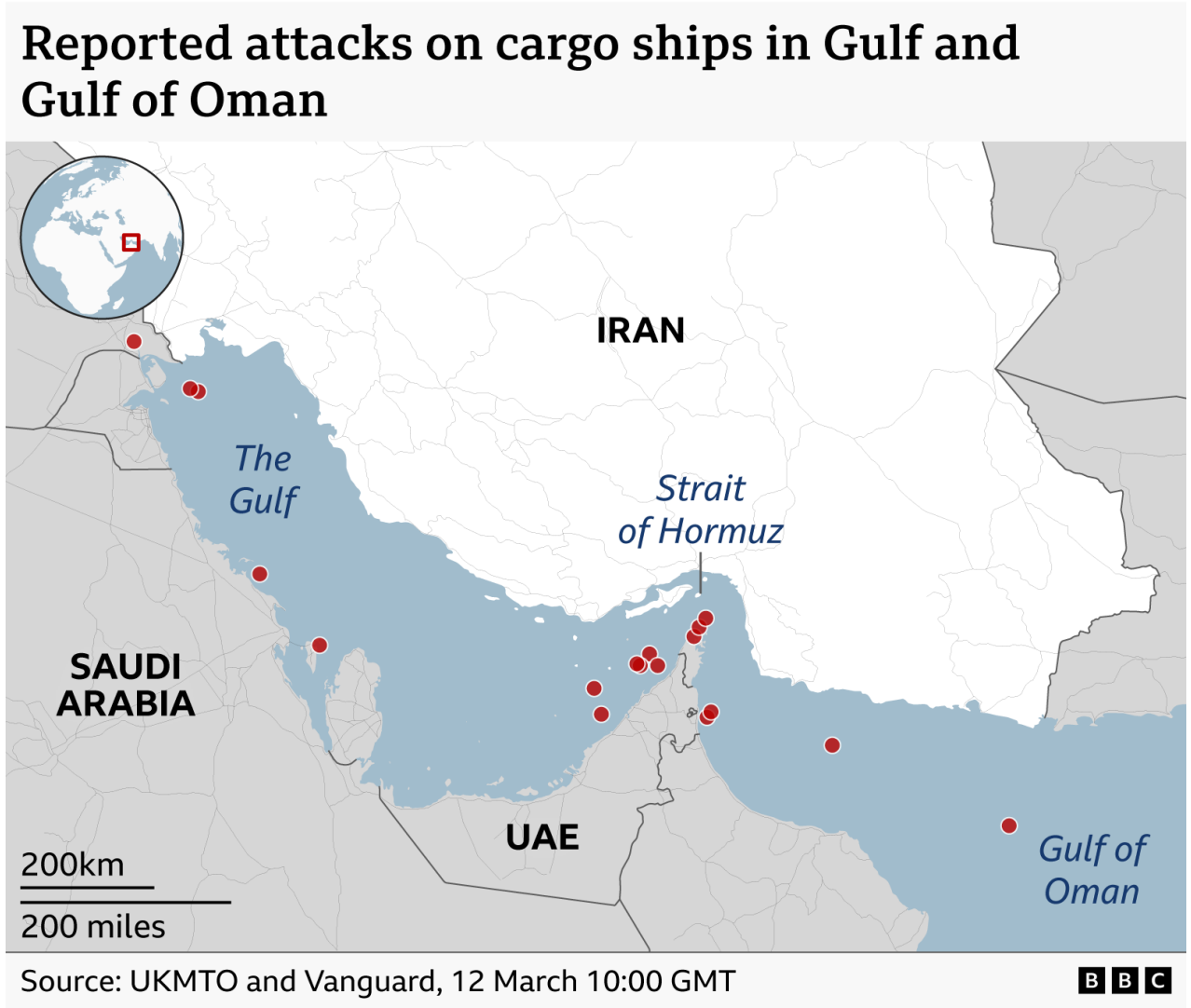
Explainer

What does the Iran war mean for clean energy transition?

