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Energy strategy across the Arabian Sea and Indian Ocean

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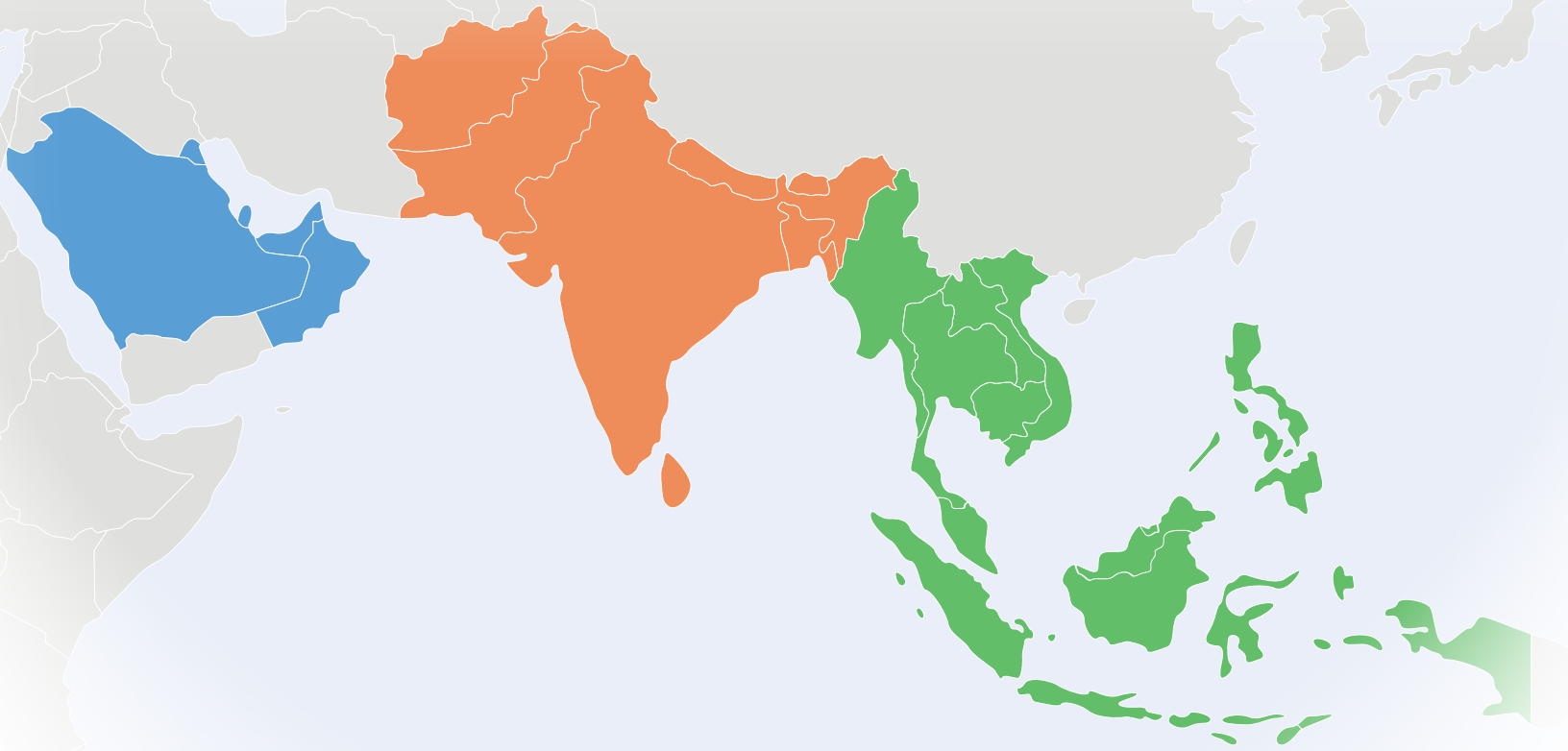


The Atlantic Council Global Energy Center develops and promotes pragmatic and nonpartisan policy solutions designed to advance global energy security, enhance economic opportunity, and accelerate pathways to net-zero emissions.

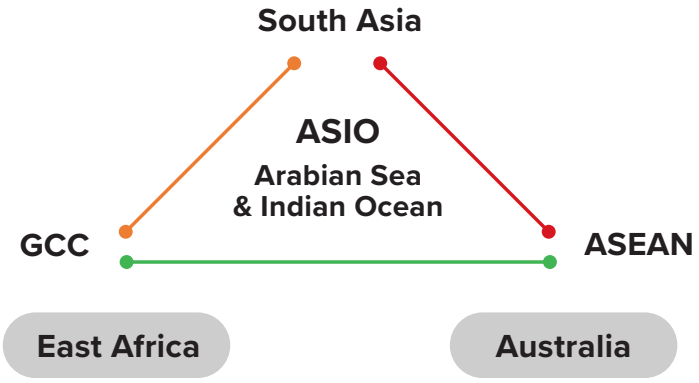
INTRODUCTION

The Arabian Sea and Indian Ocean (ASIO) megaregion has long occupied a pivotal position in the global energy landscape, both as a key transit route and as home to some of the greatest energy suppliers and consumers worldwide. Its importance is set to grow with the energy transition and with a shifting geopolitical order. Over this decade, existing oil and gas relationships and rapid Asian economic growth will be accompanied by increased trade in electricity and cleaner fuels (like hydrogen), and by cross-border investments in key energy technologies from storage to advanced grids and end-use electrification. This sprawling region—encompassing the Gulf Cooperation Council (GCC) states, South Asia and the Association of Southeast Asian Nations (ASEAN), as well as East Africa and, further afield, Australia—stands at the intersection of critical energy dynamics that influence global security, trade, and sustainability efforts.

Energy cooperation within the ASIO mega-region is a linchpin of economic and geopolitical stability. The GCC, with vast hydrocarbon reserves and increasing investments in renewable energy, serves as a cornerstone of energy supply for South and Southeast Asia—two of the world's fastest-growing regions with already over 2.5 billion people. At the same time, the ASIO region's energy relationships transcend supply and demand dynamics. Decarbonizing energy systems, securing critical trade routes, and addressing energy poverty, all imply a growing degree of regional and interregional strategic collaboration. Countries across the region are looking to integrate clean energy solutions in ways that support economic growth, greater access, and rising demand while safeguarding affordability. Those priorities are key to economic development in a world marked by digitalization, deglobalization, and new strategic competition.

The energy landscape of the ASIO region is also a key component of broader, global geopolitical and strategic change. Critical maritime chokepoints, such as the Strait of Hormuz, the Strait of Malacca, and the Bab el Mandeb, link energy trade routes with regional and international security considerations. Global powers including China and the United States

Figure 1. The Arabian Sea and Indian Ocean (ASIO) megaregion



Source: Author's concept

actively shape the region's energy and political dynamics, creating both opportunities for collaboration and risks of competition. And yet many countries in the region seek to remain outside any global strategic rivalry.

In recent years, the role of Western powers (and particularly the United States) has come under scrutiny amid shifts in political priorities and regional perceptions. The 2024 US presidential election has heightened concerns about the consistency of American foreign policy, and raised questions among ASIO nations about how to navigate their relationships with Washington under a returning Trump administration.[1] There should be—and indeed there remains—a strong case for constructive engagement with both Washington and Western institutions, given their ability to provide financing, technical expertise, and strategic stability. Yet the emerging geopolitical landscape, which according to the Eurasia Group will be marked by a return to "the law of the jungle" and heightened US-China rivalry, will incentivize many countries within the ASIO region to avoid dependence and seek ties outside the transactional demands of that dichotomy.[2]

The Trump administration, and American strategists who view the ASIO region as a contested space vis-à-vis Beijing, should still make the case. Coercive tactics alone will not work. History shows that the most successful outside powers in this region secured influence not through force alone, but by offering a deal that was beneficial for the right local actors. Even during colonial periods, sheer dominance was never enough to control the diverse, independent, and strategically adept nations along the Indian Ocean. Today, it would be a miscalculation to assume that ASIO countries are permanently dependent on US economic ecosystems or leadership, and attempt to leverage that perceived dependence through tariffs, threats, or financing cuts to extract military or political allegiance. Concessions would be tenuous; such an approach would alienate potential partners and accelerate their search for alternatives outside the US-China dichotomy. If Washington wants to remain the partner of choice, it should instead persuade them by offering an economic, security, and strategic framework that aligns with the region's aspirations, rather than demanding accommodation of American priorities.

