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Within days of the initial U.S. and Israeli attack on Iran on February 28, 2026, the world was plunged into an energy crisis. Tehran's near shuttering of the Strait of Hormuz, through which roughly 20 percent of the world's oil and liquefied natural gas transit each day, amounted to the largest disruption of global energy flows in history, according to the International Energy Agency. Within the first three weeks of the conflict, oil prices rose by 55 percent. Gasoline jumped by roughly a dollar a gallon, and heating oil and jet fuel soared even higher. Many countries began to ration fuel, shorten workweeks, and close factories. It quickly became clear that until the strait reopened, prices would continue to climb, boosting inflation and dampening growth.

This crisis may appear to be unprecedented, but its contours are familiar. In 1973, Arab members of OPEC embargoed oil exports to countries supporting Israel in the Arab-Israeli war, causing a dramatic price spike that traumatized American consumers and contributed to high inflation and slow growth. The 1973 crisis also inspired efforts to avoid another shock. Governments took steps to reduce their reliance on imports, build strategic stocks, and pursue greater cooperation and

market integration. Over time, policymakers grew more comfortable trusting their countries' energy security to global markets.

And yet the world never escaped the reality of oil geopolitics. Analysts and officials had warned for decades that the Strait of Hormuz was vulnerable; its closure had been the crisis scenario that everyone most feared. Yet the relative ease and speed with which the entire global economy could be put in jeopardy seemed to come as something of a surprise. Even though Iran was badly outmatched militarily by the United States and Israel, it managed to exert effective control over shipping through the strait. That alone was enough to cause economic turmoil, and subsequent Iranian and Israeli strikes on other key energy installations in the region only exacerbated the crisis.

After seeing the vulnerability of global energy markets laid bare in this way, governments around the world have begun reassessing their exposure. In the 1970s, many concluded that cooperation and market integration could help protect them against the weaponization of energy. In today's fragmented, conflict-prone world, many may draw the opposite conclusion. Over the past few years, governments have watched—and suffered the consequences—as Russia cut off most gas supplies to Europe following its invasion of Ukraine; as China restricted exports of the rare-earth elements used in clean energy, defense, and other technologies; and as the United States blocked Cuba's and Venezuela's energy trades. The latest shock in Iran will further deepen governments' skepticism of globally traded energy supplies and inputs, whether hydrocarbons moving through maritime chokepoints or critical minerals moving through international supply chains.

As integration begins to look like a strategic liability rather than a source of resilience, governments will likely try to exert control over their energy systems and insulate their countries from global markets. But there is no cheap or easy path to self-sufficiency—and the world

may soon be reminded that the pursuit of energy autarky is fraught with risk.

BOOM TIMES

For a time, many countries hoped they could escape the turbulence of oil politics. After the crises of the 1970s, major importers moved to reduce oil demand and better prepare for disruption. They replaced oil with coal and nuclear power in electricity generation, built strategic reserves, improved the quality of energy data, removed price controls, and created the International Energy Agency in 1974 to coordinate responses to crises. These changes helped make oil markets more flexible, more transparent, and better able to absorb shocks as market-based pricing allowed physical flows to adjust in response to disruption.

In recent decades, policymakers in advanced economies have come to take energy security for granted. Energy price shocks were infrequent and brief, electricity demand was stagnant, clean energy sources offered opportunities for diversification, and the U.S. shale revolution brought a surge of new oil and natural gas onto the market. Perhaps most important, fears of discord and war disrupting supply receded as the geopolitical environment grew to favor cooperation and as economic integration deepened.

The United States in particular came to believe it could overcome its old energy vulnerabilities. Two decades ago, the country imported roughly 60 percent of its oil. President George W. Bush warned in 2006, as his predecessors had before him, that “America is addicted to oil,” and he urged the country to make its reliance on Middle Eastern supplies “a thing of the past.”

