Race for resources

Resource control and security now challenge climate cooperation as the defining strategic priority of environmental policy. The Iran war and closure of the Strait of Hormuz brought this trend into sharp relief in 2026, but it has been underway for many years. The supply shock caused by the war has reinforced the fact that, for all the progress in energy transition, oil and gas remain central to the global economy. At the same time, the stark reminder of global dependence on fossil fuels is likely to accelerate efforts to secure energy independence through renewables. In a rising cost environment, multilateral efforts to negotiate deeper climate commitments may be deprioritised.

Overview

Notwithstanding the huge advances in renewable energy technology, the world remains clearly dependent on fossil fuels. Although the use of oil as a source of energy and heating has been declining, its use in the petrochemical industry, and for aviation and shipping, has been increasing and is likely to continue to do so through 2035.[10] As a result, when there is an energy supply shock, as occurred in 2022 after the Russian invasion of Ukraine and again in the first months of 2026 following the closure of the Strait of Hormuz, the effects on the global economy are significant and widespread.

Global climate negotiations have struggled to shift this global energy mix. However, even without global consensus, decarbonisation continues to move forward, due in part to the falling price of renewables. As a result of China's nationwide push to electrify its energy infrastructure, the cost of electric vehicles (EVs) and solar panels has been declining globally by 2-11 per cent annually.[11] Solar and wind are now expanding fast enough to meet all new electricity demand. Even in the US which, under the current administration, has not prioritised the transition to renewables in the same way as others have, solar power met 61 per cent of the electricity demand growth in 2025.[12] Some governments still treat decarbonisation as a global public good, but it now competes more directly with priorities such as energy security and tech advancement.

The advance of renewables and other emerging technologies means that the economic security dynamics that once defined competition for fossil fuels (to include chokepoints) now applies to a much wider set of natural and critical resources. Food, water, clean air, and land for data centres, industrial zones and infrastructure are also increasingly scarce and competitive inputs to the global economy and sources of national security. Critical minerals and rare earths are essential for advanced technologies, clean energy, and weapons system.

This is driving a rebalancing of supply chains and alliances. As governments move to protect and control these resources at home, policy choices increasingly trade off international commitments with inward-looking decisions to boost resilience and strategic advantage.

Observation

Key trend

Competition for rare earths and critical minerals

Demand for critical minerals and rare earths is projected by the International Energy Agency (IEA) to quadruple by 2040 and grow sixfold by 2050. China is a leader in this landscape, controlling 90 per cent of rare earth refining and 75 per cent of EV battery production.[13] Markets that are sources of critical mineral extraction, such as Indonesia, which produces 60 per cent of the world's nickel that is essential for battery production, are increasingly looking to control more of the processing chain to increase their geostrategic leverage.[14] Those who lack such reliable access to critical minerals are working to build agreements to secure them, as seen with the G7 Critical Minerals Action Plan.

The issues in the balance for policymakers

Water, wind, sun, and land

Proliferation of solar and wind technology has increased demand for open land in regions with the right climatic conditions while cooling of AI data centres and semiconductor production create high demand for water. These trends are also interrelated: placing data centres

10. IEA, Oil demand in the Current Policies Scenario 2024-2035, 2025.
11. BNEF, Levelized Cost of Electricity, 2025.
12. Ember, Solar met 61 per cent of US electricity demand growth in 2025, 2026.
13. IEA, Global Critical Minerals Outlook, 2025.
14. US Geological Survey, Mineral Commodity Summaries, 2025

and manufacturing facilities in regions with mostly sunny weather conditions (such as deserts) allows access to cheap solar power but also increases the need for water-intensive cooling in regions with already-limited freshwater resources. Competition is not limited to terrestrial resources, as both outer space satellite connectivity and deep-sea mineral resources also play a role.

What policymakers are doing

Using energy as strategic leverage

The Strait of Hormuz crisis illustrates how the protection and defence of energy resources interact. Iran's success in closing it demonstrates how states can use chokepoints to influence global prices and reshape bargaining power in wider regional conflicts. Competition for resources is no longer just about discovery and production, but about securing, defending, and, where useful, contesting the infrastructure and routes that move those resources to market. Globalisation has become a tool in this race, as states selectively use trade, investment, and technology flows to lock in privileged access for themselves while constraining rivals.

Expectations

Policy trajectory

Security recalibration

The global approach to resilience, overcapacity and energy security is fundamentally transforming. Oil-producing markets will be carefully assessing both their vulnerabilities and sources of strength through supply leverage and geopolitical influence. While renewables remain the long-term trend, persistent oil and gas dependence demands they maintain assertive strategies on production, routes and diversification. Non-producer middle powers will pragmatically diversify imports, build infrastructure, and pursue bilateral pacts of stockpiles, accepting higher costs to hedge against similar exposures, all while accelerating the renewable transition to build resilience. Nuclear power is also likely to see renewed attention, accelerating a recent renaissance.

From a regional perspective, China will likely maintain its leading position. Asia-Pacific will likely reposition as alternative processing hubs, with Southeast Asia and India building capacity. Europe will attempt to enforce diversified supply mandates and circular economy policies, accepting higher costs for resilience. We expect the US to place emphasis on bilateral frameworks and defence-linked resource security, while focusing in the short term on fossil fuel supply rather than renewable energy investments.

First order effect

Transition financing

Adaptation and resilience finance will continue to gain attention due to the combination of intensifying climate impacts and supply chain vulnerabilities, but funding is still expected to lag global needs. Transition finance will likely continue to grow, driven by rising electricity demands for renewables, grids, and EVs. Carbon markets are likely to remain a mixed picture in the short term: compliance systems will become the main drivers while purely voluntary carbon markets could continue to lose momentum. Interoperability remains a policy challenge, with now over 50 national or regional taxonomies in use or under development.

Second order effect

Outlook for multilateral agreements

Over the next two years, global climate governance is likely to keep moving away from universal deals toward smaller, issue-based agreements. The US withdrawal from the Paris Agreement exposed how fragile broad consensus can be and new breakthroughs are more likely to come from targeted agreements on methane, deforestation, or oceans than from a single global treaty. Governments are expected to rely more on 'minilateral' groups that move faster on specific problems – such as high seas protection – often between aligned partners rather than through global processes.

Questions

In assessing the trajectory of this trend over the next two years, we will be considering the following questions:

1. What will the long-term impact of the US-Israel-Iran war be on the linkage between energy security, geopolitical tensions and accelerating the race for alternative energy sources such as critical minerals?

2. How far can market forces alone take the world on the path to decarbonisation without relying on new global climate commitments? Will climate policy be reframed mainly as an economic and industrial strategy rather than an environmental one?

3. Will the race to secure today's critical minerals lag technological developments, making the race for resources obsolete, i.e., by the time the supply chains are reshaped, will technological change have reduced dependence on those minerals? What is the next generation of critical resource going to be?

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