That is not to say that regional powers of the ASIO region do not have ample opportunity to benefit in the new world of hypertransactional American foreign policy. India is clearly an attractive partner for a particular wing of Trump's foreign policy leadership, and its adversarial focus on China aligns with India's own bid for regional leadership. Saudi Arabia's longstanding relationship with Trump himself, the prospect of bilateral partnership in energy and digital products, and the Saudi role in Trump's vision of Middle East peace, all present near-term opportunities. Yet the transactional nature of those partnerships also suggests the need for diversification, and for growing alternative value chains within the greater ASIO region.

With heightened concerns about Chinese ambitions, and with a less dependable and more protectionist American partner, many ASIO countries are in a mood to balance.[3] Southeast Asian countries have experience maneuvering between Washington and Beijing, which has sometimes complicated unity within ASEAN. However geopolitical change and the need for energy are now driving deeper cooperation within the bloc and prompting outreach to second-tier powers. Complementary economic assets in the GCC, South Asia, and Southeast Asia imply growing value in regional trade and interaction, and present viable alternatives to American, European, or Chinese value chains. That is driving significant progress in cross-border electricity trade, renewable energy integration, and green technology investment. At the same time, policy misalignments, regulatory barriers, and infrastructure gaps can hinder deeper energy cooperation.

This briefing memo explores the energy relationships that define the ASIO mega-region, focusing on three key interregional dynamics: GCC-South Asia, GCC-Southeast Asia, and South Asia-Southeast Asia. It also examines the broader regional issues shared by all ASIO countries, as well as the roles of East Africa and Australia within this vast energy ecosystem. While the primary focus remains on the ASIO region's internal dynamics, the memo also situates this discussion within the context of broader global partnerships, particularly with the United States and Western allies.

By fostering strategic dialogue and addressing shared challenges, stakeholders can advance a sustainable and resilient energy future for this vital region. Interested parties include financing institutions and developers seeking bankable deals and opportunities to accelerate the energy transition, as well as political leaders and experts seeking to advance policy alignment on energy and sustainability amid geopolitical turbulence.

1. Derek Grossman, "Trump 2.0 Could Give China a Headache in Southeast Asia," RAND, November 23, 2024, https://www.rand.org/pubs/commentary/2024/11/trump-20-could-give-china-a-headache-in-southeast-asia.html?utm_source=chatgpt.com.
2. "Eurasia Group publishes 'Top Risks' predictions for 2025: 'The G-Zero world has officially arrived'," Eurasia Group, January 6, 2025, https://www.eurasiagroup.net/media/eurasia-group-publishes-top-risks-predictions-for-2025-the-g-zero-world-has-officially-arrived.
3. Pakistan is a notable exception.

The Global Energy Center's Arabian Sea and Indian Ocean (ASIO) project enables a new energy future

Divergent agendas within the Indian Ocean region have complicated past efforts to treat it as one cohesive analytical space. The time is ripe for a new approach. Shifting geopolitics, converging economic trends, and transformative technologies are drawing GCC countries, South Asia, and ASEAN members into closer alignment. This ASIO megaregion is now the world's most dynamic growth zone, charting its own course outside the direct orbit of increasingly fractured global powers.

The Atlantic Council Global Energy Center is meeting the moment. It aims to support policy dialogues and coordination among public and private stakeholders to enable secure, sustainable, and affordable energy transitions. As the region rises, so does the need for bold, cooperative leadership to shape its energy future.

BILATERAL AND INTERREGIONAL ENERGY RELATIONSHIPS

The ASIO megaregion is characterized by diverse but deeply interconnected energy relationships. Each bilateral and interregional dynamic reflects unique historical, economic, and strategic drivers, underscoring the complexity of cooperation across this vast area. This section explores the primary energy relationships between the GCC states, South Asia, Southeast Asia, and East Africa and Australia on the periphery.

GCC-South Asia: An evolving partnership

The energy relationship between the GCC and South Asia is one of the oldest and most significant within the ASIO region. Historically anchored in the hydrocarbon trade, the relationship has deepened with the rebalancing of Gulf oil exports in recent years from Western markets toward an emerging Asia. But it has expanded especially fast in the past five years to include investments in energy infrastructure, renewable energy, and strategic collaborations

Fossil fuel flows. Fossil fuel flowing east still dominates the relationship. India, the region's largest energy consumer and the third largest globally,[4] sources over a quarter of its oil imports and a significant portion of its liquefied natural gas (LNG) from GCC countries like Saudi Arabia, the United Arab Emirates, and Qatar.[5] In 2022, Aramco exported approximately 770,000 barrels per day to India (almost one-fifth of India's total imports), and in 2023 Qatar supplied 50 percent of India's LNG imports valued at about $6.5 billion (helping to shift demand from coal). Other top-five LNG importers to India that year included the UAE ($2.23 billion) and Oman ($449 million), joining the United States and Angola.[6]

Major investment interest in the Indian downstream sector over the past decade has underscored the commitment of Arab suppliers. Saudi Arabia and the UAE's ADNOC have pre-committed dozens of billions of dollars to megaprojects aiming to develop India's oil and gas products sector, notably the huge Ratnagiri refinery. While some projects have experienced setbacks (including Ratnagiri, which may be replaced with a few smaller plants), the expanding role of India as an importer of crude oil and as a consumer and exporter of petroleum products continues to attract strong interest from GCC investors. Sri Lanka and especially Pakistan also

4. Hellenic Shipping News, "India's Crude Oil Imports on the Rise During 2024," February 11, 2024, https://www.hellenicshippingnews.com/indias-crude-oil-imports-on-the-rise-during-2024/.
5. US Energy Information Administration, "Country Analysis Brief: India," February 6, 2025, https://www.eia.gov/international/content/analysis/countries_long/India/pdf/India.pdf.
6. Data from the Observatory of Economic Complexity, https://oec.world/en/profile/bilateral-product/natural-gas-liquefied/reporter/ind.

rely heavily on GCC-sourced hydrocarbons to meet their oil import requirements, and Qatar is the dominant supplier of LNG to Bangladesh and Pakistan.[7]

While oil and gas demand from South Asia will continue to represent a key market for GCC exporters, importers will nevertheless seek to avoid overreliance: both sides are keen to ramp up business in cleaner and more secure energy technologies.

Clean energy investments. In their bid to lead and take advantage of the global shift toward decarbonization, GCC states are increasingly investing in South Asian renewable energy. The UAE's Masdar[8] has launched solar and wind projects in India, including a 500 megawatt (MW) project with Solar Energy Corporation, contributing to India's 280 gigawatt (GW) target by 2030, and also sought stakes in Indian clean energy companies (including ReNew Power in December 2024 and Hygenco in January 2025). Additionally, the Saudi Public Investment Fund (PIF) has expressed interest in funding clean hydrogen and ammonia projects for South Asian markets. India has put major emphasis on growing its clean hydrogen sector, including discussions with PIF to co-develop facilities contributing to 5 million tons of annual production by 2035.[9]

Investment flows are not totally unidirectional, either for traditional or for clean energy projects. Indian interests have invested into petroleum refining and renewable energy in Oman, a country with ancient trade links to the sub-continent, and one which is focusing on green hydrogen for export. Moreover, companies like ONGC Videsh and Indian Oil Corporation have stakes in oil and gas projects across various GCC countries.[10]

Strategic agreements. Warming strategic interests across the Arabian Sea in the context of deglobalization underpin expanding economic ties. In December 2024 India and the UAE held their fourth Strategic Dialogue since signing a Comprehensive Strategic Partnership Agreement in 2017. Over that period the UAE became the first country to supply oil to India's strategic reserves; UAE sovereign wealth funds like Mubadala and ADIA increased their stakes in Indian renewable energy projects; and India signed its first Comprehensive Economic Partnership Agreement (CEPA) with a Middle East country. The 2024 dialogue highlighted cooperation on nuclear, renewable energy, critical minerals, and green hydrogen, alongside critical maritime security and counterterrorism cooperation.[11] Saudi Arabia's regional strategy sees India as part of its "greater region" and a strategic partner since 2020, and in 2021 New Delhi signed major agreements on strategic cooperation with Oman and on trade and investment with Qatar. GCC countries have also grown closer to Bangladesh and Sri Lanka since 2022, especially in response to political and energy crises in both countries. In April 2025, the UAE and India signed a tripartite memorandum of understanding (MoU) with Sri Lanka to develop Trincomalee port into a regional energy hub—a move viewed in response to Sinopec's planned refinery in the south,[12] as Sri Lanka's energy sector becomes what intelligence analyst Rushali Saha calls "a political battlefield for external powers."[13]

Challenges to deepening energy trade. Expanded energy trade and investment between the GCC and South Asia face ongoing challenges regarding infrastructure, politics, and finance.

