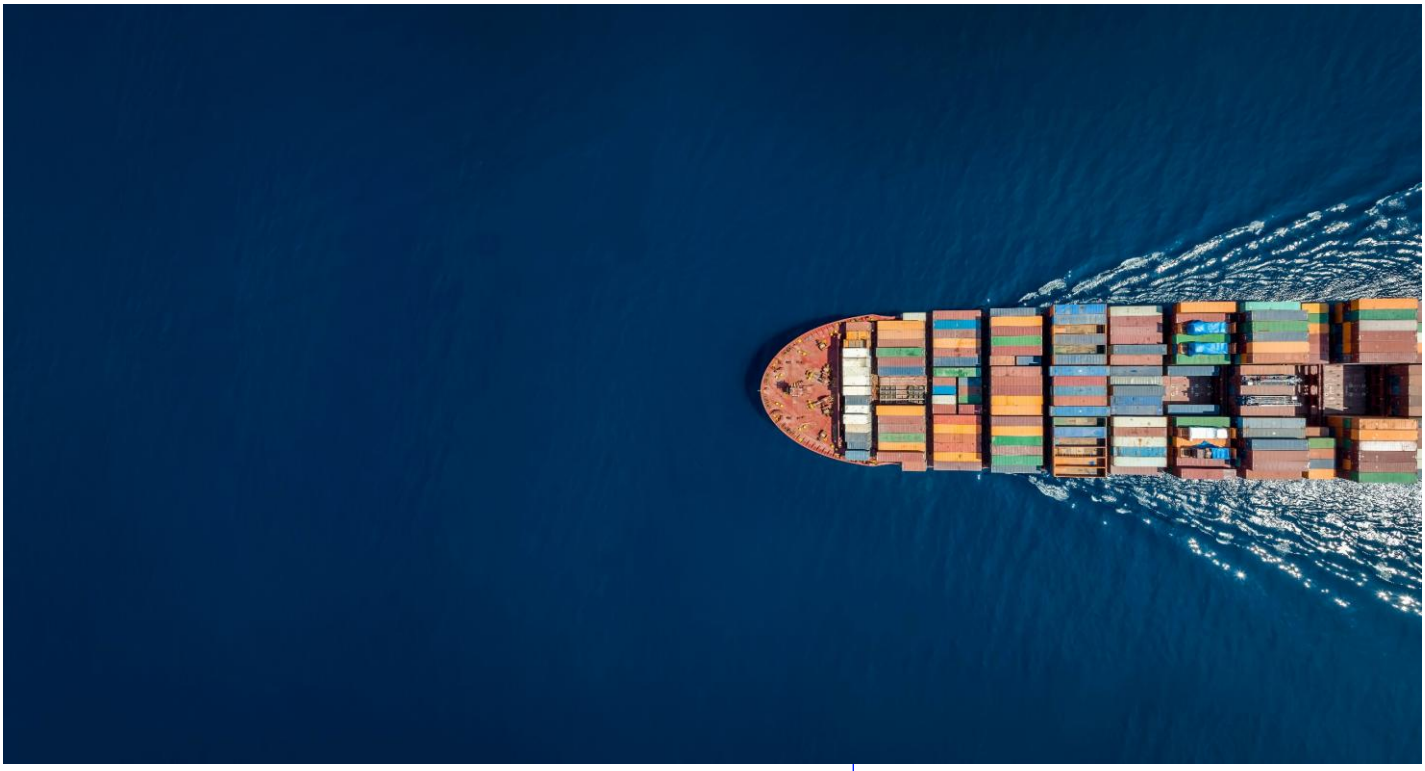

Global Investment Research | Multi-Asset

After the energy shock

Energy transition moves from an environmental driver to an energy security and economic competitiveness priority

May 2026

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Introduction

The immediate response to a major energy supply shock is almost always fossil-heavy: inventory drawdowns, fuel switching, rationing and demand destruction. But the more durable response is often structural. In 2026 that structural response increasingly points towards electrification, efficiency and domestic low-cost power - particularly in Asia, where exposure to imported oil and LNG remains highest.

At a glance

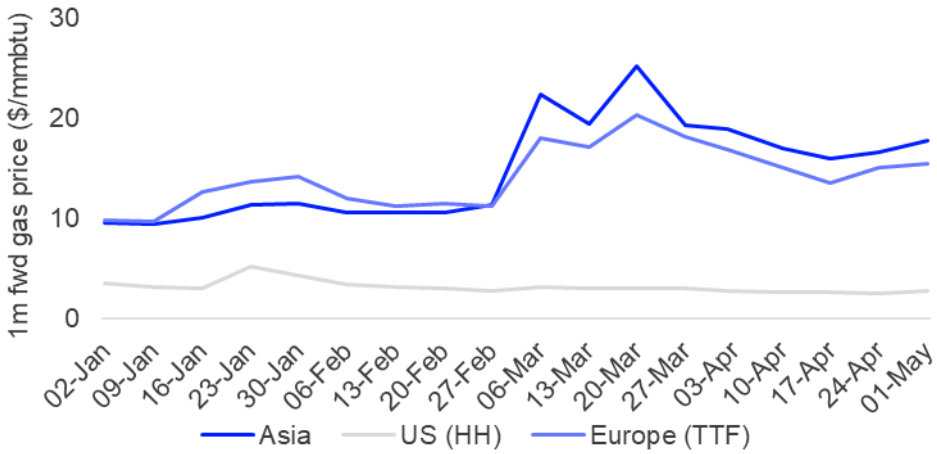
- Conflict in the Middle East causing an unprecedented shock to both the price and availability of fossil fuels, with disproportionate impact in Asia.
- This exposes the risks in the current, global fossil powered energy system and countries which are net energy exporters or have otherwise insulated themselves from energy shocks are faring better in the crisis.
- Some countries have already made significant strides, and are benefitting from it in the current crisis, in particular China, but also other such as Brazil and Spain.
- The short term impact is one of releasing strategic oil reserves, switching where possible to new sources or types of fossil fuels, curtailment of energy flows between countries and energy demand destruction (the latter two both through lack of availability and through specific government policy).
- However, the medium/long term potential impact, which is starting to emerge, is the acceleration of the energy transition, which has moved from an environmental driver to an energy security and economic competitive priority.
- Electrification, renewable energy, EVs and improving energy efficiency are all already seeing growth, which has the potential to be accelerated by the crisis.
- Energy transition solutions are in a much more developed situation than even in 2022, having seen significant price falls and manufacturing capacity growth.
- Going forward, as the short term impacts of the energy shock dissipate, investors should be aware of both the efforts countries are making to transition their energy system, to reduce risk, and the companies providing the products and services essential to the energy system, as a source of opportunity.

