

Geopolitics & Energy Outlook (September 2026)

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Geopolitical context

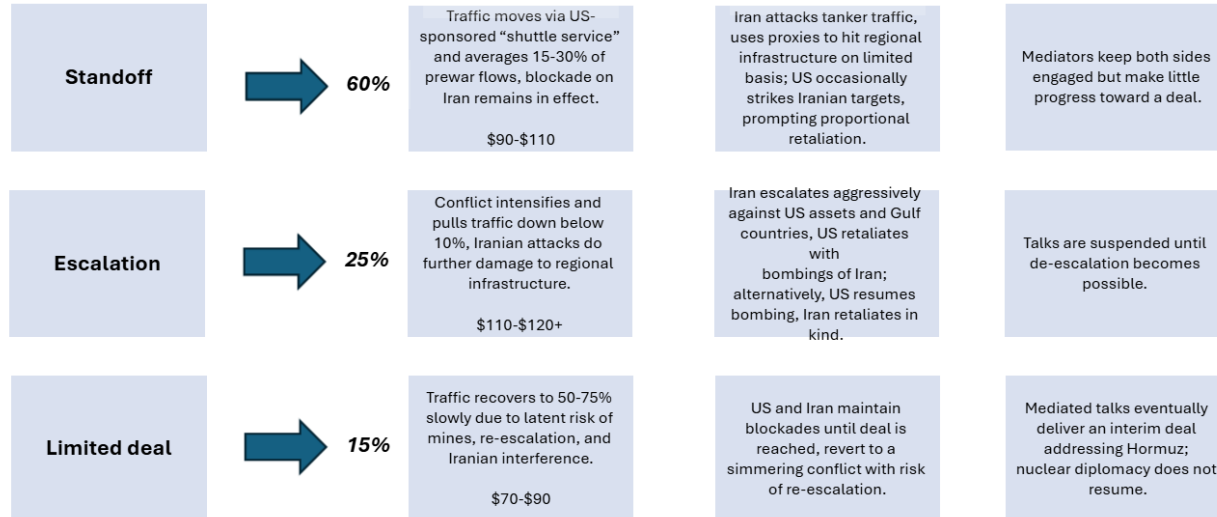


Middle East Scenarios

A standoff remain likely for the rest of 2027

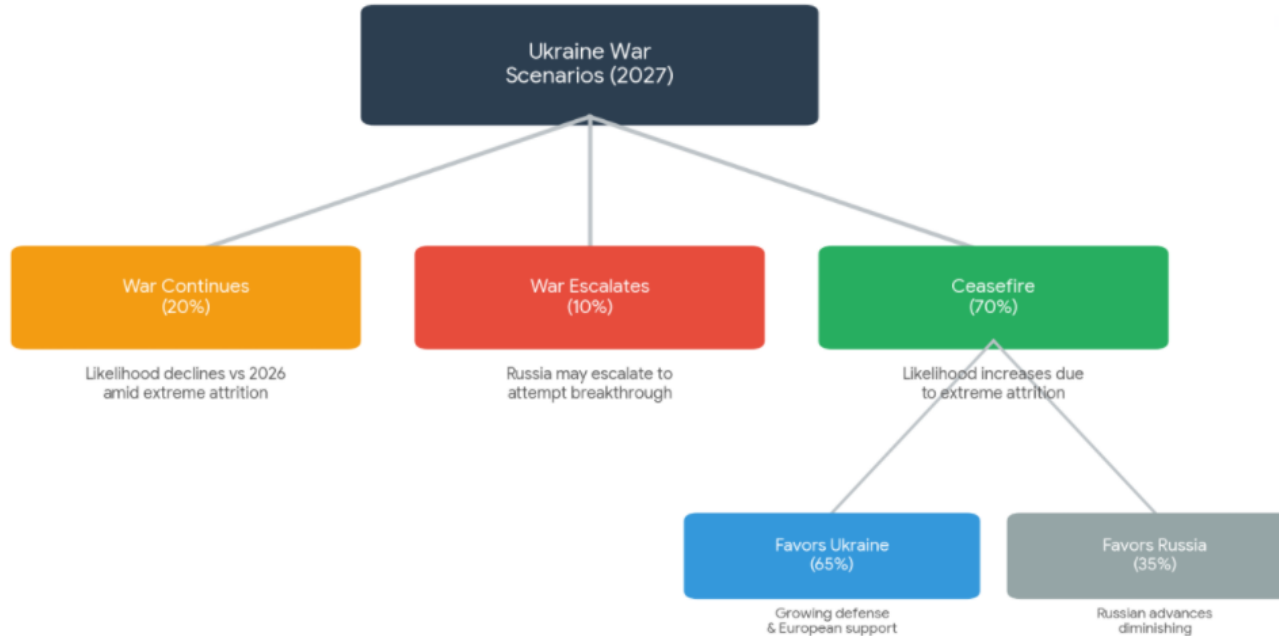
Middle East shipping will remain at risk amid contested choke points

Outlook for Iran conflict, 2026



Ukraine Scenarios

A ceasefire becomes likely in 2027, driven by extreme attrition exhausting both sides
Ahead of a ceasefire, escalation is underway from both war parties



Our scenarios to 2030

Description

Geopolitical Upturn (<10% chance)

Least likely outcome (*esp. short-term*)
AI/clean-tech breakthroughs
Liquids trade declines as oil and gas demand peaks by 2030. Free trade, low geopolitical exposure and counterparty risk.

