

EDITORIAL

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IS THE ENERGY CRISIS ACCELERATING THE LOW-CARBON TRANSITION? PART ONE: IN EMERGING ECONOMIES, YES*

A few months after the onset of a new global energy crisis, one might wonder about its implications for the low-carbon transition in emerging countries. The answer is not straightforward, as geopolitical uncertainties and the low-carbon transition are progressing according to different timelines, at least in part. The energy shock triggered by the blockade of the Strait of Hormuz calls for immediate action to secure hydrocarbon supplies, such as using strategic reserves. Conversely, the transition to low-carbon energy is a long-term process. However, the current circumstances are unusual: the low-carbon transition was initiated several years ago, and the Hormuz crisis marks the second major energy crisis in four years.

For the time being, the energy crisis is expected to benefit fossil fuels only marginally, notably by providing a temporary incentive to increase the use of coal or, in the medium term, certain emerging gas production projects. More importantly, the situation in emerging Asia shows that the dynamics of decarbonation and electrification could build on existing trends to accelerate the transition. This momentum, which is driven primarily by individual decisions, is expected to reinforce China's dominance in the green technology market.

ASIA ON THE FRONT LINE

Emerging Asia is the region most affected by the current energy crisis. Its dependence on hydrocarbon imports from the Middle East is high. Moreover, the crisis has intensified inflation and led to a moderate decline in growth, along with the implementation of rationing measures in some countries. Emerging Europe has also been affected by the interconnection between European and Asian gas markets, and by its reliance on refined product imports from Asia. The impact on African countries is more difficult to gauge, as they are not particularly dependent on imports of oil and its derivatives from the Middle East, and their dependence on imports of gas from the Middle East is negligible. Finally, the direct impact on Latin America is limited, as the region relies overwhelmingly on imports from North America¹.

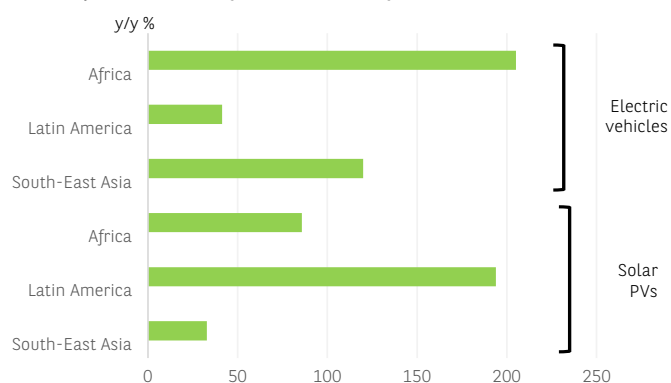
LACK OF NEW MOMENTUM FOR OIL

Historically, periods of acute energy crisis have prompted an increase in hydrocarbon production capacities wherever feasible. However, according to the IEA, the levels of investment in production forecast for 2026 are marginally lower than the pre-crisis estimate and virtually unchanged from 2025². This lack of reaction may be due to the inertia inherent in investment decisions within the sector. Excluding the Gulf countries, which are having to postpone their investment decisions regarding new production capacities or, on the contrary, intend to accelerate certain security-linked investments (e.g. the doubling of the Fujairah pipeline in the United Arab Emirates, and an increase in storage capacity outside the Gulf region), there are no clear signs of an increase in the number of projects aimed at developing hydrocarbon production in emerging economies. More fundamentally, compared to the energy shocks of the 1970s and 1980s, the current crisis is unfolding in a markedly different energy landscape, one that is far more diversified.

Therefore, the implementation of low-carbon transition policies over the past decade, along with the significant drop in equipment prices, provide alternatives to align transition and sovereignty by prioritising a decarbonised energy mix. In 2025, 75% of the increase in global electricity demand was met by solar energy³.

The energy crisis speeds up electrification in emerging markets

Chinese exports, March-May 2026/March-May 2025



SOURCE: EMBER

RENEWED INTEREST IN EASTERN EUROPE'S GAS RESOURCES

Some emerging European countries are expected to benefit from the European Union's initiative to diversify its gas supply sources, particularly as it faces its second energy crisis in four years. In 2022, the RePowerEU programme set, among other things, a target to diversify gas supply sources, a commitment that has been recently bolstered by the decision to completely cease Russian gas imports by 2027. This policy strengthens the EU's focus on European resources and ensures avenues for European production. This includes the coming on stream of offshore gas field in Romania, which is expected to become the second largest gas producer in the European Union by 2027. The surplus available for export could represent around 2% of the total European gas imports. In addition, Cyprus is also expected to benefit from Europe's commitment to diversifying its imports. By the end of the decade, Cypriot gas resources are expected to transit through Egyptian liquefaction terminals to supply the local market, and to export LNG to Europe.

TEMPORARY REBOUND IN COAL

In response to the rise in LNG prices, there has been an uptick in coal demand since the onset of the crisis. This surge has resulted in a significant increase in coal prices, estimated at around 15-20% compared to pre-crisis levels.

