

How Should We View the Impact of the “Hormuz Strait Crisis” on Asia’s Energy Transition?

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Since the beginning of this week, global attention has been focused on whether renewed negotiations aimed at bringing an end to the war between the United States and Iran will be convened, and, if so, whether such talks will succeed in producing a substantive agreement. Since the initiation of military attacks by the United States and Israel on February 28, a state of heightened tension has persisted, accompanied by the de facto closure of the Strait of Hormuz. This situation has continued to destabilize the international energy market, driving sharp price increases and intensifying concerns over supply security, with ripple effects that have shaken the global economy as a whole.

Against this backdrop, international energy conditions may change dramatically depending on which of several possible scenarios unfolds: (1) negotiations between the United States and Iran succeed, leading to a gradual normalization of safe passage through the Strait of Hormuz; (2) negotiations fail, or even if initiated, stall without tangible agreement, leaving the current tense situation essentially unchanged; or (3) negotiations and agreements collapse altogether, triggering a resumption of attacks and retaliatory actions and further escalation. The world is thus watching developments between the United States and Iran with bated breath.

Depending on the outcome of these negotiations, the trajectory of the conflict, and the outlook for energy flows through the Strait of Hormuz, short-term international energy conditions could be radically transformed. Such changes would exert enormous influence on the global economy and on the stability of energy supplies in individual countries. In the event of a sharp surge in crude oil prices or large-scale supply disruptions rendering physical procurement of energy difficult, governments would be compelled to implement strong emergency responses, including the release of strategic reserves and aggressive energy conservation measures. In order to survive and overcome the crisis, “every possible option” would be pursued with urgency.

At the same time, beyond short-term emergency responses, it is highly likely that medium- to long-term energy security policies will be promoted with a degree of intensity markedly different from the past. At the root of the current crisis lies the fact that global energy supply stability had become excessively dependent on the safe navigation of the Strait of Hormuz as a critical chokepoint; that the risks of its closure were significantly underestimated; that the vulnerabilities inherent in energy supply

systems constructed on the basis of such underestimation have now been laid bare; and that the world has come to recognize that similarly grave events could occur again in the future depending on the intentions of actors controlling access to the Strait. These realizations are driving fundamental reassessments.

Consequently, the core of medium- to long-term energy security policy will center on how to reduce dependence on the Strait of Hormuz and, more broadly, on the Middle East, and how to overcome the vulnerabilities in energy security that have been exposed by this crisis. These objectives inevitably entail transforming global and national energy supply-and-demand structures in the name of strengthening energy security. In other words, they amount to accelerating an “energy transition” motivated by energy security imperatives.

The term “energy transition” has become indispensable in discussions of energy issues, particularly since the early 2020s, to the point of being almost ubiquitous. Until recently, however, the concept was used predominantly in close association with decarbonization efforts aimed at strengthening climate change mitigation. The transition referred primarily to a shift away from fossil fuels—then the dominant sources of energy and major contributors to CO₂ emissions—toward non-fossil energy sources. Following the outbreak of the Ukraine crisis, a shift occurred toward framing the energy transition as a challenge of balancing decarbonization with energy security. Even so, the decarbonization narrative continued to play a central role in this dual objective.

A key issue in reconciling decarbonization with energy security has been the rising cost burden. It became apparent that if the energy transition were to entail higher energy prices and costs, social acceptance would be difficult to secure. As a result, the global push for energy transition entered what might be described as a “plateau” or slow down.

The present “Hormuz Strait Crisis,” however, may serve as a catalyst for breaking through this “plateau” and ushering in a new phase of energy transition. Whereas decarbonization had drawn its motivating force from appeals to long-term ideals such as safeguarding humanity’s future through climate action, the current driving force originates in the immediate and pressing challenge of securing stable energy supplies for daily life. The more severe the crisis and the greater the tangible damage it causes, the stronger its effect as a driver of change. In this respect, particular attention should be paid to Asia’s energy future, as the region is experiencing some of the most severe consequences of this global crisis.

The oil crises of the 1970s provided a powerful impetus for transforming energy supply structures in the advanced economies, which at the time constituted the center of global energy consumption. Europe, suffering from the repercussions of the Ukraine crisis, has likewise been advancing its energy

transition despite formidable challenges. Similarly, in the wake of the current crisis, the question of how Asia—expected to be the primary source of future growth in global energy demand—will be affected in its energy transition has become a matter of critical importance.

In Asia, as exemplified by the Philippines’ declaration of a “national energy emergency,” the current crisis has generated severe social and economic problems, forcing governments to implement stringent conservation measures and others. Negative impacts on economic activity are widely anticipated, and these harsh experiences may well strengthen resolve to promote an energy transition aimed at reducing dependence on the Middle East and on supply routes via the Strait of Hormuz. Already, heightened attention is being paid to the use of domestically sourced biofuels as substitutes for oil, and to the promotion of electric vehicles (EVs) as a means of reducing oil dependence. Renewed efforts to expand renewable energy deployment in order to break away from fossil fuels are also evident.

At the same time, it is crucial to recognize that coal-fired power generation is also likely to assume renewed importance across Asia. If the primary driver of the current energy transition is not decarbonization but rather the assurance of a stable energy supply at an affordable price, then coal—widely available domestically or regionally and offering strong price competitiveness—naturally attracts attention as a pragmatic energy source for Asian economies. Coal’s attributes as an affordable and reliable resource are once again being highlighted under today’s energy conditions. Moreover, the promotion of EVs powered by competitively priced electricity generated from coal-fired plants may represent one possible pathway for Asia’s energy transition. In this context, the potential role of cost-competitive Chinese-made EVs spreading throughout Asia warrants close scrutiny. Other developments may include strengthened efforts in energy efficiency, rising interest in nuclear power, and initiatives related to innovative clean fuels such as hydrogen. The essential point, however, is that in Asia, energy transition will be driven by a keen awareness of costs and by the imperative of securing stable energy supplies. Liquefied natural gas (LNG) may also play a significant role in this transition, but future LNG price trends will be a decisive factor in determining whether LNG use can expand across Asia.

Another critical dimension in assessing Asia’s energy transition is its relationship with dominance in clean energy sectors. Should Asia advance EVs and renewable energy as described above, dependence on China—which holds overwhelming dominance across clean energy supply chains, including critical minerals required for manufacturing—will inevitably increase. An energy transition designed to reduce dependence on the Middle East and the Strait of Hormuz could thus result in the emergence of a different form of strategic dependence. Given that the current crisis has clearly demonstrated the grave consequences of excessive reliance on specific sources for strategic commodities, it is essential that future energy transition efforts in Asia be pursued with a multidimensional and strategically balanced perspective.