Geopolitical Stabilization (25-50% chance)

Second most likely scenario (*more likely into 2030s*)
Third Powers become global actors with agency aside US/China superpowers
Trade grows, but liquids demand plateaus in 2030s. Reduced counterparty risk.

Geopolitical Recession (30-60% risk)

Most likely scenario (*esp. near-term*)
Third Powers struggle amid high trade barriers and in Age of Populism
Stop-and-Go trade, though amid slow growth in liquids demand through 2030s.
Increasing counterparty risk.

Geopolitical Crisis (10-25% risk)

Unlikely scenario (*though significant pre-2030 risk*)
End of 'Western' order (incl. dollar crisis, potential EU split), China becomes dominant
Global trade declines, with wealth levels below 2020s into the 2030s



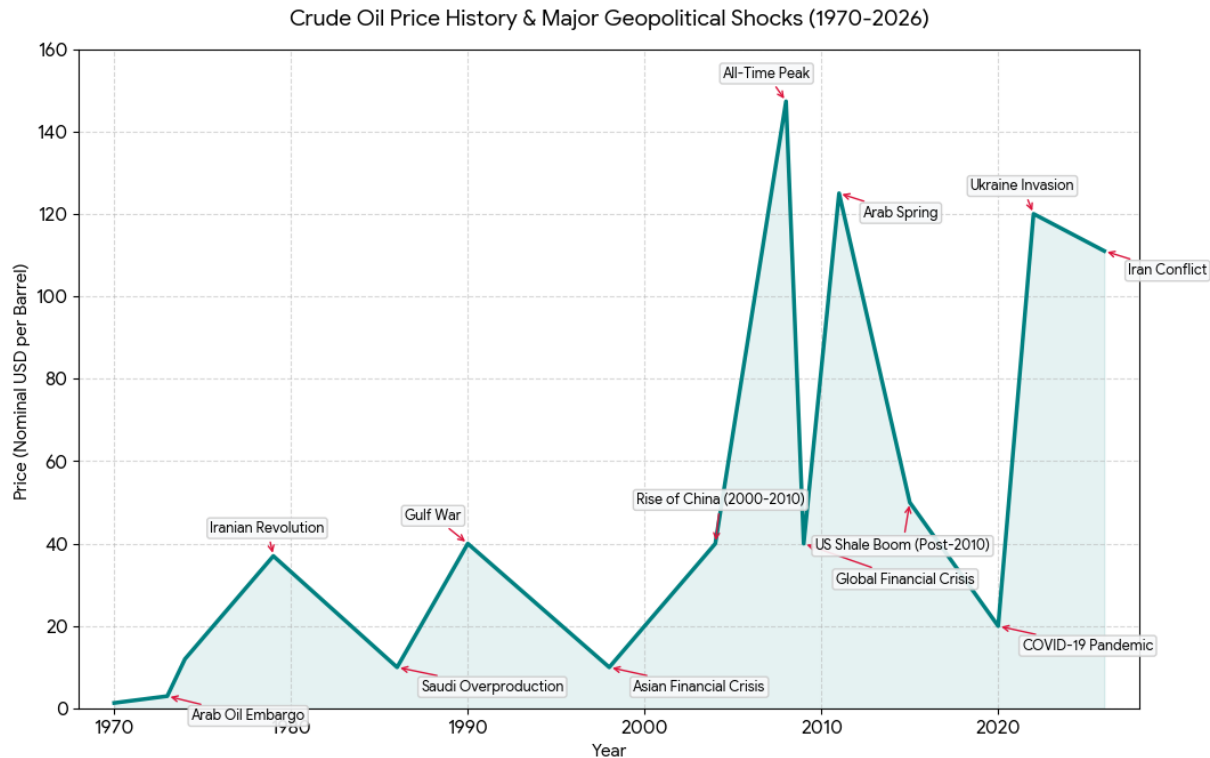
Gulf crisis fallout & implications



Oil - geopolitics is the single biggest energy price driver

The rise of China (post-2000) has been the single biggest demand driver

Conflict-driven supply disruptions have caused prices spikes almost every decade since 1970s