Energy shock

The Iran war has produced a classic energy shock: disrupted trade flows, inventory drawdowns, emergency government intervention and a renewed fear that energy scarcity will feed through into inflation, industrial disruption and weaker growth. The International Energy Agency has called the combined impacts "the greatest threat to global energy security in history", with oil and LNG flows through the Strait of Hormuz severely disrupted and LNG supply reduced by around 20%[1].

Oil and gas prices have risen dramatically around the world. The rise in the gas price has been one of the most interesting, as natural gas, in particular LNG, had seen significant demand growth, compared with expected weak demand in oil. This has led to significant price rises and regional variation. On the first week of the conflict (27th February to 6th March) Asian LNG prices rose 97%, European gas (TTF) 61% but US gas (Henry Hub) only 11%.

Figure 1: Gas price by region

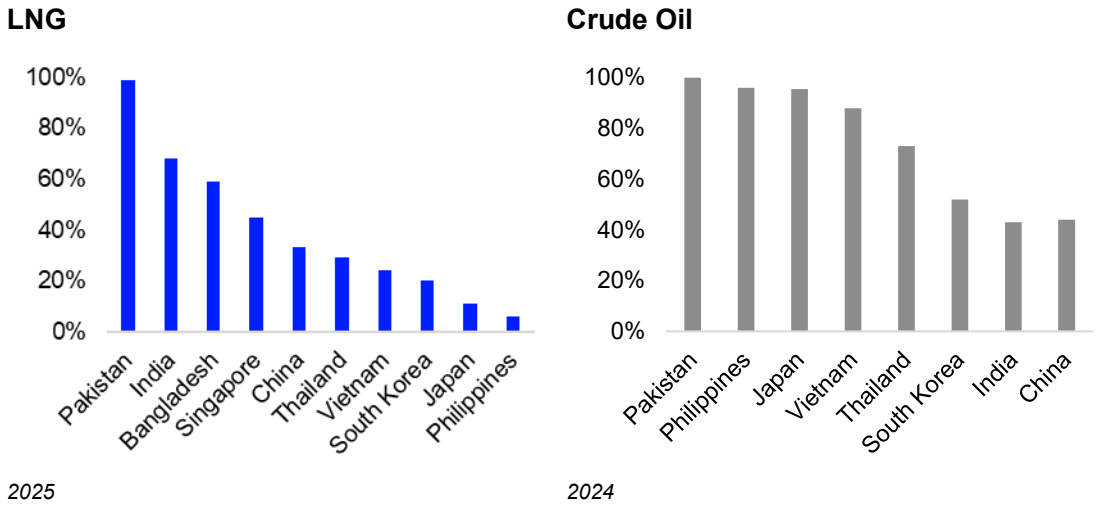


Source: LSEG, data as at 1 May 2026.

So far the market response has been a combination of rising prices; unprecedented release of strategic reserves; switching to alternative sources of oil and gas, including diverting cargos to new destinations; refinery run cuts; gas rationing and demand destruction in both energy-intensive sectors and for consumers in some countries. The IEA now expects global oil demand to contract by 80 kb/d in 2026 and notes that Middle Eastern and feedstock-constrained refineries in Asia have cut runs by around 6 mb/d in April[2]. Asian countries have particular exposure to Middle Eastern oil and gas[3].

[1] The Middle East and Global Energy Markets – Topics - IEA
[2] Oil Market Report - April 2026 – Analysis - IEA
[3] Iran tensions underscore the urgency of Asia's renewables pivot for macroeconomic stability | IEEFA

Figure 2: Asian country share of LNG and crude oil purchased from Persian Gulf



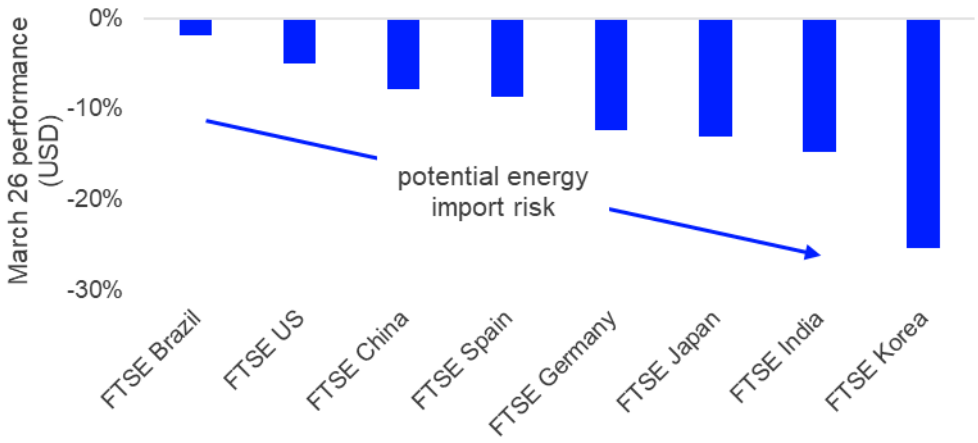
Source: IEEFA.

The medium/longer-term message is more interesting. This shock has arrived at a point when alternatives to imported fossil fuels are no longer niche. Solar, batteries, EVs, heat pumps and efficiency are cheaper, more scalable and faster to deploy than they were during either the 1970s oil crises or the 2022 gas shock. Clean energy investment is running at roughly twice fossil investment[4], while electric vehicles are already displacing more than 1.7 mb/d of oil demand globally[5].

Whilst countries which are net energy exporters have fared better than net energy importers it is notable that countries which have bolstered their energy security, both through strategic reserves and through material energy transition, such as the development of renewable energy, electrification of transport and improvement of energy efficiency, have also fared better. The most notable of these is China, but Brazil's biofuels industry and Spain's large installation of renewable energy have also benefited them.

[4] World Energy Investment 2025 – Analysis - IEA
[5] Electric vehicles avoided oil consumption equivalent to 70% of Iran's exports in 2025 | Ember

Figure 3: March 2026 country equity market response to Iran war and energy shock (USD)



Source: LSEG.

This report argues that the strategic impact of the current shock is likely to be an acceleration of energy transition as a security priority, especially in Asia. The near-term response remains fossil-heavy; the durable response could be electric. Countries and companies that reduce exposure to imported fuel, improve flexibility and raise efficiency should be better insulated from the next shock as well as the current one.

Short term impact – more fossil fuels?

The immediate market backdrop is severe. According to the IEA, crude and oil product flows through the Strait of Hormuz plunged from around 20 mb/d before the war to only a few million barrels a day in March and remained heavily constrained in April. Exports via alternative routes have risen, but the bypass capacity is limited. The result is not only a price shock, but a logistics shock.

