STRATEGIC HORIZON
ENERGY STATECRAFT · VOLUME 02 OF 08

The Electron Doctrine

China’s Electrification Strategy as Industrial Sovereignty

The West reads China’s power system as climate policy and therefore misreads it consistently. Beijing is not decarbonising an economy; it is substituting a domestically manufactured energy carrier for an imported one. Coal is not the contradiction in that strategy. Coal is its insurance layer. In February 2026 the Strait of Hormuz closed, and the design was tested in the field.

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EDITORIAL NOTE

On method, and on what this volume asserts

Strategic Horizon publishes opinion. This volume states positions, and it states them where the evidence is presented rather than deferring judgement to a concluding chapter. Each section closes with a marked SH Assessment carrying an explicit recommendation. Readers who disagree should be able to identify precisely which claim they reject and on what basis — that is the purpose of the format.

Three constraints govern the text. First, this volume uses no figure from FR-2026-01, the European Energy Strategic Reference, which the Hormuz disruption has overtaken and which is being reworked; nothing is built on an unstable source. Second, quantities that remain unconfirmed against a primary source are flagged where they are used and revisited in the closing section; they are not silently rounded into the argument. Third, where reputable institutions report materially different values for the same indicator, the divergence is shown rather than resolved by editorial preference.

This last point is not housekeeping. As Section I argues, the divergence in China's reported electrification rate is itself one of the findings of this volume.

EXECUTIVE SUMMARY

The argument in brief

- **Electrification is a sovereignty programme, not a climate programme.** Electricity is the only carrier China can produce on its own soil, with its own equipment, without a sea lane. The 15th Five-Year Plan now names a target: 35 per cent of final energy consumption by 2030. That converts a trend into an instruction.
- **The design was stress-tested in 2026 and held.** The Hormuz closure delivered a simultaneous oil and gas shock. The oil shock hit transport and was absorbed by stockpiles, Russian pipeline volumes and the electric vehicle fleet. The gas shock hit power generation and was absorbed by the domestic coal fleet and renewables. Europe took the same shock without the second layer.
- **China's decisive advantage is not manufacturing. It is cost of capital and permitting time.** A state-owned grid builder financing itself at sub-two-per-cent yields, under no return-on-capital constraint, builds assets no regulated European TSO can replicate — for reasons of ownership and finance, not technology.
- **The coal paradox is not a paradox.** Record commissioning alongside the first absolute fall in coal generation since 2015 is the signature of a fleet converting from baseload to reserve. Both the "China is really building coal" and the "China is decarbonising" readings are errors of the same kind.
- **The binding constraint has moved from generation to absorption.** Curtailment and utilisation losses cost an estimated USD 17 billion of foregone output in 2025. The next Chinese slowdown will be financial, not political. Analysts watching for a policy reversal will miss it.
- **The supply chain was formally declared a weapon in November 2025.** Europe escalated at the finished-goods layer, where substitutes exist. China escalated at the intermediate and capital-equipment layer, where they do not. This is not symmetrical escalation.

SH VERDICT

The European debate is asking the wrong question. Whether Europe can recover manufacturing share in solar and batteries is settled, and settled against Europe. Grid capacity, interconnection speed and reserve cover are not. Their decisive variables are European law, European finance and European permitting — nothing in Beijing. Every year spent on the first question is a year not spent on the second.

SECTION I

The Electron Doctrine

China’s energy strategy is conventionally assessed against emissions. The framing fails, and fails repeatedly, because emissions are an output of the Chinese system rather than its objective. The objective is substitution: replacing a carrier that arrives by sea, priced in dollars, through water patrolled by someone else, with one made at home from equipment made at home.

Only electricity satisfies that condition. Oil does not: nine-tenths of Chinese crude arrives by ship. Gas half does, through Central Asian and Russian pipelines, but the marginal molecule is seaborne LNG. Electrons from Chinese panels, Chinese turbines and domestic coal are the one input Beijing controls end to end.

The measurement problem is the finding

Five institutions report five different values for China’s electrification rate, spread across a five-percentage-point band, for essentially the same period.