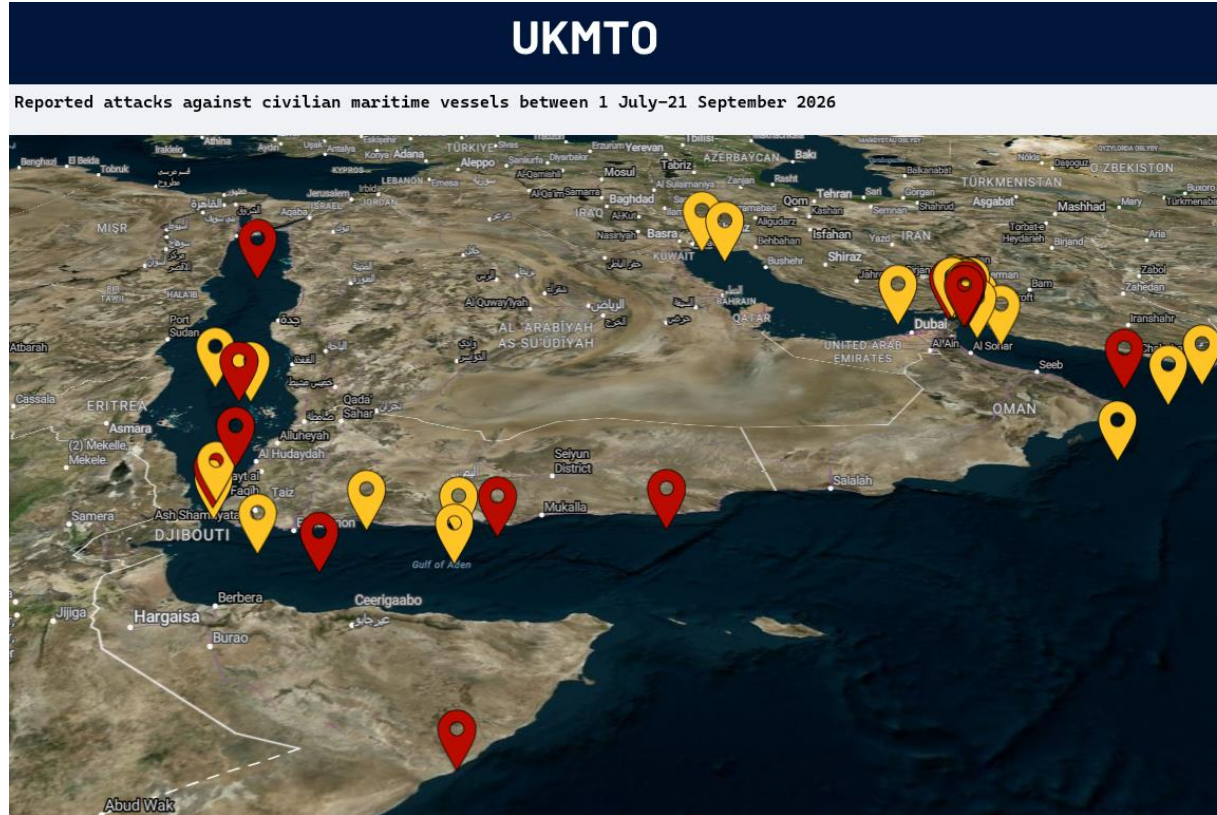
Source: U.S. Energy Information Administration (EIA) & World Bank



Oil - geopolitics is the single biggest energy price driver

The Iran war has escalated into a regional maritime conflict

This has made shipping unsafe around the entire Arabian Peninsula, driving up fuel and shipping costs



Energy & Commodity Implications

LNG markets are most exposed to the disruption as Qatar's facilities have been extensively damaged

Sector/product	Description	Duration	Impact
Natural gas	Damage to Ras Laffan LNG facility drives prices higher through at least 2027; price spikes drive shortages, demand destruction, and shifts to other forms of energy.	24-48 months	High
Food/fertilizer	Global food inflation at 4%-8% over next 12 months, affecting import-dependent markets most acutely; nitrogen fertilizer prices remain elevated due to LNG price spikes.	12-18 months	Moderate
Crude oil	\$80-95 per barrel in 2026, elevated in the first half of 2026 and gradually moderating as Hormuz traffic resumes; elevated prices likely to persist into 2027.	6-12 months	Moderate
Metals & minerals	Nearly 7% of global aluminum supply disrupted by Hormuz closure and physical damage to smelters; increased focus on renewable energy and defense spending puts demand-side pressure on copper and critical minerals.	6-12 months	Moderate
Packaging	Aluminum cans and plastic packaging most affected by Hormuz closure and physical damage to upstream production inputs; selective shortages and higher cost baseline.	6-12 months	Moderate
Healthcare equipment	Petrochemical supply shock hitting medical equipment manufacturing; ethylene, polyethylene, and naphtha most at risk; supply chain normalization unlikely before year-end.	>6 months	Moderate
Risk premiums	Products transiting Hormuz contend with higher risks of future closures; investors reassess Gulf risks and investment priorities; new focus on chokepoints.	>24 months	Low