1 To find out more, read our Regional overview of the consequences of the energy shock in our latest EcoPerspectives: [Regional overviews up to 13 July 2026](#).

2 International Energy Agency, 2026, World Energy Investment.

3 Ember, 2026, Global Electricity Review.



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The growing share of coal in the electricity mix, at the expense of gas, is affecting many Asian countries, including China, India, Bangladesh, Pakistan and the Philippines. However, for the time being, this relates solely to the increase in the utilisation rates of coal-fired power plants. At this stage, the energy crisis explains the postponement of the decommissioning of certain power plants, such as those in Thailand, yet it has not triggered any investment decisions regarding new production capacities. The implications of this situation are significantly less severe than those of the 2022 crisis, which saw coal prices quadruple and result in an increase in coal extraction capacities.

In China, the world's leading producer of coal-based electricity, which constitutes over half of its electricity mix, both domestic demand for coal and imports declined in the first four months of the year, by 1% and 9% year-on-year, respectively. This decline occurred despite a 6% year-on-year increase in electricity consumption during the same period⁴. This is due to various factors, including several maintenance operations in the sector, greater efficiency of thermal coal plants, and a steady rise in the production of decarbonised electricity, with wind and solar power generation increasing by 1% and 29% year-on-year, respectively. In India, the rise in demand for coal during Q2 2026 is partly due to higher LNG prices and supply constraints, as LNG imports from the Middle East account for 29% of gas available in the domestic market, but is primarily driven by the onset of the seasonal peak in electricity consumption.

THE CRISIS IS ACCELERATING INDIVIDUAL INVESTMENTS IN DECARBONATION

In terms of the decarbonation of energy mixes, the crisis is either confirming or intensifying trends already underway in certain countries. Moreover, it does not appear to be triggering any new momentum in countries where there had not yet been a marked shift towards a low-carbon transition. In Asia, notable developments have been observed in Pakistan and the Philippines, which are among the countries most affected by the energy crisis. Since 2023, Pakistan has seen a remarkable surge in solar power generation, driven by household demand and facilitated by tax exemptions on solar panel imports. The 21% increase in electricity production since 2023 has been made possible by the growth in solar production capacities. Over the first four months of 2026, Pakistan emerged as the third-largest recipient of Chinese solar panel exports, with China accounting for around 80% of global solar equipment production capacities. Similarly, the Philippines, which are also experiencing a significant increase in solar equipment, ranked as the second-largest destination for Chinese solar panel exports during this same period. In addition, in response to the energy crisis, the Philippine Department of Energy has opted to accelerate the deployment of 1.5 GW of renewable capacities along with associated storage capacities. Across all ASEAN countries, solar panel imports from China more than doubled year-on-year in the first quarter following the onset of the crisis.

ACCELERATION OF ELECTRIC MOBILITY

Similar to the increase in solar panel equipment, households in emerging countries have responded to the energy crisis by stepping up their purchases of electric vehicles. This trend is particularly notable in Southeast Asia, where electric vehicle ownership rates have surged since 2023. Despite ongoing challenges related to the costs of vehicles and charging infrastructure, some countries (such as Singapore and Vietnam) have achieved penetration rates that surpass those of the EU, while others, like Thailand, are nearing those levels. Some governments, including Laos and Cambodia, have recently introduced measures to promote the electrification of transport. In 2025, Southeast Asian countries emerged as the most dynamic market for the sale of electric vehicles. Moreover, between March and May 2026, the value of Chinese exports of electric vehicles increased by 50% compared to the same period in 2025. Similarly, sales to Latin America recorded a strong rebound over the same period, increasing by 59% year-on-year in an already relatively dynamic market. In Africa, however, progress is more difficult to measure, as much of the advancement in electric mobility pertains to two-wheeled vehicles, with a significant portion of Chinese model production being produced locally.

ELECTRIFICATION — AND THEREFORE CHINA — ARE THE BIG WINNERS

From the initial trends primarily observed in emerging Asia, three key insights can be drawn: **1/** the dynamics of transition in response to the energy crisis are currently influenced by individual decisions (whether from households or businesses), which tend to be more reactive in the short term; **2/** this momentum also concerns the electrification of uses, a phase of the low-carbon transition that typically progresses at a slower pace (as demonstrated by recent developments in Europe); **3/** China is poised to be one of the main beneficiaries due to its dominant global position in the photovoltaic and electric mobility sectors (considering all technologies associated with the low-carbon transition, Chinese exports increased by 36% year-on-year between March and May 2026).

This situation illustrates the paradox of the relationship between low-carbon transition and energy security. Given China's dominance in many segments of the transition, the issue of sovereignty continues to arise, extending beyond merely reducing reliance on hydrocarbon imports. China's dominance over the entire battery value chain (both mobile and stationary), which is currently the most dynamic segment, is expected to keep this issue at the forefront of discussions in the years to come.

Pascal Devaux

pascal.devaux@bnpparibas.com

⁴ China Energy Monthly, Oxford Institute for Energy Studies, 22 June 2026.