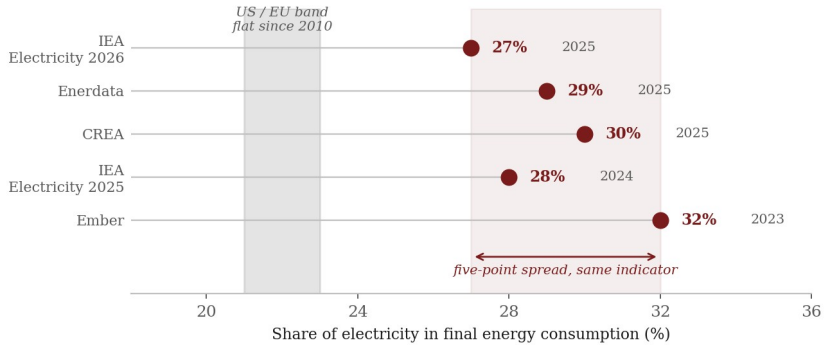


Figure 1. Reported electrification rate, China vs. Western comparators. Basis differs by source: IEA and Enerdata use total final consumption, CREA the Chinese official definition, Ember an alternative TFC boundary. The relative claim is robust across all sources; the absolute level is not. The comparator range is a reported band rather than a single measured value.

The relative claim survives every methodology: China is electrifying far faster than the United States or the European Union, both flat for fifteen years. The absolute figure does not survive. This volume uses the IEA series as its base and treats the rest as a divergence band.

SH ASSESSMENT I/1

The five-point spread is not statistical noise. It is an institutional blind spot. Western analytical capacity was built around emissions because the Western political argument is about emissions. No consensus methodology emerged for the indicator that describes China’s actual objective, because nobody was watching it closely enough to need one.

> The electrification rate is the correct lead indicator for this system. That no agreed definition exists for it is a measurable failure of Western energy statistics, not a technicality.
>
> **Recommendation I/1-R —** The European Commission and the IEA should agree a harmonised, cross-country electrification indicator and promote it to headline monitoring status alongside emissions and renewable share. What is not measured on a common basis cannot be argued about on a common basis.

The scale gives the trend its weight. Chinese electricity consumption passed 10,000 TWh for the first time in 2025, reaching 10,368 TWh on the China Electricity Council series and 10.4 trillion kWh on the National Energy Administration series, growth of 5.0 per cent. That is more than double United States consumption and exceeds the combined total of the European Union, Russia, India and Japan. The secondary sector alone accounted for roughly 6,600 TWh, about 64 per cent of the national total — the clearest available statement that Chinese electrification is an industrial phenomenon before it is a consumer one.

The doctrinal shift is now explicit in Chinese planning. The 15th Five-Year Plan sets an electrification target for the first time: 35 per cent of final energy consumption by 2030, from a stated 2025 baseline of 30 per cent on the Chinese definition. State Grid has adopted the same 35 per cent figure as a corporate planning assumption. When a state objective, a five-year plan target and the operating utility’s capital plan all converge on one number, the number is a commitment rather than a projection.

SECTION II

The Hormuz Proof

For two decades the Malacca dilemma was a thought experiment in Chinese strategic writing. In 2026 it stopped being one, and the test ran at the far end of the same sea lane.

On 28 February 2026, US and Israeli forces struck Iran. Within forty-eight hours the Strait of Hormuz — through which roughly a fifth of global oil consumption and a comparable share of LNG trade transits — was effectively closed. The major container lines suspended transits; more than 150 tankers anchored outside rather than risk passage. The United States imposed a blockade on 13 April. Brent peaked near USD 126 in March. The IEA characterised the episode as the largest supply disruption in the history of the global oil market. As of early August 2026 traffic remained severely disrupted, five months in, notwithstanding a ceasefire announcement in April and an agreement in June.

