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SYNOPSIS

The energy crisis, stemming from the conflict in the Middle East, has once again exposed Southeast Asia's deep reliance on fossil fuels and the urgency of addressing this reliance. It may yet accelerate the shift towards renewable energy. For now, however, the immediate policy responses of countries in the region, such as the Philippines and Malaysia, focus on alleviating the economic costs of the crisis through fuel subsidies, price controls, and support measures to cushion the pressures on households.

COMMENTARY

The conflict between the US, Israel, and Iran, and the subsequent closure of the Strait of Hormuz have resulted in an energy crisis on a global scale. Among the world's major regions, the Asia-Pacific is particularly vulnerable to such shocks, given its high dependence on fossil fuels, with Japan, South Korea and ASEAN as major importers of crude oil and LNG from the Middle East. According to the International Energy Agency, around 80 per cent of crude oil and oil products passing through the Strait in 2025 were bound for Asia.

What are the implications of the energy crisis that has unfolded since the conflict began and the Strait of Hormuz was closed? Has it set back energy transition in Southeast Asia, or has it catalysed the region to accelerate its renewable energy ambitions? As the dust settles, Southeast Asia must confront the reality that energy transition is an imperative for national and regional security.

Oil Importers, Oil Producers and Socio-Economic Implications

Despite expectations that oil-producing countries would be more resilient, both oil-producing and oil-importing countries across Southeast Asia have adopted similar short-term measures to stabilise oil supply and pricing.

Oil-importing countries are, expectedly, severely affected. The Philippines declared a national emergency, while in Singapore, small and medium-sized enterprises (SMEs) are facing disruptions and falling revenues. Oil-exporting states have not been spared either. Thailand, for example, has seen factory closures, as rising energy costs bite.

In the case of the Philippines, it is highly vulnerable as it imports about 90 per cent of crude oil from the Middle East and relies on refined oil from other countries such as South Korea, China and Singapore. Rising fuel costs have placed economic pressure on all segments of society, increasing prices of food and consumer goods. In Manila, transport workers went on strike to protest the rising diesel prices, calling for the government to remove taxes on fuel products.

Despite being an oil producer, Malaysia still heavily depends on the Middle East for approximately 70 per cent of its crude oil supply. Supply disruptions have impacted its manufacturing sector, and increased fuel subsidies have been implemented to help regulate consumer costs. The crisis has also spurred the country to accelerate its use of biodiesel in the transport sector, making steady strides toward greater use of renewable energy sources.

In these cases, it is evident that rising oil prices has had a wide-ranging impact on the economy, livelihoods and the cause of cascading political implications. Reliance on fossil fuels makes states vulnerable to price shocks and threatens national security – that is why governments must recognise that investing in and growing the renewable energy industry is a key strategy for building energy security resilience in the face of conflicts and global uncertainty.

Short-Term Responses: Diplomacy, Diversification and Geopolitics

To cope with the disruptions, countries have sought alternatives to meet the shortfall. The Philippines and Malaysia have engaged in diplomatic efforts to secure their oil supply from other sources. The Philippines, for example, has sought exemptions from the US that would allow it to import oil from US-sanctioned countries such as Russia. As for Malaysia, it has been active diplomatically in diversifying its oil and gas supply, securing imports from Iran, Russia and Brazil.

However, while effective as a short-term solution, these efforts are insufficient to strengthen long-term energy resilience, as reliance on fossil fuel imports makes energy security vulnerable to geopolitical tensions and shifting national priorities.

Furthermore, the recasting of energy flows may place importing countries in a political bind, where they may be pressured to comply with the demands of energy exporters. Although the US lifted sanctions on Russian oil as a temporary measure,

in the long run, states buying Russian oil may face diplomatic pushback from the US and the European Union. Ultimately, Southeast Asian countries need to develop their domestic renewable energy capacity while strengthening regional energy cooperation.

Long-term Priorities: Reducing Dependence on Fossil Fuels

The closure of the Strait of Hormuz has demonstrated that Southeast Asia as a region still has a long way to go in developing its renewable energy sector. The responses of both the Philippines and Malaysia to the energy crisis indicate that the real short-term priorities hinge on securing fossil fuel supplies in tackling shortages.

While the transportation sector was the hardest hit by the rising cost of energy, electricity generation in the region has also been disrupted. One of the long-standing challenges Southeast Asia faces is its coal consumption. During times of fuel shortage, countries in the region have fallen back on coal as a substitute for oil and liquefied natural gas (LNG) to meet their energy demands. This has caused a temporary setback to efforts by states, such as the Philippines, which had previously reduced coal-fired power from 61.9 per cent in 2024 to 57.2 per cent in 2025, while increasing LNG's share of its energy mix.

In response to rising oil and LNG costs, countries such as the Philippines, Thailand and Indonesia increased coal generation. Fossil fuels, namely coal, oil, and natural gas, have made up 80 per cent of the region's energy demand, and while the renewable energy share is expected to grow, fossil fuel use is also likely to rise.

Retaining the Momentum for Renewable Energy Development

Although the region cannot eradicate fossil fuel consumption in the near term, countries must not lose momentum on renewable energy development. The transition offers economic dividends in terms of employment, investment, and cleaner energy. Furthermore, it will strengthen national energy security by reducing dependence on imported fuels.

Fortunately, progress in the energy transition has not been derailed. The Philippines, for example, has announced that it will accelerate its grid integration, which consists of 22 renewable energy projects. Malaysia has similarly set ambitious goals as part of its national energy transition roadmap. On-the-ground demand for portable solar generators and electric vehicles has also increased in Malaysia. These signal growing domestic appetite for renewable energy adoption.

Alongside national strategies, accelerating the ASEAN power grid is a key part of the regional architecture that will help member states strengthen renewable energy trade, overcome energy intermittency, and enhance access to energy. Barriers to the growth of the renewable energy sector include lack of private-sector investment, a skilled workforce, and regional interconnections. These are areas that must be addressed.

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