Center for Global Sustainability

Accelerating the Transition Away from Fossil Fuels in Response to the Global Energy Crisis with the Strait of Hormuz Closure

June 2026

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Suggested Citation:

Borrero, M., Cui, R., Behrendt, J., Nelson-Rowntree, X., George, M., Bertram, C., Tibebu, T., Churlyaev, D., Lou, J., Hultman, N. (June 2026). "Accelerating the Transition Away from Fossil Fuels in Response to the Global Energy Crisis with the Strait of Hormuz Closure." Center for Global Sustainability, University of Maryland. 45 pp.

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Summary

The closure of the Strait of Hormuz, driven by the ongoing U.S.-Israel conflict with Iran, is directly and severely impacting the global energy system by disrupting the supply chain of major fossil fuels and their products. The resulting widespread energy crisis is driving major price turmoil in the global crude oil, oil products, and liquified natural gas (LNG) markets. These effects in turn are creating a series of significant consequences for national energy security, household energy affordability, broader economic activities and macroeconomic stability across the world.

Regional geopolitical tensions over recent years have repeatedly demonstrated and underscored the urgency of transitioning away from fossil fuels rapidly and globally. The fossil fuel-dominated global energy system is expensive and deeply vulnerable. With highly globalized oil trade and increasingly globalized LNG trade, high-risk events with concentrated and powerful suppliers can easily and quickly escalate to globally widespread energy and economic disruptions. Meanwhile, solar, battery storage, electric vehicles, and other end-use electrification and clean technologies have become fully cost-competitive and are more often the cheapest options that can be deployed rapidly to meet growing demand and displace outdated fossil capacity and infrastructure.

Today, countries are at a crossroads. Choosing a future of cleaner, cheaper renewable energy, combined with industrial transformations and reductions in non-CO_2 greenhouse gases, will shape national and global economies in ways that are robust and resilient, that support growth and jobs in the economies of the 21st century, and help the world track more closely to our agreed climate goals.

The closure of the Strait has triggered a renewed realization and a growing consensus that **moving away from fossil fuels is the fundamental strategy for energy security and affordability and for sustained long-term economic growth and prosperity.** By reviewing the most recent energy and trade data and various policy responses across countries, we find accelerated adoption of renewables and electric vehicles (EV) across many countries. While establishing clear causal relationships may require more comprehensive and granular data over a longer period of time, **these trends suggest transitioning to clean technologies is being pursued as a critical strategy in response to the fossil energy crisis.** In contrast, other approaches adopted by some countries, such as increasing coal, nuclear, and liquefied petroleum gas (LPG) use and shifting to alternative fossil suppliers, may further lock in fossil infrastructure and investments and a fossil-centered energy system with continued exposure to future high-risk events. It is a critical moment for countries to make the right decision that will lead to a more secure, affordable, and cleaner energy system.

Key observations on accelerated energy transitions include:

- a record high of China's solar exports in March 2026, 49% higher than the previous peak observed in August 2025, driven by rising demand from African and Asian countries;[1]
- global oil and gas disruptions in the power sector largely offset by increasing renewable generation rather than coal-fired power plants;[2]
- accelerated electric vehicle penetration, with over 50% EV sales increases in countries such as France and Germany and by 200% in Brazil during the first month of the crisis,[3] more than doubled year-on-year Chinese EV exports in April, driven by demand from Latin America, Asia, and Africa,[4] and various EV tax credits or cuts in countries such as Chile, Laos, and Cambodia.[5]

However, some countries, including China, Italy, Republic of Korea (South Korea), Thailand, the Philippines, and several other emerging economies, are using coal and liquified petroleum gas (LPG) as part of the solutions, by increasing coal-fired generation, extending the lifespan of coal plants, substituting gas in industries, which raises concerns that these solutions could persist over the long term.[5–7]

In this analysis, **we group countries into four different categories based on their fossil fuel trade status (major importer vs. major exporter) and their reliance on the Strait of Hormuz trade route (high or low)** (Table 1). While these four categories are a simplification of a very complex issue and do not fully capture all the variables at play or the broader economic impacts on other important commodities and sectors (such as fertilizer supply shortages and increasing food prices), they help us understand at a high level how different countries are being impacted through fossil energy trade and how they have been responding through policies and strategies.

Overall, **major oil and LNG importing countries,** especially those with high import dependency that are behind on clean technology deployments, are mostly impacted by the crisis in terms of energy security and affordability, and are calling for accelerated energy transition as a key strategy, in addition to diversification of fossil supply and various measures to reduce demand. Countries that are further along in their domestic energy transition are more likely to accelerate energy transition efforts, even though some have adopted measures that continue to rely on fossil fuels, while countries with limited renewable energy (RE) and EV adoption in recent years may rely more heavily on alternative solutions in the near term, such as supply diversification and increasing coal use and nuclear operation.

Meanwhile, **major oil and LNG exporting countries through the Strait of Hormuz** face large impacts and an increasing risk of their fossil export-dependent economy, which requires a different set of strategies for a comprehensive and just transition on the supply side, including taking a proactive approach to prepare for changing external forces on the demand side. However, most major oil and LNG producers have taken limited steps toward implementing these strategies, largely focusing on diplomatic pressure to open the trade route.

Regardless of category, **almost all countries evaluated** are experiencing economic consequences from this crisis and have major concerns about energy affordability and energy security. Countries are

adopting different approaches to protect constituents and consumers from increasing prices. While this crisis is ongoing, and potentially for some period afterward, energy security and affordability will likely be high policy priorities for all countries. Incorporating a just transition in these policy discussions will be critical.

Table 1. Summary of key countries assessed and the adopted policy strategies across the four country groups sorted by trade status and reliance on the Strait. Key countries not covered in the main text are included in the Appendix.

		Fossil Fuel Trade Status	
		Major Importers	**Major Exporters**
Reliance on the Strait of Hormuz	**High**	**Key countries:** China, India, Japan, South Korea, Indonesia, other Asia, Pakistan, European Union (EU), Sri Lanka, Ethiopia, South Africa **Key responses:** • Accelerating energy transition • Increasing use of coal/nuclear • Supply diversification • Demand prioritization and reduction • Consumer subsidies	**Key countries:** Saudi Arabia, United Arab Emirates (UAE), Qatar **Key responses:** • Pursuing alternative trade routes • Diplomatic pressure to reopen Strait
	Low	**Key countries:** Türkiye, Morocco **Key responses:** • Consumer subsidies • Positioning as energy export nexus	**Key countries:** United States (U.S.), Russia, Australia, Brazil, Mexico, Colombia, Nigeria **Key responses:** • Increasing oil production and securing new trade agreements • Releasing or expanding fuel stocks • Protecting consumers from price increases

Overview

The Strait of Hormuz is located between Iran and Oman and connects the Persian Gulf with the Gulf of Oman and the Arabian sea.[8] This strait is critical for international fossil fuel trade. In 2025, approximately 25% of seaborne oil was transported through the strait (around 20 million barrels per day (mb/d)), including 34% of global crude oil trade (14.95 mb/d) and 4.93 mb/d of oil products.[9] This includes about 10% of global seaborne diesel and 20% of jet fuel exports.[10] In addition, around 20% of global LNG exports pass through the Strait.[9]

There are limited alternative routes to substitute for the Strait in the event of closure. Saudi Arabia and the United Arab Emirates (UAE) have pipeline routes with a combined available capacity of 3.5–5.5 mb/d for crude oil, but there are no viable alternatives for LNG transportation.[9] These routes account for only 25% of the oil transported through the strait and are vulnerable to attacks from Iran and by Yemen's Houthi group.[11] In addition, once transportation is reestablished in the Strait, it may take at least five months for producer countries to return to pre-conflict production levels.[12] As such, the closure of the strait significantly affects global fossil fuel flows, potentially driving up energy prices.

These disruptions have far-reaching implications for energy security. Countries that rely on imported fuels could face shortages, as well as sharp price increases affecting energy affordability and overall economic performance. Disruptions in energy supply are also driving changes in fiscal policies, macroeconomic stability, global trade, industrial inputs, and the energy transition.