Limited pipeline connectivity and LNG terminal capacity in South Asia constrain the flow of gas.[14] India's 65 billion cubic meters (bcm) per year of operational LNG regasification capacity is expanding to keep up with demand for imported

7. International Group of Liquefied Natural Gas Importers, "Qatar Petroleum will supply LNG to Pakistan, Bangladesh, and China," March 22, 2021, https://giignl.org/qatar-petroleum-will-supply-lng-to-pakistan-bangladesh-and-china/.
8. Masdar (Abu Dhabi Future Energy Company) is a UAE-based renewable energy company owned by Mubadala Investment Company, Abu Dhabi National Oil Company (ADNOC), and TAQA (Abu Dhabi National Energy Company). It was founded in 2006 as part of Abu Dhabi's broader efforts to diversify its economy and become a global leader in clean energy and sustainability.
9. Fuel Cells Work, "India, Saudi Arabia Exploring Collaboration in Fintech, Clean Hydrogen," November 1, 2024, https://fuelcellsworks.com/2024/11/01/h2/india-saudi-arabia-exploring-collaboration-in-fintech-clean-hydrogen.
10. D Dhanuraj and Gazi Hassan, "Post-Trump: Why India-GCC Ties Are a Key Factor, Center for Public Policy Research," January 23, 2025, https://www.cppr.in/articles/post-trump-why-india-gcc-ties-are-a-key-factor.
11. Government of India, Ministry of External Affairs, "4th India-UAE Strategic Dialogue and 15th India-UAE Joint Commission Meeting," December 13, 2024, https://www.mea.gov.in/bilateral-documents.htm?dtl/38786/4th_IndiaUAE_Strategic_Dialogue_and__15th_IndiaUAE_Joint_Commission_Meeting.
12. Emirates News Agency, "UAE, India, Sri Lanka Sign Tripartite MoU to Develop Trincomalee as Regional Energy Hub," April 6, 2025, https://www.wam.ae/en/article/bj1itz6-uae-india-sri-lanka-sign-tripartite-mou-develop.
13. Rushali Saha, "Three-way Energy Policy: The India-Sri Lanka-UAE Deal in Trincomalee," *Interpreter*, April 14, 2025, https://www.lowyinstitute.org/the-interpreter/three-way-energy-play-india-sri-lanka-uae-deal-trincomalee.
14. "[Gas] Infrastructure Development, Including Pipelines and LNG Terminals, Has Not Kept Pace with Potential Demand." IEA India Gas Market Report, April 2025, 11

gas while domestic production plateaus, but utilization is constrained by insufficient connecting infrastructure.[15] In 2024 the country signed a $78 billion agreement with Qatar to extend LNG imports, and in 2025 the two leaders established a strategic partnership including major investments in energy infrastructure.[16]

Political instability in South Asia has been rife in recent years, but new governments also present opportunities for improved energy relations with GCC countries. On the back of power cuts and skyrocketing energy prices, Bangladesh experienced both a political and macroeconomic crisis in 2024, culminating in the ouster of Sheikh Hasina, a longtime prime minister, by protesters who accused her government of mismanaging energy procurement and failing to diversify. Sri Lanka has been emerging from its own protracted political and economic crisis in 2022 that exposed structural weaknesses and ushered in an austere International Monetary Fund program that uncapped energy prices. New governments in both countries see energy diversification and international cooperation as central to their recoveries.

Yet when it comes to energy transition financing and diversification, many South Asian nations struggle to attract sufficient capital to fund their renewable energy ambitions. South Asia maintains an annual financing gap of approximately $70 billion to meet its renewable energy targets, despite GCC sovereign wealth funds like Qatar Investment Authority (QIA) and Mubadala Investment Company starting to invest seriously in regional projects. Enhanced financing mechanisms, such as GCC-backed green bonds or renewable energy funds, can help to bridge that gap. The GCC itself commands access to cheap capital thanks to stable policy environments, strong asset bases, and reliable resource-backed fiscal strength.

GCC-Southeast Asia: A growing energy axis

Southeast Asia's strategic location along critical maritime routes aligns with the GCC's long-term interest in securing diversified markets. But Gulf states only started engaging in a "race across Southeast Asia" after the COVID-19 pandemic,[17] more than a decade after they started to "look east" to China and India. Between 2005 and 2008, GCC exports to ASEAN members rose modestly from $39.9 billion to $76 billion, while those to India and China jumped from $23.6 billion to $107.1 billion. Leyla Ali at the Gulf Research Center attributes the limited progress in earlier GCC-ASEAN relations to the fact that both sides traditionally prioritized their relations with the United States, Europe, and Japan, and that each region was until recently riven by internal divisions over issues in places like Yemen, Iran, Myanmar, and the South China Sea.[18] Growing rifts among the great powers compelled each region to start mending internal divisions and to look outward. Its leaders held the first GCC-ASEAN Summit in 2023, demonstrating a broad willingness to move this still-nascent interregional relationship into the spotlight.[19] The 2025 summit was hosted by Malaysian Prime Minister Anwar Ibrahim, who has shown particular enthusiasm for Gulf ties and touted a free-trade agreement between the blocs. Energy is the cornerstone of those negotiations.

Fossil fuel flows. Countries like Thailand, Indonesia, and Vietnam have become key and growing markets for GCC oil and gas, and in 2024 ASEAN countries accounted for about 10 percent of those GCC exports.[20] Oil exports from the Gulf have long been a key source of Southeast Asian energy, and new downstream investments signify more to come. In Malaysia, Saudi Aramco has invested almost $7 billion into the Refinery and Petrochemical Integrated Development (RAPID) project at Johor, representing one of the company's largest foreign investments with further expansion on the way.[21] Qatar has increased LNG shipments to Southeast Asia to meet rising gas demand, reinforcing its dominance over regional gas trade and supporting efforts to transition away from coal in countries like Vietnam, Indonesia, and Thailand. Qatargas and Qatar Energy signed long-term supply agreements with Malaysia and Thailand in 2021, Singapore in 2022, and Vietnam and Indonesia in 2023. UAE's Mubadala has