Thanks to the shale revolution, the United States did lessen that reliance, going on to become the world’s largest oil producer and a major exporter. The country’s growing energy abundance was seen

both at home and abroad as having sharply reduced its geopolitical exposure. Concern about oil prices, for instance, did not prevent the Obama administration from tightening restrictions on Iranian oil, because the administration could at least expect the rapid annual growth of U.S. production at the time to offset much of the lost supply and help limit upward pressure on prices. Over time, the rise in U.S. output also fostered a broader sense that the Middle East had become less central to American national security. As recently as last December, the Trump administration's National Security Strategy declared that as U.S. oil production increases, "America's historic reason for focusing on the Middle East will recede."

The signing of the Paris climate agreement, in 2015, had further buoyed expectations around the world that the geopolitics of oil and gas might fade with the clean energy transition. Leaders in the United States and Europe argued that moving quickly to replace fossil fuels with renewables would not only help them meet their pledges to cut carbon emissions but also serve another purpose: by reducing their dependence on foreign fuel, countries could expand their freedom of action in foreign policy.

DASHED HOPES

Now, however, uncomfortable realities have overtaken the optimism of earlier decades. For one, the world still overwhelmingly runs on fossil fuels. Despite the significant expansion of clean energy, fossil fuels continue to supply more than 80 percent of global energy because demand continues to grow. And although oil markets are more integrated and the global economy is less oil-intensive than before, shocks still happen often and can be painful. Because oil is traded on a global market, price increases affect the price at the pump for everyone, regardless of whether a country is a net importer or exporter. Shocks to natural gas supply, too, reverberate across Asia and Europe, although the United States is largely insulated from them. Because there is a fixed amount of infrastructure to export U.S.

liquefied natural gas and it tends to run at full capacity, American producers cannot turn additional gas into LNG to sell overseas at higher prices, and they must sell it at lower domestic prices instead.

For the United States, the recent crisis has underscored that energy superpower status does not eliminate vulnerability to geopolitical upheaval. Even though the country produces more crude and oil products than it consumes, it remains tied to global markets. American producers may benefit from higher prices, but households and energy-intensive industries do not.

The disruption to Middle Eastern supplies is just the latest example of a growing trend of energy weaponization. It is not just oil and gas flows that are at risk; China's dominance in the emerging clean energy economy gives Beijing plenty of levers to pull. And as great-power rivalry intensifies and the international economic order fragments, countries are increasingly willing to exploit the dependence of others on global energy markets, using sanctions, export controls, cyberattacks, and maritime pressure to advance foreign policy objectives.

These tactics were on full display in the first three months of 2026 alone—and not just in the Gulf. In the Western Hemisphere, the United States issued sanctions and intercepted tankers to restrict fuel shipments to Cuba, exacerbating shortages on the island and putting pressure on its government. And in the weeks before U.S. President Donald Trump ordered the capture of Venezuelan President Nicolás Maduro in January, the U.S. military had set up a blockade to stop Venezuelan oil exports. After Maduro's seizure, Trump declared that Venezuela's new leadership would be "turning over" the country's oil to the United States. When the Trump administration eased sanctions on Venezuelan oil in March, the waiver explicitly excluded transactions involving the United States' chief geopolitical rivals, China and Russia, among other adversaries.

There is little reason to expect energy crises to taper off in the future. Drones and cyberweapons have made disruption cheaper, easier, and more sustainable. Iran has demonstrated that even a relatively weak power can cause global economic harm by threatening infrastructure and chokepoints. At the same time, the norm against targeting civilian energy infrastructure is eroding, as evident in Russia's attacks on Ukraine's electric grid; in Russian-linked cyber-operations against energy networks, such as the 2021 attack on a U.S. gas pipeline and the 2025 attack on Poland's power grid; and in Trump's threat to attack Iranian power stations in late March. And there are now many ways to constrict energy flows. Shipping, insurance, finance, and payment systems can all become targets; directly attacking production is not the only way to cause disruption.

Clean energy offers no refuge from these geopolitical risks. China controls much of the world's critical mineral processing and dominates supply chains for solar panels, wind turbines, batteries, and electric vehicles. When Beijing restricted rare-earth exports in 2025 in response to U.S. export controls, it sent shock waves through Washington and European capitals. Automakers on both sides of the Atlantic struggled to secure parts, some production was interrupted, and European prices for key components of electric vehicles soared. The lesson was clear: dependence could be weaponized in the clean energy economy just as easily as it had been in the fossil fuel market.