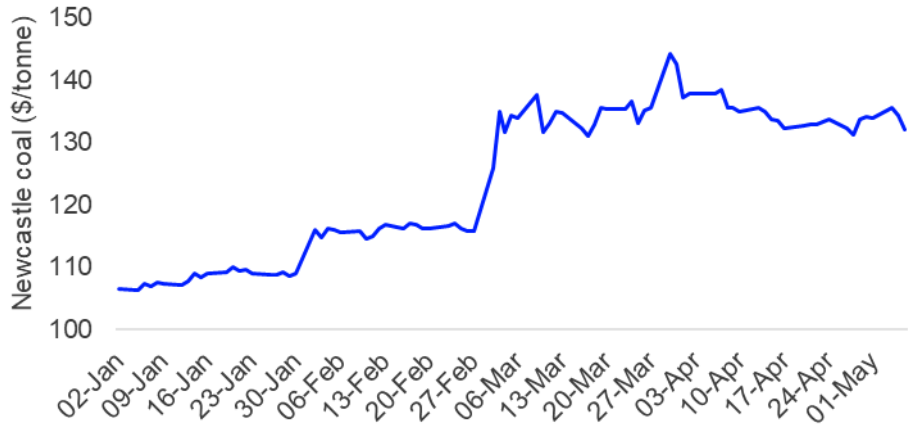
This is already feeding through into demand. Oil demand growth, which was already weak, is now expected to contract by 80 kb/d in 2026, with the initial damage concentrated in the Middle East and Asia Pacific. Jet fuel, LPG and petrochemical demand have been hit first, while feedstock-constrained refineries in Asia have cut runs by around 6 mb/d. Observed inventories fell by 85 million barrels in March, with Asian importing countries drawing down crude stocks by 31 million barrels[6]. The market has even seen the UAE leaving OPEC, which is expected to lead to greater oil supply, once the Straits of Hormuz have reopened[7].

[6] Oil Market Report - April 2026 – Analysis - IEA
[7] Why the UAE really left Opec

The first-round policy response is familiar: coordinated emergency stock releases, demand restraint, support for households and attempts to reroute or substitute supply. Numerous countries in Asia have enacted policies such as limiting gas supply to energy intensive industries (India), reducing working weeks (Pakistan, Philippines) or increasing minimum AC temperatures in offices (multiple)[8]. Whilst these may be effective in managing scarce immediate resources, they are likely to f negatively impact growth.

The IEA coordinated a 400 million barrel stock release in March, its largest ever. Where countries still have spare coal capacity, strategic petroleum stocks, hydro or nuclear flexibility, those assets become short-term buffers. A number of Asian countries have significant reserve margin, such as Indonesia, recently retired/mothballed coal plants, such as Japan and South Korea or newly built coal plants, such as in South East Asia. The impact of this scramble for alternative fossil fuels can be seen in rising Asia coal prices.

Figure 4: Newcastle coal price



Source: LSEG, data as at 6 May 2026.

These stop gap measures are happening regardless of longer-term decarbonisation goals. That is why this report distinguishes the short-term response from the structural one. The near-term response can easily look like “more fossil fuels”. But that does not invalidate the longer-term lesson. It simply reflects the reality that fuel systems with large installed bases can only be rewired gradually, whereas a supply shock arrives in days.

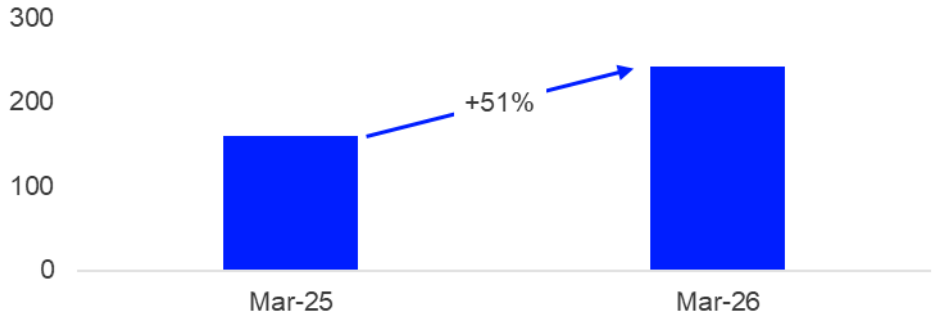
[8] IEA policy response tracker

Longer term – energy security through energy transition, it's already happening and it's happened before

The strategic lesson from the current shock is not simply that energy security comes from finding alternative sources of fossil fuels or holding more fuel in storage. It is that you should need less fossil fuels (and possibly energy in general) in the first place. The energy transition increasingly looks like a security strategy: it reduces import dependence, lowers exposure to global commodity volatility and shifts spending from recurring fuel purchases to domestic assets, electricity infrastructure and local operations. This is all backed up by the momentum in electrification and renewable energy that has been ongoing for multiple years.

Even in the short term, indicators from March 2026 are showing a sharp increase in demand for energy transition. EV registrations increased by 51% over 15 European markets[9]; Octopus Energy (largest UK power supplier) saw a 50% spike in sales of solar panels, 30% for heat pumps[10]; more than 100% yoy rise in EV registrations in Japan, South Korea and Vietnam[11] and 49% in India[12].

Figure 5: EU battery electric vehicle registrations (000's of vehicles)[9]



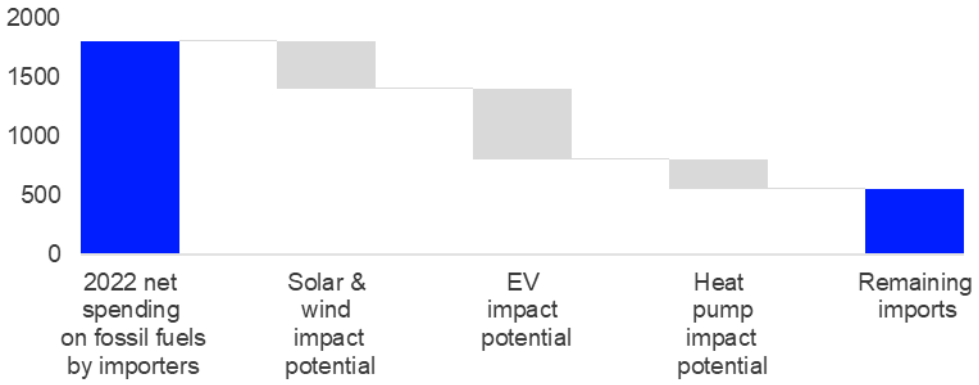
Source: E-Mobility Europe.

Removing the risk, rather than just hedging it

Around 37% of global primary energy demand is currently met by imported fossil fuels, and roughly three-quarters of the world's population live in net fossil-fuel importing countries. Replacing imported fossil fuels with electric vehicles, renewables and heat pumps could cut those imports by around 70%, implying annual savings of roughly USD 1.26tn[13]. In this framing, energy transition and energy security become aligned rather than competing priorities.

[9] PRESS-RELEASE-European-EV-sales-surge-51-as-Middle-East-conflict-puts-oil-dependence-in-the-spotlight.pdf
[10] Iran War Drives 50% Spike in Solar Panel Sales - The Renewable Energy Institute
[11] From Australia to Vietnam, the Iran war is fuelling demand for EVs | Economy News | Al Jazeera
[12] EV sales surge in March on discounts, price hike fears, ETInfra
[13] Energy Security in an insecure world | Ember

Figure 6: Potential fossil fuel import savings from energy transition ($bn)[13]



Source: Ember.