15. Akos Losz and Carole Etienne, *India Gas Market Report: Outlook to 2030*, International Energy Agency, February 2025, https://iea.blob.core.windows.net/assets/ef262e8d-239f-4cfc-8f8c-4d75ac887a0f/IndiaGasMarketReport.pdf.
16. Reuters, "Qatar Commits to Investing $10 bln in India," February 18, 2025, https://www.reuters.com/world/india/india-qatar-aim-double-trade-28-bln-five-years-2025-02-18/.
17. Timothy Bettis, "The Emerging Contours of Saudi-Emirati Competition in Southeast Asia," *Diplomat*, June 27, 2023, https://thediplomat.com/2023/06/the-emerging-contours-of-saudi-emirati-competition-in-southeast-asia/.
18. Layla Ali, "Developing Cooperation Between the GCC and ASEAN, Gulf Research Center," Commentary & Analysis, December 12, 2023, https://www.grc.net/single-commentary/128.
19. Economist Intelligence, "ASEAN-GCC Summit Deepens Trade and Climate Co-operation," October 25, 2023, https://www.eiu.com/n/asean-gcc-summit-deepens-trade-and-climate-co-operation/.
20. Alexandre Kateb, "The GCC's Multipolar Pivot: From Shifting Trade Patterns to New Financial and Diplomatic Alliances," Carnegie Endowment for Peace, Malcolm H. Kerr Carnegie Middle East Center, May 28, 2024, https://carnegieendowment.org/research/2024/05/the-gccs-multipolar-pivot-from-shifting-trade-patterns-to-new-financial-and-diplomatic-alliances?center=middle-east&lang=en.
21. Nora Mahpar, "Anwar to Meet Petronas for Talks on Saudi Aramco Project in Pengerang," Free Malaysia Today, May 7, 2024, https://www.freemalaysiatoday.com/category/nation/2024/05/07/anwar-to-meet-petronas-for-talks-on-saudi-aramco-project-in-pengerang.

also been a major regional investor and developer, strengthening its presence in Indonesia through the Ruby gas field and exploration blocks such as South Andaman (100 kilometers away from northern Sumatra), which hold potential reserves of over 170 bcm of gas.

Clean energy investments. The GCC's clean energy expertise is increasingly sought after in Southeast Asia. Collaboration in green hydrogen, solar power, and energy storage technologies is on the rise. Masdar has committed to developing up to 10 GW of renewable energy capacity in Malaysia by 2035, including ground-mounted and floating solar, onshore wind, and battery storage systems. This initiative, supported by an $8 billion investment, is a critical part of Malaysia's National Energy Transition Roadmap, aiming to achieve 70 percent renewable energy capacity and net-zero emissions by 2050. Masdar's partnership with Petronas explores renewable energy opportunities beyond Malaysia, including in Vietnam and Taiwan, targeting utility-scale solar, offshore wind, and other clean technologies. In Indonesia, Masdar developed the country's first floating solar photovoltaic plant in collaboration with PLN, the state electricity utility. At 145 MW, the project is the largest floating solar initiative in the region.

Strategic agreements. Large-scale infrastructure investments are part of a wider effort by GCC countries to engage Southeast Asia in the wake of the pandemic, and are underpinned by strategic programs. The $10 billion UAE-Indonesia Investment Authority (UIIA), launched in 2021, focuses on major investments in infrastructure, energy, and other strategic sectors. This initiative, together with a flurry of CEPA agreements between Abu Dhabi and Indonesia (2021), Thailand (2021), and Cambodia (2022), was broadly seen as part of the UAE's strategy to enhance its influence in the region. The Emiratis face competition from similar ambitions among their neighbors.[22] Saudi Arabia normalized relations with Thailand after a thirty-year freeze, and between 2019 and 2023 Saudi officials held at least a dozen high-level engagements with their Southeast Asian counterparts, culminating in a treaty of amity and cooperation (TAC) with ASEAN in July 2023. During then-Prime Minister of Singapore Lee Hsien Loong's visit to the UAE and Saudi Arabia in October 2023, discussions on the green economy and climate change played a key role in shaping multiple agreements and MoUs between the nations.[23] These themes also form a cornerstone of the ASEAN-GCC Framework of Cooperation (2024–2028).

South Asia-Southeast Asia: Opportunities for integration

India dominates Southeast Asian relationships in the sub-continent, but they are colored by a triangulation with China, ASEAN's most-imposing great power neighbor. Pakistan's role in China's Belt and Road Initiative and its promotion of the China-Pakistan Economic Corridor in recent years represents a clear alignment with Beijing that is sensitive in Southeast Asian capitals. Partly because of that apprehension, the India-ASEAN partnership has strengthened, building on existing agreements such as the ASEAN-India Green Fund, which has supported joint sustainability efforts since 2012. Indeed, the energy relationship between South Asia and Southeast Asia is poised for growth, particularly in areas of natural gas, cross-border electricity trade, and renewable energy.

Fossil fuel flows. Fossil fuel trade remains the backbone of these relations, and a core component of broader trade between ASEAN and South Asia. LNG and coal are still major exports from places like Indonesia and Malaysia to Bangladesh, Pakistan, India, and (to a lesser degree) Sri Lanka. Countries like Myanmar and Bangladiesh are also exploring ways to develop cross-border natural gas infrastructure, leveraging Southeast Asia's relatively developed pipeline network. India's "Act East" policy has long focused on physical interconnectivity with ASEAN through road and rail links, but new momentum for infrastructure like the Myanmar-India gas pipeline suggests expanded cross-border energy cooperation via its eastern states. Linking natural gas markets would represent a major boost to energy affordability and access in a region where this fuel is key to industrialization, meeting power demand growth, and reducing coal dependence.

Regional interconnection. Efforts to develop regional electricity grids are gaining momentum. Projects like the Greater Mekong Subregion grid, the ASEAN Power Grid (APG), the South Asia Regional Energy Initiative (SAREI), and the South Asian Association for Regional Cooperation (SAARC) Energy Ring demonstrate the potential for integrated energy markets. Plans for enhancing interconnection between Indian Manipur and Myanmar, and ultimately creating a high-voltage direct current (HVDC) link to Thailand and other ASEAN markets, can start to link these initiatives. Myanmar can serve as a crucial South Asia-ASEAN bridge, while also benefitting from more stable and reliable energy supply by enhancing its grid connection and tapping into India's vast power

22. Bettis, "The Emerging Contours."
23. Aisha Al-Sarihi, "Gulf Investment in South East Asia: Making New Friends?," Commentary, Italian Institute for International Political Studies, June 18, 2024, https://www.ispionline.it/en/publication/gulf-investments-in-south-east-asia-making-new-friends-178005.

market.[24] This, in turn, would enable the country to leverage its resources effectively and pave the way for broader South Asia-ASEAN power-grid integration.

Strategic agreements. The 2022 ASEAN-India Friendship Year marked three decades of diplomatic ties and featured key initiatives, including the ASEAN-India High-Level Conference on Renewable Energy, which underscored mutual interest in establishing an ASEAN-India Cooperation on Energy Transition. The regions formalized a comprehensive strategic partnership in October 2024.[25] The regions have also joined initiatives such as the ASEAN-India Partnership for Peace, Progress, and Shared Prosperity (2021–2025) and the ASEAN Plan for Action on Energy Cooperation to address socio-economic challenges and ensuring a just and equitable transition across both regions. Phasing down coal use is a key and potentially costly challenge, particularly given the socio-economic role of the coal industry in places like Indonesia, the Philippines, Vietnam, and India. Yet getting the political process right would allow both regions to exploit their significant economic-growth potential and the exchange of industry best practices could help.[26] Beyond technical insights, a successful energy transition also requires holistic strategies and interregional climate finance mechanisms.

Challenges to deepening energy trade. While South and Southeast Asia are making progress on closer energy integration, they still currently face limitations on how far these ties can go. Differing market structures and policies hinder cross-border energy trade. Infrastructure deficits create poor connectivity between South and Southeast Asia, which limits energy flows. Moreover, political sensitivities around territorial disputes and competing national interests create friction.

East Africa and Australia: Gas, minerals, and technology

Within the ASIO context, East Africa and Australia play important supplementary roles as suppliers of key energy products, albeit with some constraints that prevent maximizing potential exports.

Countries like Mozambique and Tanzania are becoming significant suppliers of natural gas. Investments in LNG terminals and export facilities are positioning the region as a potential contributor to ASIO's energy mix, but East Africa's energy exports are still limited by inadequate infrastructure. Meanwhile, Australia plays a significant role in the Asian LNG market as a major exporter, although it faces growing competition from GCC exporters in LNG markets.

