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In conversation with

The Return of Energy Geopolitics. From Oil Shocks to Electrification: Rethinking Energy Security in a Volatile World

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How should we interpret the current tensions in the Middle East from an energy perspective?

Pierre Abadie: The starting point is to go back to fundamentals. Energy security is not a policy discussion; it is a physical system constraint defined by geography, infrastructure and time**.** The global energy system is highly concentrated. Around 20 million barrels per day, or roughly one fifth of global oil supply, transits through the Strait of Hormuz, alongside a comparable share of global LNG flows[1]. But focusing only on the Strait is reductive.

The deeper issue is that a large part of global oil and gas production and processing capacity is located in the same region. Four out of the world's five largest legacy oil fields are in the Gulf[2], and bypass capacity is limited. This creates a dual vulnerability: not only can flows be disrupted, but industrial assets themselves can be impaired. If a major facility is damaged—for example a large LNG complex like QatarEnergy's Ras Laffan LNG plant which was targeted on the 18th of March 2026, the system does not recover in months; it will take up to five years to restore its capacity[3]. That transforms a short-term disruption into a structural supply constraint.

What are the short-term versus long-term implications of such a disruption?

PA: In the short term, the system has buffers. Strategic stocks represent several months of oil imports in OECD countries[4]. Some spare capacity exists, and flows can be partially rerouted. From a strict security-of-supply standpoint, the system holds. However, prices react immediately, and markets become a real-time reflection of geopolitical risk. Oil does not need to disappear for the economy to be affected. It only needs to become volatile and uncertain. That is what we are seeing: a daily repricing of risk.

If the situation persists, the nature of the constraint changes. The system cannot replace large-scale disruptions quickly. Around 10 million barrels per day, or roughly 10% of global supply, could become effectively unavailable if flows or infrastructure are impaired in a sustained way[5].

At that scale, prices would be expected to move structurally higher. At $100 per barrel, the additional cost to the global economy is in the order of $1 trillion per year, equivalent to around 1% of global GDP[6]. That feeds directly into inflation, industrial margins and macroeconomic stability.

How exposed are the major economies to this type of shock?

PA: Exposure varies, but in our view the order of magnitude is large for all major economies.

China imports around 11 to 12 million barrels per day, making it the largest oil importer globally. Roughly half of those flows are linked to the Middle East. At oil prices around $100, its annual oil bill rises to roughly $600 billion, or more than 3% of GDP[7].

Europe is structurally import-dependent. Oil import dependency is close to 97%[8], and total energy imports exceed €400 billion per year, around 2% of GDP[9]. Even after diversifying away from Russian energy, energy import dependency has not disappeared; it has shifted toward global LNG markets.

The United States produces large volumes of oil and gas and is a net exporter, which provides a degree of sovereignty. However, oil remains globally priced. At higher price levels, the US energy bill still rises to around $700–750 billion, or approximately 2.5% of GDP[10], feeding into inflation of a population that is still using a lot of gasoline.

The key point is that while physical exposure differs, affecting energy sovereignty and potentially energy security, price exposure is global and unavoidable.

[1] International Energy Agency (IEA), 2026, *Strait of Hormuz Factsheet.*
[2] Robelius, F. 2007. *Giant oil fields - the highway to oil. Giant oil fields and their importance for future oil production.*
[3] QatarEnergy, 2026, *H.E. Minister Saad Sherida Al-Kaabi: The missile attacks reduced Qatar's LNG export capacity by 17% and caused an estimated loss of $20 billion in annual revenue.*
[4] IEA, 2026, Oil Stocks of IEA Countries.

Does this crisis fundamentally change the trajectory of the energy transition?