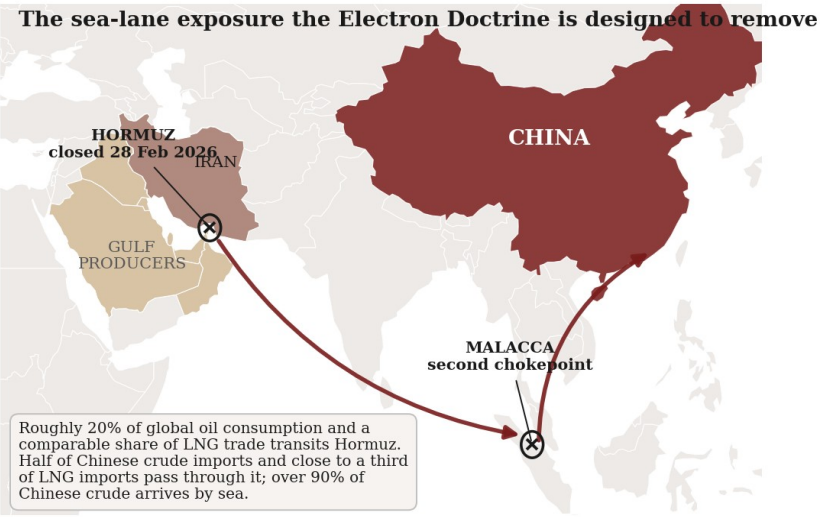


Figure 2. The Hormuz and Malacca chokepoints on the Gulf–China sea lane. Chokepoint positions are schematic; shares as reported by the IEA, Columbia CGEP and Brookings.

Exposure and response

China's exposure was substantial and well understood in Beijing. Roughly half of Chinese crude imports and close to a third of LNG imports transit the strait, and more than ninety per cent of crude imports are seaborne. Gulf volumes reaching China through Hormuz were at least double the Russian pipeline flow.

The response was pre-positioned rather than improvised. Chinese crude imports rose sixteen per cent year-on-year in January–February 2026, before the strike, as Beijing accelerated purchases against rising tension. Strategic and commercial stocks stood at approximately 1.4 billion barrels at the outbreak. Published cover estimates range from 110 to 180 days up to around 220 days, depending on whether gross or net import cover is used; the divergence is methodological rather than factual. When the conflict began, imports were cut sharply; in March the government instructed leading refiners to halt diesel and gasoline exports.

Shock vector	Sector hit	Chinese absorption layer	European equivalent
Crude oil	Transport, petrochemicals	Stockpiles; Russian pipeline volumes; EV fleet	Partial — stocks, no comparable EV share
LNG / gas	Power generation	Domestic coal fleet; renewables output	**Volume largely intact; exposed via global price**

Figure 2b. The two-vector shock and its absorption. Sectoral attribution follows Brookings analysis of Q2 2026 data; the European column is Strategic Horizon's assessment. See the counterfactual limits below.

The counterfactual, and its limits

The claim needs testing against European supply data rather than assertion. It does not survive in its original form. Europe's direct exposure to Hormuz-routed gas was a minority share: Qatar supplied around 6 per cent of European LNG imports in the first quarter of 2026, while market reporting before the war put the Qatari share nearer 15 per cent. The two figures cover different periods and the gap is consistent with the collapse in Qatari volume during the quarter measured. Europe's two largest suppliers, the United States and Russia, were unaffected by the closure and set a quarterly import record in Q1 2026. The US share of European LNG imports rose from 58 per cent in 2025 to 63 per cent in the first quarter of 2026.

Europe was therefore not cut off in volume terms. The shock reached it through three other channels. First, price: TTF rose from roughly EUR 32 per MWh in late February to above EUR 50 by mid-March, against storage levels near 28–31 per cent, well below the prior year. Second, a direct physical loss outside the strait: missile damage to Qatar's Ras Laffan complex removed approximately 17 per cent of Qatari export capacity, with restoration measured in years and a projected cumulative global LNG supply loss of around 140 billion cubic metres between 2026 and 2030. Third, concentrated national exposure rather than Union-wide exposure: Italy drew 33 per cent of its 2025 LNG from Qatar, Poland 25 per cent and Belgium 16 per cent.

SH ASSESSMENT II/1

An earlier draft of this volume claimed that Europe's reserve layer arrives through the corridor the crisis closed. That claim is withdrawn. It is true only of a minority of European volume. Europe's dependence is on seaborne LNG generally, not on Hormuz specifically, and the distinction matters because it changes which policy follows.

