

ASEAN-in-Practice Podcast Episode 15 Transcript

Denis: Good day and welcome to the latest episode of the ASEAN in Practice podcast series. I am your host, Denis Hew, Senior Research Fellow at the Centre on Asia and Globalisation, Lee Kuan Yew School of Public Policy, National University of Singapore. We are recording this episode at a time of heightened geopolitical tensions with significant economic consequences. The ongoing conflict in the Middle East and the disruptions to shipping through the Straits of Hormuz has triggered a sharp rise in global oil prices and renewed concerns about the resilience of global energy supply chains. For Southeast Asia, this is not a distant crisis. The region remains heavily dependent on imported energy, making it particularly exposed to price volatility, inflationary pressures, and potential supply disruptions. Beyond the immediate shock, this crisis raises deeper questions about economic security, how energy shocks transmit into inflation, industrial slowdown, and even food prices, and whether ASEAN is sufficiently prepared for a more volatile and fragmented global environment.

To help us unpack these issues, I am delighted to be joined by Mirza Sadaqat Huda. Mirza is a Senior Research Fellow at ODI Global, a London-based global affairs and development think tank. Mirza's work at ODI focuses on energy transitions, climate finance, and the political economy of energy systems in Asia. He has written extensively on energy security, regional cooperation, and the governance challenges facing developing economies as they navigate the shift towards cleaner and more resilient energy systems.

Mirza, welcome to the show. Let me start off with the immediate picture. The disruptions to shipping through the Straits of Hormuz has pushed up global oil prices quite sharply. And as we know at this point in time, I believe there is a blockade through the Straits of Hormuz. So how significant is this shock? Are we looking at a temporary spike in oil prices or something more prolonged and structural?

Mirza: Thank you very much for having me, Denis. It's a great pleasure to be here. So, the Iran war has had a severe impact on Southeast Asia's energy security. The region remains quite reliant on Middle East oil and gas. The energy shock has increased petrol, diesel, aviation fuel, and electricity prices, and this has had a knock-off impact on food prices as well. While in Southeast Asia we have countries that do produce their own oil and gas, and there is some diversity in terms of sources, the region collectively does heavily depend on Middle East oil imports.

There is some diversity in terms of dependence between the countries. So, for example, the Philippines is almost wholly dependent on crude oil from the Middle East. And Vietnam, Indonesia, Thailand, and Singapore are major importers of Liquefied Natural Gas (LNG) from the Gulf region. So, we have seen huge impacts in terms of prices.

The biggest spikes are in Philippines, Myanmar, and Cambodia. For example, in the Philippines, gasoline prices have gone up by 54 percent, and diesel prices have gone up by more than 80 percent. The huge impact on prices and knock-off impact on socioeconomic spillovers, living cost issues, and we have also seen protests by transport workers in the Philippines. There is also an increase in prices in Laos, Vietnam, Malaysia, and Singapore, but not as much as the three countries I initially mentioned. And in terms of smaller levels of impacts, we see that there is not much impact in price increases in Thailand compared to other countries. But this is essentially because of fossil fuel subsidies. The government has actually absorbed the increase in prices. But this also has a negative impact. Thailand's State Fuel Fund—that provides this kind of fossil fuel subsidies, has actually hit a deficit of 1.5 billion. And the most extreme case is in Indonesia, we don't see any increases in prices of diesel and fuel at all, and this is because the government has essentially absorbed everything, all the increases in prices. But this has an impact economically. So, Indonesia is currently seeking US\$ 5.9 billion of additional budget to continue these fossil fuel subsidies. And we also see increases in jet fuel prices, which can impact tourism in places like Philippines and Thailand that heavily depend on tourism. We already see the impact in less tourists coming into the region and the increases in airfares. Some airlines like Batik Air are actually reducing the number of flights. Overall, there is a huge impact, and I think it's not just short term. We will see impacts in the long term as well.

Denis: Thanks Mirza. Let's also talk about the whole macroeconomic environment as well. Beyond these fuel costs and heightened prices that will possibly trigger these secondary effects. It fuels inflation, the concerns of food prices, and I think the International Monetary Fund (IMF) has recently downgraded their global GDP forecast with these concerns in higher oil prices. So, are we at risk of the kind of stagflation we saw in the 1970s, the oil price shocks? Is that an exaggeration or is it something that we should be worried about?