Tanzania and Australia are also set to play significant roles in critical mineral supply chains that enable clean energy technologies. Tanzania is emerging as a major player in the global mining sector, particularly for critical minerals such as cobalt, nickel, copper, and manganese. Australia meanwhile is home to some of the largest recoverable deposits of critical minerals on earth, including high-quality cobalt, lithium, manganese, rare earth elements, tungsten, and vanadium.

Additionally, Australia's expertise in renewable energy technologies, such as green hydrogen and battery storage, offers valuable opportunities for collaboration with ASIO nations.

KEY TAKEAWAYS FROM INTERREGIONAL DYNAMICS

The trajectory and changing nature of energy and security relationships in the Arabian Sea and Indian Ocean provide some insights into regional developments.

The GCC is using its own economic transformation to navigate a more independent strategy and to position itself as a leader in new technologies and forms of energy. The region's role as a critical energy supplier is expanding from fossil fuels to becoming a principal source of clean energy investments. That is happening largely in the context of economic diversification "vision" programs that are meant to chart national futures beyond oil and gas. At the same time, new forms of development and trade, plus the need to contend with shifting great power politics, mean that geopolitical considerations are playing an increasingly pivotal role in shaping Gulf countries' energy investment strategies. In a shifting multipolar landscape, and with a perceived decline in US engagement in the region, Gulf states are embracing a policy of multi-alignment and regionalism to diversify their strategic partnerships.[27]

The recent inclusion of Iran, Egypt, Saudi Arabia, and the UAE in BRICS (a group of emerging economies), the participation of Saudi Arabia and the UAE in the US-backed India-Middle East-Europe Economic Corridor (IMEC), and Saudi Arabia's

24. Maitreyi Kathik and Rajiv Ratna Panda, "Myanmar, India's Gateway to Asean, Can Solve Its Power Issues by Shifting to Renewables," *Eco-Business*, March 31, 2023, https://www.eco-business.com/news/myanmar-indias-gateway-to-asean-can-solve-its-power-issues-by-shifting-to-renewables/.
25. Nadhilah Shani and Muhammed Anis Zhafran Al Anwary, "Independence Redefined: ASEAN and India's Course for Energy Transition," ASEAN Centre for Energy, September 4, 2024, https://aseanenergy.org/post/independence-redefined-asean-and-indias-course-for-energy-transition/.
26. Shani and Zhafran Al Anwary, "Independence Redefined."
27. Aisha Al-Sarihi, "Gulf Investment in South East Asia."

entry into the China-led Shanghai Cooperation Organization highlight the Gulf's efforts to expand its geopolitical influence and diversify its economic and security cooperation. The reinvigorated relationship between the GCC and ASEAN is a testament to the evolving multi-alignment approach among Gulf countries. And many of them consider South Asia (and India in particular) to be even closer—as a traditional hydrocarbon customer and partner, a huge and growing market, a technological and manufacturing base, and as an ancient hub of maritime Arab trade.

After years of rebalancing fossil fuel exports towards Asian demand, GCC investments into clean energy also tilt east for both economic and political reasons. According to Aisha al-Sahiri, a researcher who focuses on the Arab region, "The Gulf states are taking advantage of the international arena when it comes to the energy transition… [using] it as a platform to exert their energy diplomacy and influence in a way that makes the energy transition serve their interest."[28]

India has the potential to become a world economic powerhouse, but it first needs to establish leadership in its own fragmented subcontinent and act as a force for cross-border integration and cosmopolitan dynamism in the wider ASIO space. India has moved beyond its role as a huge market for imported fossil fuels, and Indian companies are using their technological expertise to expand their business internationally, including in the clean energy space. India's economic growth and Prime Minister Narendra Modi's assertive politics drive a credible claim to regional leadership in South Asia, and the country's geographic centrality makes regional interconnection a distinctly Indian project. India has been at the forefront of subregional architectures such as the Bangladesh, Bhutan, India, Nepal (BBIN) initiative and the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC), which helped to double interconnection capacity between 2017 and 2023.[29] India's geography puts the country at the center of future efforts to bridge the GCC and ASEAN grids, allowing for load balancing across time zones and driving interregional integration. Indeed, connecting these three power grids comprises just the first stage of Modi's "One Sun One World One Grid" (OSOWOG) initiative, launched at COP26 in 2022. OSOWOG envisions a pathway to connecting clean energy power grids globally, and represents a competing vision for global interconnection to China's more centralized Global Energy Interconnection. (That idea is strategic enough to be represented by China's only claim to a domestic "international organization," Global Energy Interconnection Development and Cooperation Organization, known as GEIDCO.)

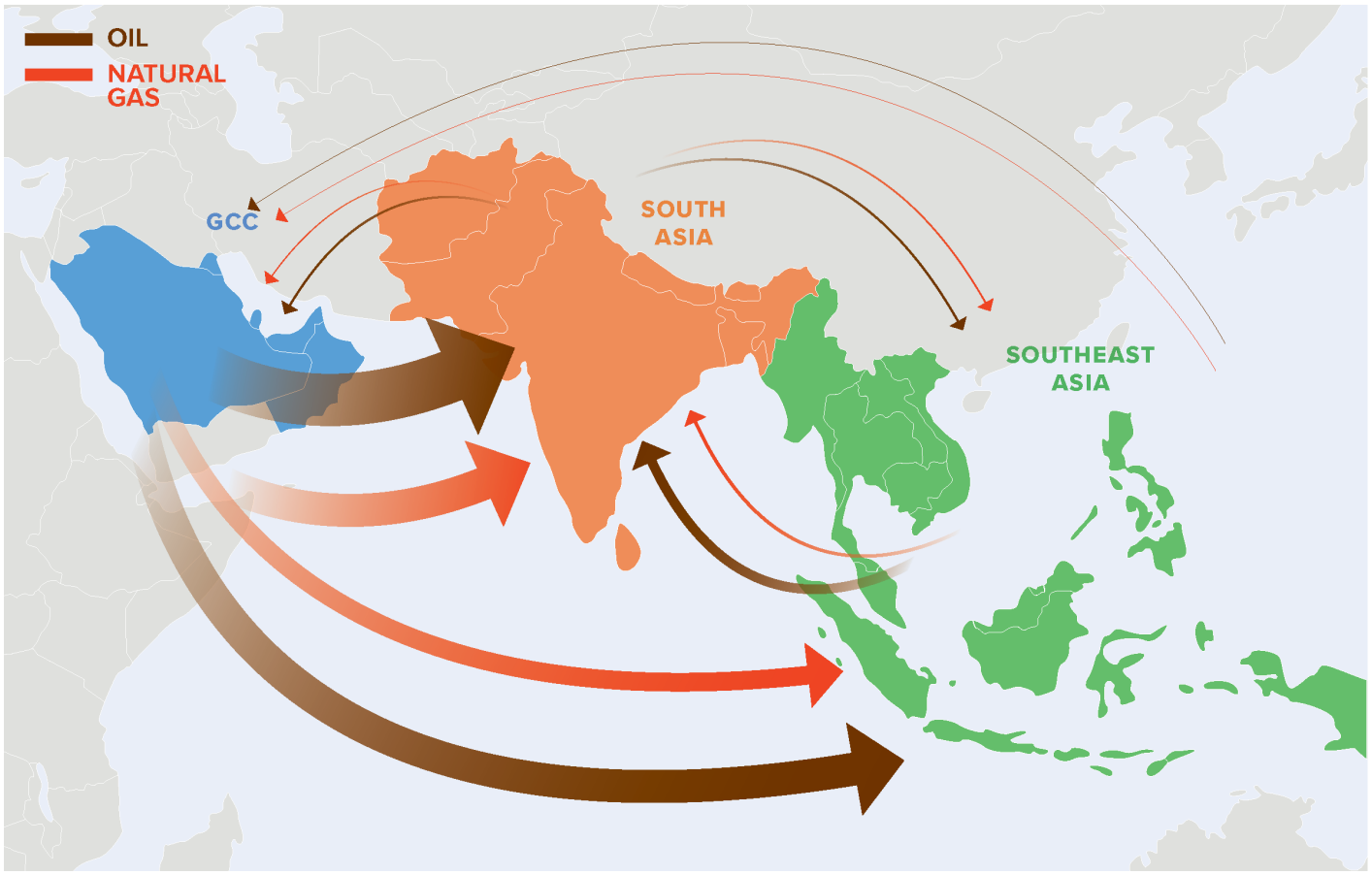
Electricity interconnection is just one example of India's rising regional leadership. New Delhi's traditional international focus on maritime security, border protection, and counterterrorism is now necessarily expanding to include economic cooperation and security—particularly in energy trade and investment. In doing so, India continues its post-Cold War journey of overcoming decades of autarkic, state-driven economic nationalism to assert itself as a regional leader and global player. In the 1990s and 2000s, the focus was on liberalizing the Indian economy and unleashing domestic economic forces, while the 2010s saw a few major Indian companies emerging as global competitors. In the 2020s, India's challenge is to solidify its leadership role in regional and global supply chains by fostering India-focused international value chains—distinct from those centered on China, Europe, or the United States—starting with deeper economic integration across South Asia and the Indian Ocean.