The release of strategic reserves has been one of the most notable responses to the threat of price and fuel shortage shocks. In March 2026, the International Energy Agency's (IEA) 32 member countries unanimously agreed to release 400 million barrels of oil from emergency reserves, marking the largest coordinated release in the agency's history. In total, IEA members hold oil stockpiles of more than 1.2 billion barrels, and this decision marks only the sixth such collective action since the IEA was founded in 1974.[13]

The closure of the Strait also affects critical commodities including ammonia (23% of global demand), helium (33% of global production), sulfur (50% of global supply) and aluminium (9% of global production).[10] These commodities are essential for fertilizer production, petroleum refining, semiconductors, Magnetic Resonance Imaging (MRI) machines, transportation, and consumer durables, among other industries.[10]

The Strait closure is also affecting the energy transition by disrupting key supply chains. Offshore wind projects in the United Kingdom (UK), Germany, and the Netherlands face significant delays because they rely on components such as turbine foundations and offshore substations manufactured in the United Arab Emirates.[14] Electric vehicle battery manufacturing is constrained, as half of the seaborne sulfur needed for battery chemistry is transported through the Strait. In addition, graphite feedstocks required for battery production are declining because Middle Eastern countries are prioritizing the refinement of higher-value outputs during the crisis.[15] Renewable energy projects more broadly are also facing disruptions in the aluminium trade. The Middle East produces 9% of global aluminium, and the closure of the Strait is affecting supplies needed for solar mounting structures, EV bodies,

and transmission infrastructure. Semiconductor supply chains linked to EV manufacturing are also under pressure, as one-third of the world's helium supply is produced in Qatar and transported via the Strait.[15] Finally, the closure of the Strait is also affecting the green hydrogen industry by delaying projects in the region, as well as the production and export of electrolyzers.[15]

Country Grouping Based on Trade Status and Reliance on the Strait

This analysis attempts to identify the key characteristics and policy responses associated with the closure of the Strait of Hormuz. To do so, we classified countries into four groups based on their energy trade profiles (if they are exporters or importers of fossil fuels) and the extent to which they are directly affected by disruptions in the Strait (Table 2).

Table 2. Identified country groupings based on trade status and reliance on the Strait of Hormuz.

		Fossil Fuel Trade Status	
		Major Importers	**Major Exporters**
Reliance on the Strait of Hormuz	**High**	Group 1: Countries that largely import fossil fuels transported through the Strait of Hormuz	Group 3: Countries that produce fossil fuels and rely on the Strait of Hormuz to export their production
	Low	Group 2: Countries that are major importers of fossil fuels, do not depend on trade through the Strait of Hormuz, but are affected by price increases	Group 4: Countries that are major exporters of fossil fuels, do not depend on trade through the Strait of Hormuz, but are affected by price increases

These four categories are a simplification of a very complex issue and do not capture all the variables at play. The effects of the Strait closure vary across countries depending on the fuel type they trade, the degree of economic reliance on energy trade, the availability of domestic energy supply and substitute fuels, among other factors that affect the extent of the impact of the crisis. Not all countries within a category have the same underlying conditions, and therefore conclusions may not apply to all countries. For example, in Japan, 93% of its oil imports are transported through the Strait, but Japan has a comparatively higher level of oil reserves than other countries evaluated in Group 1.[16] In contrast, Bangladesh imports two-thirds of its LNG through the Strait but does not have significant reserves, so disruptions to this fuel have major implications for its power sector, as 50% of total electricity generation comes from gas-fired power plants.[9] Conversely, nations lacking domestic production and strategic reserves have experienced immediate emergencies. Morocco, without a refinery since 2015, was left with only 51-55 days of fuel coverage and no internal safety

net.[17] Sri Lanka, still fragile from its 2022 economic crisis, faced a six-week fuel limit that necessitated a shortened work week to curb consumption.[18] The European Commission's AccelerateEU report highlights this inequality in energy resilience, observing that while member states with adaptable, clean energy infrastructures have remained more economically stable than those dependent on imported fossil fuels, where the most severe price shocks and shortages have occurred.[19]

Moreover, the proposed classification does not fully capture the complex impacts of the crisis, such as clean energy acceleration in some countries versus fossil fuel lock-in, as well as the longer-term implications for energy supply and security. It also does not distinguish whether countries are affected positively or negatively by price fluctuations. For example, Russia and the U.S. are classified in the same group. While Russia is benefiting from rising oil prices and increasing exports,[20] the U.S. is adjusting its international strategy by waiving sanctions on Russia to increase oil and gas supply and reduce pressure on international prices.[21]

Finally, the country classification and the analysis presented here do not capture the broader economic impacts of the crisis on other important commodities and sectors. According to the United Nations Conference on Trade and Development (UNCTAD), rising energy, fertilizer, and transportation costs resulting from supply disruptions caused by the Strait closure may increase food prices globally, while fertilizer supply shortages are affecting least developed countries in Africa, such as Sudan and Mozambique.[22] In addition, developing countries are struggling to maintain healthy public finances as bond yields and debt-service costs increase, while households continue to face inflationary pressures, further hindering these countries' pace of development.[22]

The following sections provide an overview of energy trade through the Strait of Hormuz, identify countries in each of the groups mentioned, and outline their reactions and responses to the energy crisis.

Impacts and Policy Responses by Country Group

The closure of the Strait of Hormuz has broad energy and economic implications for countries whose energy trade depends on its availability, including both fossil fuel exporters and importers. Its impacts also extend to all countries, as oil and LNG are globally traded commodities and prices are determined at the international level. Countries that heavily rely on fossil fuel imports may face price increases regardless of the source of their energy supplies. In addition, countries with insufficient refining capacity that depend on imports of oil products, such as diesel and jet fuel, can also be affected by supply constraints.

In response to these disruptions, more than 60 countries have adopted emergency actions, with over 30 countries cutting fuel taxes, 23 adopting transportation policies, and 19 introducing price caps and fuel subsidies.[5] While some of these actions are short-term responses to address oil and gas supply shocks, others may have long-term implications for the energy transition.

Countries are pursuing a range of short-term measures with immediate outcomes, including diversifying oil and gas suppliers, releasing oil and gas strategic reserves, limiting the supply of

specific oil products (e.g., LPG, diesel), substituting fossil fuels, and introducing fiscal measures such as new taxes or subsidies on oil products. Additional actions include driving bans (e.g., Myanmar), fuel rationing (e.g., Bangladesh), and school closures (e.g., Bangladesh).[5] In addition, some countries have encouraged remote work (e.g., Vietnam) or reduced the workweek to four days (e.g., the Philippines), among other interventions.[23]

Beyond short-term crisis responses, other measures also focus on longer-term transformations, by accelerating the development of renewable energy in power generation coupled with end-use electrification particularly with the adoption of electric vehicles. In the power sector, for example, solar equipment exports from China reached a record high in March 2026, 49% higher than the previous peak observed in August 2025, driven by rising demand from African and Asian countries.[1] Countries such as France and the Philippines are linking new renewable development to the crisis, and countries such as New Zealand and Vietnam are delaying the deployment of LNG infrastructure.[5] Analysis from the Centre for Research on Energy and Clean Air (CREA) also finds that global oil and gas disruptions in the power sector have largely been offset by increasing renewable generation rather than by coal-fired power plants.[2]

In the transport sector, the Strait disruption has also accelerated electric vehicle penetration. During the first month of the crisis, EV sales increased by more than 50% in countries such as France and Germany, and by 200% in Brazil.[3] Chinese EV exports more than doubled year-on-year in April, driven by demand from Latin America, Asia, and Africa.[1] In addition, countries such as Chile are offering preferential credit for EV purchases, while countries such as Cambodia are cutting taxes on EVs.[5]

Nevertheless, some countries have experienced increases in coal generation. For example, China recorded a 2% increase in March 2026, although levels remain below those observed in 2024.[2] At the same time, at least eight countries such as Italy, South Korea, Thailand, and the Philippines are extending the lifespan of coal plants, lifting caps on coal generation, and increasing coal-fired generation.[5,6] In some other emerging economies, coal and LPG are also being used to substitute for gas in industries, raising concerns that these substitutions could persist in the long term.[7]

The following sections examine the impacts and adopted policy responses by key countries in each group.

Group 1: Countries that largely import fossil fuels transported through the Strait of Hormuz

Asian countries are the main importers of crude oil and petroleum products transported through the Strait of Hormuz. In 2025, other Asian countries accounted for 43% of total imports, followed by China (28%), India (15%), Europe (6%), and Africa and the Americas, which each accounted for 4%.[9] In 2024, South Korea and Japan accounted for 12% and 11%, respectively.[8]

Asian countries are also the main destination of the LNG transported through the Strait. In 2025, Asian markets received 90% of these LNG flows, accounting for 27% of the region's total LNG imports. The remaining 10% was exported to Europe, contributing to 7% of the region's total LNG

imports.[9] Countries with a significant share of LNG imports include Bangladesh, India, and Pakistan, each sourcing around two-thirds of their total fuel consumption.[9]

Depending on their current progress and ability to deploy clean technologies quickly, level of oil and LNG import dependence, size of reserves, substitution with coal in specific sectors, and options for alternative suppliers, Group 1 countries are impacted differently and are adopting a different set of measures to mitigate impacts from the closure of the Strait.