The Guardian

Source: Public media publications

The Straight of Hormuz: a critical chokepoint of global trade



Facts:

- Straight of Hormuz pre-crisis saw **1/3 of global crude oil** trade, **1/5 of global LNG** trade as well as relevant shares of LPG, refined oil products and industrial commodities including fertilizers, aluminium and sulphur.
- ~85% of crude oil and LNG **destined to Asia,** with access to fertilizers disproportionally impacting least developed countries – LNG importers like Europe bearing price implications

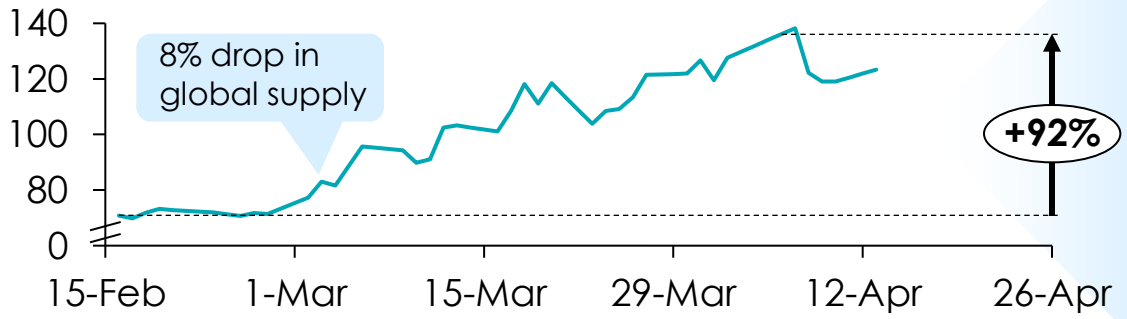
Possible implications:

- Immediate demand destruction and economic consequences – question over duration
- Reinforces shift to 'resilient' clean energy – but speed of deployability is key to near term response

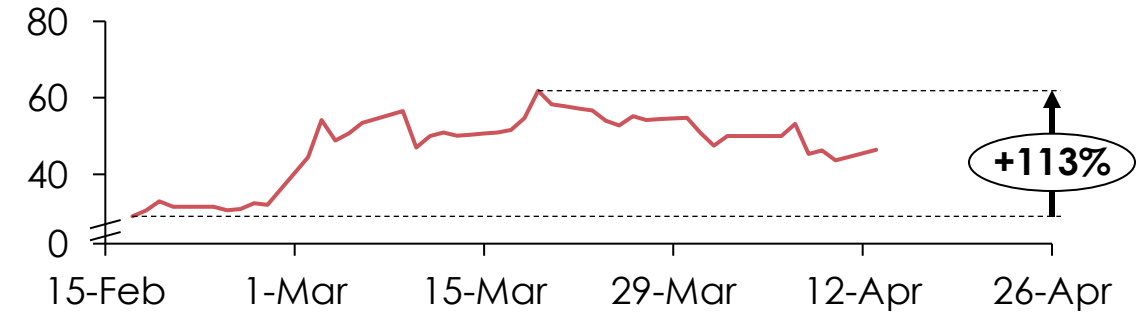
Source: UN Trade & Development (2026) Strait of Hormuz Disruptions

Fossil fuel systems are more exposed to price volatility; buffers are limited

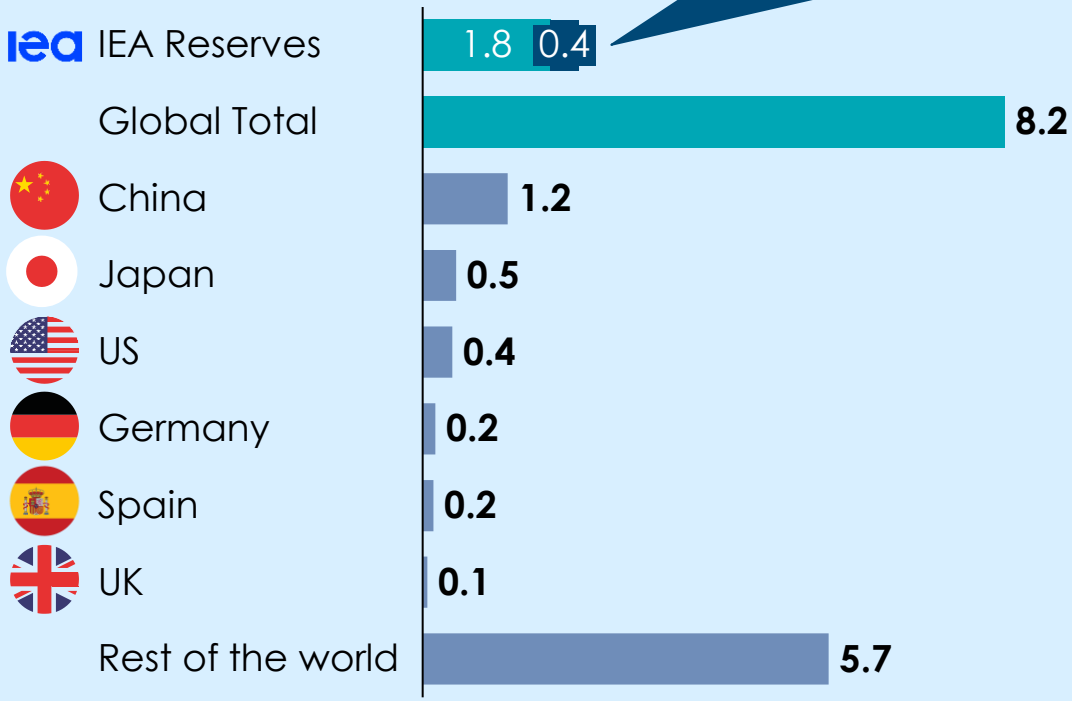
Brent crude price (Dec 2025 – Mar 2026)
Dollars per Barrel



