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## New energy contest of the century

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HAVING accepted that control over energy reinforces superpower status, China and the United States are now in a new "Contest of the Century" – China as an electrostate and the United States as the world's hydrocarbon hegemon.

China emerged as the world's first electrostate by recognising that electricity drives its energy, economy, education and environmental ecosystems.

Despite being a major producer of coal, crude oil and natural gas, China remains an important importer of these hydrocarbons.

However, with strategic patience, through her five-year development plans, China has been diversifying into alternative energies, including solar, wind, hydro and nuclear energy. Today, electricity has become the backbone of the entire energy system that drives her education (talent generation), economy, and environmental ecosystem.

By 2025, non-fossil capacity surpassed fossil fuels for the first time; wind plus solar alone now exceed coal capacity; and alternative energy production costs are cheaper than fossil fuel costs.

The priority of energy security, followed by rapid decarbonisation and reduction of pollution through alternative energy sources, has made China the global leader in the manufacturing of solar panels, wind turbines, batteries, electric vehicles (EVs), and grid technology.

The United States, on the other hand, became the world's top oil and gas producer in the 19th century after the first oil wells were drilled in Pennsylvania.

Today, she produces 13.6 million barrels of oil daily and 30 trillion cu ft of natural gas per year. She is not only totally energy independent, but has become a net exporter, especially after shale oil production came on stream in the 21st century.

Due to her huge fossil fuel endowment, the American energy system relies on fossil fuels for 80% of its total energy, of which gas drives 40% of electricity generation and oil some 90% of transport needs.

The result is that control of global hydrocarbon trade, plus the provision of maritime security, secures her energy dominance and status as hydrocarbon hegemon.

In essence, America remains a hydrocarbon economy, whereas China has diversified into a majority non-hydrocarbon electro-manufacturing powerhouse.

The closure of the Strait of Hormuz has revealed a clear and present "chokepoint" danger to the global hydrocarbon supply chain.

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■ **The American energy system relies on fossil fuels for 80% of its total energy**

Iran supplies 90% of her oil exports to China, and the Strait of Hormuz handles roughly 20% of the world's total oil consumption and about 30% of all seaborne oil trade.

Its closure caused oil prices to spike past US\$100 per barrel, and the uncertainty of supplies has huge implications for feedstock for fertilisers, which may affect not just goods prices, but food production across the world.

For the Americans, a fast resolution of the Hormuz conflict would stabilise oil prices because higher prices hurt American consumers and benefit oil producers like Russia, which earns most of her foreign exchange from exporting oil and gas.

Despite divergences in energy paths, there are mutual dependencies.

Because China controls more than 70% of the global clean energy supply chain in solar, batteries, EVs, wind, and the processing of lithium, cobalt and rare earths, the United States cannot totally disengage in the short term from being reliant on China in moving towards energy production through alternative energy sources.

China, on the other hand, still imports roughly 45% of her natural gas and about three-quarters of her crude oil, and therefore will rely on freedom of the seas and key maritime routes currently controlled by the United States.

The rivalry in artificial intelligence (AI), robotics, unmanned drones and military equipment hinges on electricity supply, since AI data centres are very power-hungry.

It will also take time for the United States to build her electricity-generating capacity as well as data centre processing capacity.

Serious disruptions in energy supplies therefore become a fundamental determinant in the outcome of the US-China rivalry in the coming decades.

In the Joe Biden years (2021 to 2025), it seemed almost certain that the United States would beat China in the race to net zero by 2050. However, as President Donald Trump relaxed many of the constraints on carbon emissions, it is no longer so clear who will win that race.

With lower imports of oil from Iran and higher petroleum prices, China is already considering

relying more on coal-fired plants to meet her domestic energy needs. In the short run, China will most likely double down on her wind and solar capacity, whilst also increasing the use of smaller nuclear power stations. The intention is to be as self-reliant on energy as possible.

If the Strait of Hormuz remains closed for longer, then oil and natural gas prices will remain higher for longer, increasing the chances of a global recession.

However, what will most likely happen is that the Rest of the World will also double down on its own food, energy and water security, meaning that disruptions in key supplies must be factored into overall growth and development models.

With governments around the world adding to defence spending, the amount spent on food, water and energy security will also increase, adding to global fiscal deficits.

What may add more stress to already dire straits is the increase in global warming, with this summer being another record-breaking heatwave.

If highly water-stressed countries then face more droughts, forest fires and more violent tropical storms, global inflation will increase, as will social unrest.

In terms of resource allocation, the key to greater global economic stability is the willingness of communities or nations to shift the spending mix away from wasteful consumption.

Instead, they need to deal with climate warming, ensure food, water, energy and key resource security, and work collaboratively at the regional level (if not possible at the multilateral level) to address collective threats.

The reason why we must act for greater resilience at the local level is that sustainability is first about being able to survive before we can thrive. The next decade will define the outcome between the top two economies.

The hopeful think that we might get a better outcome for both, and also for the rest of us.

The pessimistic worry about war. But one outcome may be that intense competition will force responses from all of us that collectively lead us to more sustainable outcomes.

Survival and realism determine long-term sustainability.