Mirza: I believe that the context is different. The geopolitical context, the economic context, is probably a bit different from the 1970s but there certainly will be long-term impacts. The Asian Development Bank (ADB) has actually produced a study on the impact of the Iran crisis on the Asia-Pacific, and they found that Southeast Asia will be a region that will face huge impacts. One of the findings is that by 2027, Southeast Asia's GDP would actually decrease by 2.3 percentage points and inflation will increase by 3 percentage points. And this will have an impact on economic development, poverty alleviation, and living costs. And also, the impact is not even. ADB suggests that the developing regions of Southeast Asia will face the most severe consequences. And of course, the countries in the region that are trying to absorb these prices through fossil fuel subsidies will face increasing economic pressure. So, I think yes, undoubtedly, it will impact Southeast Asia in the coming years.

And the best way to build resilience to shocks like this is to ramp up renewables. But renewables also have costs in terms of initial capital costs. So according to the ASEAN Centre for Energy, we need something around \$764 billion to get the ASEAN power grid up and running, in terms of investment in power plants, transmission and distribution infrastructure. We also need money to enhance renewables and build resistance to this kind of crisis. So, I think we're really in a bit of a difficult situation.

Denis: I think there's also a less discussed issue about that sort of nexus between energy security and food security. A large share of fertilizers export to Asia transit through the Straits of Hormuz. Could disruption there push up fertilizer and food prices significantly in the region? And how are ASEAN economies prepared for this kind of compound shock?

Mirza: I am not really a food security expert, but I do read the works of Singapore-based food security experts like Ms Elyssa Ludher and Professor Paul Teng from ISEAS, and I follow their work, and I refer to their work. Their research essentially shows that energy comprises almost 50 percent of food and food production costs. There already has been impacts in Southeast Asia because of this crisis. So, for example, because of the increases in diesel prices, rice farmers in Thailand are being impacted. And in terms of fertilizers, around 11 percent of Southeast Asia's fertilizers come from the Middle East. This has impacted food production, and we're not feeling it right now because it takes a while for this kind of impact to be visible. But potentially we will see a reduction in food production or some kind of impact in food production because of this fertilizer shortage.

And so, some of the recommendations by the food security experts, whose names I just mentioned, are to kind of develop regional supply chains of fertilizers. And this can be done in countries that have LNG reserves such as Malaysia, Vietnam, Indonesia, and Brunei, because we need a lot of LNG to produce these fertilizers. There's also space for governments to support this kind of local ownership of supply chains of fertilizers through, supporting research and development and other kinds of enabling policies. So yes, the food security will definitely be a major issue in terms of the impacts of the Iran crisis.

Denis: Right, and I think in response to these sorts of rising energy prices, I think you mentioned too, how some governments have already started to implement different kinds of subsidies and price controls. Can you expect that to happen across many of the countries in the region? What is the kind of trade-offs that we are seeing in terms of fiscal and policy trade-offs?

Mirza: I think fossil fuel subsidies won't necessarily be implemented in all countries of Southeast Asia. It depends on the political and socioeconomic context. But I think all

governments are quite proactive in terms of mitigating this huge impact on cost of living and energy crisis.

In terms of fossil fuel subsidies, they are present throughout some of the countries of Southeast Asia. It's not, like, only a response to this current crisis. So fossil fuel subsidies essentially impede renewable energy development in some countries because they artificially lower the cost of fossil fuels.

And this kind of prevents renewable energy from becoming economically viable. During this particular crisis, we see Thailand and Indonesia really ramping up their subsidies to mitigate the huge increases in prices. But it's questionable as to how sustainable this is.

We also need to consider if we are going to have energy trade, if we are going to envision an integrated electricity market, then these fossil fuel subsidies can really cause market barriers as well because the price is not responding to market kind of pressures. So, I think, subsidies are not bad. You can use subsidies to cushion the impacts of high energy prices on vulnerable communities, but I think this needs to be done with discernment and consideration and have targeted subsidies, so we also have space for generating renewable energy and creating renewable energy businesses essentially.