Modi's government has been actively courting foreign direct investment (FDI) and promoting domestic energy supply chains. To address its energy trade deficit, India has allowed 100 percent foreign investment in several segments of the traditional energy sector, including natural gas, petroleum products, and refineries, and the foreign investment limit for public-sector refining projects was raised to 49 percent.[30] In July 2024, the finance ministry developed a climate finance taxonomy while expanding customs-duty exemptions to critical minerals and other key inputs for renewable energy technology. Opening to foreign capital and critical materials inputs will support Modi's existing policies to enhance domestic supply chains, like the production-linked incentive (PLI) scheme in 2021 and the earlier Atmanirbhar Bharat (Self-Reliant India) program. In doing so, it has recognized competition with China for supply chain leadership as a real and pressing issue—especially in manufacturing, critical minerals, and technology. As multinational corporations seek to diversify their supply chains to reduce dependence on China, India has benefited as a key alternative supplier.

Competing with China's global supply chain footprint, however, requires an outward focus that India has sometimes been historically reluctant to assert. In response to evolving global trade dynamics, India is prioritizing market diversifica-

28. Aisha Al-Sarihi, "Energy Transition in the Gulf: Best Practices and Limitations," Carnegie Endowment for International Peace, April 17, 2025, https://carnegieendowment.org/research/2025/04/energy-transition-in-the-gulf-best-practices-and-limitations?lang=en.
29. Jiwan Archarya, "Promoting Cross Border Electricity Trade in South Asia," Asian Development Bank, June 2023, https://asiacleanenergyforum.adb.org/wp-content/uploads/2023/06/Jiwan-Acharya.pdf.
30. Gaurav Sharma, "Is India's Energy Sector Heading for a Big Investment Boom?" Forbes, January 28, 2025, https://www.forbes.com/sites/gauravsharma/2025/01/28/is-indias-energy-sector-heading-for-a-big-investment-boom/.

Figure 2: ASIO energy integration: Trade flows foster links and stability



Source: UN Comtrade database, United Nations, last accessed May 2025, https://comtradeplus.un.org/. Illustration: Donald Partyka

tion and bilateral partnerships to reduce economic risks in this new era. A key component of this strategy is the expansion and reinforcement of trade agreements with Southeast Asia, Africa, and Europe, ensuring greater resilience and access to diverse markets. Deeper ties with those regions and with the Gulf countries will be critical to competing globally, even as India contends with integrating its own crisis-prone South Asian neighbors into supply chains and regional grids.

ASEAN's states, with dynamic and growing economies have experience navigating between great powers, but change in Washington, an ever-looming China, and the need for energy are pushing a new appetite for regional integration and building up historically second-tier relationships. When it comes to energy, the APG is moving ahead. That is partly due to new momentum in 2024 from Singapore, whose commitment to carbon neutrality and reliable energy imports are key drivers of its support for APG. Cleaning up power systems will be key to meeting net-zero ambitions throughout the region (clean power alone could abate 50 percent of the Asia-Pacific region's cumulative emissions between 2024 and 2050);[31] in the context of rapid demand growth, interconnection and flexibility strategies will be key.

In Singapore's case, the country's obsession with security and independence once discouraged reliance on its neighbors; but now, with an unpredictable American policy outlook and weakness in Europe, it sees regional integration and leadership as key to its longstanding hedging and balancing strategy. Thailand, Indonesia, and Malaysia have con-

31. Bloomberg NEF, *Asia Pacific's Energy Transition Outlook*, Commissioned by GenZero, October 16, 2024, https://assets.bbhub.io/professional/sites/24/Asia-Pacifics-energy-transition-outlook_FINAL.pdf.

sciously remained neutral as U.S.-China competition heated up over the past decade; Vietnam and the Philippines are actively confronting Chinese claims in the South China Sea; and countries like Laos and Myanmar have historical and strategic reasons to carefully manage relations with an overbearing Beijing. Malaysia, the ASEAN chair in 2025, meanwhile has experienced tensions with the United States over the war in Gaza, and traditional U.S. allies like Thailand have been adversely affected by Washington's trade-war with China. ASEAN manufacturers were especially affected by Trump's April 2025 tariff announcements. Cumulatively, this great-power uncertainty has driven increased activity within ASEAN (including a dispute-resolution protocol), and encouraged regional partners to settle or play down disputes within the group (such as fishing disputes in the South China Sea or territorial disputes in Sabah and elsewhere).

It has also prompted ASEAN countries and the institution itself to look beyond its relationships with the world powers and build up those with other partners. In 2019, it adopted the ASEAN Outlook on the Indo-Pacific (AOIP), and in the early 2020s sought various outreach to India and GCC countries.

Exchange and cooperation in the ASIO region are expanding, and projections for the medium term imply major growth for energy-sector investment and trade. According to the International Energy Agency's World Energy Outlook 2024, total energy investment in Asia is expected to exceed $2.5 trillion annually by 2030, with the majority of new capital concentrated in the ASIO region. Clean energy investment will surpass $1.3 trillion per year by 2030, while oil, gas, and LNG trade flows continue to deepen between the Gulf, South Asia, and Southeast Asia.

The International Renewable Energy Agency (IRENA) projects that GCC-backed renewables investments in South and Southeast Asia will exceed $75 billion by 2030, with solar, wind, and green hydrogen as key focus areas.[32] The IEA Southeast Asia Energy Outlook 2024 projects that interregional electricity trade between South Asia and Southeast Asia will grow fivefold by 2030, supported by expanding grid interconnections between India, Myanmar, and Thailand.[33] The ASEAN Power Grid is expected to enable 18 GW of new cross-border capacity by 2030, reducing reliance on coal and improving energy security. The IEA's Global Hydrogen Review 2024 projects that hydrogen and ammonia exports from the GCC to South and Southeast Asia will reach 5 million metric tons per year by 2030, primarily targeting India, Japan, and South Korea.[34]

While GCC oil exports to South and Southeast Asia will remain robust, their share of Asian crude imports is projected to decline from 58 percent in 2023 to 50 percent by 2030, as India and ASEAN diversify supply sources.[35] However, refined product trade from India to ASEAN is set to rise, driven by major refinery expansions. The Shell LNG Outlook 2024 forecasts that South and Southeast Asia's LNG demand will grow at an average rate of 4 percent per year through 2035, with India, Bangladesh, and Vietnam emerging as priority buyers.[36] Qatar, Australia, and Mozambique are competing for market share, with QatarEnergy securing over 20 million tons per annum in long-term supply agreements across South and Southeast Asia in 2023-2024 alone.

Existing and evolving FDI and financial flows in the ASIO region underpin strategic and energy relationships. Cross-border investment flows have experienced significant growth, particularly in clean energy, critical infrastructure, and advanced industries.

