

# The Sydney Morning Herald

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## We've survived oil shocks before – by changing our energy use. We must again

Nick O'Malley | 7 min read | Mar 19, 2026

We've been here before. In 1973, war erupted in the Middle East, the oil supply shrank suddenly and energy prices shot up, ending the “long summer” of post-World War II economic growth.

Back then, the economic shock prompted governments to reconsider not only the way we made energy and spent it but the very way we organised our lives and economies.

The price at the pump is already sending drivers to the charging stations.iStock

Richard Nixon's administration introduced the first vehicle-efficiency standards, cars shrank, interstate highway speed limits were imposed. The US introduced daylight saving to reduce energy demand.

In Japan, prime minister Masayoshi Ohira even modelled a short-sleeved suit jacket salarymen could wear to toil on in offices with reduced air-conditioning.

It's not clear that Ohira's suits did much to cut oil demand, but the money pumped into research and development around the world certainly did. For example, Martin Green, a young Australian engineer, used some of it to develop solar cells efficient enough to drive a global revolution in renewable energy. Later global efforts to curb climate change would only accelerate the effort.

By the time Vladimir Putin launched his invasion of Ukraine in 2022, prompting a second energy shock, the share of oil used in global energy production had fallen from 46 per cent in the 1970s to about 32 per cent, in large part due to the innovations spurred by the first shock.

Russia – a few years earlier described by the Republican giant of the US Senate John McCain as “a gas station masquerading as a country” – was Europe's main supplier of oil and gas and was now bombing major European cities in Ukraine. How did Europe respond? It sought other oil and gas suppliers, cut demand via efficiency measures and massively boosted renewables, which overtook fossil fuels in electricity generation for the first time in 2025. Wind and solar capacity increased by 58 per cent between 2021 and 2024. The European Union can thank

Martin Green for developing cells that allowed it to do that, and China for commercialising them.

So determined is China to free itself of the yoke of the global fossil-fuel giants that it has deployed more renewable energy than the rest of the world combined since the beginning of 2022. It built 2290 gigawatts of renewable energy capacity by the end of last year. For comparison's sake, the total capacity of the Australian National Energy Market – all the energy we make outside Western Australia – is 71GW (plus 24GW of rooftop solar).

All that new, green domestic energy is helping to power a flood of new electric vehicles. By 2040, nearly half of all new vehicles sold in China were EVs, according to the International Energy Agency. That fleet was saving China about a million barrels of oil a day. By 2040, annual savings in China could reach 1.7 million to over 3.7 million barrels a day, depending on the speed of transition, says an [International Energy Agency analysis](#).

Now the world is facing another energy shock, and it is already costing Australians dearly due to petrol price rises, inflation and an attendant interest rate rise.

The government is doing what it can to respond to the immediate shock. Climate Change and Energy Minister Chris Bowen is making soothing noises about longer-term supply stability. The government has tapped the strategic oil reserve to release six days' worth of supply and allowed for the domestic sale of fuel containing higher sulphur content which would otherwise be exported due to Australian environmental regulations, as [Mike Foley reported](#) in this masthead last week. These are smart short-term responses.

But what are we doing – what have we done – to cut our dependency on oil in the first place? “We are burying our heads in the sand,” says retired admiral Chris Barrie, former chief of Defence and an executive member of the Australian Security Leaders Climate Group. “We have had several of these shocks over the decades and yet here we are with a transport system that is still utterly dependent on diesel fuel.”

Rather than step up electrification incentives, the government appears poised to strip them back. Earlier this month, [Shane Wright reported](#) that tax breaks for high-end EVs are being targeted by a treasurer desperate to find savings in the May budget.

Though Australia lags much of the world in EV deployment, making up 13 per cent of new car sales last year, EVs are [already displacing oil use and cutting carbon emissions](#). According to new modelling by the consultancy Mandala, Australia holds about 36 days of fuel supply, and its passenger EV fleet is already saving the equivalent of 1.2 days of petrol use. “Our fuel supply remains anchored to one of the world's least stable regions, and every reduction in Middle East dependence counts,” says Mandala's report.

Tim Buckley, energy analyst and director of the think tank Climate Energy Finance, can see an argument for restricting EV subsidies to cheaper models, but is appalled at reports the treasurer is backpedalling from a proposal to limit diesel subsidies used by big miners.

Buckley, alongside climate groups and Andrew Forrest's Fortescue Mining, has been calling for the government to cap subsidies on diesel used by big mining companies and return the saved revenue to the same businesses to help them electrify their operations. His analysis shows the largest beneficiary of the fuel tax rebate has been BHP followed by Rio Tinto.

Such a reform has been discussed for years but, as Buckley understands, the government is now concerned about the politics of cutting a fuel subsidy in the face of an energy crunch. "Now is not a good time," a Treasury source told *The Australian Financial Review* this week. But if not now, when?

Prime Minister Anthony Albanese said at a press conference on Wednesday that fuel security would be the focus of the budget and of the government in the weeks leading up to it.

Failing to cut the fossil fuel subsidy, failing to reach for every lever to accelerate electrification, would be a profound failure of courage and imagination, says Buckley. "It would be the entrenched old industries being allowed to undermine Australia's energy security."

It was Barack Obama's pugnacious chief of staff, Rahm Emanuel, who observed that politicians should never let a good crisis go to waste. "[They are] an opportunity to do things that you think you could not do before."

Nick O'Malley is national climate and environment editor.

<https://www.smh.com.au/national/we-ve-survived-oil-shocks-before-by-changing-our-energy-use-we-must-again-20260319-p5px0v.html>