Energy implications

Abundance of oil and gas does not shield importers from disruptions

There are too many 'choke points' in global supply chains

Estimated share of importing countries' oil / LNG imports dependent on each chokepoint

Importer	Strait of Hormuz	Strait of Malacca	Suez Canal / Bab el-Mandeb	Panama Canal
EU	7-14% / 11%	-	14% / 10%	-
Japan	95% / 6%	95% / 13%	-	- / 10%
South Korea	72% / 20%	73% / 34%	-	- / 12%
China	37% / 25%	44% / 30%	-	- / 7%
India	45% / 53%	50% / -	-	-
Pakistan	100% / 89%	-	-	-
Bangladesh	100% / 71%	-	-	-
Thailand	90% / 21%	90% / 40%	-	- / 19%
Singapore	53% / 31%	53% / 49%	-	- / 21%

Sources: E3G analysis using a supplier proxy share methodology to estimate structural exposure, using data on crude oil and LNG imports by partner country, and typical shipping routes. Primary datasets: oil - UN Comtrade / WITS trade database; IEA Oil Market Statistics; Eurostat; LNG - UN Comtrade / WITS trade database; GIIGNL Trade Matrix; routing - US EIA analysis; International Energy Agency analysis; industry shipping route maps.



Energy responses

Short-term measures emergency will be followed by long-term structural change

There is only one dominant long-term option for resource poor regions

Track	Main instruments	Short-term risk reduction	Long-term structural exposure reduction	Time horizon for impact
Track 1: Immediate crisis stabilization	Stock release & storage management; demand restrictions, fuel switching	✓ High	✗ Low	Weeks-months
Track 2: Fossil fuel supplier diversification	Supply diversification, storage, infrastructure investment	✓ High	✓ Medium	Months-years
Track 3: Demand reduction & clean buildout	Electrification, renewables, efficiency	✗ Low	✓ High	Years
Track 4: Crisis-time maritime security	Naval patrols, escorts, mine countermeasures, monitoring	✓ Medium	✗ Low	Weeks-months
Track 5: Infrastructure protection and system resilience	Grids, cyber, infrastructure/storage, supply chains, importer co-operation	✓ Medium	✓ Medium	Months-years



Energy & Commodity Implications

As oil and gas market are disrupted, other solutions emerge

Infotech and electrotech are a dual megatrend that will trigger changes to global energy production and supply chains.

The two are deeply interlinked, sharing origins, materials, components, geography, physics and economics.

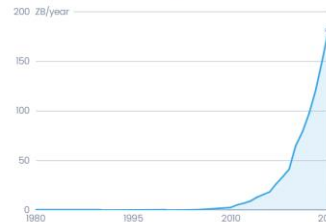
Neither are closely linked to fossil fuels in their supply chains – which is why electrification will eventually win over hydrocarbons since digital and electrical solutions have become vastly/fastly cheaper with scale (something that doesn't work with fuels).

The world is living through an information and energy revolution

Conventional thinking still treats them as two separate stories

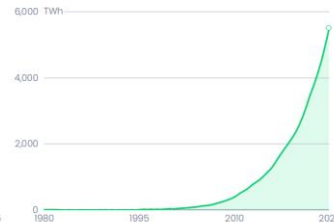
The infotech revolution

Example: data created worldwide



The electrotech revolution

Example: solar and wind generation worldwide



5 | Sources: IDC, Energy Institute, Ember, Ember analysis • Note: a zettabyte (ZB) is 10²¹ bytes, i.e. one trillion gigabytes.

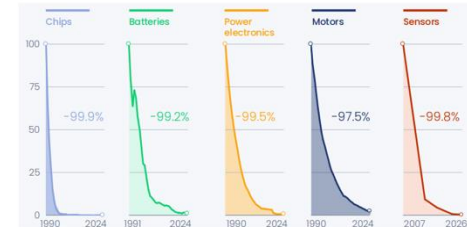
EMBER

One tech stack, one flywheel, two revolutions

Infotech and electrotech push each other's costs down and capabilities up

The electric component stack

Price, first year = 100



Lower prices for each

Lower prices reduce final cost of infotech and electrotech, boosting sales

More collective volume

Both infotech and electrotech drive up demand and therefore scale up supply, lowering production cost

Example electrotech and infotech using the five components

- Laptop & PC
- Smartphone
- AI server
- Solar system
- Electric car
- Grid battery

15 | Sources: not boring (The Electric Slide), Our World in Data, Velodyne, Hesse, Thunder Solid Energy, Ember analysis • Note: based on the following units: chips \$/CMPS, batteries \$/kWh, power electronics \$/kW, motors \$/kW, sensors \$/GMAT unit.