In Southeast Asia, the growth in foreign investment reflects the region's increasing appeal as a strategic destination, from outside and within the ASIO region, and serves to strengthen economic and geopolitical ties with investing countries. In 2023, ASEAN recorded an all-time high of $230 billion in FDI inflows, led by Singapore ($160 billion).[37] While much of this came from the United States, Europe, and intra-ASEAN sources, India accounted for $5.6 billion, and GCC coun-

32. International Renewable Energy Agency, *World Energy Transitions Outlook 2024: 1.5°C Pathway,* November 2024, https://www.irena.org/-/media/Files/IRENA/Agency/Publication/2024/Nov/IRENA_World_energy_transitions_outlook_2024.pdf.
33. International Energy Agency, *Southeast Asia Energy Outlook 2024,* IEA, October 2024, https://iea.blob.core.windows.net/assets/ac357b64-0020-421c-98d7-f5c468dadb0f/SoutheastAsiaEnergyOutlook2024.pdf.
34. Giovanni Andrean et al., *Global Hydrogen Review 2024*, IEA, October 2024, https://iea.blob.core.windows.net/assets/89c1e382-dc59-46ca-aa47-9f7d41531ab5/GlobalHydrogenReview2024.pdf.
35. IEA, *Oil Market Report*, December 2024, https://iea.blob.core.windows.net/assets/209af090-8713-42b6-ac5b-650c6e68bccc/-12DEC2024_OilMarketReport.pdf.
36. Shell, *Shell LNG Outlook 2024*, February 2024, https://www.shell.com/what-we-do/oil-and-natural-gas/liquefied-natural-gas-lng/lng-outlook-2024/_jcr_content/root/main/section_125126292/promo_copy_copy_copy/links/item0.stream/1709628426006/3a2c1744d8d21d83a1d4bd4e6102dff7c08045f7/master-lng-outlook-2024-march-final.pdf.
37. Kee Hwee Wee et al., *ASEAN Investment Report 2024 - ASEAN Economic Community 2025 and Foreign Direct Investment*, ASEAN and UN Trade & Development, October 9, 2024, https://asean.org/wp-content/uploads/2024/10/AIR2024-3.pdf.

tries were the sixteenth largest source.[38] A significant portion of ASEAN's FDI was directed toward financial services, but energy and clean tech sectors emerged as key areas of growth, especially in Vietnam, the Philippines, and Laos. Greenfield investments rose to $175 billion, with $20 billion directed to electricity generation and $44.5 billion to renewable energy supply chains. Moreover, international project finance in sectors relevant to the United Nations Sustainable Development Goals reached $31 billion, and half of all mega-deals (i.e., more than $500 million) were in renewable energy, battery manufacturing, and critical minerals. Regional integration under the ASEAN Economic Community (AEC) and growing interest from international investors—especially Chinese and Western firms in renewables and EV supply chains—have played key roles in this growth.[39]

In South Asia, India has become a key destination for foreign investment, including from other ASIO countries, and has recently seen a sizable jump in dollars for energy projects. In total, India attracted $44.4 billion in FDI in 2023, making it the eighth-largest global recipient.[40] More than a quarter of this came from Singapore, while the UAE and Qatar contributed around 10 percent combined. In electricity generation specifically, foreign investment jumped from $1.3 billion in 2021 to $5.5 billion in 2024, driven by solar, wind, and grid expansion.[41] In contrast, FDI flowing into other South Asian economies remains smaller, though still strategically important. Bangladesh received $3 billion (with 19 percent in oil, gas, and power sectors);[42] Pakistan received $1.8 billion (mostly from China and invested in energy); and Sri Lanka, which is constrained by macroeconomic instability, received $712 million.[43] These disparities reflect both the differing investment climates and the scale of energy transitions underway across the region.

Meanwhile, within the ASIO region, the GCC is becoming an increasingly important provider of outward capital, especially in the energy, technology, and green industrial sectors. In 2023, GCC countries accounted for $24.7 billion in outward cross-border investment project (CIP) value—more than four times their 2021 levels. This surge was driven primarily by $10 billion from the UAE, $7.3 billion from Saudi Arabia, and $1.2 billion from Qatar. The green tech sector accounted for 31 percent of total GCC outward CIP value.[44] The top destinations for GCC investment were in Asia, with 75 percent of total 2023 commitments, and went especially to India, Indonesia, Singapore, and South Korea.[45] Three «jumbo» projects—spanning petrochemicals, hydrogen, and semiconductors—dominated outward flows to these countries. Though Saudi outward investment remains below the exceptional levels of 2020 (driven by the $15 billion Ratnagiri refinery commitment, which has since stalled), current flows point to a recalibrated and strategic pattern of investment abroad. Notably, India alone accounted for 42 percent of total GCC outbound CIP between 2018 and 2022, making it a long-standing anchor in the region's financial ties.

GCC sovereign wealth funds (SWFs) play a pivotal role in facilitating strategic FDI across the ASIO region. The Abu Dhabi Investment Authority (ADIA), Saudi PIF, and QIA are deploying capital into Indian infrastructure, ASEAN renewables, and transregional digital platforms. The Saudi PIF, for instance, has pledged over $2 billion in India's renewable sector and $500 million in ASEAN's green infrastructure platforms. Such flows align long-term strategic capital with national energy transformation priorities, bridging both finance and capacity gaps.

In addition to providing outward capital, the GCC also drew $47 billion in FDI inflows in 2023 mostly from the United States, India, and China, with Saudi Arabia capturing over 60 percent of that total—primarily through a few large-scale deals—while the UAE led in number of projects, accounting for 1,327 FDI projects or 70 percent of the total in the GCC, representing $15 billion.[46] Policy reforms are playing a pivotal role: the UAE's 2021 law allowing 100 percent foreign ownership has supported a dramatic shift in investment priorities. Where once the sectoral focus was oil, gas, and real estate, the top three sectors for FDI in the UAE from 2021–2024 were renewable energy, information technology, and

38. Vietnam National Trade Repository, "ASEAN - Gulf Cooperation Council (GCC): Economic Cooperation between Two of Asia's Growth Regions," November 20, 2024, https://vntr.moit.gov.vn/news/asean-gulf-cooperation-council-gcc-economic-cooperation-between-two-of-asias-growth-regions.
39. Kee et al., *ASEAN Investment Report.*
40. "Annual Report - Foreign Direct Investment Flows to India: Country-wise and Industry-wise," Reserve Bank of India, May 30, 2024, https://m.rbi.org.in/Scripts/AnnualReportPublications.aspx?Id=1424.
41. "Annual Report," Reserve Bank of India.
42. Tarun Kanti Ghosh et al., *Foreign Direct Investment and External Debt: July-December 2023,* Bangladesh Bank, Statistics Department, December 2023, https://www.bb.org.bd/pub/halfyearly/fdisurvey/fdisurveyjuldec2023.pdf.
43. Richard Bolwijn et al., "Annex Table 1: FDI Flows, by Region and Economy, 2018-2023," in *World Investment Report 2024*, UN Conference on Trade and Development, June 20, 2024, https://unctad.org/system/files/official-document/wir2024_annex-1_en.pdf.
44. Gaurav Ganguly et al., "GCC Investment: Capitalizing on Diversification," Moody's, June 2024, https://www.moodys.com/web/en/us/site-assets/gcc-cip.pdf.
45. Ganguly et al., "GCC Investment."
46. Jeanne Walters, "GCC: Trends in Foreign Direct Investment," Emirates NBD, October 14, 2024, https://argaamplus.s3.amazonaws.com/1d5b791f-7ac8-4c6e-bac5-3db9b1743502.pdf.

services. In Saudi Arabia, FDI into mining, communications, and automotive (including electric vehicles) is rising. These changes align with national strategies to diversify beyond hydrocarbons and position the Gulf as a strategic energy and technology leader.

Efforts to facilitate and de-risk financial flows across the ASIO region are also accelerating. In 2024, Australia launched the AU$2 billion Southeast Asia Investment Financing Facility (SEAIFF), offering loans, guarantees, equity, and insurance for green energy and infrastructure projects in ASEAN. Similar public-private financial instruments and investment incentives, such as India's production-linked incentives (PLIs) for solar manufacturing, and ASEAN's harmonized taxonomy efforts, are helping align investment capital with national and regional energy goals. These mechanisms aim to address financing gaps, reduce perceived risks, and crowd in private capital to support resilient and green infrastructure across the ASIO region.