The economic case is stronger than it was during earlier crises because electrification - renewable power plus electric end-use technologies - is materially more efficient than the fossil system it replaces. Electric technologies can be roughly three times as efficient overall, while also benefiting from manufacturing learning curves[14]. For Asia, this matters enormously: the region can address its import bill structurally instead of merely hedging it.

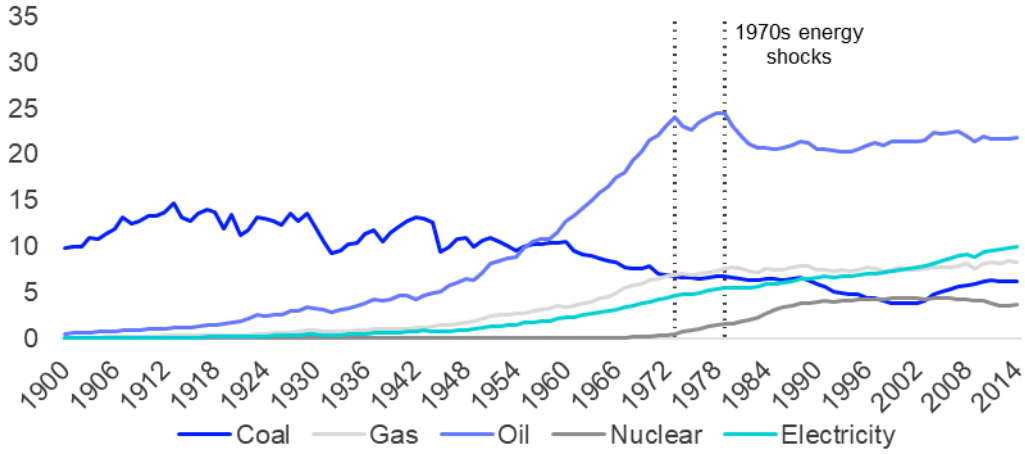
This also weakens the argument for LNG as a bridge fuel in many Asian markets. Solar and batteries are quicker to deploy, more modular and increasingly competitive even when paired to provide dispatchable output. Dispatchable solar can already come in below USD 80/MWh for tariff-free importers, without the fuel-price optionality that makes gas markets so unstable in periods of conflict[15].

Experience from other energy shocks – it's happened before

Past energy shocks matter because they show what tends to stick. The 1970s oil crises triggered strategic reserves, fuel economy standards and a long era of efficiency policy. Japan is the classic case: repeated oil insecurity helped produce a durable institutional bias towards energy efficiency, industrial upgrading and diversification away from oil. Japan's energy intensity per unit GDP reduced by ~40% over the following decade[16][17]. The United States also responded with fuel economy standards and a rethinking of vehicle efficiency[18]. It led to major disruptions across multiple industries, the emergence of the French nuclear industry[19]; the growing importation of smaller, efficient Japanese cars in the US and the early development of the US fracking industry[20]. It also saw a marked change in the growth of different energy sources.

[14] The Electrotech Revolution | Ember
[15] Overcoming fossil lock-in is pivotal for Asia to buffer against energy shocks | Ember
[16] How the Japanese Economy will be affected by the Oil Crisis of 2026 | Japan Center for Economic Research
[17] Analysis of energy intensity in Japan - ScienceDirect
[18] A Brief History of US Fuel Efficiency | Union of Concerned Scientists
[19] Messmer plan
[20] Eastern Gas Shales project

Figure 7: Per capita energy consumption by type (GJ per person per year)



Source: IIASA; final energy consumption coal, gas, oil and electricity; primary energy consumption nuclear.

The 2022-2023 European gas crisis offers a more recent and more relevant comparison. It showed that high prices can force rapid demand adjustment: EU gas demand fell by 14% in 2022, while industrial gas use dropped by around 23%[21]. Some of that proved durable because renewables additions, behavioural changes and efficiency improvements reduced gas needs structurally, with EU demand down ~19% in early 2026 compared to before the 2022 conflict[22]. However some of it was also through longer term industrial demand destruction, with European energy intensive industrial production still down ~15%[23] showing the ongoing risks of such energy shocks.

It also showed how import dependence redistributes pain globally. Europe's rush for LNG after Russia's invasion pushed its LNG imports sharply higher, while price-sensitive buyers such as Bangladesh, Pakistan and India saw imports fall. That episode is a warning for Asia: when gas markets tighten, richer buyers can outbid poorer importers, which is one reason security based on imported gas can be fragile[21].

Asia matters not just because it is exposed, but because it is where a large share of the next decade's energy demand will be decided. China and India together are expected to account for 60% of the increase in global electricity consumption over 2025 and 2026. If the region doubles down on imported fossil fuels, the world's energy system becomes more fragile. If it leans harder into electric end-use and cheap clean power, the impact will be global[24].

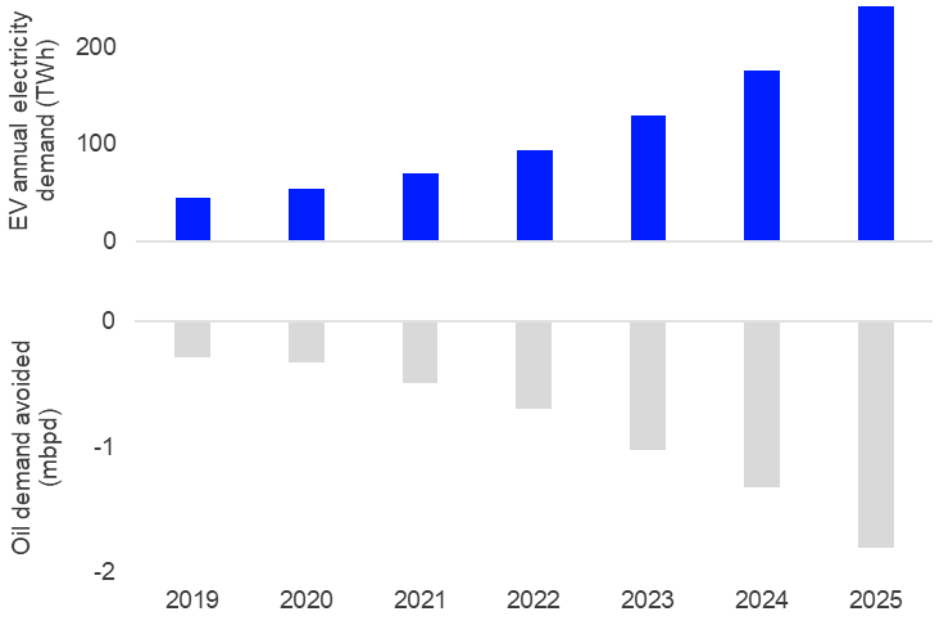
[21] Policy response to the crisis – Gas Market Lessons from the 2022-2023 Energy Crisis – Analysis - IEA
[22] REPowerEU - 4 years on
[23] This Time is Different (from 2022) — The Impact of Higher Energy Prices on European Manufacturing Industries
[24] Global trends – Global Energy Review 2026 – Analysis - IEA

