Japan's Energy Cooperation with Emerging Asian Economies

By Hideichi Okada

The conflict in the Middle East, which began with the US and Israeli attacks on Iran in February 2026, had a major impact on the global economy when Iran blockaded the Strait of Hormuz. The impact was particularly severe on Japan and the countries of Southeast Asia, which depend heavily on crude oil from the Middle East. Not only did the price of petroleum products soar, but securing sufficient supplies also became a critical challenge.

Drawing on its experience of the first oil crisis in 1974, Japan had worked steadily and systematically to build up its petroleum stockpiling program. As a result, as of March 17, 2026, Japan possessed petroleum reserves equivalent to a total of 242 days of domestic consumption (based on the Petroleum Stockpiling Act): 146 days of national reserves, 90 days of private-sector reserves, and six days of jointly held reserves with oil-producing countries. Following the blockade of the Strait of Hormuz, Japan was able to secure a stable domestic supply of oil by drawing down these reserves while simultaneously diversifying its sources of supply.

Naphtha, however, as is well known, which had been excluded from stockpiling requirements due to the difficulties associated with storing it, experienced supply problems. Reduced supply volumes and bottlenecks in distribution caused by concerns over potential shortages led to problems across a wide range of downstream sectors, including construction materials and paints.

By contrast, petroleum stockpiles in ASEAN countries generally amounted to less than one month's worth of consumption, with the exceptions of Thailand (95 days) and the Philippines (60 days). Many countries lacked sufficient reserves and were faced with the need to implement measures both to contain soaring prices and to secure adequate volumes of supply.

In April 2026, Prime Minister Sanae Takaichi announced the "Partnership on Wide Energy and Resources Resilience Asia (POWERR Asia)" initiative during an online meeting with the leaders of countries from across the Asian region. The initiative included emergency financial assistance totaling US$10 billion to support Asian countries in procuring crude oil and petroleum products, constructing storage tanks, and diversifying energy sources.

This year's White Paper on International Economy and Trade advocates the realization of a "hybrid trade policy" that simultaneously pursues two objectives: achieving economic security through cooperation among like-minded countries and other partners, and restoring a rules-based free trade order, at a time when geopolitical risks are rising and some countries are pursuing unilateral or increasingly coercive trade policies. In this context, the White Paper highlights the importance of Japan's cooperation with emerging economies in Asia, particularly in the fields of energy and urban development, as a means of strengthening the resilience of global supply chains.

One notable example of Japan's energy cooperation with emerging economies in Asia is the "Asia Zero Emission Community (AZEC)" initiative, launched in 2022. AZEC provides a framework through which 11 Asia-Pacific countries work together toward carbon neutrality and net-zero emissions. Already, some 350 cooperative projects are underway in areas such as alternative energy development, hydrogen, methane, and carbon capture and storage (CCS).

Achieving zero emissions requires not only a transition from fossil fuels such as oil to new energy sources, but also improvements in energy efficiency. In the current context surrounding the Strait of Hormuz, efforts under POWERR Asia to achieve stable supply of oil, together with cooperation under the AZEC framework to promote energy efficiency and facilitate the transition to alternative energy sources, can be viewed as two halves of a whole.

As new trade and energy policies are being explored amid a changing geopolitical environment, frameworks for energy cooperation between Japan and the emerging economies in Asia are expected to play a major role in promoting the stability and growth of the global economy. JS

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