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MISSION IMPOSSIBLE? INDO-PACIFIC ENERGY SECURITY COOPERATION IN THE WAKE OF THE ISRAEL–IRAN CONFLICT

The recent attacks by Israel and the United States on Iran's clandestine nuclear facilities have had a detrimental effect on the economic and energy security of the Indo-Pacific region. The dependence of major Indo-Pacific economies on oil trade that traverses the Strait of Hormuz is not trivial. Recent statistics indicate that 84 percent of crude oil shipments and 83 percent of natural gas trade passing through the strait are directed towards Asian markets. While not without difficulties, given the current state of U.S.–China strategic competition, several approaches could promote energy security in the region. These could include enhancing maritime governance and increasing naval presence and deployment in the Strait of Hormuz. Second, deeper engagement and active diplomacy with regional entities, particularly the Gulf Cooperation Council (GCC) and Iran. Third, reducing the proportion of fossil fuels in national energy mixes and expanding the use of renewable sources. Fourth, identifying alternate sources of fossil fuels and investing in other energy corridors.

ECONOMIC AND SECURITY RISKS IN THE WAKE OF THE CONFLICT

Israeli and U.S. attacks on Iran's clandestine nuclear facilities have put both regional and global actors in a precarious position. The Iranian Parliament even recommended to the Supreme National Security Council chaired by Supreme Leader Ali Khamenei that Iran close the Strait

of Hormuz, a limited passageway responsible for 20 percent of global oil shipments. While its closure may not align with Iran's interests, alternative asymmetric warfare strategies could considerably threaten the interests of major economies, and Iran can use it as a bargaining chip.

During the twelve days of conflict, significant GPS jamming originated from the Iranian port of Bandar Abbas, affecting not only the Strait of Hormuz but also ports throughout the Gulf, including those in the United Arab Emirates and Qatar. The situation led to atypical navigation patterns of cargo vessels in the narrow passage of the Strait of Hormuz, prompting ships to execute U-turns due to disorientation. Two vessels collided near the coast of Khor Fakkan port in the UAE. Jamming may lead to vessels intruding into Iran's territorial waters, which Tehran could exploit as leverage.

Other alternative measures include the seizure of vessels, a practice that occurred frequently prior to the Twelve-Day War between Iran and Israel. In November 2024, Iranian authorities confiscated the Marshall Islands-based St. Nikolas oil tanker. Iran viewed it as a retaliatory action against the United States for the prior appropriation of Iranian oil. Despite the end of the direct conflict between Israel and Iran, oil shipment through the primary maritime chokepoint in the Strait of Hormuz has remained vulnerable.

The dependence of major Indo-Pacific economies on oil trade that traverses the Strait of Hormuz is not trivial. In 2025, approximately 80 percent of Japan's, 60 percent of South Korea's, 37 percent of India's, and 38 percent of China's oil imports are sourced from the Persian Gulf, which is traversed by the Strait of Hormuz. Recent statistics indicate that 84 percent of crude oil shipments and 83 percent of natural gas trade passing through the Strait of Hormuz are directed towards Asian markets.

Trade between Europe and the Indo-Pacific has suffered significant losses since October 2023 due to the activities of Ansar Allah, the military wing of the Houthi movement, which has been preventing freedom of

navigation in the Bab al-Mandeb Strait. Any further disruption of oil shipments could cause sudden price increases, which may slow GDP growth and create inflation. According to one estimate, if the oil price spikes around $120 or $130, Japan's projected 2026 GDP could see a 0.6 percent loss.

FOUR APPROACHES TO MITIGATE RISK IN THE INDO-PACIFIC

Indo-Pacific states have a distinct stance on mitigating risks and reducing dependence on the Strait of Hormuz. Any approach may incorporate a combination of the following policy elements.

First, enhancing maritime governance and increasing naval presence and deployment in the Strait of Hormuz. India has engaged in anti-piracy activities for several years in the Horn of Africa region, but its multi-alignment strategy has hindered participation in any military actions in the Persian Gulf. South Korea and Japan, meanwhile, have consistently engaged in naval operations in and around the Strait of Hormuz to safeguard their commercial fleets. China has also engaged in cooperative multinational naval exercises in the region due to significant investments in ports such as Duqm in Oman and Khalifa Port in the UAE.

