



Southeast Asia faces contrasting energy challenges as crisis deepens

2 MONTHS AGO

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As the war in West🇺🇸 Asia plays havoc on crude supply, rising🇺🇸 prices and shortages are forcing consumers to cut back on demand.



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Southeast Asia is now confronting the harshest energy squeeze it has faced in years, not only because supply is failing, but also because demand itself is being forcibly crushed. 📍 [Geographic Reference](#)

That is the real meaning of the present crisis. It is no longer enough to say that the region is suffering from high oil prices. What is unfolding is a double trauma.



On one side, supply disruption is reducing access to crude, refined products, jet fuel and feedstocks.

On the other, demand destruction is emerging as households, airlines, manufacturers and transport operators cut consumption not out of efficiency, but because prices and scarcity are becoming unbearable. The two dynamics are reinforcing one another.

The scale of Southeast Asia's dependence on Gulf energy should not be understated.

Last year, the region imported about 2.2 million barrels per day from the Gulf, according to Kpler data, with crude oil and naphtha making up nearly all of those imports. 📍 [Oil & Gas](#)

That matters not only because these volumes are large, but because naphtha is essential to petrochemicals production, while crude remains central to transport, power generation and refining across the region.

Even where direct physical shortages are not absolute, the price mechanism is already doing the rationing.

Oil and refined product prices in Southeast Asia move with global market conditions, and those conditions have worsened sharply as the Strait of Hormuz crisis has sent Brent prices surging and disrupted fuel logistics across Asia.  Oil & Gas

Reuters reported that the closure of Hormuz helped drive Brent up by 60% in March, while Opec+ discussions have taken place against the backdrop of what analysts described as one of the worst oil supply shocks on record.

This is why “demand destruction” should be understood properly. It is not a technical phrase to hide suffering.

It means airlines cutting flights, factories reducing output, transport firms scaling back routes, consumers driving less, and governments urging work-from-home arrangements and conservation because the alternative is outright economic pain.

In Thailand, the prime minister has already urged working from home, carpooling and public transport to cope with the surge in energy costs. Across Asia, airlines have trimmed schedules, carried extra fuel and added refuelling stops as jet fuel supply tightens.

In other words, rationing is already happening, whether governments call it that or not.

Yet this is not merely a story of suppressed demand. It is equally a story of supply shock. Southeast Asian economies cannot easily replace Gulf barrels, especially not at acceptable prices and at sufficient speed. Some substitution has occurred.

Reuters reported that March imports of Brazilian fuel oil into Southeast Asia more than doubled from February to roughly 205,000 barrels per day, directed mainly to Singapore and Malaysia, helping ease some marine fuel pressure.

But even that relief was partial. Traders still warned of tightness in the market, especially where heavy crude and blending components remained short.

Temporary workarounds are not the same as strategic resilience.

The unusual steps taken by regional refiners underscore the strain.

PetroChina, for example, had to move a rare crude shipment from storage in Dalian to help plug shortfalls at its Singapore refinery, which had reportedly been operating at around 60% capacity because of reduced Middle Eastern oil availability. This is not normal market behaviour. It is emergency adjustment.

JP Morgan's assessment that China and Malaysia are relatively better buffered should therefore be read carefully.

The point is not that China and Malaysia are safe. It is that they are less exposed than others because of their comparatively lower reliance on oil imports.

As reported by The Star, JP Morgan's Rajiv Batra said that within Asia, beyond China and Malaysia, "everyone looks vulnerable". That may be true in relative terms. But relative resilience is not immunity.

Malaysia and China still operate inside an Asian production, shipping and demand ecosystem that is being shaken at multiple levels.

Malaysia, for instance, may be somewhat cushioned compared with pure importers, but it cannot insulate itself from collapsing demand in neighbouring economies, weaker regional tourism, tighter petrochemical margins, costlier logistics, and slower manufacturing cycles across Asean.

China, too, can draw on scale, reserves and state capacity, yet even it must contend with weaker external demand and rising regional stress.

A country does not need to be at the epicentre of a shock to suffer from it over several years. That is the logic of interdependence.

This is why Southeast Asia must stop thinking of the crisis only as a commodity problem. It is becoming a development problem.

It threatens industrial output, aviation, tourism, food prices, shipping costs and fiscal stability all at once.

Some states will burn more coal to compensate for missing gas and oil supplies.

Others will impose conservation measures, subsidies or transport restrictions. But none of these are painless. They merely shift the burden from one sector to another.

The policy lesson is stark. Asean cannot assume that a reopening of supply routes, whenever it comes, will automatically restore normality.

Even after hostilities ease, damaged infrastructure, lost inventories, disrupted contracts and altered shipping patterns will continue to haunt the region.

What Southeast Asia faces is not a passing spike but the early formation of an era of structurally higher energy insecurity.

Demand destruction and supply disruption are therefore not separate problems. They are now the same crisis viewed from two sides.

One shows what the region cannot get. The other shows what the region can no longer afford.

And both are now happening in Southeast Asia at the same time.

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