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## Asia braces for worst-case energy scenarios



The Malaysian Reserve, Malaysia

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GOVERNMENTS across Asia are preparing for worst-case energy scenarios that could include a prolonged and severe disruption to supplies, even as the US draws up a plan to end the war in Iran.

South Korea shifted into crisis mode on March 25, setting up an emergency economic task force to urgently prepare for adverse scenarios. The Philippines declared a national emergency, citing an "imminent danger of a critically low energy supply."

Japan is reviewing its entire supply chain of petroleum-related products as the likelihood builds of shortages and knock-on effects across the economy, while India's Prime Minister (PM) Narendra Modi warned the war could cause unprecedented challenges for the nation.

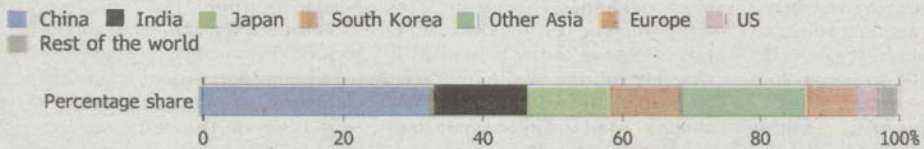
The Middle East conflict and associated energy supply shock threaten to further fan inflation in Australia, Reserve Bank of Australia assistant governor Chris Kent said on March 26 in a speech in Sydney.

"The longer the conflict persists, the larger the economic impact will be, and the greater the risk of a material repricing of assets," Kent said.

In under a month since the Middle East conflict began, nations have shifted into emergency footing, highlighting the Strait of Hormuz's importance to global energy flows. About a quarter of the world's seaborne oil trade and a host of other commodities pass through the 100-mile-long (160 km) waterway, much of it bound for Asia. Iran sits above the strait and has effectively closed it to all but approved vessels.

### Asia receives most of the oil shipped via the Strait of Hormuz

Breakdown of crude oil and condensate transported through the waterway in 2025, by destination



Source: Vessel tracking data compiled by Bloomberg

Bloomberg

The growing alarm in Asia has markets on edge as US President Donald Trump seeks talks with Iran to end the war. Equities rallied and oil fell on March 25, but oil edged up and US equity-index futures slipped on March 26 in early Asian trade amid ongoing uncertainty.

Many Asian countries source the bulk of their oil from the Middle East and reserves are beginning to run down.

"Right now, the closure of the Strait of Hormuz is, in a sense, an Asian crisis," Singapore's Foreign Minister Vivian Balakrishnan said on March 23. "The vulnerability is known, but it has never been tested to the extreme that it is being tested today."

The shortage is already being keenly felt across Asia, with work weeks cut short, street lights switched off and gas stations forced to close. In Pakistan, cricket fans have even been told to stay home and watch the games on television to conserve fuel. The country is also planning to impose fuel quotas for vehicles, according to people familiar with the matter who asked not to be identified as the matter is not public.

In parts of Bangladesh,

motorists are waiting for hours to refuel, with queues stretching up to a kilometer. Authorities have halted production at most fertiliser plants and are urgently seeking US\$2 billion in multilateral loans to secure enough energy to meet surging summer demand.

"The region is hugely exposed to prolonged conflict and the global energy price shock," said Peter Mumford, South-East Asia head of risk consultancy Eurasia Group. "Concerns are growing about second and third-order economic effects, including flights being canceled, fishing vessels sitting idle, and the hit to tourism."

The rush to secure supplies of oil and other key commodities has sparked a return to protectionism. China has reined in outbound shipments of fertiliser, while Indonesia said it would implement an export tax for coal and nickel. Vietnam is prioritising domestic refineries for its crude.

Such measures can backfire. A World Bank study of food shortages in the mid-2000s found that a large part of the rise in global prices for things like rice and wheat came from trade barriers erected to

keep crops for nations' own populations.

Some nations are turning to previously-shunned suppliers. Indian refiners have bought about 60 million barrels of Russian oil for delivery next month after sharply cutting purchases earlier this year under US pressure, *Bloomberg* reported on March 25.

What little oil countries can secure will likely come at a much steeper cost than expected. While New Delhi had bought oil at discounts after Russia's 2022 invasion of Ukraine, recent cargoes were booked at premiums of US\$5 (RM20) to US\$15 a barrel to Brent.

Indonesia, which assumed benchmark crude oil prices of US\$70 a barrel for this year, said it would look for as much as US\$7 billion in savings to offset its fast-growing fuel-subsidy bill. Thailand scrapped its price cap on diesel on March 25 after burning through US\$32 million a day to keep costs artificially low.

The energy crisis is even changing geopolitical calculations, with Manila willing to work with Beijing on oil and gas explorations in a disputed area of the South China Sea. — *Bloomberg*