China is the clearest example of how transition can also be a resilience strategy. India is likely to be the next major swing factor. Its electricity demand is forecast by the IEA to grow by 6.6% in 2026[24]. Its EV sales share is still much lower than China's, but that is precisely why the upside for substitution is so large. A strategy based on faster solar, storage, rail electrification, biofuels, efficient cooling and industrial efficiency would support both affordability and energy security. Across ASEAN, the current shock sharpens a choice that was already emerging. The region can continue locking in new gas demand and associated import dependence, or it can use the cost and speed advantages of solar, storage, geothermal and electrified transport to flatten its future fuel bill. The momentum is already visible and the economics of clean power in the region continue to improve.

It's already happening

Multiple countries have already made significant efforts to transition and are seeing the benefits in the current crisis. Through increasing renewable energy, roll out of EVs and reducing energy intensity through efficiency they are reducing their exposure to fossil fuel import costs and risk.

Figure 8: Growth in EV usage and oil demand avoided



Source: Ember[25].

China, despite being the largest global energy importer and the most exposed to Middle Eastern oil, has arguably made the most significant efforts of any country to transition its energy system and improve energy security. As well as amassing the world's largest strategic oil reserve, it has been the world's largest installer of renewable energy, which has delivered the majority of its demand growth. It has been dramatically electrifying its transportation system, with ~50% of new car sales being electric, and also has a significant

coal to chemicals sector (reducing the need for oil or gas feedstock). It does have significant coal fired power generation, but output reduced in 2025 as new renewables came online, and it has limited gas fired power generation[25]. It has also systematically improved the energy intensity of its economy, with the last 5 year plan improving energy intensity per unit GDP by ~13.5%[26].

Brazil is an interesting case, despite having significant oil and gas production it also has a significant biofuels industry, having developed from its sugar industry. This has allowed it to export biofuels and mandate blending 15% into domestic diesel and 30% into domestic gasoline[27], reducing exposure to rising oil prices.

In Europe, despite extensive efforts to install renewable energy and reduce exposure to gas, after the Russia-Ukraine conflict, many national energy systems see much of the pricing in their energy systems set by gas. However Spain, having installed significant amounts of renewables, saw only 15% of prices set by gas, and lower average electricity prices than other European countries[28][29].

Even Pakistan, which has significant exposure to the current crisis, with all of its gas coming from the Middle East, saw its imports of solar panels rise from 1GW in 2018 to 51GW by early 2026. This is estimated to have saved the country ~$12bn in the current crisis[30].

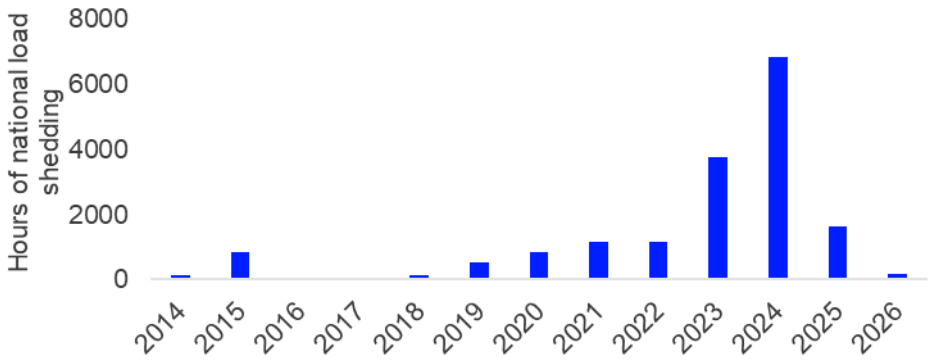
Case study: South African reaction to energy black outs – sunny days for solar

Between 2022 and 2026, due to a combination of failing state infrastructure, improved regulation and lower costs, the energy regulator approved nearly 20GW of renewable generation capacity, equivalent to circa. 1/3rd of South Africa's total electricity demand. Approved does not necessarily mean realised – but ~25% of South Africa's generating capacity is now renewables. Despite load-shedding ostensibly ending in 2025, approvals continue to grow indicating that as the technology becomes more common, domestic momentum continues beyond the initial pain-point being removed.

During the 1990s South Africa underwent a hugely successful electrification program[31]. But from the early 2000s it simultaneously failed to add new generative capability, and properly maintain an aging fleet of coal driven power stations. The result was a declining energy availability factor (EAF) which led to wide-spread blackouts from 2018 onward.

[25] Global Electricity Review 2026 | Ember
[26] The 14th Five-Year Comprehensive Work Plan on Energy Conservation and Emission Reduction – Policies - IEA
[27] Brazil to start tests for diesel blend containing 20% biofuel in May | Reuters
[28] Europe's electricity prices are still tied to gas, making geopolitics a structural vulnerability | IEEFA
[29] Decoupled how Spain cut the link between gas and power prices using renewables | Ember
[30] The hedge that paid off: How Pakistan's solar boom is shielding it from the Hormuz crisis – Centre for Research on Energy and Clean Air
[31] Eskom 1993-2002

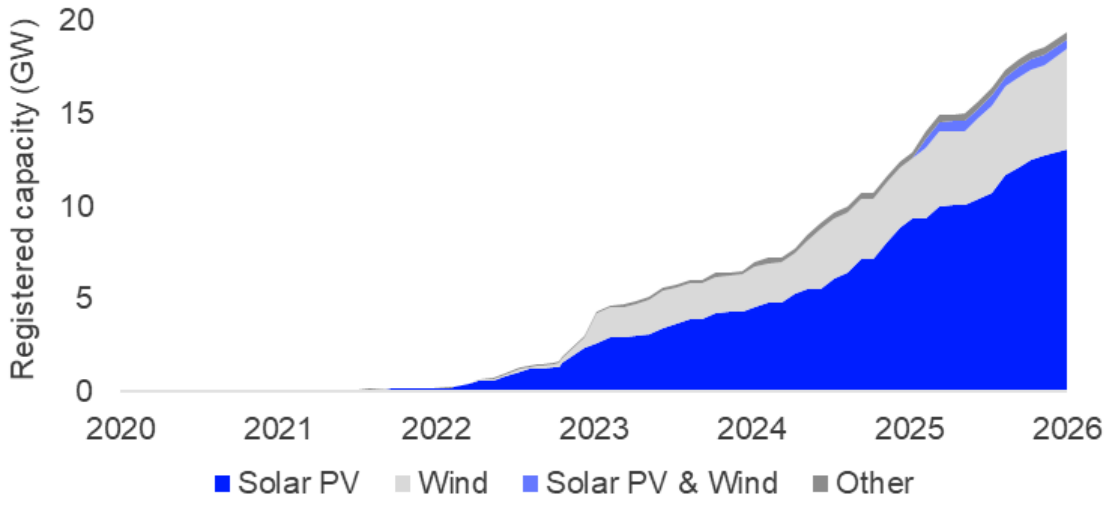
Figure 9: South African electrical load shedding



Source: EskomSePush and Eskom. Hours without electricity per year, across the "stages" of load shedding.