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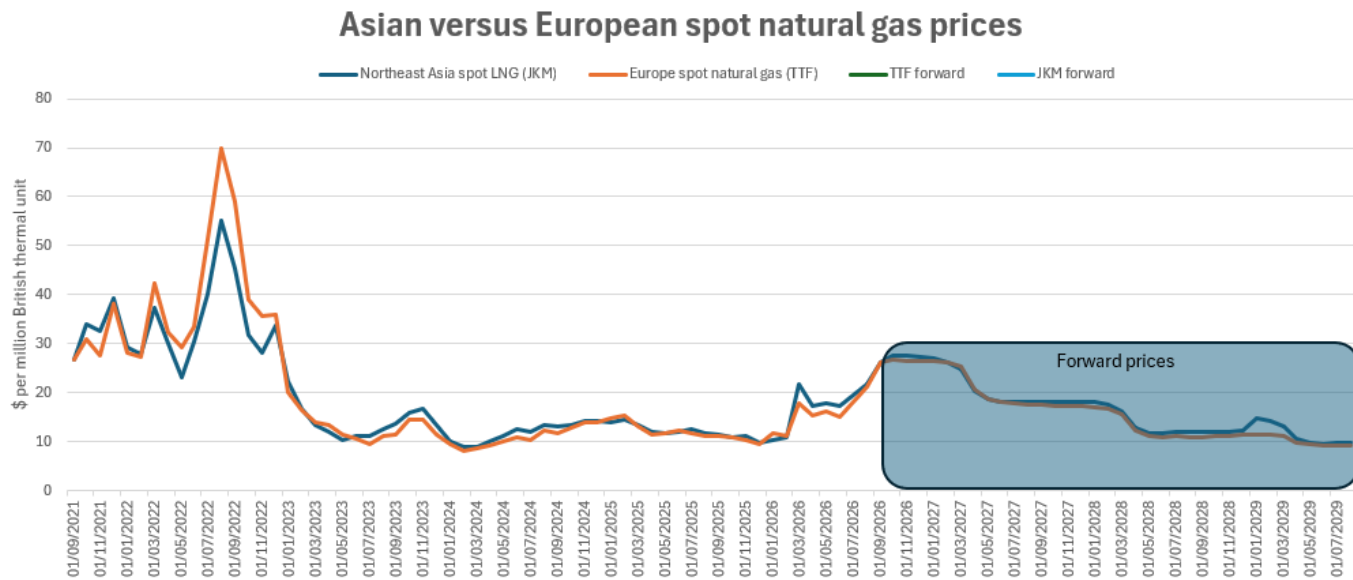


Europe implications



2022 was worse than 2026

Spot gas prices Europe and Asia are lower than they were in 2022
But they are priced at high levels for the rest of the 2020s, meaning power is also costly
(appx: \$/mBtu gas X 3 = \$/MWh gas; \$/MWh gas x 3 = \$/MWh power)



Source: LSEG
(As of 21 September 2026)



Power's exposure to oil and gas

Gas sets the marginal pricing system (which has been a problem since 2022)

