



ENERGY VULNERABILITIES: BETWEEN INFLATION AND CHINESE SOLAR PANELS

The blockage of the Strait of Hormuz, which is one of the most important waterways worldwide, has a strategic impact as a negotiating tool for Iran in the conflict with the United States. This closure has hit global energy markets; however, the hit is asymmetric, greatly affecting countries in the global South, such as Southeast Asia.

The significance of the Strait of Hormuz can be understood by looking at its import and export importance. Moreover, the waterway is crucial for energy, fertiliser and other essential commodities.

To understand the asymmetric impact this disruption in the Strait of Hormuz has caused worldwide, the severity and response by ASEAN and the EU will be compared: How has the Strait of Hormuz crisis exposed the energy security vulnerabilities of ASEAN and EU countries, and what strategies are being pursued to strengthen long-term resilience?

Economic Consequences

ASEAN countries are heavily dependent on oil and gas from the Middle East, exemplified by countries' dependency on oil such as the Philippines (95%), Vietnam (88%), Malaysia (69%), Thailand (59%) and Singapore (52%). With the Strait closing, ASEAN countries were heavily affected by the oil and gas shortages.

Populations in the world's poorest countries are expected to be disproportionately affected compared with those in wealthier nations. Hence, ASEAN countries responded quickly to the energy crisis, such as Indonesia freezing fuel prices, expanding subsidies, and ordering flexible work arrangements to cut consumption. The Philippines declared a national energy emergency, including tax relief and limited price controls. In Thailand, rising electricity costs for households and businesses have created pressure, resulting in a boom in renewable energy, particularly Chinese solar panels. While these measures work short-term as a relief, they may worsen global supply constraints by limiting the flow of energy resources and creating market distortions.

European countries, on the other hand, are not affected by an immediate physical shortage; however, the crisis led to higher import costs, freight rates, inflation expectations and broader market volatility.

Founder of the Hague Institute for Geopolitics, Michel Don Michaloliákos, explains: "We (Europe) are rich enough to buy ourselves out of shortages, but we are already paying a heavy economic price in terms of inflation and lower purchasing power."

The Strait of Hormuz crisis accounts for about 10% LNG in Europe (in 2025), with Italy being the most prominent European destination country. Therefore, Italy is the most impacted country in Europe, highlights Michaloliákos.



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Long-term implications

Due to the deep economic impact, leading to discontent amongst citizens, countries such as the Philippines are pushed towards open talks with China on joint oil and gas exploration in the South China Sea.

Moreover, the economic impact was addressed at the 48th ASEAN Summit from May 6 to 8, 2026, hosted in Cebu, as the Middle East Crisis and especially its impact on ASEAN countries were the main focus, intending to sustain regional stability. Key to mitigating the crisis was “Navigating Our Future, Together”, highlighting unity amongst ASEAN countries.

ASEAN targeted three strategic imperatives, “3Rs”, targeted at ASEAN’s response to the evolving geopolitical and geoeconomic landscape: “(1) Regionalism – ASEAN must place greater emphasis on the shared interests of the region and that ASEAN remains at the core of Member States’ foreign policy; (2) Resilience – strengthen ASEAN’s mechanisms to better withstand geopolitical uncertainties and external shocks including the ability to manage tensions effectively, and; (3) Relevance – ASEAN must preserve its important role both within and beyond the region by maintaining its position as a credible and trusted partner of the international community.”

As a result of the Strait of Hormuz crisis, Mark Ysla, lecturer at Far Eastern University, explains:

“ASEAN Leaders, during the last summit in Cebu, called for stronger petroleum security, broader sources of crude and refined products, faster renewable energy deployment, biodiesel and bioethanol blending, electric vehicles, electric cooking, civilian nuclear energy under safety standards, the ASEAN Power Grid, and the Trans-ASEAN Gas Pipeline. These are some of the strategies that leaders of ASEAN were putting on the table to ensure that the region can weather the same situation, moving forward.”

The Asean Petroleum Security Agreement (APSA) has been updated as a political priority to secure a stable energy supply chain; no specific timeframe has been announced. Furthermore, the 2026–2030 ASEAN Plan of Action for Energy Cooperation is targeted at the region’s energy security, and has now accelerated its plan to increase renewable electricity. This shows that ASEAN has strengthened the implementation of existing energy cooperation frameworks.

Compared to ASEAN, the EU has highlighted four key points in increasing resilience in its energy strategy: firstly, deploying renewables such as wind and solar energy. Secondly, recognising the need for LNG, as renewable energy cannot replace all aspects that LNG can provide, therefore raising the demand for Europe to improve its gas-storage capacity and supply diversity. Thirdly, investing in nuclear energy can offer an affordable, green, energy security baseload. Lastly, reducing dependence on oil supplies, which is essential in the context of the Strait of Hormuz, as Europe still relies on it; however, transitioning to European-made electric vehicles would improve the dependency.



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To highlight the difference in the effect of the Strait of Hormuz crisis between ASEAN and EU countries, Mark Ysla states:

“The EU is more resilient today, but ASEAN has a stronger reason to reform. If there is something that the region learned in this particular situation, it is the fact that the Hormuz crisis should make the region more resilient by making sure that mechanisms such as treating energy security, food security, and maritime security not as separate national concerns, but as regional public goods.”

Additionally, as a lack of oil and gas is pushing both regions closer to expanding their renewable energy capacity, concerns of growing dependence on China rise. Michaloliákos argues that:

“The Chinese dominance in producing green technologies and industrial goods needs to meet a coordinated response by ASEAN and the EU, as this is basically what geopolitics, or the fragmented world, is commanding us to do. And then other countries around the world should be able to produce green technologies and industrialise or reindustrialise.”

Conclusion

While news of Iran reopening the Strait of Hormuz is surfacing, in the case of the US signing a tentative deal to end the war, the global shock still has lasting consequences. The opening of the strait remains ambiguous, currently closed. Vulnerabilities became clear through this crisis. Especially for ASEAN, focusing on the 3Rs, Regionalism, Resilience and Relevance is crucial to diversify and gain stability. On one hand, the gradual reopening of the Strait of Hormuz is likely to ease immediate pressure on energy markets, lowering freight costs and reducing inflationary pressures. On the other hand, the crisis has demonstrated how quickly global energy systems can be disrupted. As a result, both ASEAN and the EU are expected to continue pursuing diversification, strategic reserves, and renewable energy investments despite the easing of short-term market pressures, as risks of dependencies remain. Both ASEAN and the EU risk replacing the dependence on Middle Eastern oil with the dependence on China and its green technology and rare-earth supply chain, which could weaponise its dominance.