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2026 Global and Japanese Energy Outlook

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The global and Japan's energy landscape remains highly volatile, with uncertainty looming large. What kind of year will 2026 turn out to be? Based on the eleven outlooks on energy trends released by our institute on December 19 of last year, this paper provides a comprehensive outlook on the international and Japan's energy situation for 2026 from the author's perspective.

In 2026, the international oil market is likely to experience downward pressure on crude oil prices due to abundant supply. While global oil demand is expected to grow moderately, production from "non-OPEC Plus" oil-producing countries—particularly in the Americas—will continue to increase steadily. Assuming OPEC Plus maintains its current policy stance, global oil supply will exceed demand, resulting in a supply-demand surplus. Under these conditions, Brent crude prices are projected to hover around $55 per barrel as a yearly average. However, geopolitical risks related to Russia and the Middle East, global economic prospects, and OPEC Plus policy decisions could cause significant fluctuations around this baseline.

Similarly, the global natural gas and LNG markets in 2026 will likely face downward price pressure under conditions of robust supply. The year marks the beginning of a substantial expansion in U.S. LNG exports. This abundant supply is expected to depress LNG spot prices, stimulating demand and driving further market growth. Under these circumstances, Asian LNG spot prices are projected to decline from $12.5 per million BTU in 2025 to $10.5 in 2026. Japan's LNG import prices, which exhibit a strong linkage to crude oil prices, are expected to fall from $11.2 to $9.2 over the same period.

Global coal demand will remain firm, particularly in major consuming countries such as China and India, delaying the arrival of peak coal consumption. However, both countries will prioritize domestic production—especially for thermal coal—resulting in declining import demand. International trade in thermal coal is approaching its peak. Under these conditions, the benchmark price for Australian thermal coal (FOB) is expected to remain near $110 per ton in 2026, roughly unchanged from the previous year. Metallurgical coal prices are similarly projected to hover around $185 per ton.

In 2026, a central question will be how the world addresses the widening gap between the ideals and realities of climate change mitigation and decarbonization policies—a divergence that became increasingly evident in the previous year. Excluding the United States, which withdrew from the Paris Agreement early in 2025 under the "Trump 2.0" administration, most major economies continue to uphold the aspirational goal of achieving carbon neutrality by 2050 (or later). However, the gap between these targets and actual GHG emissions is steadily expanding. While many countries persist in pursuing decarbonization efforts tailored to their respective national circumstances, significant disparities in progress have emerged among major economies such as the United States, European nations, China, India, and Japan. Consequently, global advancement in decarbonization remains uneven and fragmented. Against a backdrop where safeguarding economic stability, industrial competitiveness, employment, and living standards constitutes the highest priority, striking an

appropriate balance with climate policy will remain a formidable challenge. Thus, 2026 is likely to be a year of continued global deliberation and experimentation in reconciling these competing imperatives.

The surge in electricity demand associated with the rapid expansion of AI applications and large-scale data center construction—phenomena that dominated 2025—will continue to command attention in 2026. Uncertainty persists regarding the trajectory of the "AI boom," the energy efficiency of AI and data centers, and potential energy-saving benefits enabled by AI itself. Ensuring a stable electricity supply will require substantial investment in power generation capacity and grid infrastructure. In Japan and globally, 2026 will see intensified efforts to design and implement institutional frameworks that secure adequate investment for a reliable power supply.

Global renewable energy deployment will continue to grow in 2026, though regional and technological disparities will persist. China will account for the overwhelming share of global expansion, while growth in other regions will often rely heavily on Chinese-manufactured equipment. Offshore wind projects will struggle amid rising costs and deteriorating economics, whereas solar PV—supported by continued cost reductions driven by Chinese manufacturing capacity—will dominate renewable additions. The increasing concentration of supply chain dependence in China will heighten strategic concerns, particularly amid deepening global fragmentation.

Hydrogen and carbon capture and storage (CCS), widely regarded as key innovations expected to play a critical role in achieving the energy transition, appear to be in a "plateau phase" with respect to future development. In 2026, a central question will be whether and how the world can break out of this stagnation. Since the acceleration of the carbon-neutral trend in 2020, hydrogen and CCS have sparked a global "boom," leading to the launch of numerous and diverse project concepts worldwide. However, over the past one to two years, the high costs associated with hydrogen and CCS have increasingly highlighted the formidable challenges to their realization. Against this backdrop, Japan is moving toward the introduction of mechanisms such as Contracts for Difference (CFD) to support large-scale hydrogen projects. Consequently, developments in this area in Japan will remain a focal point of attention throughout 2026.

Amid rising concerns over electricity security and the imperative to supply growing demand at affordable prices with low-carbon sources, nuclear power is expected to assume an increasingly critical role. In Japan, progress toward restarting the Kashiwazaki-Kariwa and Tomari nuclear plants at the end of 2025 sets the stage for concrete developments in 2026. Further steps toward additional restarts will also be key points of attention. Globally, discussions and implementation of measures to mitigate investment risks—such as mechanisms to recover substantial upfront capital costs—will be essential to promote new nuclear construction and replacement projects.

Further promotion of energy efficiency remains a universally recognized priority; however, practical realities are proving increasingly challenging. When initiatives aimed at enhancing energy efficiency result in significant cost burdens for consumers, governments tend to adopt a cautious stance toward their implementation. While vehicle electrification is broadly expected to contribute to macro-level energy savings, recent developments underscore the complexity of this transition. A symbolic example is the European Commission's announcement at the end of 2025 to revise its planned ban on the sale of new internal combustion engine vehicles—a measure originally intended to accelerate electrification. This case illustrates the growing tendency among nations to seek pragmatic approaches, balancing the imperative of strengthening energy efficiency with economic and social realities. In 2026, such deliberations and adjustments are expected to continue globally.

Japan’s economic growth rate for fiscal year 2026 is projected at 0.9%, marking the second consecutive year at this level. Domestic primary energy supply is expected to fall below 400 million tons of oil equivalent for the first time in 40 years, as factors such as cooler summer temperatures and reduced output in materials industries outweigh demand increases driven by economic activity and lower energy prices. Despite declining primary energy consumption, renewable energy and nuclear generation will continue to expand, while fossil fuel consumption will decrease across the board. LNG imports are forecast at 59.9 million tons in FY 2026—dropping below the 60-million-ton threshold for the first time in two decades. Under these conditions, Japan’s energy-related CO_2 emissions are expected to decline by 2.1% year-on-year to 868 million tons in FY2026. However, this reduction rate falls short of the past decade’s average, and the cumulative reduction since FY2013 stands at 30%, raising concerns about lagging progress toward the FY2030 target of a 45% reduction.

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