What survives is narrower, and worse. The Chinese absorption layer for the gas shock was domestic fuel and domestic generation, and was therefore insulated from price as well as from volume. Europe did not lose its gas volume. What Europe lost was marginal price stability on the global LNG spot market, and that is the precise statement: a system priced at the margin on a common market inherits every supplier failure anywhere in that market, whether or not its own cargoes are affected. Hormuz volume reaching Europe was largely intact and Europe still absorbed a fifty per cent price move.

The second-order finding is the one the Union should attend to. Europe's response to losing Qatari supply was to deepen its concentration on the United States, from 58 per cent of LNG imports in 2025 to 63 per cent in the first quarter of 2026, with US supply on course to displace Norway as Europe's largest overall gas source. Replacing one concentrated dependency with another is not diversification, and a supplier that has stated its intention to use energy exports as leverage is not a neutral one.

Recommendation II/1-R, revised — The EU security-of-supply framework should introduce two metrics, not one: a sovereign reserve cover metric measuring the share of dispatchable reserve running on domestic or overland fuel, and a supplier concentration ceiling applied to gas irrespective of the supplier's political alignment. The first measures exposure to shipping; the second measures exposure to a counterparty. Hormuz tested both, and Europe failed the second more clearly than the first.

Energy security as an export product

The second-order effect is commercial. Over eighty per cent of oil and LNG transiting Hormuz in 2024 was Asia-bound. In the first seven weeks of the war crude rose more than seventy per cent and Asian LNG prices fifty-four per cent. For import-dependent economies across South and Southeast Asia, the argument for Chinese solar, storage and electric vehicles ceased to be an argument about levelised cost and became one about sea lanes. Pakistan moved decisively toward Chinese solar systems; others have been more cautious about deepening dependence on a supplier that had, four months earlier, demonstrated its willingness to use export licensing as leverage.

SH ASSESSMENT II/2

Hormuz was the most effective marketing event in the history of Chinese clean-technology exports, and Beijing did not have to arrange it. It is one thing to argue that a solar panel is cheaper than a turbine. It is another that it does not require a tanker.

In 2026 that argument became decidable for the Global South.

The uncomfortable corollary for Europe: the same product Europe treats primarily as a trade threat at home is now competing as a security-of-supply solution in markets where Europe offers no alternative. The Union cannot credibly tariff it in Rotterdam and out-compete it in Karachi at the same time without saying openly that these are two different policies.

Recommendation II/2-R — Separate the two policies explicitly. Maintain trade defence instruments in the internal market; fund a distinct, volume-credible European clean-energy export offer for third markets through Global Gateway. Present ambiguity undermines both objectives.

SECTION III

Build Rate as Statecraft

China commissioned a record volume of variable renewable capacity in 2025 and simultaneously crossed a structural threshold: wind and solar together overtook thermal capacity for the first time, reaching 47.3 per cent of total installed capacity.

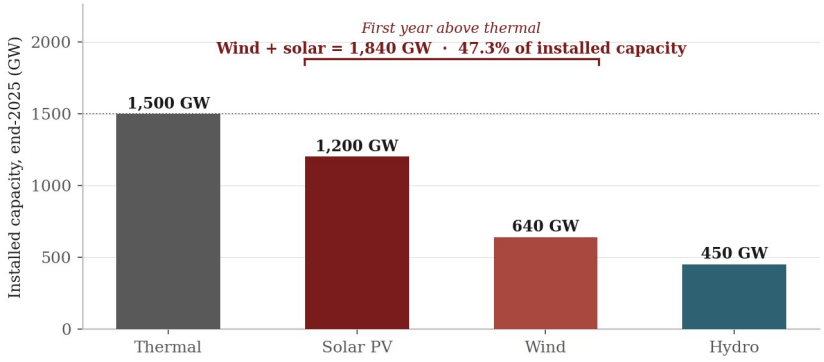


Figure 3. Installed capacity by technology, end-2025. Wind and solar overtook thermal for the first time. Source: National Energy Administration; China Electricity Council.