Countries like China and the European Union (also see Pakistan in Appendix) with good progress on RE deployment and transport electrification are doubling down on accelerating the energy transition. Countries like Japan and Indonesia (also see South Korea in Appendix), with limited progress on EV or RE adoption in recent years, are relying more heavily on alternative solutions in the near term, such as supply diversification and increasing coal use and nuclear operation, while starting to emphasize the importance of the energy transition for energy security and affordability. Meanwhile, many affected Asian countries have large existing coal infrastructure and continue to pursue coal as part of the solution, regardless of the progress made on clean technology adoption, including China, India, and several countries in Southeast Asia, such as the Philippines, Thailand, Vietnam, and others.

As price impacts on consumer energy affordability are a major concern across countries, almost all countries in Group 1 are enacting programs to alleviate costs (income support or subsidies), especially those with limited fuel stores. A large number of countries are also implementing demand-side measures to reduce fossil energy demand or prioritize fuel use for certain services through top-down mandates.

China has been able to avoid significant impacts from the ongoing crisis despite its reliance on energy imports that pass through the Strait of Hormuz, due to its world-leading progress in the adoption of renewables, EVs, and other clean technologies, as well as its policy priority on energy security. China is the largest importer of oil and LNG transported through the Strait of Hormuz, sourcing 42% of its crude oil and 31% of its LNG from Middle Eastern producers in 2025.[24] However, China has already made significant progress in transitioning the power and transportation sectors away from imported gas and oil. China has been leading global wind and solar deployment, with an annual buildout of around or above 300 GW since 2023. In 2025 alone, 318 GW of solar capacity and 120 GW of wind capacity were installed, reaching a total installed capacity over 1,800 GW.[25] Renewable energy capacity can already suffice China's increasing electricity demand, as renewable electricity generation (519 TWh) fully covered total electricity demand growth (516 TWh) in 2025,[25] and can start to displace existing coal capacity with continued growth. Half of China's light-duty vehicles (LDV) sales were EVs in 2025, increased from 6.5 million (28% of total sales) in 2022[26] to 12 million.[27] In addition, China has substantial oil stockpiles, equivalent to approximately 120 days of imports at 2025 levels.[24] Regarding gas, China does not currently have a significant storage capacity or sufficient pipeline infrastructure to increase gas imports from Russia. As a result, the country's response has focused on reducing consumption through voluntary demand reduction measures, substituting LNG with other fuels in the power sector, and purchasing LNG on the spot market. However, the latter option appears less attractive given current price levels.[24]

The Strait closure has accelerated demand for China's clean technology exports. Domestic deployment and production have positioned China as the world's leading producer and exporter of clean energy technologies. China's solar exports reached a record high of 68 GW in March 2026, 49% higher than the previous peak in August 2025, driven by rising energy prices linked to the Strait closure and changes in export tax rebates.[1] Fifty countries set all-time records for Chinese solar imports, with three-quarters of the increase driven by African (+176% compared February 2026) and Asian countries.[1] China's total vehicle exports reached more than 7 million units in 2025, driven largely by growth in electric vehicle manufacturing, with EV exports rising from 1.2 million units in 2023 to 2.6 million in 2025.[28] As a result, EVs increased their share of China's total vehicle exports from 25% in 2023 to 37% in 2025, and further to approximately 44% during the first four months of 2026, highlighting their increasingly dominant role in China's automotive export market.[28] Monthly data for 2026 shows consistently high EV export shares, accounting for approximately 44% of total vehicle exports in January, 41% in February, 43% in March, and reaching 48% in April.[28]

The **European Union (EU)** has underscored the need to build on ongoing efforts to reduce energy imports, expand renewable deployment, and improve energy affordability. Renewable energy deployment has been a key strategy for reducing dependence on Russian gas, under the REPowerEU plan launched in 2022. In 2025, solar and wind became the largest sources of electricity generation in the EU for the first time, accounting for 30% of total generation, with an annual buildout of 84.5 GW, while coal power generation reached a historical low.[29] Additionally, registration of new BEVs increased by 51% in December 2025, while PHEVs registrations rose by 36.7% over the same period compared to December 2024. The share of BEVs and PHEVs in new car registration reached 17.4% and 9.4%, respectively, in 2025,[30] up from 13.6% and 7.1% in 2024.[31] The AccelerateEU initiative, introduced in response to the escalating Middle East conflict, builds on this approach and recent trends by emphasizing that accelerating domestic clean energy is the structural fix to energy insecurity and geopolitical shocks.[19] The plan prioritizes EU-wide energy coordination, consumer price protection, rapid electrification, system resilience, and investment in clean infrastructure. Member states that have made greater progress in deploying clean energy are expected to experience lower energy prices and greater energy security, demonstrating that the energy transition is both an economic and a security necessity.[19]

Japan is a major oil importer and, despite its significant oil stocks, has experienced economic pressures from price increases associated with the crisis. Japan's energy system is heavily fossil dependent and heavily relies on imports.[32] Japan imports 85% of its oil, with 93% of those imports in 2025 coming from Middle Eastern countries via the Strait of Hormuz, while only 11% of its LNG imports came from the same region (6.3% via the Strait).[16] The country has a significant oil stockpile covering around 254 days of domestic demand,[16] which has mitigated, to some extent, the negative effects of the Strait closure. However, the crisis is affecting a range of sectors of the Japanese economy.[16] Cargo ships and oil tankers have halted operation, while shipping and insurance costs are increasing. Japanese companies operating in the Middle East are also being affected, and rising fuel costs are contributing to higher inflation and pressure on the country's currency.[16]

In response, Japan has focused on expanding fossil fuel supply, by releasing a portion of its reserves in March 2026 (80 million barrels equivalent to 45 days of supply),[16] and focusing on increasing coal-fired generation and restarting nuclear power plants to reduce LNG use.[33] However, several coal-fired power plants have experienced challenges procuring the diesel needed for operations, illustrating the continued exposure of fossil facilities to the global supply chain uncertainties.[33] This fossil-focused approach mirrors Japan's relatively slow progress in energy transition, as it has the lowest non-fossil share in power generation among all G7 countries[34] and is the only one actively developing new coal power projects in recent years.[35] Japan's solar development slowed down after 2020,[32] there is untapped off-shore wind potential, and domestic BEV adoption rates are low (only 1.6% of new sales in 2024).[36]

Indonesia has a significant reliance on Middle Eastern oil imports and is both looking for alternative supply sources and working to accelerate its energy transition. The country imports approximately 25% of its oil from Gulf countries through the Strait of Hormuz.[37] Stockpiled reserves are limited; in March 2026, domestic crude oil reserves were estimated to cover 20 days of consumption, while LPG covered 15 days, and diesel and subsidized gasoline covered 18 and 19 days, respectively.[37] To avoid national fuel shortages, the government increased refined fuel, LNG, and crude oil purchases from the U.S. and gasoline products from Southeast Asian countries.[37,38]

Despite slow renewable deployment, Indonesia has made better progress in the transport sector, which illustrates the opportunities and benefits of accelerating the energy transition. Indonesia has advanced in accelerating its EV deployment and is working to increase fuel security within the country through the adoption of biofuels. Specifically, Indonesia's EV market has expanded dramatically, growing from about 12,000 vehicles in 2021 to approximately 197,000 vehicles in 2025, an increase of more than 180-fold in six years.[39] By 2025, EVs accounted for nearly 15% of total vehicle sales, a trend that has continued through the first quarter of 2026.[39] Additionally, Indonesia has increased deployment of biofuel blending targets and aims for a 50% blend (palm oil) in diesel by July 2026 in order to curb rising fuel costs.[40] Indonesia also created a government task force to develop 100 GW of solar capacity, increase the adoption of electric vehicles, and promote the substitution of LPG with electricity in cooking appliances.[41] Even with its significant solar potential, the country continues to lag behind other Southeast Asian countries in renewable energy deployment.[42] While the targets move towards the right direction, effective implementation requires addressing persistent institutional and infrastructure challenges.