This hit a peak in 2023, where the country experienced load shedding for nearly 300 days. In turn catalysing a shift towards private renewable infrastructure. The volume of private power generation capacity that sought regulatory approval went from close to nothing to circa. 20GW by the end of 2025. By far the dominant technology is solar with 67.6% share, with wind second at 27.6% and all other renewable technologies accounting for ~2%[32].

Figure 10: South African cumulative, registered energy generation capacity by technology



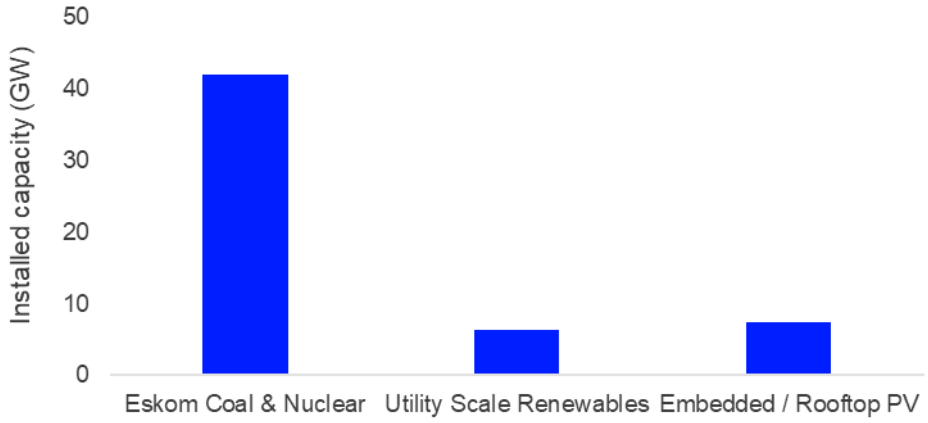
Source: National Energy Regulator South Africa (NERSA); data as of 30 April 2026.

Policy context also matters. In August 2022 the South African government raised the license exemption threshold for embedded generation from 1MW to 100MW; a significant reduction in regulatory friction. This meant that private commercial and industrial operations could build and manage their own power generation plants and remove dependence on Eskom.

[32] The unaccounted for 2.6% was an authorised combined Solar PV and Wind project for circa. 5GW approved in 2025.

There is an important distinction between registered and installed capacity: registered capacity is the level approved by the regulator, which is a ceiling and for larger projects will typically operate on a 12-36 month lag. Installed capacity, estimated by NTCSA data[33], shows that around 13% of South Africa's total generative capacity is coming from rooftop solar; rising to circa. 25% of capacity when combined with utility-scale renewable generation. However in practice the demand fulfilled by rooftop solar in South Africa is lower. Capacity factors for solar are lower than coal and also the system has been constrained by friction feeding excess solar energy back into the grid, a common issue in developing markets with rapidly growing renewable energy capacity.

Figure 11: Installed power generation capacity by technology – rooftop PV is now ~13%

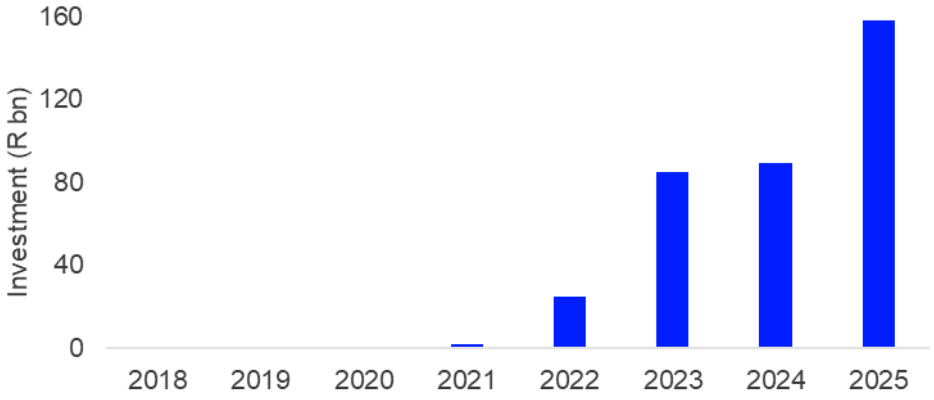


Source Eskom, NTCSA ; FTSE Russell calculations. Eskom nominal capacity is estimated from Eskom capacity reports per facility. Utility-scale renewables and embedded PV data comes from NTSCA. Data as of 30 April 2026.

Approvals by NERSA continue to grow, despite load-shedding functionally ending in 2025. This indicates that rooftop solar has become an accepted, household technology since 2022, with momentum continuing even after the initial catalyst has been removed. This is also reflected in the infrastructure investment data, which jumped from R90bn 2024 to R158bn in 2025.

[33] NTSCA Weekly Reports

Figure 12: South African annual private generation investment – hitting new highs despite stop in load shedding



Source: National Energy Regulator South Africa (NERSA).

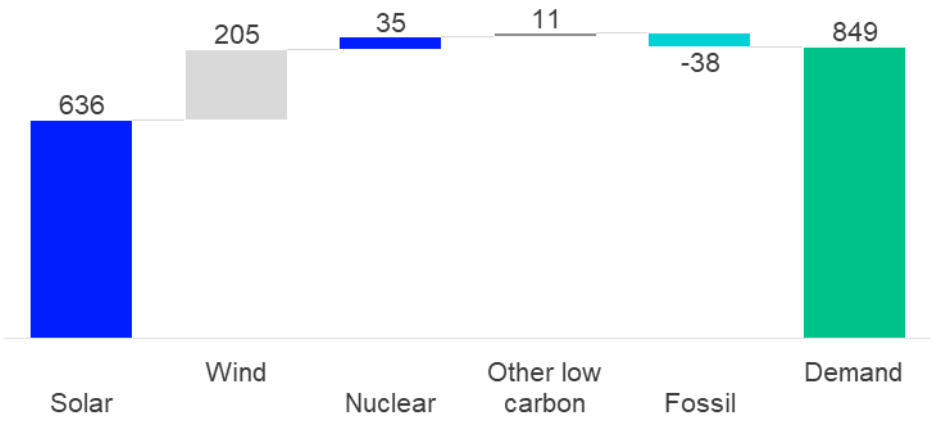
Infrastructure and policy - ready for energy transition

What is different in 2026 is the technology context. Solar module prices have roughly halved since 2022, battery prices are down sharply, and EV sales have spread to a far wider set of markets. That makes the structural response to the present shock more credible than it was even four years ago. History suggests that shocks only drive lasting change when policy and technology are ready at the same time. In 2026, they increasingly are.