TRUMP, CHINA, AND THE GEOPOLITICAL BACKDROP

Reinforcing the deepening energy ties among ASIO countries is the dramatically shifting geopolitical landscape.

With Trump's return to the White House in January 2025, and amidst a flurry of immediate tariffs and confrontations over trade with US allies, countries in the ASIO region have good reason to expect uncertainty when it comes to America's presence. The new administration's foreign policy, such as it can be determined so far, has demonstrated some key themes. Those include confronting China, supporting Israel, protectionism, and using trade policy as a tool of coercion. But specific relationships are always subject to change and nuance, as Trump's pressure on Israel's Prime Minister Benjamin Netanyahu and overtures to Chinese leader Xi Xinping demonstrate. When it comes to energy, Trump's emphasis on boosting fossil fuel exploitation, overriding environmental constraints, bringing down global energy costs, and increasing exports all suggest cutting support for clean energy. This leaves an opening for others to take up leadership on energy transition.

The new administration seems set to revive the Indo-Pacific strategy initiated during Trump's first term, which aimed at countering China and enhancing alliances and partnerships across the region. In Southeast Asia, nations such as the Philippines and Vietnam are expected to embrace this assertive approach.[47] However, countries like Indonesia and Singapore may express concerns about the risk of regional conflict. Trump's transactional style will likely resonate with authoritarian regimes in Myanmar and Laos, who may welcome a shift away from the promotion of democratic values and human rights.

Of the ASIO countries, India is particularly well positioned to benefit from the US administration, particularly in its approach to China. In the first days of his term, Secretary of State Marco Rubio called bilateral ties between the two countries "the defining relationship of the 21st century," and Defense Secretary Pete Hegseth has pledged to further enhance the strategic partnership.[48] Modi shared close ties with Trump during his first term from 2016 to 2020. However, areas of tension between the United States and India may arise over issues like tariffs, immigration, and defense.[49] As India enjoys a trade surplus with the United States, its largest export market and trading partner, Trump's preference for reciprocal trade could pose challenges for New Delhi. The US administration is pushing India to buy more American-made arms in a bid to rebalance trade and expand security cooperation in the Indo-Pacific region. A major aspect of these cooperative ties for India will be the upgrade of its military capabilities and a renewed commitment to the Quad (i.e., the Quadrilateral Security Dialogue involving the United States, Australia, India, and Japan), and US involvement in settling India-Pakistani violence in May 2025 underscores defense ties. Meanwhile, the India-China relationship has shown rapid signs of normalization since the violent border skirmishes of 2020, culminating in a border patrol agreement in 2024. That might put it at odds with American efforts to rally an explicitly anti-China coalition. Indian membership in both the BRICS and the Quad is testament to its balancing efforts.

As major oil and gas exporters, GCC countries will have to contend with Trump's ambitions to surge fossil fuel production through aggressive deregulation of the U.S. fossil fuel industry. This could exacerbate oversupply in a global oil market that is contending with slower demand growth in 2025 and incoming supply from large-scale offshore developments in Brazil, Guyana, Senegal, and Norway. Following years of tight markets after the Russian invasion of Ukraine, analysts believe oil prices could fall from $80 in 2024 to as low as

47. Derek Grossman, "Trump 2.0 Could Give China a Headache in Southeast Asia," Commentary, RAND, November 23, 2024, https://www.rand.org/pubs/commentary/2024/11/trump-20-could-give-china-a-headache-in-southeast-asia.html.
48. "US, India Partnership to Be Defining Relationship of 21st Century: Marco Rubio," *Economic Times*, January 26, 2025, https://economictimes.indiatimes.com/news/india/us-india-partnership-to-be-defining-relationship-of-21st-century-marco-rubio/articleshow/117568469.cms.
49. Saniya Kulkarni, "Great Power Politics in Trump 2.0: Shifts in the U.S.-India-China Relationships," China Global South Project, February 1, 2025, https://chinaglobalsouth.com/analysis/great-power-politics-in-trump-2-0-shifts-in-the-u-s-india-china-relationships/.

$50 in 2025.[50] But that would also afford Washington more leeway to impose "maximum pressure" on producers like Russia, Iran, or Venezuela depending on the latest political objective, and send prices up again. GCC countries enjoyed special attention from Trump during his first term, both for their energy and for their role in the Abraham Accords with Israel. In 2025 Saudi Arabia remains key to United States' Middle East strategy after the war in Gaza, but the distance between Washington and the Gulf monarchies has widened significantly over the past decade, and any sense of alliance is long gone as GCC countries have pursued greater strategic autonomy vis-à-vis Russia, China, and even Iran. Extreme US policies regarding the Palestinians or risking regional conflict will be rejected by Gulf countries. In terms of oil and gas exports, nascent hydrogen markets, and where to scale their clean energy technologies, GCC countries see their economic prospects squarely in Asia.

CONCLUSION

In January 2025, Ursula von der Leyen told the World Economic Forum that trade within regions was growing fast, while trade between regions was slowing dramatically. That story may be true for value chains centered on traditional American, European, or Chinese hubs, but trade between new hub regions in Asia are set to grow along with integration within them. For the secondary and regional powers that make up the GCC, ASEAN, and the Indian subcontinent, geopolitics are incentivizing greater interconnectivity, cross-border investment, and interregional trade. That is directly related to the fracturing of the established global order and deep uncertainty as to future great-power dynamics, which drive strategies based on hedging, balancing, and diversification. A second Trump administration is fostering a more transactional and unpredictable form of international relations. And yet deglobalization and intensified geopolitical rivalry have featured for at least a decade—the journey is well underway.

Countries in the ASIO region are aligning their rapid economic development with strategic realities, and energy cooperation sits at the heart of both. Oil and gas trade will remain fundamental, but cross-border investments in clean energy technologies and infrastructure are providing opportunities to meet rising energy demand and support economic development while curbing carbon intensity. In many cases, clean energy alternatives already provide the lowest-cost option for reliable power supply and energy access where demand is growing fast. Interconnecting electricity grids and gas networks within the GCC, across the SAARC "energy ring," and within ASEAN is an important step toward providing flexibility and driving those costs down further.

The ASIO region is no longer just a battleground for global powers—it is actively shaping its own future, leveraging its energy resources, trade routes, and financial capital to drive regional interconnectivity and strategic autonomy. The rapid expansion of GCC-South Asia energy partnerships, ASEAN's deepening ties with Gulf investors, and India's push for regional leadership underscore the region's evolving power dynamics. Traditional fossil fuel dependencies are giving way to new energy supply chains, with hydrogen, LNG, and cross-border electricity trade forging stronger economic and political linkages across ASIO.

At the same time, the uncertainty of the global geopolitical order, exacerbated by shifting US policies, China's ambitions, and intraregional strategic competition, is forcing ASIO states to hedge, balance, and diversify their relationships. The energy transition is no longer a linear shift from hydrocarbons to renewables - it is a geopolitical instrument, a driver of economic security, and a test of strategic resilience. Whether through GCC-backed green finance, India's grid expansion, or ASEAN's clean energy push, the choices made in this region over the next decade will shape the trajectory of global energy markets and the strategic balance of power well beyond 2030.

ASIO's energy future is no longer being written in Washington, Beijing, or Brussels, but in the corridors of Dubai, Delhi, Jakarta, and Riyadh. The real question is not whether energy cooperation will deepen, but who will set the terms, who will benefit, and how these shifting relationships will redefine the world's energy map in the decades ahead.

50. Ines Ferré, "Oil 2025: A Tailwind for Trump as Wall Street Projects Lower Crude Prices," Yahoo Finance, December 31, 2024, https://finance.yahoo.com/news/oil-2025-a-tailwind-for-trump-as-wall-street-projects-lower-crude-prices-165039211.html.

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List as of March 24, 2025

The Atlantic Council is a nonpartisan organization that promotes constructive US leadership and engagement in international affairs based on the central role of the Atlantic community in meeting today's global challenges.

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