India has largely adopted measures that continue to rely on fossil fuels to address the impacts of the Strait of Hormuz closure, despite recent progress in the energy transition. India has been significantly impacted by the closure, as before the crisis around 45% of India's oil imports,[43] 52% of its LNG imports,[43] and 90% of its LPG imports[43] were transported through the Strait of Hormuz. In contrast to countries such as China, which also rely heavily on the Strait for their fossil fuel supply, India does not have extensive oil reserves. As such, the country strategy has focused on reducing consumption in non-essential sectors and diversifying supply sources while relying on Russian exports to fill the gap, facilitated by U.S. waivers.[44] By the end of March 2026, after such efforts, 70% of India's oil imports were sourced from routes that do not pass through the Strait.[45] LPG is

a key fuel for Indian households, and despite increasing LPG production by 25% after the Strait closure,[45] domestic production still meets only 60% of demand.[46] All additional domestic production has been prioritized for households, while non-domestic LPG has been prioritized for essential services such as schools and hospitals.[43] For the remaining sectors, a committee was designated to establish allocations.[43] To mitigate disruption in LNG supply, the government is diversifying LNG sources, increasing the share of imports from the U.S.,[45] and prioritizing Piped Natural Gas (PNG) and Compressed Natural Gas (CNG) for vehicles while reducing gas supply to industrial and commercial users by 20%.[43] India is also increasing coal-fired generation to replace gas-fired power plants, especially during high demand periods.[47]

Despite significant advances in renewable energy deployment, India's response to the Strait closure has not primarily focused on accelerating the energy transition, missing policy opportunities to build on recent progress and emphasize clean energy as key solutions for enhanced energy security and affordability. Between 2019 and 2024, renewable electricity generation increased by 39%, while solar and wind capacity doubled from 73 GW to 146 GW, reaching 11% of total generation in 2024.[32] In 2025, India added 44.5 GW of renewable energy capacity, nearly doubling the additions from the previous year[48] and achieving its target of 50% non-fossil capacity five years ahead of schedule.[49] In addition, solar PV investments in India increased by 88% between 2020 and 2023, reaching $12.5 billion USD.[50] Preliminary figures suggest that solar PV investment continued to grow in 2024, building on the record levels reached in 2023.[50] EV investments also reached $8 billion USD in 2024, increasing by 87% between 2022/2023 and 2024, while India's share of global EV investment rose to 2% in 2024, up from 1.2% in 2022/2023.[50] These developments suggest that India should continue to strengthen its clean energy efforts rather than reverse course.

Southeast Asian countries have also been significantly affected by the Strait of Hormuz closure and are also largely adopting approaches that continue relying on fossil fuels despite good progress and large potential with clean technology adoptions. Regional reliance on crude oil through the Strait is most pronounced in the Philippines and Vietnam, which account for 95% and 88% of their total imports, respectively.[51] Malaysia, Thailand, and Singapore also have significant dependencies to import through the Strait as each country draws more than half of its total crude oil supply from the Middle East. [51] Oil refining capacity is another regional vulnerability, as Myanmar, Cambodia, and Laos possess limited or no infrastructure, leaving them dependent on oil products exports from Singapore, Vietnam, and Thailand.[52] In response to the crisis, several countries are increasingly utilizing coal. Countries such as the Philippines and Thailand are increasing coal-fired electricity generation to compensate for the reduction in gas-fired power generation and delaying the decommissioning of coal power plants and countries such as Vietnam are negotiating new coal supply contracts.[53] In addition, countries have adopted measures to diversify oil and gas suppliers (e.g., Vietnam),[54] reduce fossil fuel demand (e.g., Vietnam, Thailand, Malaysia, and Laos),[51,55] and lower electricity consumption (e.g., Singapore).[56]

Many Southeast Asian countries have already made significant progress in renewable deployment and EV adoption; despite their large potential, these successes and strategies have not been prioritized in response to the crisis. Between 2019 and 2024, the region deployed 26 GW of solar and

wind capacity, reaching 5% of total generation in 2025.[32] Vietnam stands out as a leading country in the region, with solar and wind accounting for 12% of total electricity generation in 2025, while in countries such as Cambodia and Thailand the shares reach 11% and 7%, respectively.[32] EV adoption in the region has accelerated in recent years and provides strong opportunities to reduce transport oil demand. Southeast Asia's EV market grew from approximately 100,000 vehicles in 2017 to over 1.4 million in 2025, reflecting a fourteen-fold increase.[57] Thailand exceeded a 20% EV sales share for the first time in 2025, marking a sharp increase from just 1% in 2019.[58] Vietnam doubled its EV sales share in 2024 to reach nearly 40% in 2025, surpassing both the United Kingdom and the European Union in EV market penetration. In addition, Singapore achieved a record EV market share of 45% of new car registrations in 2025, with 23,684 EVs registered, up from 34% in 2024.[59] Cambodia has taken some steps since the crisis to enhance ongoing transition efforts, by reducing import taxes on passenger electric vehicles, electric stoves, and solar power devices.[60]

Group 2: Countries that are major importers of fossil fuels, do not depend on trade through the Strait of Hormuz, but are affected by price increases

Most of the major oil and LNG importing countries import directly from Middle Eastern producers, whose exports are transported through the Strait of Hormuz, and whose responses to its closure were described in the previous section.[61] However, some countries that heavily rely on imports of crude oil and petroleum products that do not pass through the Strait are still significantly affected by its closure, such as Türkiye and Morocco.

The countries evaluated for this category are limited, but represent different approaches to increasing energy prices. Morocco is working to adopt measures to mitigate oil and gas price increases and avoid inflationary pressures to keep costs down for consumers and secure alternative suppliers for fossil fuels. Türkiye is also experiencing additional costs from the closure, but may leverage its geographical position and existing energy infrastructure to serve as a regional hub for fuel distribution, building on current efforts to expand LNG storage infrastructure.

Türkiye has received limited impacts on domestic supply from the closure of the Strait but is facing increased costs due to price turmoil in the global market. Türkiye is a major energy importer: in 2024, 71% of the country's total energy supply came from imported resources,[62] including 86% of total oil supply,[63] 95% of total gas supply,[64] and 62% of total coal supply.[65] As energy imports transiting through the Strait account for only 10% of Türkiye's total energy supply,[66] the closure of the Strait of Hormuz is not expected to cause major supply disruptions, particularly as most of the country imports originate from Russia, Azerbaijan, Kazakhstan, and Iraq.[67] However, Türkiye is not isolated from all impacts, as the government estimates that a $1 USD increase in oil prices would raise the country's energy bill by approximately $400 million USD.[65]

Meanwhile, the event has further pushed ongoing efforts to develop the country into a regional energy hub with new investment in fossil infrastructure. Given that most of its fuel supply is delivered via pipelines from Russia, Iran, and Iraq, Türkiye is emerging as a regional energy hub, especially

for Europe. The country has already positioned itself as a major transit hub for Azerbaijani and Russian natural gas and continues to invest in new fossil infrastructure, aiming to expand that role to other regional producers.[68] Türkiye has committed to expanding regasification and pipeline infrastructure[69] and between 2016 and 2025, Türkiye's regasification (converting LNG to gas) capacity increased fivefold.[22] Furthermore, the country has expanded its energy storage capacity to support commercial agreements with Balkan countries and increased LNG imports from the U.S. and Algeria.[8,22]

On the other hand, Türkiye has achieved rapid solar deployment and EV penetration in recent years, which presents an opportunity to strengthen these efforts and enhance the country's energy security. Solar generation increased by 45% in 2025 from 2024, and deployment reached 8.6 GW/year in 2024, a significant increase from previous years (2 GW/year).[32] Preliminary data suggests that annual solar deployment remained strong in 2025, reaching 6 GW/year.[70] Additionally, electrification of the transportation sector continues to advance, with EV accounting for 17% new car sales in Türkiye in 2025, similar to the EU average.[71] Although Türkiye's impact from this crisis has been somewhat limited, its high level of fossil imports poses risks given future geopolitical uncertainty. Instead of expanding fossil infrastructure, a better approach can focus on advancing the adoption of clean technologies to enhance energy self-sufficiency away from fossil imports.

Group 3: Countries that produce fossil fuels and rely on the Strait of Hormuz to export their production

The Gulf countries are the fossil fuel producing countries most affected by the closure of the Strait of Hormuz. According to the IEA, in 2025, 31% of the crude oil and oil products transported through the Strait were from Saudi Arabia, followed by Iraq (18%), the UAE (16%), Iran and Kuwait (12% each), Qatar (7%), and others (3%).[9] Qatar and the UAE are the main LNG exporters in the region. Qatar transports 93% of its production through the Strait, while UAE transports 96%.[9]

Countries in this category do not seem to be considering diversifying their economy or accelerating their energy transition in response to the energy crisis. In fact, some countries are working to expand production (Qatar, UAE) to meet growing global demand. Countries are using alternative trade routes and engaging in significant diplomatic efforts to allow for continued use of the Strait. Both Saudi Arabia and UAE are appealing to the UN Security Council for support of economic measures against Iran, aligning with the U.S. to regain control of the trade route, and calling on other allies to take military action (UAE). Additionally, UAE has recently left OPEC, due to production quotas, which may continue to impact global energy supply, prices and trade moving forward. Countries in this category face large impacts and an increasing risk of their fossil export-dependent economy, which requires strategies for just and comprehensive supply side transition.