When gas dominates the stack, power is very expensive



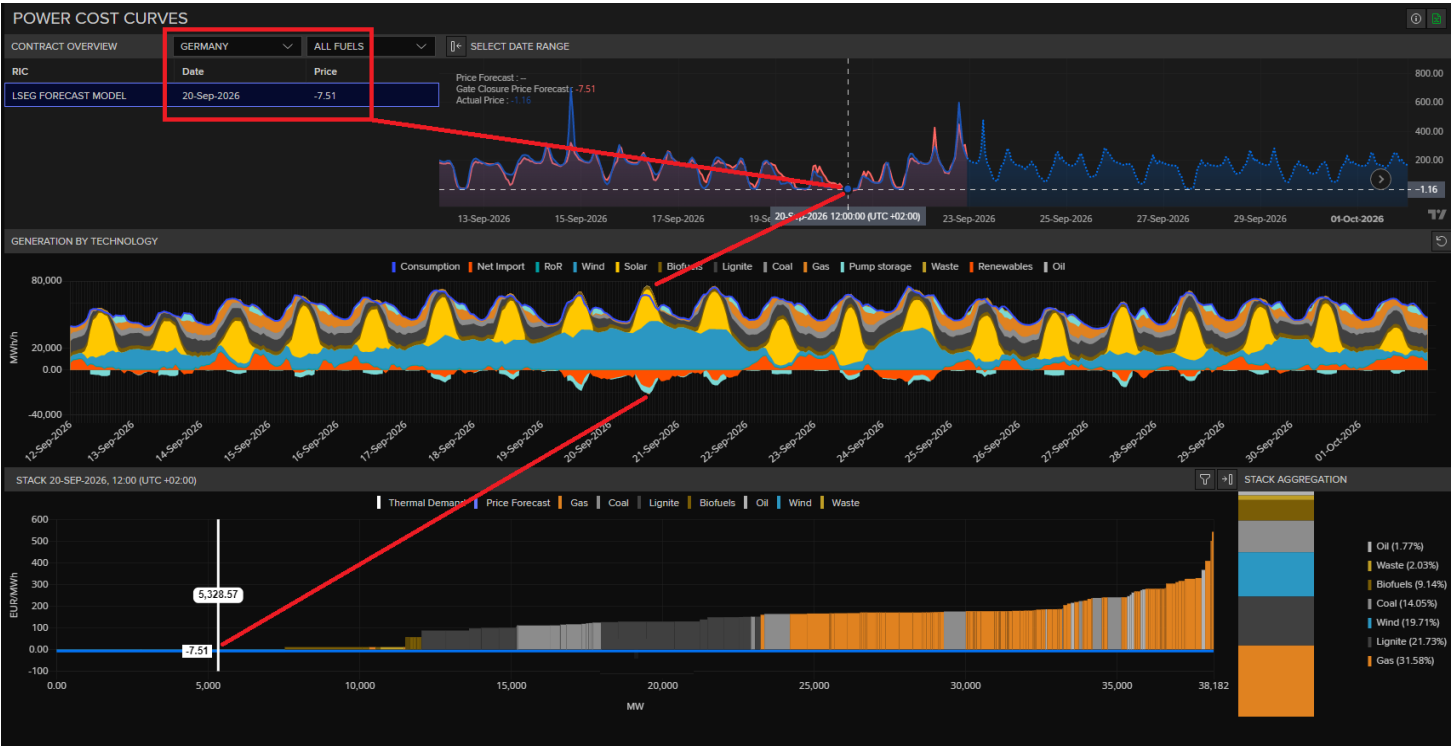
Source: LSEG



Power's exposure to oil and gas

When gas is pushed to the margins of the stack, it rarely sets the power price

Raising the role of domestic clean power in the stack is the best way to reduce the role of gas in pricing



Source: LSEG



Why 2022 was worse than 2026

Japan and Europe have both reduced their gas (and coal) import dependency
That means the Asia-Europe spot gas competition entering winter is lower than in 2022

Japan's Electricity Generation Mix Comparison

Power Source	2022 Actual Share	2026 Estimated Share	Structural Trend
Natural Gas (LNG)	34.0%	~30% – 31%	Declining as nuclear capacity returns. [Ember]
Coal	33.0%	~28% – 29%	Dropping, heavily penalised by the 2026 carbon trading system. [Ember]
Solar PV	10.0%	~11% – 12%	Steady, primary driver of new renewable growth. [Ember]
Nuclear	6.0%	~9% – 10%	Rising significantly via progressive reactor restarts. [Ember]
Hydropower	8.3%	~8.0%	Stable baseline, limited room for expansion. [Ember]
Biofuels & Waste	6.3%	~6.0%	Consistent output with marginal capacity updates. [Ember]
Oil & Other Fossils	3.8%	~2.0%	Phased out rapidly due to high costs. [Ember]
Wind	0.9%	~1.5%	Growing slowly; offshore projects remain mostly untapped. [Ember]

EU Electricity Generation Mix Comparison

Power Source	2022 Actual Share	2026 Estimated Share	Structural Trend
Nuclear	22.0%	~22.0%	Stable; remains the largest single source of low-carbon power.
Wind	15.0%	~17.5%	Steadiest growth; solidifies position as the top renewable source.
Natural Gas	20.0%	~15.0%	Structural decline following the post-2022 energy crisis phase-out.
Solar PV	8.0%	~12.5%	Fastest growing asset; generation has nearly doubled since 2020.
Hydropower	10.0%	~11.0%	Variable by year due to weather, but structurally stable.
Coal	16.0%	~9.0%	Collapsing rapidly; 19 EU countries now near-zero or under 5%.
Biofuels & Waste	5.0%	~5.0%	Flat growth; remaining a stable baseline contributor.
Other Fossils (Oil)	4.0%	~3.0%	Marginalized to isolated island grids and peak backup.

Europe’s power markets will change in coming years

Europe will see a large buildout in power capacity, transmission, and storage in the next five years
Power prices will come down amid abundance and technological breakthroughs (e.g. batteries, SMR, electrolysis)

