One Battle After Another:

A US Game of Supplier Whac-a-Mole and Chinese Energy Resilience

by **Thomas Eder**

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Aerial view of oil tankers navigating in the blocked Strait of Hormuz.

> “China may weather a Hormuz disruption better than others, thanks to decades of preparation — offering valuable lessons for Europe.”

Following failed peace talks with Iran in Islamabad, US President Trump announced in April 2026 that the US would blockade the Strait of Hormuz. The US military's Central Command clarified this meant a full blockade of all Iranian ports. This had been preceded by an Iranian blockade of the Strait, where some toll-paying vessels and Iran's own export cargoes could transit. Trump proclaimed that the US Navy would now intercept such ships, presumably including those exporting oil to China. The move aligns with the Trump Administration's demand that Delcy Rodríguez – interim leader of Venezuela since the US military kidnapped President Maduro – must cut her country's energy ties with China, and the US Navy's physical blockade of Venezuela. US conservative foreign policy elites, including Heritage Foundation experts, had previously complained about China's exclusive access to sanctioned (and cheap) Venezuelan and Iranian crude as a supposed indirect subsidy for the Chinese economy. Some argued that higher oil prices could exacerbate China's economic challenges while demonstrations of US control over energy chokepoints could serve as leverage in negotiations with Beijing.

Some effects of an energy price shock on China are evident and concerning. Chinese consumers saw a gradual 30% increase in fuel costs for their vehicles across February–May 2026 – airlines increased fuel surcharges sixfold – despite government adjustments to limit the rise of publicly regulated prices. After years of Beijing fighting deflation, surging energy prices triggered it with consumer electronics prices reported to be at least 8% higher in mid-April.

However, expectations for the overall expected annual inflation remain low, and Beijing would of course look for inflation driven by demand rather than costs to finally leave the deflation fight behind. The Chinese government had already been worried about lagging household purchasing power – they were just drawing down a consumer goods trade-in subsidy while experimenting with other measures like new childcare subsidies. Meanwhile, fiscal space is limited due to high public debt levels especially on the local level. However, irrespective of the final outcome of the Hormuz crisis, China may still weather this energy storm better than others. It spent the last two decades preparing for the event of some maritime routes being cut off (by the US in a security crisis), and there are already lessons to be learned that European energy security debates can draw on.

Firstly, the full impact of the current crisis on the Chinese economy is moderated and delayed by China having built up the world's largest strategic and commercial crude oil reserves. Overall, reserves stand between 1.2 and 1.5 billion barrels of oil. Beijing will draw on strategic government stockpiles and has reportedly authorized state-owned companies to tap commercial reserves (about 850 million barrels). The supposedly planned drawdown of one million barrels per day from March through June would leave a significant part of the reserves untouched. The strategic stockpiles could thus gain China several months of breathing space, while Chinese domestic consumption remains covered. Given China's additional stockpiles of refined oil products, plastics precursors and plastics, as well as some reductions in output by plastics and chemicals producers, China could actually stretch those months of breathing space much further.

A second crucial point is that China's industrial machine, electricity system and overall energy security are still largely linked to coal, not gas or oil. According to different statistics, coal still took a 51%–60% share in China's energy mix from 2023 to 2025. Chinese leaders have only gradually reduced that share over the last decades. Coal consumption and the commissioning of new coal power capacity have even rebounded since 2022. This followed a domestic energy crisis in 2021 during the COVID pandemic that involved several blackouts and led to a further strengthened focus on energy security. Meanwhile, much of China's coal power generating capacity stands idle, and it could ramp up output considerably if required. Enormous domestic coal reserves and production cover most of China's needs, while imports are diversified and not vulnerable to maritime chokepoints.

A third factor buffering the Strait of Hormuz crisis' impact on China is its astounding buildup of renewables and popularization of electric vehicles.

Shanghai, China.

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China is respectively the world's number one producer of hydropower, wind power, solar power, and electricity from biofuels. More than 30% of its electricity is produced through these sources. Since solar power in China has reached cost parity with coal (and looks to improve further), rapid expansion will continue despite subsidies having ended. Meanwhile, China is only in the early stages of exploiting its offshore wind power potential and is building the world's largest hydroelectric power station in Tibet. In addition to renewables, China is on course to overtake France in 2026 and the US in 2030 to become the number one nuclear energy producer. The emerging "electro-state" also includes 40%–50% of new car sales and already about 10% of the overall car fleet being electric vehicles. Meanwhile, electric motorcycles and scooters dominate the enormous overall two-wheeler fleet. Currently, Chinese manufacturers are already reaping a windfall from the Strait of Hormuz closure, as electric vehicle sales in Southeast Asia have jumped.