Saudi Arabia, holder of the largest share of oil exported through the Strait of Hormuz and the world's largest oil exporter,[72] has engaged in a variety of diplomatic efforts to regain access to the trade route. Saudi Arabia's oil rents account for more than 22.3% of the country's GDP and over 50% of government revenues,[73] making oil exports critical. According to the IEA, in 2025, 31% of

the crude oil and oil products transported through the Strait of Hormuz originated from Saudi Arabia.[13] The closure of the strait is estimated to have reduced the country's exports by 30% to 40%; however, higher oil prices partially offset the impact of lower export volumes.[74] Saudi Arabia has increased exports through Red Sea routes and the Bab al-Mandeb Strait up to 4 mb/d.[75] To maintain continued trade through the Strait of Hormuz, Saudi Arabia has encouraged the U.S. to ensure maritime security[76] and, through the Council of the Arab League, has called on the United Nations Security Council to safeguard international peace, hold Iran accountable for the situation, and require reparations.[77]

Group 4: Countries that are major exporters of fossil fuels, do not depend on trade through the Strait of Hormuz, but are affected by price increases

This group aggregates the main oil and gas producers that do not depend on the Strait to trade these commodities. Some countries in this group are major players in the crude oil market but import oil products and LNG, while some others are key LNG producers and exporters but still import crude oil and oil products. The largest oil exporters include the Gulf countries, the U.S., Canada, Brazil, Norway, Mexico, and Colombia, among others.[61] Major LNG exporters also include Australia, Malaysia, Indonesia, and Peru.[61] The closure of the Strait of Hormuz still has significant consequences for some of these countries, despite not relying on the Strait as a transportation route. While some are seeking to protect domestic demand and reduce exports, others are expanding production capacity, while others continue to be affected by rising prices.

Some of these countries stand to benefit from increasing prices and demand for their products given the global shortfall at the national level, but economic impacts from the crisis still strongly affect domestic consumers. Increasing fuel prices are heavily impacting consumers domestically, especially in transportation (e.g., Nigeria, Australia, and U.S.) and agriculture (e.g., Brazil). Efforts to mitigate these cost increases include increasing oil production (e.g., U.S. and Brazil), waiving sanctions (e.g., U.S.), releasing stores or increasing stores of fuel (e.g., U.S. and Australia), setting price caps (e.g., Mexico), fuel switching to LPG or coal (e.g., Colombia) and increasing taxes and levies on exports (e.g., Brazil). Russia seems to be benefitting tremendously from the crisis, as sanctions against Russia are being lifted, prices are rising for gas and fertilizer exports, and infrastructure is expanding to China and Asia.

The **United States (U.S.)**, despite its position as an oil and gas exporter, has experienced significant price increases domestically from the crisis and has largely responded by trying to increase supply domestically and abroad. The U.S. only receives about 500,000 barrels of oil a day that have passed through the Strait of Hormuz, a fraction compared to other countries like China, which imports 5 million barrels daily.[78] However, domestic prices remain tied to global oil markets, and the U.S. has seen the national average of gas prices climb 81 cents (27%) to $3.79 USD per gallon since the Iran conflict began.[78] In May 2026, inflation reached 4.2% annually, rising above 4% for the first time in three years, driven by higher food, energy, and electricity prices linked to the Strait of Hormuz closure.[79] In response, the U.S. is increasing domestic production[80] and has announced plans to release 26 million barrels of crude oil from the Strategic Petroleum Reserve (SPR).[81] In

total, 172 million barrels are being released over 120 days as part of a 400 million barrel, 32-nation coalition effort.[81] Additionally, the U.S. is working to increase supply from other countries previously sanctioned, like Russia and Iran, to stabilize global prices.[82] In March 2026, the U.S. reversed its sanctions policy on Iranian oil, issuing a short-term authorization to allow the sale of Iranian oil stranded at sea.[83] As of April 2026, the U.S. Treasury has issued temporary waivers easing sanctions on Russian oil and petroleum products, allowing sales of cargo already at sea until May 16, 2026.[82]

Russia stands to benefit from the crisis as sanctions are being lifted and countries are looking for alternative suppliers and prices are increasing for major exports. The Russian economy has experienced a major financial boost due to the closure, with rising prices for oil[84] along with gas and fertilizer. Russia recorded its highest fossil fuel export earnings in thirty months during April 2026, with a 4% monthly increase, reaching €733 million EUR daily.[20] Among Russian exports, China is the primary consumer of crude oil and coal, Türkiye leads in oil product imports, and the EU remains the top purchaser of pipeline gas and LNG.[20] The closure of the Strait reinforces Russia's long-term energy strategy of shifting energy exports to Asia and away from European markets. This includes the development of new pipelines, the expansion of the Arctic and Eastern Siberian fields, increased LNG capacity, and the transformation of the Northern Sea Route into a year-round shipping corridor.[85] The crisis also helps strengthen Russia's position in negotiations over future infrastructure projects for gas exports to China.[85]

Conclusion

The closure of the Strait of Hormuz, driven by the ongoing U.S.-Israel conflict with Iran, has significant implications for global energy systems, energy security and affordability, as well as broader economic activities. Policy strategies and responses to the Strait closure vary significantly across countries. Based on the analysis of measures adopted by countries classified into four groups according to their fossil fuel trade profiles (net exporters or importers) and their exposure to the Strait of Hormuz, this report finds that responses range from accelerating the energy transition to short-term measures such as releasing strategic oil reserves, diversifying fossil fuel supply, increasing coal and nuclear electricity generation, implementing fiscal measures such as price caps and subsidies, and deploying demand response programs. These trends suggest that the transition to clean technologies is increasingly being pursued as part of the response to fossil fuel disruptions; however, many countries still approach fossil fuels as part of the solution, which even as a near-term approach may have a long-term impact by further locking in fossil infrastructure and investments and a fossil-centered energy system with continued exposure to future high-risk events.

The closure of the Strait has generated a growing consensus that moving away from fossil fuels is the fundamental strategy for energy security and affordability and for sustained long-term economic growth and prosperity. It is now a critical moment for countries to make the right decision that will lead to a more secure, affordable, and cleaner energy system. Combined with industrial transformations and reductions in non-CO_2 greenhouse gases, the new system will shape national and global economies in ways that are robust and resilient, that support growth and jobs in the economies of the 21st century, and help the world track more closely to our agreed climate goals.

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Appendix: A full list of assessed country impacts and policy responses by each group

Group 1: Countries that largely import fossil fuels transported through the Strait of Hormuz

China:

- In 2025, China imported 42% of its crude oil and 31% of its LNG from producing countries in the Middle East.[1]
- Despite being the largest importer of oil and LNG transported through the Strait of Hormuz, China's current energy security strategy, as well as rapid electrification in transport, at least for oil, is proving effective in mitigating the potential consequences of supply disruptions. The closure of the Strait does not appear to significantly strain the country's oil supply, as it has substantial oil stockpiles covering around 120 days of imports at 2025 levels, in addition to floating storage capacity of Iranian oil (approximately 46 million barrels) and bonded storage in the ports of Dalian and Zhoushan.[1,2]
- Teapot refineries in China are not expected to face a shortage of supply in the short term, as their main input is Iranian heavy oil, which is available in floating and bonded storage.[1]
- Regarding LNG, China does not have a significant storage capacity or sufficient pipeline infrastructure to increase gas imports from Russia. As such, the country's strategies rely on reducing consumption through voluntary demand reduction measures, and substituting LNG with other fuel in the power sector, or purchasing LNG on the spot market. However, this last option does not appear to be preferred, given the high prices.[1]
- Beyond domestic, China's exports of clean technology products have grown rapidly. China's solar exports reached a record high of 68 GW in March 2026, 49% higher than the previous peak in August 2025, against the backdrop of rising energy prices linked to the conflict with Iran and changes in export tax rebates. Fifty countries set all-time records for Chinese solar imports, with three-quarters of the increase driven by African (+176% compared February 2026) and Asian countries.[3]
- China has rapidly emerged as the world's leading vehicle exporter, surpassing Japan in 2023 and increasing total vehicle exports from approximately 4.9 million units in 2023 to more than 7 million in 2025. This growth has been associated with strong electric vehicles (EVs) manufacturing in China, with EV exports rising from 1.2 million units in 2023 to 2.6 million in 2025. As a result, EVs increased their share of China's total vehicle exports from 25% in 2023 to 37% in 2025, and further to approximately 44% during the first four months of 2026, highlighting the increasingly dominant role of EVs in China's automotive export market.[4]

- Monthly data for 2026 show consistently high EV export shares, accounting for approximately 44% of total vehicle exports in January, 41% in February, 43% in March, and reaching 48% in April.[4]

India:

- India imports 85% of its crude oil, with 45% transported through the Strait of Hormuz,[5] while 52% of its LNG imports also rely on this route. In addition, the country imports 60% of its LPG consumption, 90% of which is transported through the Strait.[6]
- The country does not have the extensive reserves that countries like China possess, so its strategy has focused on diversifying supply sources while relying on Russian exports to fill the gap, facilitated by U.S. waivers.[7] By the end of March 2026, 70% of India's oil imports were sourced from routes that do not pass through the Strait.[5]
- LPG is a key fuel for Indian households and is facing shortages. The country has increased LPG production by 25%;[5] however, it still produces only 60% of domestic demand.[8] All new additional domestic production has been prioritized for households. Non-domestic LPG has been prioritized for essential services such as schools and hospitals. For the remaining sectors, a committee was designated to establish allocations.[6] Due to shortage, some homes have to resort to using firewood or other waste materials, which pose air quality and health concerns.[9]
- The government is also subsidizing LPG prices for low-income households (recipients of the PMUY program), while expanding piped natural gas (PNG) coverage.[8] In addition, the country entered into a bilateral agreement with Iran to maintain LPG shipments. The agreement was later paused following Iran's attack on two Indian vessels.[7]
- To mitigate the disruption in LNG supply, the government is diversifying LNG sources, increasing the share of imports from the U.S.,[5] and prioritizing PNG and CNG for vehicles while reducing supply by 20% to industrial and commercial use.[6] Supply for fertilizer production was reduced to 70%, but has already been restored to 95%.[6,7]
- India has also invoked emergency measures to divert gas supplies from non-priority sectors,[10] and is boosting coal to replace gas-fired power plants, especially during high demand periods.[10] In addition, India is fast-tracking approvals for wind power plants and energy storage systems to compensate for reduced gas-fired power generation during peak demand periods.[11]

Japan:

- Japan imports 85% of its oil. In 2025, 94% of its oil imports came from Middle Eastern countries (93% via the Strait of Hormuz), while only 11% of its LNG imports came from the same region (6.3% via the Strait).[12]
- Japan has a significant oil stockpile covering around 254 days of domestic demand, as well as LNG reserves equivalent to approximately three weeks' consumption. To mitigate potential oil shortages, Japan released a portion of its reserves in March 2026 (80 million barrels equivalent

to 45 days of supply).[12] However, the country is still facing competition for oil and LNG in global markets, as well as rising prices.

- Japan has responded to rising prices by increasing coal-fired generation and restarting nuclear power plants to reduce LNG use.[13] Japan has temporarily suspended the utilization rate cap of 50% on inefficient coal power plants (those operating below 42% thermal efficiency). However, there have been issues with this approach, as plants have had difficulties accessing the refined liquid fuel needed for operation. Additionally, Japan has brought at least 1 nuclear plant back online in April 2026.
- Japan has also finalized a 19.4 billion USD budget in the first week of June to subsidize fuel costs and alleviate cost increases for consumers.[14]
- Considering the consequences of the conflict involving Iran on Japan's economy, the government is actively engaging in diplomatic efforts to de-escalate tensions and promote diplomatic solutions.

South Korea:

- In 2025, 70% of South Korea crude oil imports and 19.5% of its LNG imports were transported through the Strait of Hormuz.[15]
- South Korea's oil reserves are limited and cover only 26 days of domestic demand, following the release of 22 million barrels from its reserve in March 2026.[15,16]
- Regarding LNG, the country has sufficient reserves in the short term and is also engaging in new agreements with Southeast Asia, Australia, and the United States.[17]
- The government has implemented several policies to mitigate the impact of fossil fuel shortages. These include setting price caps on petroleum products,[18] offering financial support to the lowest 70% of income earners to mitigate rising fuel costs,[19] and creating a special task force to monitor the Middle East crisis.[20]
- In the power sector, the country is lifting caps on coal generation and delaying the shut-down of coal power plants[21] along with accelerating the restart of nuclear power plants undergoing maintenance.[22]
- South Korea's president called for accelerating the energy transition in response to disturbances in energy markets and proposed focusing on Jeju Island as a pilot for carbon neutrality. The target is to achieve 100% renewable electricity generation on the island before the end of his term in 2030. The plan also includes accelerating EV adoption, scaling up battery storage, heat pumps, and AI-based power management systems.[23]

Indonesia:

- Approximately 25% of Indonesia's oil imports come from the Middle East and are transported through the Strait of Hormuz.[24]

- Indonesia does not have large oil reserves. In March 2026, domestic crude oil reserves were estimated to cover 20 days of consumption, while LPG covered 15 days, and diesel and subsidized gasoline covered 18 and 19 days, respectively.[24]
- To avoid fossil fuel shortages, the government is diversifying its supply sources by increasing purchases from the U.S. (raising logistic costs by around 30%) and sourcing gasoline products from Southeast Asian countries. There are also energy security concerns regarding LPG supply, as the U.S. already provides 70% of imports and would need to replace the remaining 30% currently sourced by the Middle East.[24]
- The country aims to maintain existing fossil fuel subsidies, even though rising oil prices could have significant fiscal consequences.[24]
- The government created a task force to accelerate the energy transition in the country, including the development of 100 GW of solar capacity, the adoption of electric vehicles, and the substitution of LPG for cooking with electricity, as a response to the country's exposure to global energy prices.[25]
- Indonesia's EV market has expanded dramatically, growing from about 1000 vehicles in 2019 to approximately 197,000 vehicles in 2025, an increase of more than 180-fold in six years, with growth accelerating after 2021. By 2025, EVs accounted for nearly 15% of total vehicle sales, a trend that continued through the first quarter of 2026.[26] In response to the energy crisis and rising fuel costs, Indonesia is accelerating deployment of biofuel blending targets and aiming for a 50% blend for diesel by July, a year ahead of the original schedule.[27]

Other Southeast Asian countries:

- Regional reliance on crude oil through the Strait of Hormuz is most pronounced in the Philippines and Vietnam, which account for 95% and 88% of their total imports, respectively. Malaysia, Thailand, and Singapore also have significant dependencies to import through the Strait as each country draws more than half of its total crude oil supply from the Middle East.
- Oil refining capacity is another regional vulnerability, as Myanmar, Cambodia, and Laos possess limited or no infrastructure, leaving them dependent on oil products exports from Singapore, Vietnam, and Thailand.[28]
- Overall, the crisis is expected to reduce LNG demand in Southeast Asia, as rising prices and the oil-indexed LNG contracts in the region make LNG less competitive.[29]
- Some Southeast Asian countries (SEA), such as the Philippines and Thailand, are increasing coal-fired electricity to compensate for reduction in gas-fired power and delaying the decommissioning of coal power plants. Meanwhile, countries such as Vietnam are negotiating new coal supply contracts.[29]
- Some SEA countries have introduced mitigation strategies focused on reducing fuel/ electricity demand and use.[30]

- Myanmar has introduced rotating power outages amid widening fuel shortages.[31]
- To safeguard national energy security, Brunei has restricted fuel access for foreign vehicles.[32]
- The Philippines declared a national energy emergency, transitioning to a four-day work week and restricting travel to prioritize public transit.[28]
- In Singapore, all government ministries have been directed to implement immediate energy control measures to reduce electricity consumption.[33]
- Across the region, including in Vietnam, Thailand, Malaysia, and Laos, work-from-home arrangements have been adopted for civil servants.[21,30]

- Some countries have adopted fossil-fuel subsidies and price caps, while focusing on diversifying their oil and gas suppliers.
  - Thailand has implemented a temporary diesel price cap and established an emergency energy monitoring center.[28]
  - Laos introduced price controls and subsidies to ease inflationary pressure on consumers.[34]
  - Vietnam has utilized its fuel price stabilization fund and intends to source 4 million barrels of crude oil from suppliers outside the Middle East.[35]
- While countries such as Cambodia, have reduced import taxes on passenger electric vehicles, electric stoves, and solar power devices to help curb energy costs.[36]
- EV adoption in SEA has accelerated in recent years and provides good opportunities to reduce transport oil demand:
  - Southeast Asia's EV market grew from approximately 100,000 vehicles in 2017 to over 1.4 million in 2025, a fourteen-fold increase (IEA).[37]
  - Thailand exceeded a 20% EV sales share for the first time in 2025, marking a remarkable increase from just 1% in 2019.[38] This rapid growth reflects the country's successful strategy to become a regional EV manufacturing and adoption hub. Additionally, Thailand also plays a critical role in China's EV export network, ranking among the top ten destinations for Chinese EV exports.[39]
  - Vietnam was doubling its EV sales share in 2024 to reach nearly 40% in 2025, surpassing both the United Kingdom and the European Union in EV market penetration. Strong momentum has continued into the first half of 2026, with EVs maintaining a dominant share of new vehicle sales.
  - Singapore achieved a record EV market share of 45% of new car registrations in 2025, with 23,684 EVs registered, up from 34% in 2024.[40]

Pakistan:

- Pakistan imports 85% of its crude oil from Saudi Arabia and the UAE through the Strait of Hormuz, resulting in fuel shortage fears amongst consumers.[41]
- In February 2026, the Pakistani government launched a subsidy program that plans to finance 2 million EVs over five years (over 270,000 applicants already), with expected savings nearing half a billion dollars annually in avoided fuel imports.[42]
- After the Strait of Hormuz closure, Pakistani electric motorbike outlets became overwhelmed with inquiries, with some retailers seeing a 70% surge in March sales.[42]
- EV two-wheelers accounted for more than 10% of monthly sales for the first time nationally.[42]
- Pakistan's growing solar deployment has helped mitigate the impact of the Strait closure on energy costs. CREA estimates that the country could save $6.3 billion in oil and gas imports by the end of the year, as the expansion of solar rooftop has reduced demand for gas.[43]

Sri Lanka:

- Sri Lanka is entirely dependent on Middle East oil imports, with no domestic crude production and a single refinery that meets only a third of national demand.[42] Additionally the country imports 60% of its energy needs through the Strait of Hormuz.[44]
- In March 2026, Sri Lanka declared a four-day work week to reduce fuel consumption as a result of the global energy crisis stemming from the Strait of Hormuz closure.[45] The Sri Lankan government stated that it had roughly six weeks of fuel reserves left, prompting the government to implement the shortened work week and to suspend public ceremonies.
- Sri Lanka is still recovering from its 2022 economic crisis, when severe fuel shortages caused widespread protests, therefore a prolonged conflict affecting energy supply could undermine the country's recovery.

