

February 6, 2026

International Energy Market and Rule-based Order

Yoshikazu Kobayashi

Senior Research Director

Research Strategy Unit

The Institute of Energy Economics, Japan

Against the backdrop of recent developments in Ukraine and Venezuela, there is a growing perception that the established international order is being shaken and is on the verge of collapse. At the World Economic Forum held in Davos, Switzerland, in January 2026, Canadian Prime Minister Mark Carney expressed strong concern that the world had entered a phase in which confrontations driven by great power rivalry were coming to the forefront, and that the international order was entering a stage of rupture. A common recognition has emerged across various sectors that the prevailing international order is undergoing a period of profound transition. Notably, many argue for the necessity of reassessing the importance of the 'rule-based order'—a framework spearheaded by Western powers in the post-WWII era.

In international politics, a rule-based order refers to a state in which countries act in accordance with shared principles, rules, and norms, and mutually understand and expect that other countries will also behave based on the same principles. The rule-based order consists broadly of three elements. First is international law, exemplified by instruments such as the UN Charter, the Treaty on the Non-Proliferation of Nuclear Weapons, and the United Nations Framework Convention on Climate Change. Second is the existence of international organizations such as the United Nations, the International Monetary Fund (IMF), and the World Trade Organization (WTO). The third element is the sharing of values and principles such as respect for national sovereignty and territorial integrity, and the rule of law. The renewed emphasis on the significance of this rule-based order stems from the fact that its constituent elements themselves are becoming increasingly unstable amidst today's global shifts.

The rule-based order is designed to facilitate the multilateral sharing of specific rules and norms, aiming to prevent international society from falling into a state of anarchy and to minimize inter-state conflicts. It is a framework painstakingly built over many years by an international community that, having endured the devastation of two World Wars, sought to ensure such tragedies are never repeated. Without such an order, states would further prioritize their own national interests, and powerful countries would be able to act arbitrarily toward weaker ones. As a result, smaller states would be forced into situations where they would have no choice but to comply with the intentions and actions of stronger powers, no matter how unjust or unreasonable.

For a middle power such as Japan, maintaining the rule-based order is a vital condition for ensuring its autonomy and security in the international community going forward.

The rule-based order has also played an important role in the international energy market. For Japan, which depends heavily on imports from abroad for most of its energy resources, the ability to procure fossil fuels such as oil and mineral resources without being subject to the arbitrary intentions of resource-producing countries has been made possible in large part by the establishment of a free trade system under the rule-based order, and by the shared international principle and norm that transactions between states should be conducted based on market principles. Underlying this is a historical reflection on the fact that the bloc economies that developed between the First and Second World Wars worsened unemployment and economic instability through stagnation in international trade, and ultimately exacerbated conflicts between states.

In the energy sector, the rule-based order has brought significant benefits not only in trade but also in investment. The establishment of predictability—whereby rights and interests arising from cross-border investments are protected under national legal systems and energy resources produced can be sold stably in open international markets—has enabled investment in energy-related assets, which require enormous capital and long recovery periods, to proceed in line with growing demand.

Moreover, even in cases of sudden disruptions in oil supply, coordinated releases of strategic reserves by the International Energy Agency (IEA) have helped suppress price spikes, while safeguards implemented by the International Atomic Energy Agency (IAEA) have served to internationally verify that Japan's use of nuclear energy is for peaceful purposes. In this way, the three elements that constitute the rule-based order—international law, international institutions, and shared normative values—have provided foundational infrastructure for ensuring a stable energy supply for Japan.

That said, the rule-based order has not always functioned effectively, and there have been instances in which its limitations became evident. The most notable example is the Arab oil embargo of the 1970s. From the perspective of investment rights, there were also cases in the early 2000s in which oil and natural gas assets held by foreign companies in Venezuela and Bolivia were expropriated and nationalized by their governments. Furthermore, in 2010, China imposed restrictions on rare earth exports to Japan, demonstrating how resource trade could be used as a tool of diplomatic coercion. In the first place, natural resources such as oil, natural gas, and critical minerals are geographically unevenly distributed, and their development and production are often undertaken by state-owned enterprises in producing countries. As a result, trade and investment related to energy are closely linked to diplomatic relations and domestic politics, and compared with other sectors, may be more prone to deviations from the rule-based

order.

In his aforementioned speech in Davos, Prime Minister Carney went so far as to state that the collapse of the international order currently underway is an irreversible process, and that the international community should abandon nostalgia for the former rule-based order. However, for a country like Japan, which depends heavily on overseas trade for its energy supply, it cannot afford to adopt such a clear-cut position. Even taking into account the current reality that the international community is drifting away from the rule-based order and the inherently deviation-prone nature of energy resources within that framework, Japan must continue to persistently advocate for the importance of the rule-based order. In doing so, it will become more important than ever to strengthen support for the activities of international organizations such as the International Energy Agency that underpin the rule-based order in the energy sector, and to further deepen cooperation with fellow middle powers that share Japan's interests, including European countries, India, and South Korea.

Contact: report@tky.ieej.or.jp