SAFE BEHIND WALLS?

Aware of the vulnerabilities in both traditional and clean energy systems, governments have been feeling a growing pull toward energy autarky—the ability to meet one's own energy needs. The energy crisis provoked by the Iran war may sharply reinforce this impulse.

Governments were already intervening more directly in energy markets and in individual companies' decisions before the war in Iran. The fallout from the conflict is likely to push them even further

toward state capitalism. When energy supplies were first disrupted, governments worked through the International Energy Agency to coordinate the release of global oil stocks in an effort to stabilize markets. And the trend toward government intervention goes far beyond such emergency measures. Governments that are more reluctant to place their faith in interconnected markets to allocate energy supplies will instead place greater emphasis on control over domestic production, supply chains, infrastructure, and even trade routes. The goal will not simply be to diversify sources of supply or expand reserves—which have long been the pillars of the energy security strategies of most countries—but to reduce exposure to global energy systems altogether.

The drive to reduce exposure to risky oil and gas markets will also give renewed momentum to efforts to find alternative energy sources and run more of a country's economy on electricity that can be powered from domestic sources. There will be more efficiency improvements, reduction of oil use as more electric vehicles enter transportation networks, and substitution of gas with solar, wind, nuclear, or coal power.

China has already been moving in this direction, even if it is still far from realizing true energy autarky. The current crisis has been painful for Beijing: roughly half of China's crude oil imports and one-third of its liquefied natural gas imports transit the Strait of Hormuz. But after two decades of aggressive electrification—electricity now accounts for more than 30 percent of China's final energy consumption—and a massive expansion of domestic power generation from coal and renewable sources, China is better positioned than it would otherwise have been to absorb external shocks to oil and gas supplies. The massive buffer of strategic oil reserves China has built up helps, too. (The United States, meanwhile, has been selling off its stockpile.) Now, Beijing is likely to accelerate its electrification of transport and industry, pursue even larger domestic and overseas

sources of critical minerals, and continue expanding its reserves, grid infrastructure, and storage.

Europe faces more difficulties. The continent's leaders were already deeply motivated to reduce their countries' reliance on imported oil and gas after Russia's 2022 invasion of Ukraine, and the Iran war will reinforce that commitment. But a European strategy based on electrification and the expansion of domestic power generation using renewable sources also carries risks, because it would increase the continent's dependence on Chinese-dominated clean energy supply chains. In trying to escape one form of geopolitical exposure, Europe may have to accept another.

Energy autarky may find particular appeal in the United States. Americans who have long been promised energy independence may feel confused and betrayed by the scale of the shock caused by turmoil half a world away. This may multiply demands to restrict exports and prioritize domestic supply, in a misguided effort to disconnect the country from global oil markets—effectively trying to replicate the dynamics of the gas market, in which U.S. prices can remain low while prices elsewhere soar. Yet isolation would be self-defeating. Restricting U.S. oil exports might briefly lower domestic prices, but it would also discourage production and refining at a time when more supply is needed, not less. It would undermine the credibility of the United States as a supplier and invite retaliation from trading partners. And because gasoline is still priced in a global market, keeping crude oil at home would do little to insulate consumers from price shocks. Trying next to ban exports of gasoline and other refined oil products would cause even greater collateral damage, since refiners would cut back their output, further curbing domestic supply.

The pursuit of energy autarky would undoubtedly raise costs for most countries that seek it. Domestic extraction and manufacturing are often more expensive than acquiring resources and materials through trade, and creating redundancies adds to the cost. But in a more

dangerous world, governments may decide that this premium is worth paying.

The race to eliminate exposure to global volatility would also risk introducing new sources of instability at home. Attempts to localize supply chains may create new bottlenecks if domestic capacity proves insufficient or more costly than anticipated. Policies that restrict exports or shield domestic consumers from global prices may offer short-term relief, but they can also discourage investment, distort market signals, and ultimately reduce supply.