Second, deeper engagement and active diplomacy with regional entities, particularly the Gulf Cooperation Council (GCC) and Iran. Beijing has created the China–GCC framework as a forum to tackle shared concerns and formalized a comprehensive strategic cooperation with Iran for a duration of twenty-five years in 2021. U.S. Secretary of State Marco Rubio urged Chinese leaders to advise Iran against closing the Strait of Hormuz, presupposing that China possesses a dominant position in matters concerning Iran—but this is likely an overstatement of its current influence. Regarding India, the India–Middle East–Europe Economic Corridor (IMEC) is a potential alternative for enhanced interaction with the Gulf States, but investment in the project necessitates political stability.

Third, reducing the proportion of fossil fuels in national energy mixes and expanding the use of renewable sources. Japan, being the most susceptible in terms of fossil fuel imports, must expedite its investments in solar, wind, and other forms of renewable energy, which commenced in the wake of the Fukushima disaster in 2011 and continues today.

Fourth, identifying alternate sources of fossil fuels and invest in other energy corridors. India may augment its dependence on Russia or the United States, while some nations might invest in other oil pipelines. Unfortunately, though, critical chokepoints are largely interchangeable.

None of the approaches above offer immediate benefits. They require further time and money to mitigate the dangers. The immediate remedy is to resume the stalled nuclear negotiations between the United States and Iran and achieve an agreement, which may also provide further advantages to regional economies. Indo-Pacific countries can engage in mediation and conflict management, which could help consolidate the situation, although this is no magical bullet to inculcate stability into their economies and maximize economic security. As part of this engagement, the Indo-Pacific must deploy economic and diplomatic tools to prevent cascading energy insecurity from the destabilizing global economy.

THE UNIQUE ADVANTAGES OF EACH MAJOR REGIONAL PLAYER

The region's major players each possess their own unique advantages that they can leverage to mitigate risk. China possesses the most significant stabilization capacity through its Strategic Petroleum Reserve (SPR) of approximately 531 million barrels of oil. Beijing's immediate release of 100–150 million barrels could dampen price spikes while demonstrating responsible stakeholder behavior. China's existing energy relationships with Russia and Central Asia provide alternative supply routes via overland pipelines, reducing reliance on maritime chokepoints. Beijing, however, must balance energy security imperatives against its diplomatic relationship with Iran.

Japan, in contrast, can leverage its sophisticated liquified natural gas (LNG) infrastructure and 90–145-day strategic reserve to maintain regional stability. Tokyo should immediately activate swap agreements with Australia and Qatar while accelerating renewable energy deployment. Japan's advanced refining capacity could process heavier crude grades from alternative suppliers, providing regional flexibility.

Seoul should coordinate with Tokyo on joint procurement strategies and explore expanded Canadian and U.S. LNG imports. South Korea can also deploy its 95–106-day strategic reserve while leveraging advanced petrochemical facilities to maximize efficiency.

India's current SPR sites in Visakhapatnam, Mangaluru, and Padur offer a combined capacity of 5.33 million metric tons, equal to about 9–10 days of domestic crude demand. Delhi must immediately pursue rupee-denominated arrangements with Russia and UAE while leveraging the International North–South Transport Corridor for Iranian-independent energy flows. India's refining overcapacity could serve regional markets if crude supplies are secured.

ASEAN nations should collectively activate the ASEAN Petroleum Security Agreement, pooling strategic reserves and coordinating demand reduction measures. Singapore's refining hub and Indonesia's domestic production provide limited regional buffers. Thailand and Philippines must accelerate renewable transitions to reduce medium-term vulnerability.

The United States could immediately release SPR volumes while accelerating export permits for LNG and crude to Indo-Pacific allies. Reactivation of mothballed shale production could offset Iranian supply within 90–120 days. Washington should also provide naval escorts for tanker traffic through alternative routes.

Any approach must be inclusive and involve the cooperation of United States, Japan, South Korea, India, ASEAN, and China. A coordinated response framework could be established as an emergency

energy coordination mechanism. This could involve establishing a temporary or semi-permanent Energy Security Board with real-time coordination capabilities. The initiative could create regional strategic reserve sharing agreements with pre-negotiated release triggers preventing competitive hoarding, and joint procurement initiatives could also be leveraged for collective bargaining with alternative suppliers. Demand management protocols, meanwhile, could stagger industrial shutdowns and consumption reduction targets, and financial stabilization tools such as currency swap expansions could prevent balance-of-payment crises. While not without difficulties, given the current state of U.S.–China strategic competition, such a comprehensive approach could significantly improve energy security in the region.

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