



Will the Iran War Finally Spur ASEAN into Collective Action on Energy Security?

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Will the Iran War Finally Spur ASEAN into Collective Action on Energy Security?

By Ong Keng Yong

SYNOPSIS

The oil supply shock is a crisis for Southeast Asia. But it can also energise political efforts for greater regional cooperation.

COMMENTARY

The Strait of Hormuz may be thousands of kilometres from the Philippines, but the global energy crisis arising from [the US-Iran stand-off](#) is top of mind as delegates gather this week in Cebu for the ASEAN summit.

There is a certain painful prescience in the choice of this summit's theme, decided on before the outbreak of the Iran war in February: Navigating Our Future, Together.

Navigation lies at the heart of the crisis as the choking of the Strait of Hormuz by blockades has left an estimated 1,000 commercial vessels and 20,000 seafarers stranded in the Gulf. The blockage has sent oil prices spiking as available stocks critical to Asian economies dwindle. How then is ASEAN to navigate out of this dire situation together?

A special meeting of ASEAN energy ministers last week issued a joint statement calling for open sea lanes, supply diversification and a strengthening of regional cooperation on energy security.

As ASEAN leaders meet in Cebu this week, they face a critical challenge: how to translate the energy ministers' call for regional cooperation into action.

To be sure, [energy vulnerability is not new to ASEAN](#). But the urgency of addressing it has sharpened as a result of the Gulf conflict. The supply crunch has also highlighted the fact that efforts to establish a regional alternative to risky dependence on the Middle East remain incomplete.

ASEAN is also not bereft of mechanisms for joint action, so the burning question the regional grouping has to confront is: Will the shock and pain from the Iran war spur ASEAN's leaders into collective action? Related to this is: Will ASEAN use this moment of crisis to lay the foundations of a much more durable arrangement for its energy security?

In the search for solutions, it helps to first look at the state of play for ASEAN member states as they confront the energy crunch.

The Philippines, which sources around 98 per cent of its crude oil from the Middle East, declared a national energy emergency in March as fuel costs hit levels not seen in years. Vietnam sources around 85 per cent of its crude from the Middle East, almost all of it from Kuwait.

Singapore, which generates around 95 per cent of its electricity from imported natural gas, has seen wholesale electricity prices rise steadily since the conflict in the Middle East intensified. Petrol and diesel costs are also rising weekly in line with market fluctuations. With no domestic energy resources, higher gas and fuel costs feed through to consumers and businesses more directly than in countries with their own reserves to draw on. The Singapore Government has implemented a support package to blunt the impact of the price increases.

In the case of Thailand, Indonesia and Malaysia, which have domestic production to draw on, they have resorted to costly fiscal intervention – from subsidy expansions to price caps – to shield consumers from the broader price contagion the conflict in the Middle East has generated. For smaller economies with limited refining capacity such as Cambodia, Laos, Myanmar and Timor-Leste, the exposure is more direct and the policy options far narrower.

The pressure is compounded by the direction of demand. Energy consumption across ASEAN has been growing at roughly 3 per cent a year, driven by expanding cities, rising incomes and growing industries, most of it met by fossil fuels. With demand showing no signs of slowing, the case for structural change is more urgent than the immediate crisis alone would suggest.

Structural Complications Beneath the Surface

ASEAN is not uniformly resource-poor. Indonesia and Malaysia are significant energy producers. Laos generates hydropower well in excess of its domestic needs. Indonesia holds 40 per cent of the world's geothermal resources, and Vietnam's offshore wind corridors remain largely undeveloped.

And yet intra-regional energy trade remains thin relative to what the region's endowment could support. The gap is not one of resources but of architecture – the

cross-border agreements, transmission infrastructure and pricing mechanisms that would make intra-regional trade viable at scale. The latest ASEAN energy ministers' joint statement called explicitly for a strengthening of intra-ASEAN energy trade, a sign that this gap is widely understood.

Across ASEAN member states, fiscal capacity and regulatory sophistication vary enormously. Singapore and Malaysia have the regulatory frameworks and fiscal depth to absorb external shocks. For Cambodia, Laos and Myanmar, the buffers are thinner and the consequences of price spikes more immediate. Economic development and transition readiness do not always move together.

Indonesia, ASEAN's largest economy, faces a particularly difficult path given its coal dependency and the fiscal centrality of its state energy companies. Vietnam has led the region in renewable capacity additions over the past decade, and the Philippines now permits full foreign ownership of renewable energy projects, one of the more open investment frameworks in the region. Any workable regional energy architecture will need to reflect the diversity of starting points.

From Architecture to Action

Each of these challenges points to the same conclusion: The region needs [a collective energy architecture](#).

Rising energy demand that cannot be met domestically calls for diversified regional supply, thin intra-regional trade calls for the grid infrastructure that would make it viable, and uneven member state capacity calls for a framework with tiered implementation and dedicated financing.

The [ASEAN Power Grid](#) does not resolve these problems automatically, but it is the only mechanism that addresses all three at once.

ASEAN is not starting from scratch. The ASEAN Petroleum Security Agreement (APSA) serves as the region's foundational crisis response tool – a voluntary petroleum-sharing scheme that can be triggered when any member state faces a supply deficit of 10 per cent or more of its normal domestic needs for 30 consecutive days or more.

Adopted in 2009 and renewed in October 2025, APSA establishes a coordinated framework for emergency fuel sharing, information exchange and mutual assistance during supply crises.

The latest energy ministerial meeting renewed the call for ASEAN member states to complete domestic ratification of APSA, reflecting the practical complexity of translating a regional agreement into binding legal commitments across 11 jurisdictions.

All 10 ASEAN member states ratified the 2009 APSA, except newest member state Timor-Leste. The October 2025 renewal of APSA – which expanded the agreement's scope to include natural gas alongside petroleum – constitutes a new instrument

requiring fresh domestic ratification from all 11 member states, including those that had already ratified the 2009 version. As of the April 27 ministerial meeting, that process remains incomplete across ASEAN. The meeting's call for expeditious ratification was directed at the 2025 agreement, not the original.

Beyond crisis response, the ASEAN Plan of Action for Energy Cooperation 2026-2030 sets the longer-term strategic direction but progress towards its targets has been uneven. The share of renewables in total primary energy supply fell from 21 per cent to 16 per cent between 2015 and 2024, even as installed renewable capacity increased. Fossil fuel demand simply grew faster.

The Laos-Thailand-Malaysia-Singapore Power Integration Project has demonstrated that multilateral cross-border power trade works in practice, providing a functioning template for what a completed grid could achieve at scale.

However, various stumbling blocks lie in the way of greater investment in the regional grid. These include high capital costs, insufficient private-sector participation, limited access to diverse financial sources and uncertainties over regulatory, policy and governance issues.

ASEAN has the policy frameworks and institutional architecture for regional energy integration, but sustaining the political will to act on them has proved harder.

At the Special ASEAN Foreign Ministers' Meeting in April, the ministers noted that had the ASEAN Power Grid been realised sooner, the region would be navigating the current crisis from a considerably stronger position.

The war in Iran and its knock-on effects on global energy supply have focused minds on activating existing plans that will buffer South-east Asian economies from the immediate shocks. The hope is the sobering effects will outlast the immediate pain and that when the energy crisis subsides, ASEAN would have translated the concentration of political attention into a more durable arrangement for regional energy resilience.

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