European Union (EU):

- Accelerating renewable deployment has been a key strategy for the EU to transition away from the dependence on Russian gas, as part of the REPowerEU plan launched in 2022.
- In response to the ongoing crisis, the AccelerateEU plan highlights that accelerating homegrown clean energy is the structural fix to energy insecurity and geopolitical shocks. The plan prioritizes EU-wide energy coordination, price protection, rapid electrification, system resilience, and investment. Member states leveraging clean energy already can expect lower prices and greater security, proving that the energy transition is an economic and security necessity.[46]
- For the second time in less than five years, Europe's dependency on fossil fuel imports has become clear as imports comprise over 57% of EU energy consumption, costing EUR 340 billion in 2025. Following the March 2026 Strait of Hormuz closure, the EU spent an extra EUR 24 billion on these imports in just 52 days.[46]

- The Iran conflict has triggered an abrupt spike in European gas benchmarks, with prices jumping by more than 50 percent on March 2, the largest single-day increase since the 2022 energy crisis following Russia's invasion of Ukraine.[47] Prices are however still much lower than in 2022 in absolute terms.
- Europe entered the crisis from an already weakened storage position. Europe started 2026 with much lower gas storage levels than recent years.[47] Disrupted storage refill operations could place severe pressure on industrial energy costs across the continent especially if East Asian economies (South Korea, Japan, China, and Taiwan) outbid European markets for LNG cargoes.[47]
- Next to LNG, the other larger vulnerability is kerosene, as the oil product with the highest imports throughout the Strait. Reports on the issue give conflicting assessments of the acuteness of the problem in case the Strait is not fully open before summer (peak travel season).
- European nations are unlikely to lift the sanctions on Russia, so gas prices will likely remain high, meaning that those costs will likely be transferred among industry sectors and households across Europe.
- Responses to the crisis include efforts to decouple electricity prices from gas prices in power markets where the link is still strong (UK and Italy), and a faster build-out of renewables, storage, and electrification. In addition, countries such as France are identifying priority actions to accelerate the electrification of the economy, particularly through the adoption of EVs and heat pumps, using surplus fuel tax revenues.[48] In contrast, Italy plans to extend the lifespan of its coal plants by 13 years.[49]
- The EU Commission has also emphasized that short-term relief measures - such as income support, energy vouchers, and tax incentives - must be targeted and temporary to avoid undermining long-term clean energy objectives. However, postponing energy transition investments risks increasing future societal costs.[46]

Ethiopia:

- Ethiopia is a heavy energy importer and relies upon the Gulf trade for 98% of its refined petrol supply and reserves.[50] Due to the Middle East conflict, the daily supply of diesel in the country has decreased from 9.2 million liters to 4.5 million liters.[51]
- Ethiopia's heavy dependence on imported fossil fuels makes it highly impacted by the global oil disruption, which could trigger fuel shortages, rising transport and manufacturing costs, inflation, and trade deficits.[52] Rising oil prices are already causing widespread economic strain with long fuel station queues and impacting households and businesses.[53]
- In an effort to mitigate fuel shortages due to the Strait of Hormuz closure, the Ethiopian government has issued a measure to prioritize fuel use for "essential vehicles" - this includes vehicles transporting essential goods, tractors carrying agricultural produce, and public transport vehicles.[51]

- In addition to this, the government significantly expanded fuel subsidies to stabilize domestic prices: diesel prices reached 238.13 Birr/liter globally but are sold domestically at 139.84 Birr with a 98 Birr subsidy (about 41% subsidized), while benzene prices rose to 205.74 Birr/liter globally but are sold at 132.18 Birr with 73.56 Birr subsidy (about 36% subsidized), reflecting an increased fiscal burden on the government.[51]
- Fuel companies in the country have also been instructed to ensure allocation of supply to security institutions, major government projects, and manufacturers of essential goods.[54]
- In recent years, the government has promoted EV adoption to reduce the burden on fossil fuel dependence. Ethiopia has eliminated import taxes on EVs and, as of 2025, EVs accounted for 7% of cars in the country.[51] The share of EVs is expected to increase and the Ethiopian government has urged the public to reduce fuel use and rely on public transport and renewable energy more frequently.

South Africa:

- South Africa imports around 32% of its crude oil and petroleum from Saudi Arabia, which is the country's second largest supplier behind Nigeria.[55]
- The country has shifted its oil imports away from the Middle East, to help replace Gulf state suppliers such as Saudi Arabia and the UAE, with American sources due to disruptions at the Strait of Hormuz and rising oil prices.[56] At least four tankers unloaded around 165,000 tons of refined fuels in Durban in April 2026, roughly double the amount imported from the U.S. just in January.[56]
- Although South Africa's fuel supply remains stable, it is increasingly under pressure from the energy crisis. Some stations have begun rationing diesel and raising prices,[54] while diesel shortages are forcing suppliers to restrict fuel sales and potentially reducing farm production and leading to higher food prices.[53]
- Rising oil prices could also affect electricity generation, as the country's peaking power plants rely on diesel. However, officials say consumers are not affected for now because diesel spending has remained under budget.[57]
- African ports could benefit from ships rerouting around the Cape of Good Hope to avoid the Red Sea and Strait of Hormuz, boosting demand at hubs like Cape Town and Durban.[58]

Group 2: Countries that are major importers of fossil fuels, do not depend on trade through the Strait of Hormuz, but are affected by price increases

Türkiye:

- Türkiye is a major importer: In 2024, 71% of the country's total energy supply came from imported resources,[59] including 86% of total oil supply,[60] 95% of total gas supply,[61] and 62% of total coal supply.[62]
- The closure of the Strait of Hormuz is not expected to cause major supply disruptions, as Türkiye's dependence on these imports is around 10%. However, the government estimates that a $1 increase in oil prices would add approximately $400 million to the country's energy bill.[63]
- Türkiye sees the closure of the Strait as an opportunity. Given that most of its fuel supply is delivered via pipelines from Russia, Iran, and Iraq, the country could serve as a regional hub for mobilizing fossil fuel resources, especially to Europe,[64] building on already existing efforts to become a regional energy hub. Between 2016 and 2025, Türkiye's regasification (converting LNG to gas) capacity increased fivefold.[65] Additionally, the country has expanded its storage infrastructure to support commercial agreements with Balkan countries and increased LNG imports from the US and Algeria.[65,66]

Morocco:

- Morocco is a major importer of fossil fuels. As of April 2026, Morocco had 51 days worth of diesel and petrol reserves, and secured coal and gas supplies through June.[67]
- Most of the electricity generation (60%) in Morocco comes from mostly coal followed by gas and renewables as the next two largest sources. The country has no domestic refining capacity and relies entirely on oil products imports from Saudi Arabia.[68]
- Due to the conflicts in the Middle East and the lack of domestic refining capacity, fuel prices have increased by 30% nationally.[67] To stabilize prices, the Moroccan government has introduced targeted subsidies for transportation services (taxis, buses, and trucks).