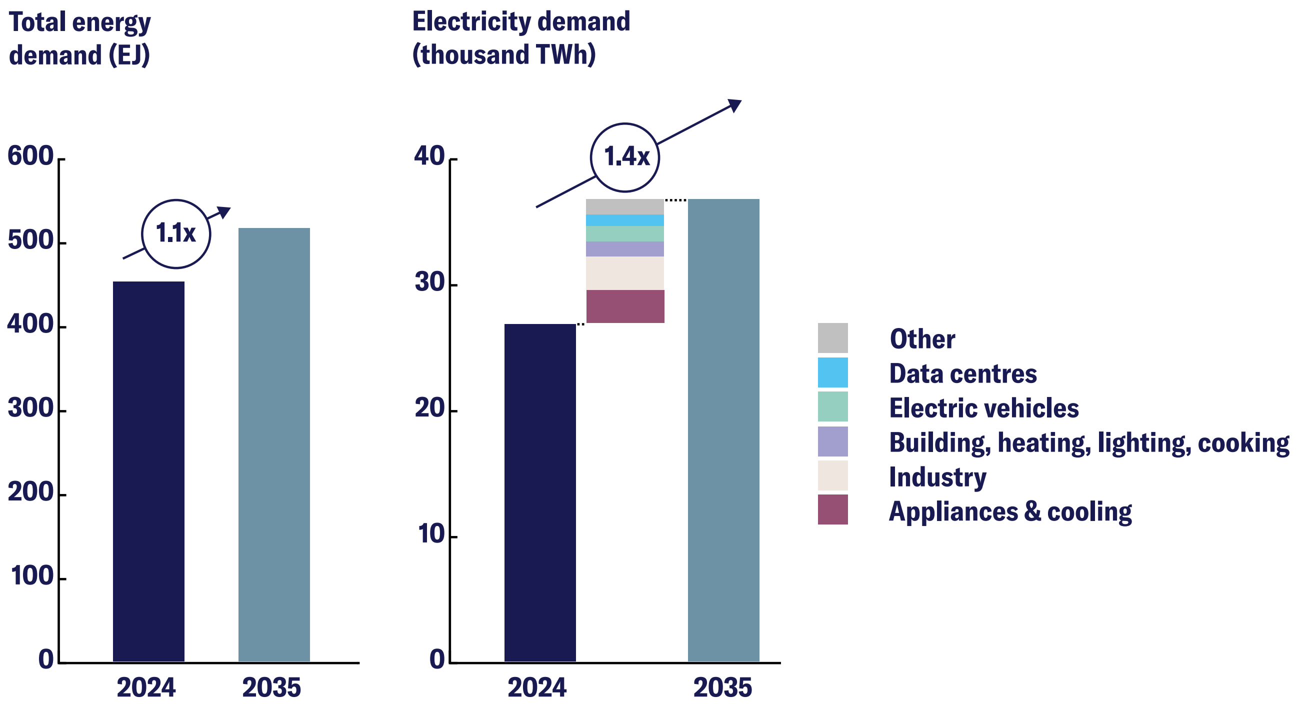
Lindee Wong: It does not change the direction. It accelerates an existing structural shift that is already underway since more than a decade. This transition—from an economic system fuelled by molecules to one powered by electrons—is fundamentally demand-driven. Despite all the noise, it is not primarily the result of policy or ideology. It is driven by the fact that electricity is becoming the dominant input for growth across multiple sectors.

The scale of the growing demand illustrates this clearly. Global incremental electricity demand increased from around 2,000 terawatt-hours between 2015 and 2020 to approximately 4,500 terawatt-hours between 2020 and 2025. Over the next five years, it is expected to exceed 5,000 terawatt-hours. That means the world would effectively adding the equivalent of an entire US-sized power system to the global grid by the end of the decade[11]. The International Energy Agency (IEA) expects that over the next ten years, total energy demand will grow by around 10%, while electricity demand grows by roughly 40%[12].

> **It accelerates an existing structural shift that is already underway since more than a decade. This transition—from an economic system fuelled by molecules to one powered by electrons—is fundamentally demand-driven.**

This is not a marginal shift – it is an overall rebalancing of the energy system toward electricity and supply is not leading this transition – it is following demand.

Evolution of total energy demand and electricity demand over 2024 to 2035 and breakdown of growth drivers[13]



What is driving this surge in electricity demand?

LW: The increase in electricity demand is driven by several structural systems that are expanding simultaneously.

