

## Taiwan Crisis as an Energy Security Risk

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In previous issues, I discussed the contemporary challenges of the 3Es (energy security, environment, and economic efficiency), which underpin energy policy of Japan. In terms of the environment, I explored the need for realistic and comprehensive climate change measures as part of [The search for a new 3E](#) framework, while in the issue on economic efficiency, I pointed out the limits of energy market liberalization as [The end of the energy market liberalization era](#). This time, I would like to consider energy security.

In an Energy White Paper by Japan's Ministry of Economy, Trade, and Industry, energy security is defined as "being able to secure energy in the quantity necessary for people's lives, economic and social activities, and national defense at affordable prices." This definition is largely in line with that of the International Energy Agency. When discussing energy security, it is customary to consider the various risks that exist and the countermeasures to these risks. The disruption of oil supply from the Middle East has been the most frequently cited risk, but other risks have also been recognized, such as those associated with maritime chokepoints like the Strait of Hormuz and the Malacca Strait, as well as domestic natural disaster risks since the Great East Japan Earthquake. There have been cases of supply disruption due to mechanical or human errors and industry strikes in energy infrastructure and transportation, and in recent years, risks of power supply instability due to output fluctuations in renewable energy and attacks on energy infrastructure, including cyberattacks, have become more apparent.

There is no shortage of risks to energy security, but it is necessary to focus not only on the so-called triggers that lead directly to supply disruptions but also on the structures that create these triggers. For example, behind triggers such as attacks on energy infrastructure and the blockade of sea lanes lies the destabilization of the international situation. As many experts have argued using terms like "new Cold War," "new imperialism," "G-zero," and "multipolarity," the global order led by the United States is being threatened as the country's influence declines over the medium to long term. Some even argue that World

War III has effectively begun. It is well known that the war in Ukraine has fundamentally shaken energy security in energy-importing countries, particularly in Europe, and this can also be understood as a Russian challenge to the U.S.-led world order. The war in Ukraine has fully revived the East-West confrontation structure that had been simmering in recent years, with both sides vying for the support of countries in the Global South, such as India. China's mediation in the normalization of diplomatic relations between Saudi Arabia and Iran is also associated with the decline of the U.S. presence in the Middle East.

Given that the assumed decline in U.S. influence is structural, the destabilization of the international situation is likely to produce various triggers for energy supply disruptions. In the context of Japan, the first scenario that comes to mind is a Taiwan crisis. It is evident that this poses a significant national security risk. If Taiwan were invaded, the Senkaku Islands would be attacked which could easily drag Japan into a war. Even if the attack were fortunately limited, considering the depth of Japan's economic dependence on China, the damage to the Japanese economy would be significant.

Although few Japan-bound tankers and LNG carriers pass through the Taiwan Strait, most of Japan's oil supply and approximately 30% of its LNG supply pass through the South China Sea. If China were to invade Taiwan, some observers argue that Japan's oil and LNG supplies could be cut off, causing their prices to skyrocket. However, by the time such an invasion occurred, various economic sanctions would have been imposed on China by the West, and if a state of war ensued, it would lead to a significant slowdown in China's economic activity, most likely reducing its oil demand. If demand in China, the world's largest oil importer, were to decrease, prices could fall rather than soar. The extent of the impact would depend on the scope and intensity of the conflict, but the author's current hypothesis is that a Taiwan crisis would not necessarily lead to a situation akin to the oil crises of the 1970s or the gas crisis of 2022.

However, this is not to argue that a Taiwan crisis would not pose a risk to Japan's energy security. Even if the South China Sea does not become a direct combat zone, tankers and LNG carriers would have no choice but to circumvent the area, resulting in increased transport distances and higher transport costs as well as higher risk to the safe navigation of vessels. The increased transport distances would necessitate the securing of additional transport capacity and the development of alternative shipping routes. Emergency stockpile releases or demand restraint measures might be unavoidable. While it is uncertain whether a Taiwan crisis will occur, as long as there is a certain level of risk, it is necessary to examine potential energy supply scenarios, regardless of their likelihood.