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Energy markets and geopolitics

POWERING THE FUTURE: WHY ENERGY SECURITY IS NOW NATIONAL SECURITY



As global energy markets face increased geopolitical uncertainty and volatility, the need for a secure, stable and resilient energy future has never been more important. ADIPEC has launched this **Energy markets and geopolitics** series to provide market insights into the impact of the ongoing conflict on global energy markets and the way forward for the industry.

The series provides decision-makers with informed analysis, helping the industry navigate disruption, assess risk, and identify pathways to resilience in an increasingly complex energy landscape.

..... Thought leadership

Middle East conflict puts the spotlight on accelerating energy security and diversification

Q&A with **Peter Parry**, Chairman of Global Energy and Natural Resources at Bain & Company

Uncertainty sown by conflict in the Middle East has cast a spotlight on the need for energy security amid rising global demand.

With experts identifying the urgency of diversified energy sources, regulatory adaptability, and greater system resilience, Peter Parry, Chairman of Global Energy and Natural Resources at Bain & Company, discusses how the Middle East conflict is reshaping world energy markets.

As well as energy security, he highlights the importance of localised supply and accelerated industry investment.

What is your take on the global outlook, and how does the conflict situation strengthen conversations around energy security?

We're in a very difficult, tragic phase for those affected and caught up in this situation. That said, the forces of change in the energy sector have been with us for some time; the idea of energy security, local capability, and local capacity have been on the increase over the last few years.

“ The idea of energy security, local capability, and local capacity has been on the increase over the last few years. ”

Peter Parry
Chairman of Global Energy and
Natural Resources at Bain & Company



Thought leadership

We exited 2025 with most energy producers, certainly oil and gas producers, looking at how they continue to expand production and continue to develop their resource base, and also to look again for the next generation of assets. Whilst we have, at a global level perhaps, resource abundance, in many local situations we have scarcity. That imbalance has been accentuated by recent events.

Where we are as well is looking at an industry that has managed its capital expenditures carefully to step up. It steps up when there is a strong price signal to do so; it can step up when technology and efficiency enable the next phase of industry development. We're in a phase in Q1 as we enter Q2 2026, during which those investment plans will be carefully reviewed. And whether we have a sufficiently strong price signal, for long enough, to enable that kind of investment.

As we exited last year in a mid-US\$60 type oil environment, plans were to grow. We'll see those pre-existing plans pushed a little harder, perhaps accelerated. The next generation of plans ... I think we're a step away from committing to those.

Given everything that's happening, do you think we will see accelerated energy addition and greater diversification?

Energy addition means we need energy from all the different sources that are possible to exploit in our local context ... that is the change we're seeing.

Whether in Europe or Asia, where demand centres lack local supply, we'll be looking to increase diversity of supply. That doesn't necessarily mean bringing in further import options; it may mean going back and re-looking at existing or older-style energy production within the region. Now, the cost

“ Whilst we have, at a global level perhaps, resource abundance, in many local situations we have scarcity. That imbalance has been accentuated by recent events. ”

of doing that to remain competitive becomes the real differentiating factor. And a lot of the burden will shift to regulators to say, “to what degree are standards, to what degree are regulations, impeding or accelerating those things?” We could all agree that today it's not the easiest regulatory environment in which to accelerate things. So, do the current circumstances and the mid-term outlook suggest we'll have to see some change there.

In the long term, how do you see policymakers adjusting to this new reality? And, from a Bain & Company perspective, what would be your advice?

The new reality is much like the old reality; it's just that the light is shining much brighter on it than before.

..... Thought leadership

What does that mean? It means economic growth; to what degree is domestic economic growth, depending on where you're from, reliant on clean, reliable and affordable energy? And the answer is everywhere that equation still works. The need to be able to source those energy products locally has increased. The intensity with which all the regulators, all governments, are looking at how to grow the economy and lean into the AI revolution, or the technology revolution, to lean back into manufacturing and advanced industries as the basis for economic growth as well, means that bright light is exposing some of the frailties of the system, notwithstanding the difficulties of the current supply network.

Long-term, we're looking for more resilience in the system. We're looking for greater capacity to switch between one source and another, rather more seamlessly. Does that mean more of a role for nuclear and natural gas as base load? I think it certainly does. And, from a Bain & Company perspective, we will be looking at a future that includes those component parts.

AI and data centres are taking the industry forward, but are also huge energy consumers. How do you see that duality playing out, given the circumstances and the demand?

One of the interesting things about spending time [at energy conferences] is that you see both the suppliers of energy and the users, including the big hyperscalers. Listening to those conversations is interesting because I don't think there's a single answer to that.