Cooling is becoming a major driver. As global temperatures rise and urbanization accelerates, demand for air conditioning and refrigeration is increasing rapidly. This is not marginal demand. It is becoming a core component of electricity systems, particularly because it drives peak consumption[14]. In many regions, the need to meet cooling demand defines the required capacity of the grid.

Transport is also undergoing a systemic shift. Electrification is extending beyond private vehicles to public transport systems, rail networks and logistics fleets. This represents a large-scale transfer of energy consumption from oil to electricity. Given that transport accounts for about 30% of final energy consumption globally[15], this shift alone creates substantial incremental electricity demand.

Digital infrastructure adds another layer. Data centres are scaling rapidly and operate as continuous, high-load consumers of electricity. Their importance is not only their total consumption, but their marginal impact on infrastructure. They require reliable, high-capacity power in concentrated locations, driving new investment in generation and grid systems.

Finally, industry is progressively electrifying. This is less visible, but more pervasive. Electrification of processes, heat and production systems embeds electricity across the industrial base. This trend affects a large share of economic activity and creates sustained, structural demand.

What is critical is that these drivers are not cyclical. They are structural, large in scale and reinforce each other. This is why the transition is demand-led.

Why does electrification improve energy security?

PA: Electrification improves energy security because it changes the structure of the system. Fossil fuels are globally traded, geographically concentrated and dependent on transportation infrastructure. This creates exposure to geopolitical risk and price volatility.

Electric systems are more local. Once generation capacity is installed, particularly with renewables or nuclear, the system relies much less on imported fuels. This reduces exposure to external shocks.

There is also a strong efficiency effect. Electrified systems require less energy input for the same output. Heat pumps deliver three to four times more useful energy than gas systems. Electric vehicles are two to four times more efficient than combustion engines[16]. At system level, this reduces total energy demand and therefore reduces dependency.

Importantly, electrotech solutions are now cost-competitive and deployed at scale. Solar and wind are among the lowest-cost sources of new electricity generation in most geographies[17]. Batteries and electric mobility have seen rapid cost reductions and industrial scaling. This is no longer an emerging solution set. It is already the cheapest and fastest to deploy in many contexts.

This is why supply follows demand. The economics are already aligned.

> **Once generation capacity is installed, particularly with renewables or nuclear, the system relies much less on imported fuels. This reduces exposure to external shocks.**

[5] TotalEnergies CEO interview, CGTN, 22 March 2026: https://news.cgtn.com/news/2026-03-22/VHJhbnNjcmlwdDg5NzQ3/index.html
[6] Tikehau Capital analysis based on IEA, 2025, *Oil and 2024 GDP from World Bank, GDP (current US$)*.
[7] Tikehau Capital analysis based on IEA, 2025, *Oil and 2024 GDP from World Bank, GDP (current US$)*.
[8] Eurostat, 2026, *Energy imports dependency*.
[9] European Commission, *Energy prices and costs in Europe*.
[10] Tikehau Capital analysis based on IEA, 2025, *Oil and 2024 GDP from World Bank, GDP (current US$)*.

What are the implications for Europe?

PA: Europe must be understood as a system with low sovereignty, moderate security and high price exposure, combined with increasing electricity demand.

On sovereignty, Europe has limited domestic fossil resources. Fossil fuels still account for around 70% of its energy system[18], and import dependency exceeds 50% overall, with oil close to 97%[19]. On security of supply, diversification has improved since the Ukraine crisis, but exposure remains. Europe is now more dependent on global LNG markets and maritime routes, which introduces different but still significant risks. On price, the exposure is direct and large. Energy imports exceed €400 billion annually, representing around 2% of GDP[20], creating a strong link between global prices and domestic economic conditions.

At the same time, electricity demand is expected to increase by around 300 terawatt-hours between 2025 and 2030[21], driven primarily by transport electrification and heating. The conclusion is structural. Europe's path to sovereignty is through electrification and domestic power generation, not through further fossil diversification.

How does China's position differ?