TTF natural gas price, month ahead (Feb – Mar 2026)
€ per MWh



Global Oil Reserves
Billion barrels



IEA release is 5% of global stock, equivalent to:
- ~20 days of Hormuz flows
- ~50 days of the current net supply loss (8 mb/d)

Limited rerouting (~2.5 mb/d vs ~20 mb/d disrupted) and slow infrastructure (5+ years for new pipelines) mean disruptions translate directly into higher prices

IEA (2026), Oil Market Report; The Wall Street Journal (2026), IEA Will Launch Largest-Ever Oil Release From Global Strategic Reserves; Reuters (2026), How much oil do G7 countries hold in emergency reserves?; Financial Times (2026), Iran war tests Xi Jinping's plan to build China's stockpiles

Asia-Pacific is at the epicentre of exposure, while Europe and the US remain economically exposed

Country	Imported consumption		Dependence of imports on Hormuz		Immediate impact
	Oil	LNG	Oil	LNG	
Japan / South Korea	100%	95%	70-90%	10-20%	• Coal fallback • Rising fiscal costs from energy support
China	70%	40%	40%	20%	• Reducing gas use in industry • Increased domestic coal production
India	90%	50%	60%	30%	• LPG shortages hitting households • Increased coal use
Europe	95%	45%	–<20%	–<10%	• Subject to global market pressures • Delays to coal phase-out
United States			No import dependence		• Higher fuel prices despite domestic supply

The shock is propagating far beyond fuels

- ~**1/3 of traded fertilisers** and **50% of seaborne sulphur** also pass through Hormuz, alongside ~**9% of global aluminium** and ~**39% of helium production**
- This is raising risks to food affordability, industrial input costs and battery-related supply chains
- The result is broader inflation and, in vulnerable importers, balance of payments stress

EMBER (2026), Overcoming fossil lock-in is pivotal for Asia to buffer against energy shocks; IEA (2026); S&P Global (2026); Zawya Projects (2026); ICMM (2026)

The current supply constraint and rising fossil fuel prices impose immediate social costs, specially in Asia, with policy responses across the globe

Social impacts are immediate: Higher prices are feeding directly into transport, food and household energy costs

Selected examples

Impacts are most severe in fuel-import-dependent economies in South and Southeast Asia

- Pakistan: schools closed, remote work, shorter working hours
- Bangladesh: universities shut, households and businesses asked to cut lighting
- Thailand: remote work and lower energy use across offices and public services

Responses are more targeted than in 2022, but fiscal space is uneven

Selected examples

• **Targeted support:**	China / Germany	Using targeted price support and tax relief
• **Fallback to fossil:**	Japan / South Korea	Increasing coal and nuclear generation
• **Structural change:**	Indonesia / Philippines	Scaling electrification of cooking and transport
		Plans for up to 100 GW of solar
		Deploying 250 MW solar + 450 MWh battery storage

Reuters (2026), Brazil proposes new plan for diesel subsidies as prices jump; The Guardian (2026), Australians may not see cheaper fuel for weeks despite Labor's excise cuts; Reuters (2026), China curbs domestic fuel price hike again to soften impact of surging oil prices; The Korea Times (2026), Korea delays shutdown of coal-powered plants amid energy crisis; Philippine Information Agency (2026), 250 MW Solar, 450 MWh Battery Storage Boosts Power Supply, Strengthens Energy Independence; Cabinet Secretariat of the Republic of Indonesia (2026)

Immediate actions to manage the crisis are necessary but without reinforcing the structural vulnerabilities of fossil fuels systems

Protect consumers and preserve price signals

2022 showed the risk: support reached >1% of GDP in euro countries

- Use targeted support, not blanket subsidies
- Preserve incentives to save energy, electrify and switch fuels

Accelerate switching

- Scale renewables, electrification and efficiency
- Use distributed solar, storage and mini-grids to improve resilience fast
- Unlock existing clean capacity and avoid curtailment through grid optimisation, flexibility and Vehicle-to-Grid