Indicator	2024	2025	Note
Solar additions (NEA, AC)	277.2 GW	**315.1 GW**	Record
Solar additions (IEA basis)	—	c. 370 GW	AC/DC convention differs
Wind additions	c. 80 GW	119 GW	IEA: 117 GW, +48%
Cumulative solar	886.7 GW	1,200 GW	+35.4%
Wind + solar share of capacity	—	47.3%	Overtook thermal
Grid investment, national	c. 609 bn CNY	639.5 bn CNY	CEC; +5%
State Grid fixed-asset capex	600 bn CNY	over 650 bn CNY	Different boundary

Figure 4. Build rate and grid capital, 2024–25. The solar discrepancy is an AC/DC measurement convention, not a data error; both figures are reported as published.

SH ASSESSMENT III/1

Western commentary consistently misreads the build rate by treating it as an energy-policy optimum. It is not one, and the curtailment data in Section V prove

it is not. The deployment rate is industrial capacity maintenance. It is the demand that keeps the factories loaded while export markets come under tariff pressure. The domestic market stabilises manufacturing; it is not the point of it.

Recommendation III/1-R — EU trade assessment should model Chinese capacity surplus as a durable structural feature rather than a cyclical dumping episode. Defensive timelines built on the assumption that the overhang will clear on its own are built on a false premise.

The grid is the real asymmetry

National grid investment reached 639.5 billion yuan in 2025, some USD 92 billion. State Grid's own fixed-asset investment exceeded 650 billion yuan, bringing 14th Five-Year Plan spending above 2.85 trillion yuan. For 2026–30 the company has committed roughly 4 trillion yuan — a forty per cent increase — together with a thirty per cent rise in cross-provincial and cross-regional transmission capacity relative to end-2025, and an internal planning assumption of roughly 200 GW of annual wind and solar additions within its operating territory.

The financing structure matters more than the headline. The two grid operators issued record volumes of domestic bonds — 901 billion yuan in 2025 — priced at historically low average yields near 1.7 per cent. State Grid has become China's largest bond issuer.

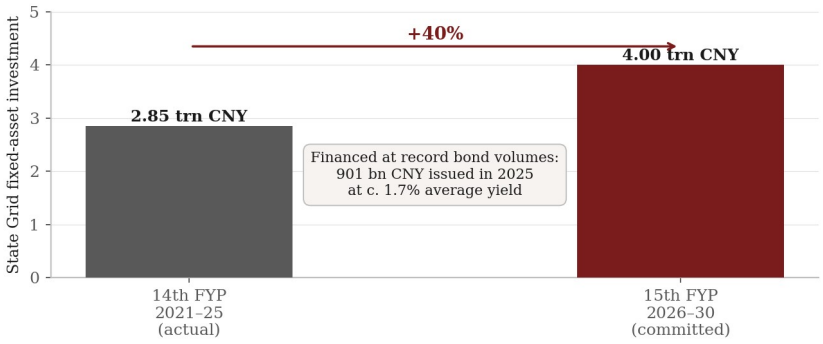


Figure 5. State Grid fixed-asset investment, 14th vs 15th Five-Year Plan. Source: State Grid Corporation of China; Xinhua; Bloomberg.

SH ASSESSMENT III/2 — THE CENTRAL FINDING OF THIS VOLUME

China's decisive advantage is not in manufacturing solar panels. It is in cost of capital and permitting time. A state-owned network builder financed at sub-two-per-cent yields, under no commercial return constraint, can build transmission assets that no regulated European TSO can replicate — for reasons of ownership and finance, not technology or engineering skill.

Whether the Union can catch up in manufacturing is the wrong debate. Manufacturing share is lost. The grid is not.

Recommendation III/2-R, reclassified — This is a legislative ask, not an administrative one, and the distinction matters. A two-year interconnector delivery target is unreachable under the current permitting framework by administrative effort alone; presented as guidance to national authorities it is rhetoric. Strategic Horizon therefore recommends emergency Union energy legislation: a regulation, directly applicable and not requiring transposition, setting binding consent deadlines for cross-border transmission projects of common interest, providing for constructive approval on expiry, consolidating environmental and planning assessment into a single procedure, imposing outer time limits on national judicial review of consent decisions rather than on the right of review

itself, and removing designated transmission investment from ordinary regulated-return treatment with EIB guarantee cover. Litigation duration, not administrative processing, is the binding term in most member states, and an instrument that leaves it untouched will not move the delivery date. Absent legislation of that character the two-year target should be withdrawn rather than restated.

