



By: TA | AP Insight

# Iran war is a wake-up call for Southeast Asia's energy sector



The Iran war has exposed major risks for Southeast Asia that could cost the region billions of dollars, if it doesn't diversify sources of energy more quickly, according to an International Energy Agency report released Tuesday.

An overreliance on oil and gas transported through the **Strait of Hormuz** left the region particularly vulnerable to shocks from the Iran war, a "stark wake-up call" for its energy security, the report says.

It notes that rising sales of **electric vehicles**, a renewed interest in **nuclear power** and a boom in rooftop solar and other **renewable energy** installations show that the war is spurring change.

But more sweeping reforms are needed. Otherwise, Southeast Asia's energy import bill could rise to \$245 billion by 2035, tripling from \$80 billion in 2024, the report warns.

"Diversification of energy sources and supply routes is now a central priority," said **Fatih Birol**, the IEA executive director.

## Iran war exposes Southeast Asia's energy risks

The **energy shock** sent Southeast Asia into a state of energy triage, leading to higher energy bills and rising inflation.

In a likely setback for efforts to phase out dependence on fossil fuels, the conflict has reinforced the need to rely on coal during times of energy crisis, the IEA said.

### The war is furthering plans for nuclear power in Southeast Asia

The war is also furthering plans for nuclear power in Southeast Asia, but yearslong construction and regulatory processes remain.

Indonesia, Vietnam and the Philippines may be the furthest along with nuclear power plans,

but their timelines are uncertain.

"This energy shock is prompting not just the short-term responses. But a deeper reassessment of policy priorities and investment strategies by governments," said Sue-Ern Tan, head of the IEA Regional Cooperation Centre in Singapore.

## Do-it-yourself approaches an option

In the Philippines, which declared a **national energy emergency**, consumers have turned to **rooftop solar** at record rates, as a quick, do-it-yourself solution to rising utility bills.

"This is the first time I've seen a demand shock of this magnitude," said Ivan Cano of the Manila-based solar company EcoSolutions.

The Philippines became the second-largest destination for Chinese solar exports in the first quarter of 2026, the IEA found. Imports were around three times higher than the same period last year.

### Despite the tentative deal to end the Iran war, fossil fuel prices will likely remain high - Sam Reynolds

Consumers have also driven a shift in Southeast Asia's transportation industry.

Electric vehicle sales more than doubled in 2025 to around half a million units, according to the IEA, which found that one in five cars sold regionally is electric.

Last month, Laos banned the import of fuel-powered vehicles for the rest of 2026 to cut oil imports and encourage the shift to EVs.

"The IEA report clearly highlights that Southeast Asia is at a crossroads," said Sam Reynolds of the U.S.-based Institute for Energy Economics and Financial Analysis, or IEEFA.

Despite the **tentative deal** to end the Iran war,

fossil fuel prices will likely remain high which means “we will see a push towards more ambitious clean energy deployment,” Reynolds said.

## IEA says reducing fossil fuel demand is key

To overcome its weaknesses, Southeast Asia needs to reduce its overall demand for imported fossil fuels, the IEA said.



*The IEA recommended prioritizing regional energy sharing initiatives like the Association of Southeast Asian Nations Power Grid - Fatih Birol*

It suggests making **national grids** more efficient and boosting investment in all forms of renewable energy, such as solar, wind, hydro and geothermal power.

The IEA also recommended prioritizing regional energy sharing initiatives like the Association of Southeast Asian Nations Power Grid.

The wake-up call from this energy crisis will hopefully help neighboring nations overcome the political barriers that have hindered the project, Birol said.

“The Middle East conflict is both a stress test of Southeast Asia’s current energy system and a catalyst to accelerate structural change,” the report said.