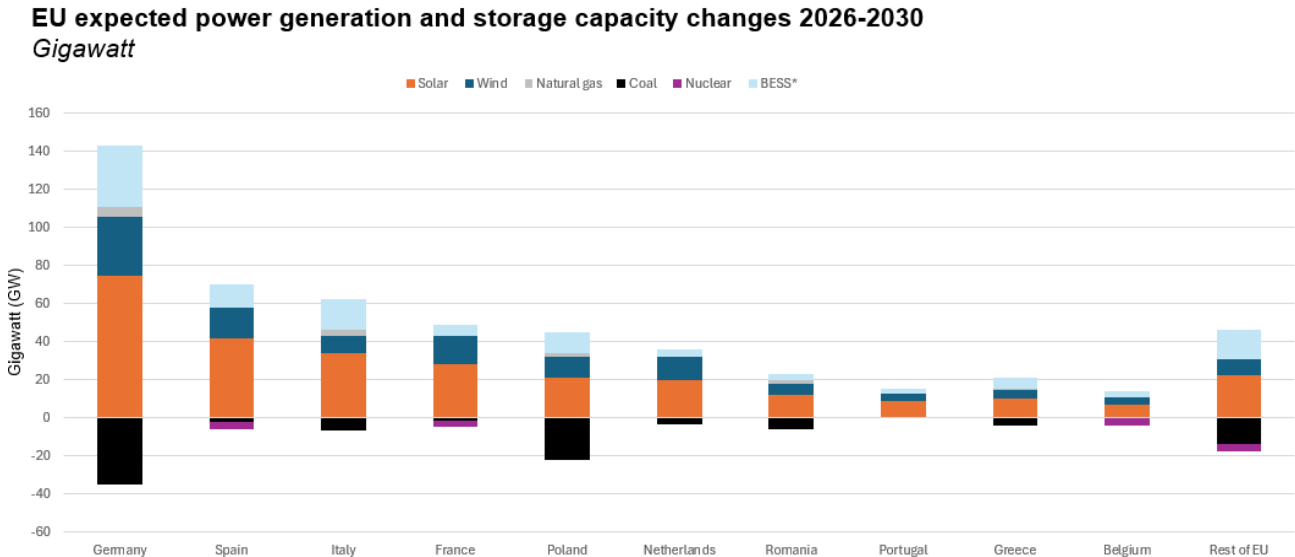
Projected Electricity Capacity Deployment in Europe (2026–2030)

Technology	Projected New Capacity (Next 5 Years)	Estimated Total Fleet by 2030
Solar PV	~312 GW	~718 GW
Wind Power (Total)	~151 GW	~343 GW
— Onshore Wind	~113 GW	~273 GW
— Offshore Wind	~38 GW	~70 GW
Energy Storage	~115 GW	~215 GW
Combined Growth	~578 GW	~1,276 GW



Large investments are underway

Germany is expected to add more than 100 GW in additional *net* capacity by 2030
That's more than enough to meet *current* peak winter demand needs (appx 80 GW)



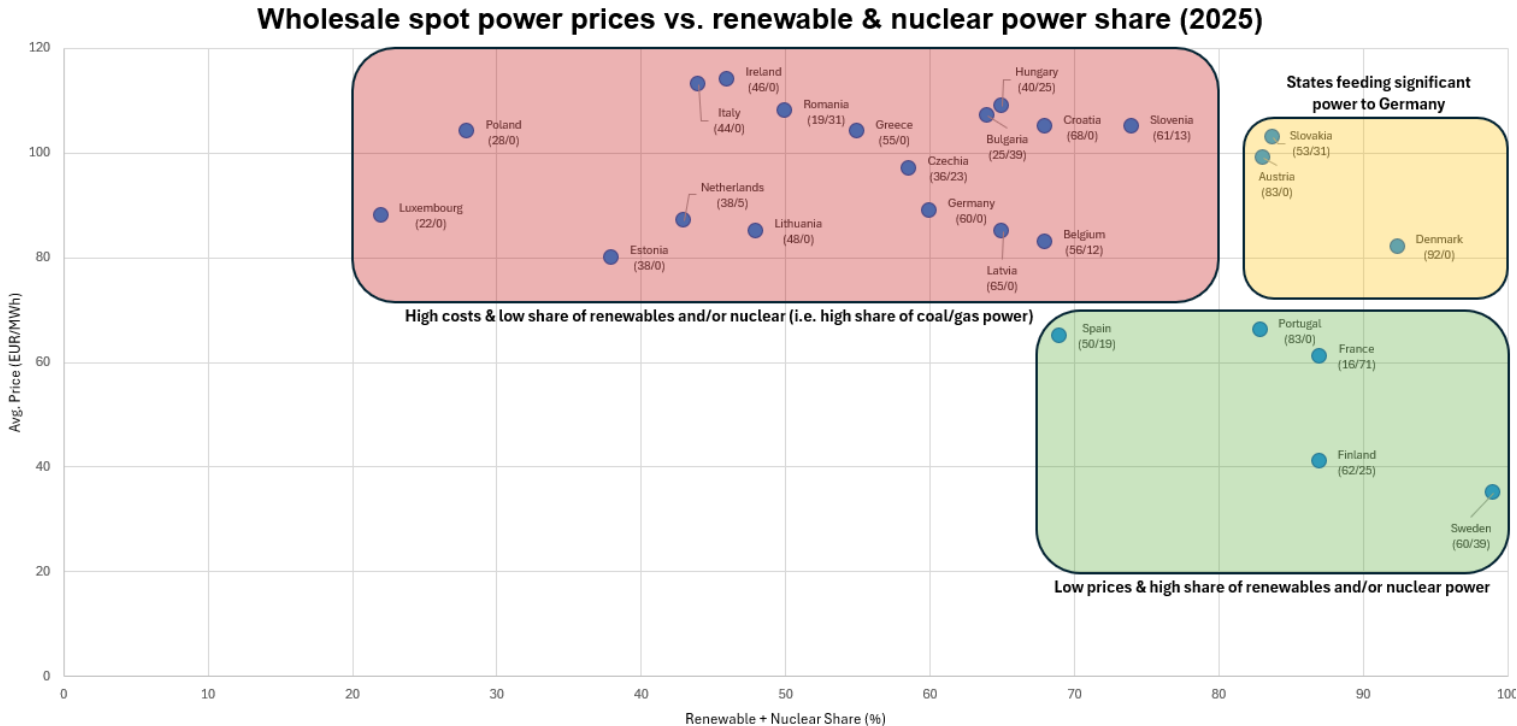
Sources: IEA Electricity 2026 Analysis, Ember European Electricity Review, Eurostat
*Battery Electric Storage Systems (BESS) do not act as additional capacity but support intermittent renewables