SECTION IV

The Coal Paradox

In 2025 China connected 71 GW of new coal capacity to the grid, on the China Electricity Council series, lifting the cumulative coal fleet to 1,260 GW. CREA and Global Energy Monitor report 95 GW on a boundary that appears to include gas-fired thermal additions; this volume uses the CEC figure as its base and treats the higher number as a reported upper bound. In the same year coal generation fell by 71 TWh — the first absolute decline since 2015 — and the fossil share of electricity dropped to 58 per cent from roughly 62 per cent. Both facts are true, and they are usually deployed by opposing camps as though only one could be.

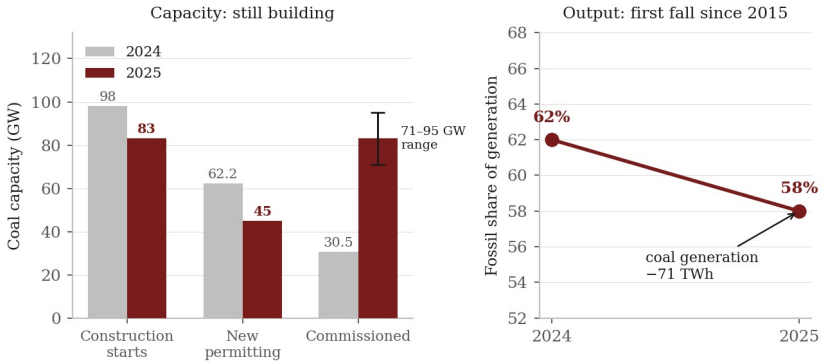


Figure 6. The coal paradox: capacity pipeline against generation outcome. Commissioning stated on the CEC series, with the CREA/GEM figure shown as the reported upper bound. Sources: CREA/GEM; China Electricity Council; Ember.

Coal indicator	2024	2025	Direction
Capacity commissioned (CEC)	c. 30.5 GW	**71 GW**	CREA/GEM report 95 GW — see note
Construction starts	98 GW	83 GW	Falling
New permitting	62.2 GW	45 GW	Four-year low
Pipeline (proposed / building / permitted)	—	291 GW	Large overhang
Coal generation	rising	−71 TWh	First fall since 2015
Fossil share of generation	c. 62%	58%	Falling

Figure 7. Divergence between coal capacity and coal output, 2024–25. Commissioning is stated on the China Electricity Council series (71 GW). The CREA/GEM figure of 95 GW is retained as a reported upper bound; the divergence does not affect the direction of the finding. Sources: CREA/GEM; China Electricity Council; Greenpeace East Asia; Ember.

Stated purpose reconciles them. Across non-CHP coal projects permitted in 2024–25, security of supply was the primary rationale in more than seventy per cent of cases and system flexibility in more than forty. Those are the justifications of a reserve fleet. Capacity rises while output falls because the plants are built to run rarely and to matter enormously when they do.

SH ASSESSMENT IV/1

The Chinese coal fleet is undergoing a change of function, and Western analysis systematically misreads it in both directions. Citing capacity growth as proof that China is "actually building coal" is the same error as citing output decline as proof that China is decarbonising. Rising capacity with falling utilisation is what a reserve system looks like.

State the difference in measurable terms. China's dispatchable reserve fleet stands at 1,260 GW of coal capacity supplied by 4.83 Gt of domestic coal output, with imports falling. The fuel is priced domestically and delivered overland. Europe's equivalent layer is gas-fired capacity supplied predominantly by seaborne LNG, of which 63 per cent came from a single external supplier in the first quarter of 2026, priced on a global market.

These are different exposure structures, not a ranking. The Chinese model prioritises physical volume security over capital efficiency; the European model prioritises market efficiency over physical sovereignty. Each is a coherent choice with a coherent cost. The Chinese configuration carries volume and price insulation together with a large stranded-asset and emissions liability. The European configuration carries no fuel liability of that kind and no volume insulation.

An earlier draft called the Chinese profile the better one. That wording is withdrawn; it was a preference dressed as a finding. The two systems fail differently. Europe has not measured how its own fails.