Denis: You also mentioned about the ASEAN Power Grid (APG), and I think the consensus implementation has been quite slow, right? And I'm not sure what the challenges and obstacles in that. Given the fact that we are going through an energy crisis now, I thought they would sort of try to find ways to kind of fast-track that implementation.

Mirza: The APG has been around since the 1990s. And yes, in some ways you're right, the progress has been quite slow over the last 30 years or so. However, since 2022, we've seen a huge acceleration on the APG, particularly with the signing of the Laos-Thailand-Malaysia-Singapore Power Integration Project, which went online in 2022. And because of the success of this project, which is the region's very first multilateral power integration project, we've seen a lot of momentum on the APG. So currently, the region is looking at developing at least six subsea power cable projects, and many of these projects have actually received conditional approval by the Energy Market Authority of Singapore. So, it means they are considered technically viable, but much more work needs to be done to actually implement these projects.

I would say in the last four years, we've seen a lot of progress on the APG. And at the last ASEAN Ministers on Energy meeting, the ASEAN leaders actually signed an enhanced ASEAN Power Grid Memorandum of Understanding, which essentially will address many of the challenges regarding markets and technical issues. I think the APG has come a long way, and

there's a lot of momentum. But the main issue is in ASEAN, they like to do things voluntarily, consensus-based. So, if you look at other regions of the world, particularly in Europe, the main driver of energy integration is an intergovernmental agreement and binding mechanisms that can address disputes related to trade or environmental issues. They can have a central planning kind of mechanism. This is very difficult to do in the context of the APG. So, the main question is: How do we create an institution that can drive the APG, which kind of reflects the sociopolitical realities of the region, but is also not encumbered by the challenges of a voluntary mechanism?

Denis: Right. And now we had the recent ASEAN Summit in Cebu, on the seventh and eighth of May. And I think there were some discussions on energy cooperation and energy security. One of them was to fast-track the ASEAN Petroleum Security Agreement (APSA), right? And it- that's been around for also a long time. That kind of a fuel sharing sort of mechanism, right? In times of emergency like now, right? I think there was also some discussion on the idea of a fuel stockpiling mechanism as well. So how much of this is aspirational or is there going to be something concrete coming out of this?

Mirza: I think the recent ASEAN Summit really made it obvious that we need a collective response to the Iran war, and this was essentially the message by the state leaders. As you mentioned, they have proposed some mechanisms. One of them being the regional fuel stockpile, there's also a standby mechanism for food security, and they also want to develop a crisis communication and coordination protocol to manage these kinds of impacts on multiple sectors of the ASEAN economy. The APSA also has a fuel stockpile kind of recommendation, but the issue with APSA is essentially, like most mechanisms in ASEAN, it is voluntary, and APSA is also on commercial terms. It's not necessarily a binding agreement that would facilitate very fast or very timely kind of intervention if a member country is suffering from a huge shortage of oil or LNG. So, I think the issue there is, once again, you know, there are very good intentions. There are a lot of consensus on the need for a collective response, but a voluntary mechanism does have its kind of limitations. And in Southeast Asia, we see a lot of variety in terms of economic development and political systems. There's always that issue of consolidating national and regional priorities. So, if a country has a huge shortage, it's very difficult to ask them to provide oil and gas to their neighbours when they themselves are struggling with their national energy security.

Denis: Yeah, and you know, based on your research as well, does a kind of an energy shock like this really accelerate that shift to renewables and also diversifying away from depending on oil from the Middle East? Or does it really entrench fossil fuel dependence, particularly in the short-term?

Mirza: I think in the short-term, we do see a ramping up of fossil fuels. So, Indonesia has decided to increase coal production, for example, and Thailand is reviving the retired Mae Moh coal-fired power plant, and the Philippines is also ramping up coal-fired power plants. We do see that in the short term. But I think it's important to note that renewable energy development has not stopped. So, in the last couple of months, we see some huge projects being commissioned and receiving approval in Southeast Asia. For example, in the Philippines in April, the Department of Energy fast-tracked 22 renewable energy projects, which includes hydropower, wind, as well as solar. And then in February, Cambodia approved a \$200 million investment in a wind power project in Senmonorom city. And we also see Vietnam going ahead with renewable energy. The government recently approved \$190 million solar power plant and wind farm in Gia Lai, in central Vietnam. So, I think there is progress on renewable energy. It hasn't stopped.