Underpinning the energy transition is the trend towards electrification, with electricity demand growing faster than both overall energy demand and GDP. This comes from both developed and emerging markets, with power utility companies seeing increasing overall demand. AI/data centre electricity demand has seen a lot of coverage, but across transportation, industrial and building (heating and cooling) it is also growing. Comparing this shock to past crises electric substitution is no longer theoretical but is now a material macro headwind to oil demand growth.

How power is generated is changing too, with the falling price, flexibility and rapid deployability of renewables leading to their growing capacity, delivering all of the electricity demand growth in 2025, with fossil fuel generation falling slightly.

Figure 13: 2025 global growth in energy supply and demand (TWh)

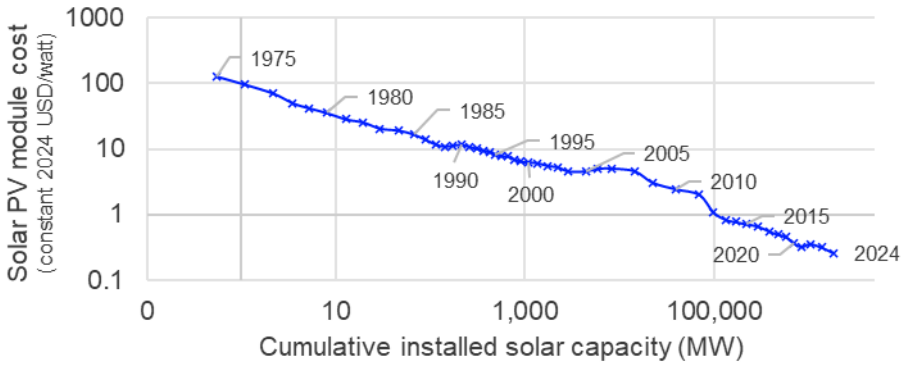


Source: Ember[34].

To get a sense of scale, in the context of the current crisis, the LNG which passed through Hormuz in 2025 could have generated roughly 600 TWh of gas-fired electricity - about the same order of magnitude as the increase in global solar generation in a single recent year. In other words, one year of solar growth is now comparable with the electricity equivalent of one of the world's most strategically sensitive LNG routes[34].

The cost of energy transition products has also fallen significantly in recent years, as both installations and manufacturing capacity has risen dramatically. Solar module prices fell by 90% between 2015 to 2024 and stationary power batteries have fallen by ~70%[34]. This continues to improve the economics of switching to alternative energy sources or installing energy efficiency measures.

Figure 14: Solar costs vs installed capacity 1975-2024

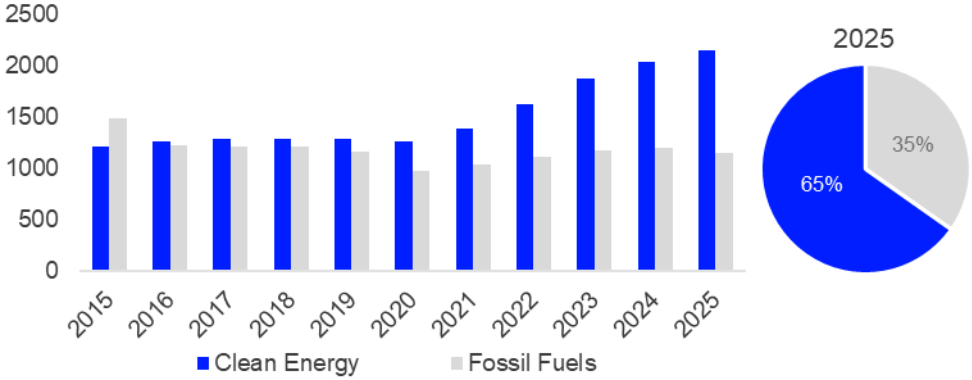


Source: Our World in Data; IRENA (2025); Nemet (2009); Farmer and Lafond (2016)[35].

[34] Global Electricity Review 2026 | Ember
[35] Solar photovoltaic module prices vs. cumulative capacity

Capital is already moving towards the energy transition. Global energy investment was estimated at USD 3.3tn in 2025, with clean technologies attracting about USD 2.2tn versus USD 1.1tn for fossil fuels[36].

Figure 15: Energy investment 2015-2025 (USD billions)[36]



Source: IEA.

Government spending on energy transition also exceeded USD 405bn in 2025, with more than 6,500 policy measures across 84 countries, evidence that shocks are translating into policy action. Japan deserves a particular mention because energy shocks have historically changed its policy architecture, not only by switching supply, but by structurally improving efficiency. It recently created a $1trn, new energy transition program, designed to boost energy security and industrial competitiveness as well as reducing emissions[37]. Energy efficiency is a critical part of energy transition, over and above alternative energy sources. It has been key to enabling economic growth with finite energy resources, with global energy intensity falling by 37% between 1989-2023[38], and will be a key part of future 'productivity' improvement to enable further growth.

This does not mean the transition is frictionless. Higher electrification also raises the importance of grids, storage and flexibility. Yet that is precisely why this shock could become catalytic: it makes it easier for governments and investors to justify infrastructure spending that lowers future exposure as well as current emissions.

The most likely outcome is not a single "global response", given both practical and geopolitical headwinds. Instead, a set of country pathways shaped by starting exposure, fiscal space, domestic industrial strategy and the quality of the local power system. In Europe, despite short term measures to alleviate the impact of energy costs on consumers, such as reducing fuel duties, the combination of existing green energy programs, and the AccelerateEU[39] strategy should support the continued energy transition momentum. Responses in the US are more difficult to predict; however the region could pursue a fossil fuel focused energy strategy whilst the rest of the world pursues an electrification/transition focused strategy[40]. The table below summarises the main directional pressures in the Asian region.

[36] World Energy Investment 2025 – Analysis - IEA
[37] Japan's $1trn bet on the climate transition | LSEG
[38] Energy intensity of GDP | Global Energy Intensity Data | Enerdata
[39] AccelerateEU to strengthen EU energy resilience - Energy
[40] Eurasia Group | Overpowered: Eurasia Group's #2 Top Risk of 2026

Market	Current exposure	Transition buffer	Potential direction of travel
China	Still a large fossil importer, but with scale, inventories and manufacturing depth.	Very high. EVs, solar, batteries, grids and domestic supply chains already substantial.	Use the crisis to deepen electrification, improve flexibility and consolidate competitive advantage in clean manufacturing.
India	Fast demand growth, import exposure in oil and LNG, rising cooling demand.	High potential in solar, storage, rail, biofuels and efficiency; lower current EV penetration creates room to accelerate.	Greater emphasis on solar-plus-storage, efficient cooling, fuel switching and current-account resilience.
Japan and Korea	Very high fossil import dependence and ongoing sensitivity to LNG prices.	Efficiency, nuclear restarts, storage, power-system flexibility and strategic stocks.	A renewed push on efficiency and nuclear utilisation, alongside selective electrification and grid upgrades.
ASEAN	High growth in electricity demand and risk of new gas and coal lock-in in several markets.	Solar, geothermal, hydro, batteries and growing EV adoption in several countries.	Policy debate shifts from capacity-at-any-cost to security-adjusted cost of supply; more focus on domestic clean generation.