But we see those commercial players actually getting into much closer collaboration. That is the energy producers, the utility companies, and the hyperscalers saying, 'We need to work together to

“ Longer term, we're looking for more resilience in the system ... greater capacity to switch between one source and another, rather more seamlessly. Does that mean a greater role for nuclear and natural gas as baseload? I think it certainly does. ”

find solutions that may satisfy our requirements going forward'. AI is a big energy consumer, and whatever comes next.

Also, by doing that, they're going to be creating energy infrastructure with a broader prospective use as well. That could be part of the renaissance of some of the industrial footprint I mentioned, as well as other applications.

The final thing to say on this is that, by doing it in a responsible, sustainable way, it hasn't left the conversation. But doing it in an economic and practical way is more pronounced. ■

Powering the future: why energy security is now national security

Executive summary

In an era defined by energy addition and as the recent Middle East conflict demonstrates, energy security is no longer a localised concern but the cornerstone of national sovereignty. For the Gulf countries, this evolution is particularly acute. They occupy a central position in global energy systems as both major producers and exporters of oil and gas, and as significant consumers who rely heavily on these resources to meet rapidly growing domestic energy demand. In this context, energy security is not defined by independence, but by the ability to ensure continuous, reliable, and stable energy flows that sustain both national stability and global markets.

This dual role – as both an energy supplier to global markets and a consumer meeting domestic needs – means that energy security in the Gulf is closely linked to system stability. As a result, disruptions to energy supply can rapidly cascade across critical services such as electricity generation, water desalination, cooling, and industrial activity, making uninterrupted energy flows essential for both economic and social resilience.

In response to rising demand and structural constraints, Gulf countries such as the UAE and the Kingdom of Saudi Arabia are pursuing an energy addition strategy. Rather than replacing hydrocarbons, this approach expands the overall energy system by integrating renewables, nuclear, hydrogen, and carbon management alongside continued investment in oil and gas.

This enables the region to meet growing domestic demand while maintaining export capacity and supporting global energy security. Overall, energy security around the world today is being redefined as a strategy of system stability, achieved through energy addition rather than substitution.

“ Modern economies rely on continuous access to energy and industrial feedstock to sustain essential services, manufacturing, transportation, and digital systems. Interruptions can quickly cascade through their economies, triggering inflation, slowing economic growth, and undermining social stability. ”

Gulf countries as a central energy node

The Gulf countries are home to more than 20% of global oil, 40% of gas reserves and facilities, and 25% of worldwide energy trade. This positions the region as a central node in global energy systems. Oil and gas remain foundational to their energy systems and economies, underpinning electricity generation, desalination, cooling, and industrial feedstock use, while generating substantial export revenues through the daily trade of millions of barrels of oil and large volumes of gas.

This dual role creates a structural interdependence between global energy markets and domestic systems. The same flow that sustains global trade is also critical for meeting rapidly growing domestic demand.

Energy security as system stability and national security

In the context of the Gulf countries, energy security extends beyond supply reliability and price stability to encompass the functioning of entire economic and social systems. Modern economies rely on continuous access to energy and industrial feedstock to sustain essential services, manufacturing, transportation, and digital systems. Interruptions can quickly cascade through their economies, triggering inflation, slowing economic growth and undermining social stability. In that sense, major energy disruptions increasingly resemble systemic shocks comparable to financial crises or large-scale cyberattacks.

These risks are particularly acute for Gulf countries. Oil and gas form the backbone of energy resilience, accounting for around 92% of the region's power generation, the highest fuel dependence globally. Any disruption thus threatens electricity production, water supply, and industrial activity. Oil and gas also dominate the final energy consumption across transport and industry (figure below). Natural

The hub of global energy

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20%

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40%

of gas reserves and facilities

25%

of global energy trade, positioning the region as a central node in the global energy system.

gas accounts for the largest share in most of their economies, while oil is particularly prominent in Saudi Arabia due to its use as a transport fuel and as an industrial feedstock, particularly for petrochemicals. Electricity represents another significant share of final energy demand and is itself largely generated from oil and gas.

Market outlook

This structural dependence on oil and gas means that energy systems function as critical infrastructure underpinning economic stability, fiscal revenues, and the delivery of essential services. Any disruption to fuel supply or energy infrastructure, therefore, directly affects broader economic performance. In this context, energy security increasingly functions as a core pillar of system stability.

Strategic geography and energy flow management

The energy security strategies of Gulf countries are shaped by their geography and resource endowments. Unlike major consuming countries, Gulf countries operate within a global energy system as large-scale producers and exporters, located at the centre of key transit corridors.

This structural role gives rise to a distinct strategic outlook which is built on reliability rather than independence. The goal of Gulf countries is not to insulate themselves from global markets but to preserve open, predictable, and well-functioning energy flows on which both Gulf countries' national prosperity and global economic stability depend.