Group 3: Countries that produce fossil fuels and rely on the Strait of Hormuz to export their production

Saudi Arabia:

- Saudi Arabia holds the largest share of oil exported through the Strait of Hormuz. According to the IEA, in 2025, 31% of the crude oil and oil products transported through the Strait of Hormuz were from Saudi Arabia.[69] The closure of the strait is estimated to have reduced the country's exports by 30% to 40%; however, higher oil prices partially offset the impact of lower export volumes.[70] The country's efforts have focused on maintaining exports through Red Sea routes

and the Bab al-Mandeb Strait, the latter of which is influenced by Iran-backed groups in Yemen.[71]

- Saudi Arabia is pursuing a strong diplomatic strategy to encourage the U.S. to ensure maritime security, while preventing Iran from using the Strait of Hormuz as a political tool.[72]
- Through the Council of the Arab League, Saudi Arabia and other Gulf countries are calling on the United Nation Security Council to safeguard international peace, and hold Iran accountable for the situation, and require reparations.[73]

United Arab Emirates (UAE):

- The UAE is also pursuing diplomatic channels to encourage the United Nations Security Council to respond to the closure of the Strait, calling for immediate action, including economic measures against Iran and the possible authorization of force.[74] The country is also calling on military allies in Europe and Asia to join the U.S. in securing control of the Strait through military operations.[75]
- On May 1, 2026, the UAE formally withdrew from OPEC and OPEC+, concluding a 59-year partnership. The departure aims to enable the country to optimize oil revenue, expand its production threshold beyond 4 million bpd, and exercise greater autonomy in its economic and geopolitical affairs.[76]
- This decision follows long-standing disagreements over crude oil production quotas, currently 3.5 million bpd, and signifies a major realignment in Gulf diplomacy, separating the UAE's interests from those of Saudi Arabia during the current conflict with Iran and the resulting global energy instability.[76]

Qatar:

- Qatar is the world's third largest producer of LNG and the second largest producer of helium (a byproduct of LNG production), exporting 20% and 33% of global supply respectively.[77]
- As of March 2026, Qatari LNG and helium exports are severely disrupted following damage to the Ras Laffan facility, the world's largest LNG plant, from Iranian attacks, removing approximately 17% of Qatar's LNG capacity and 14% of helium exports after QatarEnergy declared force majeure.[78] Repairs are expected to take three to five years to complete and are expected to remove supply of 12.8 million tons of LNG per year.[78]
- The shutdown of Qatar's facilities has created an immediate crisis for the tech sector, specifically semiconductor manufacturers in Asian markets relying on helium for cooling and manufacturing, as helium prices have doubled since the start of the war.[79]
- Qatar shares the North Dome/South Pars field, the world's largest natural gas reserve, with Iran in the Persian Gulf.[80] Despite disruptions to LNG production and exports, Qatar is proceeding with a significant expansion of its North Field gas project to meet global LNG demand. This initiative is central to Qatar's strategy to boost its LNG production capacity from 77 million tonnes to 142 million tonnes annually.[81]

- Qatar's government is calling for a diplomatic solution and rejects the use of the Strait as a political tool. In addition, it is coordinating with Pakistan on mediation efforts to end the conflict.[82]

Group 4: Countries that are major exporters of fossil fuels, do not depend on trade through the Strait of Hormuz, but are affected by price increases.

United States (U.S.):

- The United States is a net oil exporter and only receives around 500,000 barrels of oil a day that have passed through the Strait of Hormuz compared to the 5 million barrels that arrive daily in China. However, the U.S. has seen the national average of gas prices climb 81 cents (27%) to $3.79 per gallon since the Iran conflict began, as domestic prices remain tied to global oil markets.[83]
- In April 2026, the U.S. Department of Energy (DOE) announced plans to release 26 million barrels of crude oil from the Strategic Petroleum Reserve (SPR).[84] This action aimed to stabilize global oil supply and lower energy prices due to the ongoing energy crisis. In total, 172 million barrels are being released over 120 days as part of a 400 million barrel, 32-nation coalition effort.[84] In addition, the U.S. is increasing oil production to help offset supply disruptions from the Strait closure.[85]
- Similarly, as of April 2026, the U.S. Treasury has issued temporary waivers easing sanctions on Russian oil and petroleum products, allowing sales of cargo already at sea until May 16, 2026.[86] Driven by the Trump administration to further stabilize global energy prices, this action extends previous waivers and allows countries to purchase millions of barrels of oil that had previously been blacklisted.[86]
- In March 2026, the U.S. reversed its sanctions policy on Iranian oil, issuing a short-term authorization to allow the sale of Iranian oil stranded at sea.[87] This policy shift aimed at easing energy markets where the Brent crude index had surged 53% to around $112 a barrel.[87]

Russia:

- The closure of the Strait of Hormuz has benefited Russia, both through U.S. sanctions waivers allowing increased oil exports to India and through higher global oil prices.[88]
- The Russian economy has experienced a major financial boost due to the closure, with additional rising prices for gas and fertilizer. Amidst limited global energy supplies, Russia is leveraging peak commodity valuations and heightened demand for its exports across Asia.[89]
- Russia recorded its highest fossil fuel export earnings in thirty months during April 2026, with a 4% monthly increase, reaching EUR 733 million daily. These exports are characterized by significant concentration among specific countries. China is the primary consumer of crude oil and coal, Türkiye leads in oil product imports, and the EU remains the top purchaser of pipeline gas and LNG.[90]

- Even though Russia cannot fully resolve China's supply disruptions, it has the possibility to increase exports through Pacific routes and Arctic shipments to help meet China's energy needs. At the same time, the closure of the Strait strengthens Russia's position in negotiations over future infrastructure projects for gas exports to China.[91]
- The closure of the Strait reinforces Russia's long-term energy strategy of shifting energy exports to Asia and away from European markets. This includes the development of new pipelines, the expansion of the Arctic and Eastern Siberian fields, increased LNG capacity, and the transformation of the Northern Sea Route into a year-round shipping corridor.[91]

Brazil:

- Brazil is a major diesel exporter and has introduced temporary fiscal measures in response to the Strait of Hormuz closure, including scrapping diesel taxes entirely, imposing a 12% tax on crude oil exports, and applying a 50% levy on diesel shipments to reduce domestic price pressures.[92] It is also ramping up oil production to mitigate supply shortfalls associated with the disruption.[85]
- The levy on exports is also aimed at bolstering domestic refining capacity and securing national supply, though it is unclear whether Brazil has the infrastructure to boost local diesel production.
- The spike in diesel prices poses a serious threat to Brazil's large agricultural sector, as producers harvesting soybean crops and planting corn have raised export and operational costs.[92]
- The Strait of Hormuz closure has also driven fertilizer prices above historical averages, posing significant risks to Brazilian farmers as they face immediate needs for their earlier planting season and have greater dependence on fertilizer imports.[93]

Australia:

- Australia imports 80-90% of its refined fuel. The country's domestic refinery capacity covers roughly 20% of national demand.[94] Most oil deliveries, from the Gulf to the Asia-Pacific region were at risk of disruption in April due to the Strait closure, with the Australian government only able to confirm fuel security through the middle of the month.[94]
- Australian shipping costs and transit times have spiked, as all vessels are rerouting via the Cape of Good Hope, adding 10-14 days and significant fuel costs to most Australian trade lanes.[95] Major maritime carriers are imposing emergency surcharges across Australian and New Zealand routes.
- As of May 2026, the Australian government committed USD $7.22 billion to boost national fuel stockpiles and establish a permanent government-owned fuel reserve.[96] The expanded stockpiles and reserve, totaling around 1 billion liters are intended to ensure Australia holds at least 50 days of fuel onshore to shield against future supply shocks.[96]
- Australia's government is also encouraging diplomatic solutions to reopen the Strait and has stated that reinstating freedom of navigation is a priority for the country. However, Australia has

not joined the U.S in any operations related to reopening or securing the Strait, despite requests from the U.S.[97]

Mexico:

- Mexico is a major oil exporter but remains a net importer of gasoline and LNG. It has begun engaging in new export agreements with countries directly affected by the closure of the Strait of Hormuz, including a planned shipment of one million barrels of oil to Japan starting in July 2026.[98]
- Mexico benefits somewhat from rising oil prices. The government estimates that a $1 increase in oil price generates an additional $10.7 billion pesos in revenue for the federal government. However, Mexico imports 60% of the gasoline and 70% of the LNG it consumes, which puts pressure on domestic prices and contributes to inflation.[98] As a result, Mexico has extended its gasoline price cap and is planning to introduce a price cap for diesel.[99]

Colombia:

- Colombia is one of the top 15 oil-producing countries in the world. However, in recent years, gas production has declined significantly (by 17% in 2025), making the country reliant on imports for at least 20% of its domestic demand.[100]
- Rising LNG prices and volatility have forced industrial consumers to switch to cheaper fuels. Since December 2025, gas and LNG demand has dropped by 28%.[100] More than half of this demand has been replaced by LPG imported from the U.S., while a quarter has switched to cheaper domestically produced coal, and the remaining share has switched to biomass, fuel oil, or electricity.
- Analysts consider it unlikely that industries will return to gas, given the significant price differences compared to coal and LPG, despite the environmental consequences of this shift.[100]

Nigeria:

- Nigeria may gain from higher oil prices as a major producer, but ordinary citizens are unlikely to feel the benefits quickly, as rising global oil prices drive up transport costs locally.[57] In addition, the country may also face higher import costs, inflation, and increased food prices as the conflict drives up global production and fertilizer costs.[53]
- Nigeria has proactively offered to increase oil output to help meet rising global demand, positioning itself to capitalize on the supply gap. Oil companies are reinvesting additional revenues from higher oil prices to increase production.[101] However, the trickle-down effect to everyday Nigerians remains uncertain.

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