Over time, the efforts of individual countries to insulate their domestic markets could reshape the global energy system. Trade may be rerouted as countries prioritize security over cost, and investment may be driven less by market signals than by geopolitical considerations. Governments may intervene to encourage domestic production or shift supply chains to allied countries. The result would not be a complete retreat from global markets, which is neither feasible nor desirable, but a more fragmented and less efficient system.

MISSED CONNECTION

It would be a misreading of the latest crisis to argue that cooperation and interconnection have failed. When traffic through the Strait of Hormuz effectively halted this year, strategic reserves and coordination through the International Energy Agency partially offset lost supply. More important, for decades, whenever oil supplies have been interrupted by war, disaster, or unrest, markets have reallocated energy in response to price signals. The same is increasingly true of natural gas. When Japan had an energy gap to fill after the Fukushima nuclear disaster in 2011, and when Europe lost access to most Russian pipeline gas supply in 2022, market forces rerouted cargo ships carrying liquefied natural gas to provide some of the missing supply. This year, globally traded oil markets ensured that the harm of Iran's disruption would not be limited to the United States and Israel alone.

Interconnection softens the blow of local supply shocks by providing access to global markets, although globally set prices also broaden the reach of distant disruptions.

There are better solutions than retreating from markets. Governments should aim not to achieve energy autonomy but to manage interdependence more effectively, mitigating the most critical vulnerabilities in their energy systems without abandoning the efficiencies of global trade. This means adding redundancy when necessary, broadening the pool of reliable suppliers, and reducing the influence of any single chokepoint or country on the global market as a whole. Some exposure is inevitable, but it is possible to reduce risks.

Resilience starts with stronger buffers. Strategic reserves—not only for oil but also for critical minerals and other key materials and fuels—can help countries weather the supply disruptions that are bound to happen in the future. Diversification is also key. British Prime Minister Winston Churchill observed back in 1913 that “safety and certainty in oil lie in variety and variety alone,” and the same holds true for other forms of energy. Overreliance on any one supplier—or on any one country that dominates a supply chain—creates systemic risk. Broader sourcing may cost more, but it enhances resilience. Rather than taking the even more expensive route of attempting to produce everything at home, a country such as the United States might diversify its clean energy supply chains away from China by working with countries in Africa, Europe, and Latin America to build critical mineral refining and processing capabilities.

Infrastructure can be made more resilient, too. Countries should better protect their electric grids against cyberattacks and extreme weather. They should also build redundancy into supply networks and develop alternative routes for energy flows. Saudi Arabia’s oil pipeline to the Red Sea, which bypasses the Strait of Hormuz, was expensive to construct but has helped more than anything else to offset the supply shortage caused by Iran’s closure of the strait. Similar

investments could serve as a sort of insurance policy to substantially reduce the harm that disruption to other chokepoints could cause.

Finally, the most durable form of energy security lies simply in using less energy. The United States is safer from oil shocks today than it was a few decades ago not only because it produces more oil but also because it uses less oil per unit of economic output.

Although China has been guilty of preying on other countries' supply chain insecurities, it also provides an example of how to balance greater self-reliance with managed interdependence. Beijing has been building reserves, diversifying import sources, expanding redundancy, and accelerating electrification. It has pursued resilience not by fully embracing autarky but by combining domestic capacity with careful integration into global markets.

STRIKING A BALANCE

The energy crisis caused by the U.S.-Israeli war on Iran underscores an uncomfortable reality: as the cooperative global order frays, energy insecurity rises. The clean energy transition has not eliminated geopolitical risk; it has layered new vulnerabilities atop old ones. A single regional conflict can still reverberate through global markets and harm nearly every country in the world.

Half a century ago, the trauma of the 1973 oil embargo pushed countries to build more deeply integrated and more efficient markets. Today, many see those markets as sources of vulnerability. That instinct is understandable, but interconnection itself is not the problem. Integrated markets remain indispensable for reallocating supply after a disruption, and the idea that security can be bought by retreating behind national borders is an illusion. In energy, as in so much else, complete control is impossible. As governments revise their energy strategies in the wake of the crisis, their goal should not be

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self-sufficiency at any cost. Rather, it should be to build systems strong enough to absorb shocks without breaking. 🌍