Fourthly, China has hastened the expansion of domestic gas production since 2017 and domestic oil production since 2019. It ranks as the global number six in crude oil extraction and number four in gas production, still requiring massive imports because of its enormous industry and population. China has benefited from the shale gas revolution, helping it to supply around 60% of its own gas needs. On the back of an offshore boom, success with new tertiary recovery methods like injecting steam, gas or chemicals to maximize oil field output, and emerging shale oil gains, domestic production also covers almost 30% of China's oil supply. Meanwhile, China's oil demand is expected to plateau until 2030 (and perhaps peak earlier), and gas demand to peak around 2035, due to slowing growth and the shift to electric vehicles.

In a fifth measure reducing exposure to an oil and gas chokepoint crisis, China diversified its oil and gas supplier base and funded overland pipeline construction. China managed to complete some of the longest pipelines worldwide with Central Asian partners Kazakhstan (oil) and Turkmenistan (gas) in the 2000s and later expanded networks and throughput significantly. In the following decade, major oil and gas pipelines between Russia and China were inaugurated; and the Far Eastern route gas pipeline (with rather >

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small volumes) from Sakhalin to China is slated to come online in 2027. China built strong maritime import relationships with producers outside the Middle East like Australia, Angola and Brazil. Enormous flows of Chinese foreign direct investment and various kinds of loans were dedicated to oil and gas production and supply agreements. In some cases, like Venezuela, China agreed for unrelated loans to be paid back in oil shipments. In others, like Russia, China agreed to pre-finance pipelines and be paid back in oil or gas. Overall, China aimed to not draw on any supplier for more than 15%–20% of its imports.

China’s energy security efforts hold lessons for others, but it remains reasonably exposed and affected by the crisis, driving additional measures likely to be implemented in 2026. In 2025, 45%–50% of China’s oil imports and about 15% of its overall gas imports (30% of its liquefied natural gas (LNG) imports) went through the Strait of Hormuz. Beijing has restricted fuel exports and is likely to consider measures to reduce oil and gas consumption, rather than paying much more on global spot markets. China also aims to support rerouting Saudi and Emirati oil supplies in order to avoid the Strait of Hormuz. Should the disruption persist, Beijing could become more definitively supportive of the proposed Power of Siberia 2 gas pipeline from Russia, although Russia’s share in China’s gas imports already stood at more than 20% in 2024/2025. A possible alternative or balancing addition would be Line D of the Central Asia-China gas pipeline network from Turkmenistan. China’s main conclusion from the crisis, however, is to accelerate the shift to domestic sources. This includes the shift to the “electro-state” (renewables, nuclear, storage, and long-distance transmission), a stagnating drawdown on coal, and expanded unconventional oil and gas production.

The EU and its member states can learn a lot from China’s efforts on strategic energy autonomy and energy security. Several major powers may (initiate crises that) cut off Europe’s access to (suppliers of) key resources; risks are soaring, and countermeasures remain insufficient. Europe’s strategic and commercial crude stockpiles, but also stockpiles of various critical raw materials, should be expanded more quickly to allow for tiding over a short-term crisis while limiting the impact on industrial output and consumers’ wallets. Current plans should be reviewed and strengthened. While renewable energy production and storage capacity growth should be accelerated, long-distance and cross-border power transmission infrastructure development can no longer lag. A phase-out of nuclear energy is not (yet) compatible with reducing Europe’s greenhouse gas emissions and improving its energy security.

On its target of lower emissions, Europe should focus on overall reductions and prioritize drawing down on imported sources such as oil and gas. This may allow for a somewhat longer-lasting use of coal to improve energy security. Europe should focus further on a shift to domestic sources and capabilities – including on critical raw materials – which includes maximizing European oil and gas output through unconventional means and in the safest way possible. Implications for energy security are only one reason why outsourcing environmental damage to developing countries cannot be the way forward. Additionally, the EU and its member states should more aggressively pursue diversification, including towards African and Latin American suppliers, as well as those in the neighborhood that can supply the EU without going through maritime chokepoints or hostile transit countries. No country should supply more than 15%–20% of Europe’s oil or gas. Returning to large-scale European financing of the Russian military is not an option, dependence on the US is shortsighted, and dependence on individual maritime chokepoints means vulnerability to energy shocks. Europe is moving away from oil and gas import vulnerabilities and dependencies over the next decades. The above lessons can help make this process as quick, painless and sovereign as possible.

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