LW: China combines high external exposure with strong internal capability. It imports around 11–12 million barrels per day of oil and is exposed to Middle Eastern supply routes[22]. This creates a clear vulnerability in terms of supply and price.

However, China has built a dominant position in the industrial base of electrification. It produces more than half of global solar modules, batteries and wind turbines, and around 70% of electric vehicles[23].

Electricity demand growth is also on a different scale. China is expected to add around 2,600 terawatt-hours of electricity demand between 2025 and 2030, which is comparable to the current total consumption of Europe[24].

This creates a different pathway to sovereignty. China can reduce its dependence on imported fuels by accelerating electrification using its domestic manufacturing base.

What about the United States?

PA: The United States has a higher degree of energy sovereignty due to its domestic oil and gas production. This reduces exposure to physical supply disruptions.

However, it does not eliminate price exposure, as oil is globally priced and directly affects inflation.

The key shift in the US is on the demand side. Electricity demand is expected to increase by more than 400 terawatt-hours between 2025 and 2030, driven by data centres, cooling and industrial activity[25]. The constraint is therefore not fuel availability, but infrastructure. The challenge is the ability to deploy generation capacity, transmission networks and grid infrastructure at scale and at speed.

> **Europe's path to sovereignty is through electrification and domestic power generation, not through further fossil diversification.**

What does this mean for investors?

PA: In our view, the investment implications follow directly from demand dynamics. Our belief is that the transition is demand-driven, with electrification as the system response, leading to a sustained wave of capital expenditure.

The scale is already visible. Globally, more than $2 trillion per year is invested in electrification, and this is twice more than 10 years ago and twice more than the fossil fuel global investment. Europe and the United States each invest around $400 billion annually in electrification, and China is already deploying more than $600 billion annually[26].

This capital is deployed locally, across generation, grids, storage, industrial retrofits, cooling systems and electrified infrastructure. It reflects a structural shift toward a more localized and electricity-based energy system. Part of this capital is owned by infrastructure investors, public entities, utilities and corporates. They own and operate the assets.

At the same time, this capex becomes the revenue base of the companies implementing the transition. Engineering companies design and structure the systems. Business services companies install and operate them. Manufacturers provide the critical equipment. These companies are typically asset-light relative to infrastructure ownership but directly exposed to the growth in capex.

This creates a specific investment opportunity. Exposure to structural growth driven by demand, without the long-duration capital intensity of infrastructure assets.

At Tikehau Capital, this has been our approach for more than a decade. We have raised close to €4 billion, deployed more than €3 billion, and invested in 24 companies across electrification, efficiency and low-carbon power as of 31 December 2025. We believe the transition is not only about building and owning assets, but also about enabling the ecosystem that builds them.

> **This creates a specific investment opportunity. Exposure to structural growth driven by demand, without the long-duration capital intensity of infrastructure assets.**

[11] IEA, 2026, *Electricity 2026*.
[12] IEA, World Energy Outlook 2025.
[13] IEA, 2025, World Energy Outlook 2025. 2035 figures represent the average of current and stated policies scenarios, as their differences are minimal.
[14] IEA, 2026, Electricity 2026.
[15] IEA, 2025, World Energy Outlook 2025.
[16] Rocky Mountain Institute, 2024, *The Incredible Inefficiency of the Fossil Energy System*.
[17] IRENA, 2025, *Renewable power generation costs in 2024*.
[18] Eurostat, 2025, *Energy statistics* – an overview

[19] Eurostat, 2026, *Energy imports dependency*.
[20] European Commission, *Energy prices and costs in Europe*.
[21] IEA, 2026, *Electricity 2026.* [22] U.S. Energy Information Administration, 2025, *China's crude oil imports decreased from a record as refinery activity slowed* s and IEA, 2026, *Strait of Hormuz Factsheet.*
[23] IEA, 2025, *Global Critical Minerals Outlook* and IEA, 2025, *Global EV Outlook 2025.*
[24] IEA, 2026, *Electricity 2026.*
[25] IEA, 2026, *Electricity 2026.*
[26] IEA, 2025, *World Energy Investment 2025.*

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