But, this kind of crisis will certainly affect the trajectory of energy transition, how fast we can transition, because it does take the government's attention away from the long-term issue of transition to the short-term issue of mitigating this crisis however they can. So, I think there is a bit of both. There's the ramping up of fossil fuels and the continuation of renewable energy. So there needs to be some kind of policy or some kind of strategy in terms of mitigating these impacts so that we can continue our journey on transition without too many interruptions.

Denis: So, I mean, if we talk about long term, how should ASEAN position or reposition itself when it comes to energy security? I mean, they do have, a number of existing agreements, initiatives, [such as] the APG and so forth. But do you think they need to go back to the drawing board, or maybe they need to double down on what they have right now and try to move towards strategically in a position so that it don't become too dependent [on fossil fuels from the Middle East], in case of the energy crisis that we're seeing today?

Mirza: I think to be honest, Denis, this kind of crisis is essentially kind of like a symptom of what we're seeing the global system changing. We are really living in an era of transactional diplomacy. This creates an environment where you have confrontational politics, interventions and wars.

So, I think ASEAN really needs to re-evaluate how it can ramp up regional cooperation, because in this kind of geopolitical scenario, regional cooperation is the biggest buffer against transactional diplomacy and geopolitical conflicts. So once again, going back to how ASEAN works, I think the consensus-based, voluntary kind of framework has done really well for the region so far.

And I think any kind of institution or agreement on energy needs to reflect what the politicians and what the socioeconomic systems prefer. But at the same time, I think, one of the lessons that

ASEAN can take from this, this crisis is what kind of institution can we build? What kind of agreement can we build that doesn't force us to become like Europe, you know?

We don't necessarily have to have a supranational body, but there needs to be some level of formalisation, you know? There needs to be some level of executive authority that can collectively respond, collectively drive the ASEAN Power Grid. But it's a very difficult and a very complex issue to address because the national priorities also need to be met while we push for regional integration.

Denis: Right. So, if there's one priority area that you think ASEAN policymakers should focus on in relation to energy security over the next couple of years, what do you think that would be?

Mirza: I think one very important priority area would be the completion of subsea power cable projects. This could be a complete game changer for Southeast Asia. With subsea power cable projects, Southeast Asia is no longer beholden to geography, when it comes to energy trade. So, for example, currently Vietnam, it engages in energy trade with its immediate neighbours, so Cambodia, Laos, and China as well. But with subsea power cable projects, Vietnam can essentially engage in energy trade with Malaysia and with Singapore.

So, this really increases the number of players in the energy trade in Southeast Asia. You have more buyers and more sellers, which essentially leads to energy security for both, you know? So, Vietnam, if there is some disruption in land-based energy trade, can always depend on subsea power cable projects to sell electricity to Malaysia.

And similarly, the importers have much more sources to import their electricity and enhance their energy security. So, I think the subsea power cable projects would be a real game changer in the region.

Denis: Mirza, thank you so much for sharing your insights today. It's been a pleasure speaking with you. To our listeners, thank you for tuning in to this episode of ASEAN in Practice. Stay with us for more conversations with leading thinkers, practitioners shaping the future of Southeast Asia. Stay tuned. Thanks so much.

***The podcast was recorded on May 14, 2026.**

Post-script

This podcast episode was recorded on 14 May 2026, before the announcement of the US–Iran ceasefire agreement and related memorandum of understanding in June 2026. While the agreement represents an important diplomatic development and may help reduce immediate concerns over further escalation, significant uncertainties remain. It is still

unclear whether the ceasefire will hold, whether the parties can sustain momentum towards a durable settlement, and whether the wider Middle East will move towards lasting peace. Shipping through the Strait of Hormuz also remains vulnerable to disruption, underscoring the fragility of the current situation. For Southeast Asia, the issues discussed in this episode therefore remain highly relevant. The region's continued dependence on imported energy means that any renewed disruption in the Middle East could quickly translate into higher energy prices, inflationary pressures, fiscal strains from subsidies, and wider economic security risks. The episode's discussion on energy resilience, regional cooperation, the ASEAN Power Grid, and the need to strengthen ASEAN's preparedness for external shocks remains pertinent even after the ceasefire agreement.