Reduce demand now

Prioritise no-regret demand cuts in transport and operations

- Preserve scarce fuels for essential uses such as freight, cooking and critical services
- Use behavioural measures to buy time without new fossil lock-in

IEA 10-point plan to meaningfully reduce pressure on consumers

1. Remote work
2. Lower speed limits
3. Public transport shift
4. Traffic restrictions in cities
5. Car sharing and eco-driving
6. Freight efficiency
7. Reallocate LPG to essential uses
8. Reduce air travel
9. Clean cooking alternatives
10. Industrial efficiency and fuel switching

IEA (2025) World Energy Outlook; IEA (2026), Sheltering From Oil Shocks;

A single fossil fuel price shock can impose costs, with no added value, comparable to multiple years of clean transition investment

	Fossil Fuel Systems	Clean Energy
Costs	• **Oil** : a sustained +$30/bbl implies roughly 1**% of global GDP** ($1.1–1.2tn/year) in extra costs • **Gas** : a sustained +$10/MMBtu could add $0.5–0.8tn/year	• Net additional cost of transition remains **<1% of global GDP** (~$1 tn) to 2050
Value creation	• No productive assets created • Same energy service, but with higher cost	• Builds renewables, grids, EVs, heat pumps and efficiency + low carbon goods and fuels • Creates assets that lower future system costs
How systems are exposed	• Fuel dependence: exposed through continuous fuel purchases • High exposure to price shocks every day	• Asset dependence: costs shift from fuel to upfront capital • Once built, assets keep delivering energy with minimal fuel exposure
How shocks are absorbed	• Daily exposure to globally traded fuels and imported supply chains • Cost repeats with every disruption	• In the long run, only a small share (4-10%) of installed base needs replacing each year • **Shocks affect future deployment** not current energy supply

SYSTEMIQ & University of Oxford (2026), The Resilience Nexus: How Europe's security, competitiveness and climate goals are interlinked; ETC (2025), Global trade in the energy transition; ETC (2023), Financing the Transition

In the short term, energy security may rely on domestic fossil fuels but it should not delay the transition to a clean and more resilient system

Difficult trade-offs

1 **Coal** buys time, but at the highest emissions cost	Fastest fallback using existing plants where LNG is scarce or too expensive **Risk**: **delays phase-out and locks in higher emissions** if temporary use becomes persistent
2 **LNG** can bridge, but can also lock in the problem	Can ease short-term shortages and stabilise gas supply **Risk**: **10-20 year contracts extend exposure** to volatile global gas markets and create long-term lock-in
3 **Domestic supply** sounds attractive, but arrives too late	Politically attractive as a way to reduce import dependence **Risk**: **2-10 year lead times** and no protection from globally set oil and gas prices

Clear 'Do-nots'

Do not..

… lock in long-term fossil infrastructure

… weaken climate commitments or delay phase-out timelines

… blur the line between temporary and structural measures

… rely on blanket energy subsidies

S&P Global (2026), Southeast Asia cushioned from LNG shock as coal capacity provides buffer; Financial Times (2026), Will the Iran war derail the energy transition?; IEA (2025), *Global Methane Tracker*

Win-win interventions can reduce exposure to traded fossil fuels while improving affordability and resilience

	Impact	Oil and gas displaced by 2035	Key policies to unlock
		Oil / Natural gas — *% of oil or gas passing from Hormuz* - % global demand	
Renewables	Remove exposure to gas price volatility in power systems	100-150 % — 6-8%	• Fast-track permitting and grid connections • Reduce clean-tech import barriers
Electric Vehicles	Largest lever to structurally reduce oil demand in transport	20-45 % — 4-9%	• Preserve price signals with targeted support only • Strengthen ICE phase-out
Heat pumps and energy productivity	Deliver immediate demand reduction with 1-2 years paybacks	5-15 % — 1-3% / 200-300 % — 10-16%	• Reform tariffs and market design to improve electricity-to-gas price parity
Green fertilisers	Become cost-competitive at gas prices >$30/MMBtu	<20 % — <1%	• ETS is the strongest price signal • CBAM protects competitiveness and limits leakage
Sustainable fuels	Near-term scale limited, but strategic for hard-to-electrify transport	<15 % — <3%	• Mandates and international regulation to create demand

ETC (2025), The Road Ahead: Electrification, Design and Mobility Choices for Efficient Transport; IEA (2026), World Energy Outlook; EMBER (2026), The New Twin Oil Shock; ETC (2026) Fossil Fuel Phase-Down: Trends By Fuel And Policies To Accelerate Implementation; IRENA (2026), From energy crisis to energy security

Q&A