Geographic proximity to strategic chokepoints such as the Strait of Hormuz only reinforces this dynamic. Roughly 20 mbd, or nearly one-fifth of global oil consumption, and more than 25% of all seaborne oil trade, pass through this 33 km-wide passage daily, underscoring its centrality to global energy flows. Major Asian economies remain particularly exposed, with China alone accounting for nearly 38% of this flow, while India, South Korea and Japan together take another large share.

Although alternative pipelines can reroute approximately 3.5–5.5 mbd, they remain insufficient relative to total volumes, leaving global energy systems structurally dependent on this corridor. As a result, disruptions cannot be easily absorbed or redirected. Even short-term interruptions would have systemic consequences, halving UAE oil and gas output, triggering global

Strait of Hormuz: the key to global energy flows

20 mbd

or nearly one-fifth of global oil consumption

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38%

of this flow

price spikes and potentially taking six months for markets to recover. Recent tensions have already pushed crude prices up by roughly 40%, with Brent approaching at one point US\$120 a barrel as investors raised concerns over supply shortages.

In line with equating energy security and national sovereignty, the UAE

Market outlook

leadership frames reliable energy supply as a global public good; consequently, weaponising energy transit routes is viewed as destabilising not only for national economies but also for the global market. This marks an important shift, where energy infrastructure is no longer perceived as neutral commercial infrastructure but as a strategic lifeline, with global implications.

Energy addition and demand-led electricity expansion

In addition to domestic energy needs, Gulf economies depend on stable global demand to sustain investment, fiscal stability and long-term development. In this context, energy stability supports producers and consumers by reducing economic volatility and maintaining predictable conditions for investment, production, and economic planning. Governments prioritise system stability above all by ensuring supply continuity during crises, maintaining spare production capacity and transit routes and investing across diverse energy technologies, all while viewing abrupt supply contractions as risks to both economic and climate objectives. In response to rising global demand and structural supply constraints, the concept of energy addition has emerged as a defining energy strategy in several countries. Rather than framing the transition as a zero-sum replacement of oil and gas by renewables, it seeks to expand the total energy system to incorporate multiple energy sources in order to meet growing demand, driven by population expansion, industrialisation, and digitalisation, while progressively lowering emissions intensity. This strategy builds on three pillars. First, to maintain investment in conventional energy, continued oil and gas development prevents supply gaps and stabilises markets during the transition period. Second, to accelerate low-carbon energy deployment, Gulf countries are investing heavily in solar, nuclear, and hydrogen technologies, as well as carbon management technologies, to diversify their energy portfolios.

The crude impact

60%

rise in March crude prices due to the Middle East conflict

Close to

\$120

per barrel price recorded for Brent in March, as investors raised concerns over supply shortages.

** Data valid as of March 2026*

And the third, to integrate flexibility and storage technologies, gas, storage, and carbon capture support grid balancing, manage intermittency and enable industrial decarbonisation, particularly in hard-to-abate sectors. This is important, as these interdependencies are set to intensify.

Market outlook

The IEA projects that electricity demand in the Gulf countries will increase by 45-60% by 2035, equivalent to Germany and Spain's combined current consumption, driven by cooling needs, desalination, hydrogen production, and the expansion of AI data centres. In this context, large-scale projects across countries, such as Saudi Arabia's NEOM hydrogen-ammonia production, illustrate how rising electricity demand is linked not only to domestic consumption but also to emerging global industrial and export-oriented value chains.

Diversity of production

Electricity production in the Gulf countries is becoming more diverse without abandoning its existing foundations. In the projected 2035 electricity mix, natural gas remains a backbone of system reliability. Shares of solar PV, wind, and nuclear rise sharply across the board.

In Saudi Arabia, large-scale solar and wind deployment is expected to expand rapidly as part of efforts to meet rising electricity demand while preserving oil for export. In the UAE, the electricity mix is becoming increasingly diversified, with substantial solar expansion and the inclusion of nuclear power from the Barakah Nuclear Energy Plant providing stable, low-carbon baseload generation. Oman is similarly accelerating its renewable energy deployment, with solar and wind expected to play a growing role in meeting national targets and supporting a transition toward a more balanced energy system. In Qatar, diversification is more gradual but ongoing, with solar capacity contributing a small but increasing share of electricity generation within a system that remains largely centred on natural gas.

This shift reflects energy addition, not replacement: expanding total capacity to meet rising demand from industrialisation, urbanisation, and digital growth, while cutting emissions. The result is a more flexible, resilient power system – one that secures reliability and competitiveness as the countries in the Gulf navigate the global energy transition.

Coping with rising energy demand

45-60%

Rise in electricity demand across the Gulf countries by 2035, equivalent to Germany and Spain's combined current consumption, driven by cooling needs, desalination, hydrogen production, and the expansion of AI data centres.

Sources and acknowledgments:

ADNOC; Carnegie Endowment for International Peace;

GIS Report; IEA; NGHC; OECD

* All data and information in this report is valid as of 5 April 2026.

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