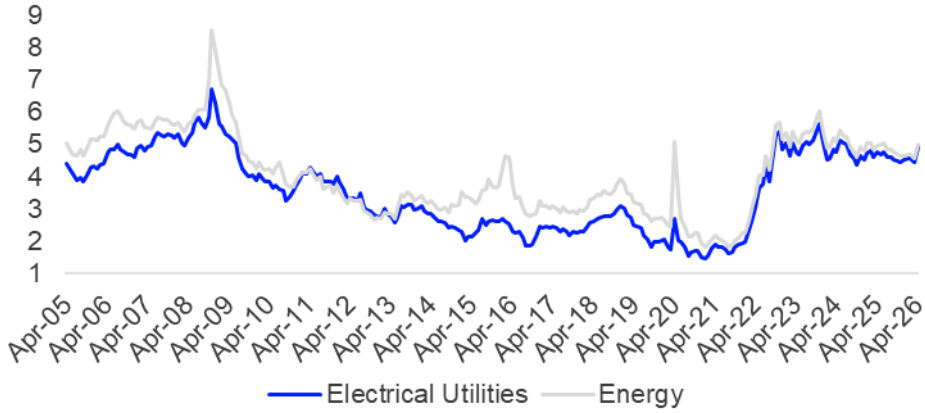
Potential headwinds

Whilst we make the case in this report for an increasingly security and economic competitiveness driven transition, it is not without a number of potential headwinds, which could slow or distort the response.

Timing and complacency: If hostilities ease quickly and flows partially normalise (although this will still take a significant period of time even if hostilities end tomorrow), the political urgency to invest may fade before structural reforms are in place. The longer the conflict lasts, the larger the potential upside for the energy transition (and the longer it will take to restore oil and gas flows).

Cost of capital: Renewables, grids, storage and efficiency are capital-intensive upfront even if they save fuel over time. Higher bond yields and tighter fiscal conditions, in the face of energy price driven inflation, can increase financing costs and delay projects. This was a key reason the 2022 energy shock didn't lead to greater energy transition. Power utility corporate bonds saw ~3% rise in yields over 2022 and into 2023, with the inflation driven central bank tightening, acting as a significant headwind. Whilst we are in a better position now than in 2022, with central banks still generally in cutting mode, rising inflation, as seen in recent March US CPI, could create another yield headwind.

Figure 16: FTSE WorldBIG Corporate bond yields (%)



Source: FTSE Russell, yield to maturity by FTSE Global Industrial Classification (GLIC) code.

Existing fossil lock-in: ASEAN markets already have significant LNG import infrastructure under construction, with ~94MTPA completed or under construction by 2030[41], and extensive existing coal capacity, including newly built coal plants or mothballed capacity that can be brought back. Sunk costs matter; companies and governments will face tricky decisions in balancing them with the benefits of the energy transition.

Supply-chain concentration: China dominates in clean-energy manufacturing, with ~ 70-80% market share across solar, wind and batteries[42]. This lowers costs and provides the capacity needed to make transition to these alternative technologies possible on a global scale, but creates a different security debate around concentration, trade friction and industrial policy.

Macro weakness: A deeper recession, potentially driven by rising energy costs and leading to stagflation, could reduce energy demand enough to remove urgency to transition to new sources, even though it would not resolve the structural vulnerability of import dependence.

[41] Overcoming fossil lock-in is pivotal for Asia to buffer against energy shocks | Ember
[42] Energy Technology Perspectives 2026 – Analysis - IEA

Impacts for investors

The important point for investors is that short-term fossil resilience and long-term electrification can coexist. In fact, they almost certainly will. The analytical error is to treat near-term fossil substitution as evidence that the transition has failed, when it may instead be the bridge to a stronger security case for accelerating it.

The current shock should push investors towards a two-horizon framework: first, identifying who benefits from immediate scarcity and substitution; second, identifying who emerges structurally better insulated from future shocks.

Near-term beneficiaries	Countries and companies with access to non-impacted fossil supply, strategic storage, export rerouting capacity, flexible refining systems, pass-through power pricing or domestic fuels such as coal, hydro or biofuels are likely to fare best initially. Parts of shipping, logistics and inventory management also benefit from disruption.
Structural winners	Over the medium term, the strategic winners are more likely to be grids, storage, renewable generation with credible offtake, nuclear restarts, EV and battery value chains, efficient industrial equipment, heat pumps, demand response, rail electrification and digital energy-management businesses. Countries that can turn more of their energy system into domestic electricity rather than imported fuel should also see a resilience premium.
Areas of risk	Import-heavy LNG strategies, gas-fired utilities without hedging or pass-through, airlines, fertiliser producers, petrochemicals, aluminium and current-account-stressed importing economies remain vulnerable. So too do projects and policy frameworks that assume ever-rising Asian LNG demand without pricing in the value of import-risk reduction.

Strong performance from companies linked to the energy transition

FTSE Russell has been writing research on the green economy since 2018, with the annual Green Economy Report, highlighting the scale and momentum of companies providing environmental/energy transition related products and services. These highlight the size of green economy equities at $7.9trn mkt cap, 8.6% of listed equity market[43] at end Q1 2025 and the potential future size if the investments needed to meet net zero carbon emissions were to be made[44]. In addition, FTSE Russell has produced a family of green economy focused indices since 2008, the FTSE Environmental Market series[45]. The lead index, FTSE Environmental Opportunities All Share, has seen strong long term performance, 133% ahead of the market since inception and 5.0% ahead of the market in 2026 to end April. On a rolling 12m basis vs its parent benchmark, FTSE All-Cap, it is 12.4% ahead, one of the largest outperformances it has seen, except the 2020-21 period.

Figure 17: Rolling 12m month relative performance of FTSE Environmental Opportunities All Share vs FTSE All Cap (TR, USD)

Source: LSEG, data as at 30 April 2026.

In practice, questions such as which markets are reducing fossil import dependence, which companies enable that shift and which business models remain hostage to fuel volatility, are likely to become more central in asset allocation, security selection and risk assessment.

[43] Investing in the green economy 2025: Navigating volatility and disruptions | LSEG
[44] Green Equity: Climate Investment | LSEG
[45] FTSE Environmental Markets Index Series | LSEG

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