There's precedent on how to achieve low power prices

Countries with high domestic clean power capacity have low electricity prices (e.g. Iberia, Finland, Sweden, France*)

Countries with high fuel imports and use have high electricity prices (e.g. Italy, Poland, Greece)



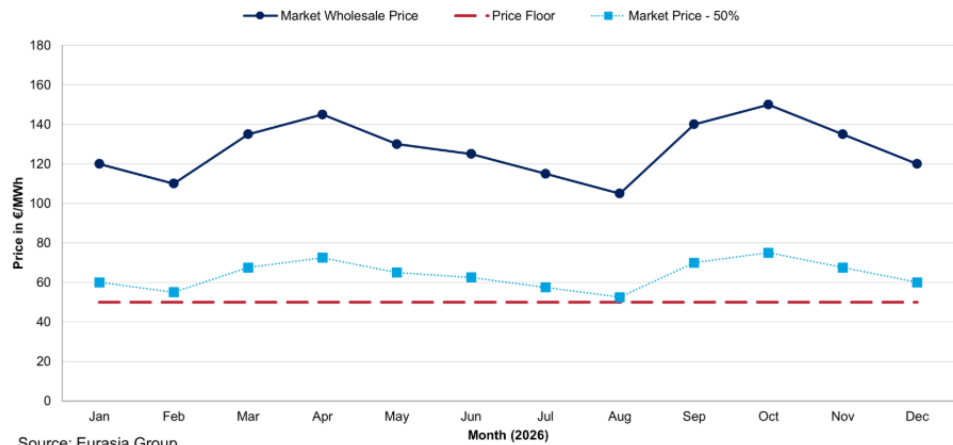
Sources: IEA Electricity 2026 Analysis, Ember European Electricity Review, Eurostat



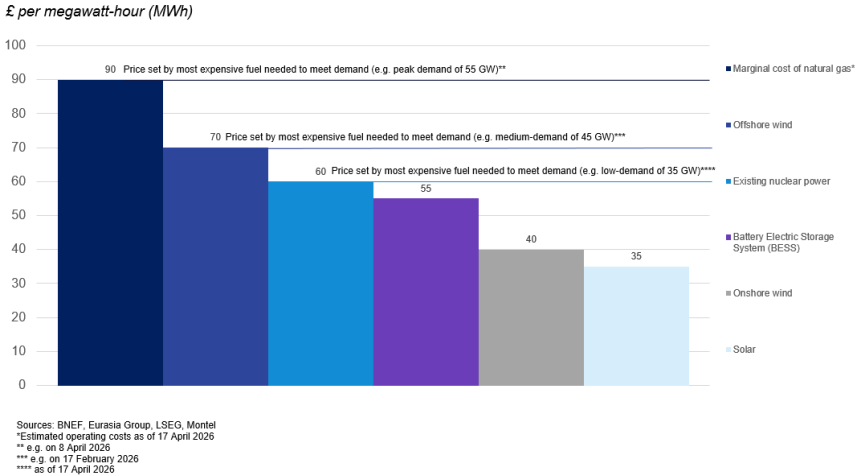
Options to reduce prices until more investment comes in

Prices are being capped/subsidised (e.g. Germany, Bulgaria, Slovenia)
Gas is being moved out of the marginal pricing system (e.g. UK, possibly Germany)

German industrial price floor mechanism (illustrative impact)



UK marginal power price cost system (concept)



Conclusions

- Abundance of oil and gas does not shield importers from disruptions
- Electrification is the best long-term solution to reduce exposure to geopolitical supply shocks
- Measures since 2022 have already helped Europe in 2026
- Similar trends in Asia have further helped cushion the blow in 2026
- Incoming domestic generation, storage, transmission will likely bring prices down by 2030
- Until then, there are credible measures underway to support industry
- However, populism risks eroding European integration and investment





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