Recommendation IV/1-R — Member States should treat dispatchable reserve capacity as an explicit strategic instrument — capacity mechanisms, storage and demand-side flexibility designed together — rather than as a residual. The presence of a reserve layer is the precondition for rapid renewable expansion, not an obstacle to it.

SECTION V

The Utilisation Ceiling

A volume that presented only the strengths of the Chinese system would be worthless. The binding constraint has moved, and it moved in public.

In the first half of 2025 the national solar curtailment rate rose to 6.6 per cent from 3.9 per cent a year earlier, and wind to 5.7 per cent from 3.0 per cent. National figures conceal the distribution. Tibet curtailed 30.2 per cent of wind and 33.9 per cent of solar; Qinghai curtailed 15.2 per cent of solar. Shanghai, Chongqing and Fujian — demand centres — curtailed nothing. Average full-load hours at plants of 6 MW and above fell by 312 hours year-on-year.

CREA's reconstruction, which compares weather-predicted output against reported output, finds the true utilisation loss larger than the official curtailment series implies. Absent those losses, 2025 wind and solar generation would have been roughly 13 per cent higher, displacing a further 5 per cent of coal-fired output. The foregone generation is valued at approximately USD 17 billion — which explains the storage response: 66.4 GW of new storage was added in 2025, up around 52 per cent.

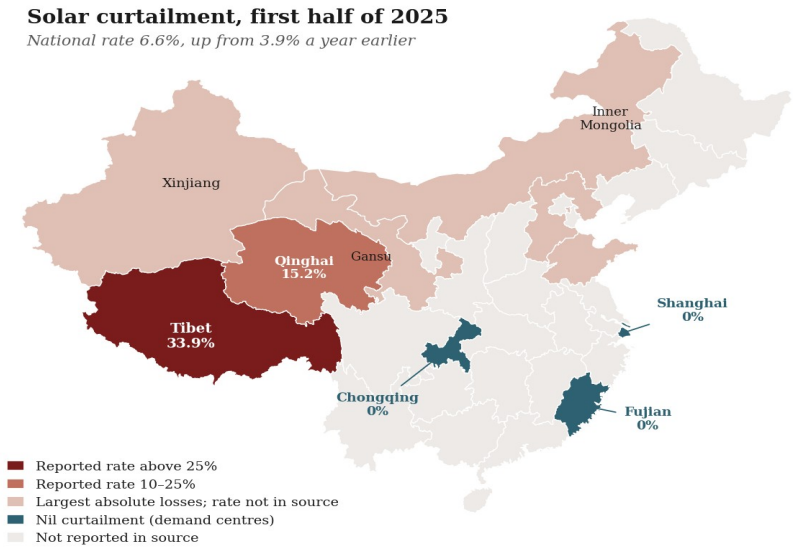


Figure 8. Solar curtailment by province, H1 2025. Provinces shaded pale carry the largest absolute losses per CREA but no published rate in the source; grey indicates no figure reported. Source: National New Energy Consumption Monitoring and Early Warning Centre; CREA.

Utilisation indicator	H1 2024	H1 2025
Solar curtailment, national	3.9%	6.6%
Wind curtailment, national	3.0%	5.7%
Tibet — wind	2.3%	**30.2%**
Tibet — solar	5.1%	**33.9%**
Qinghai — solar	8.8%	15.2%
Shanghai / Chongqing / Fujian	nil	nil

Figure 9. Curtailment rates, H1 2024 vs H1 2025. Source: National New Energy Consumption Monitoring and Early Warning Centre. Note: two major wire services published these figures with the wind and solar series transposed; this volume follows the primary series.

SH ASSESSMENT V/1

China has reached the diminishing-returns phase of volume deployment, and Beijing saw it first. The 2026–30 pivot to grid and storage capital is not a supplement to the deployment programme. It is a change of priority. Generating the electron is solved. Moving it is not.

The risk finding, for Cassandra's attention: The approximately USD 17 billion of foregone generation in 2025 does not fall on the central budget or on State Grid. It falls on project companies in the western provinces, where curtailment is concentrated and where the balance sheets are separate from the national grid operator. Strategic Horizon's assessment is that this concentration, rather than demand weakness or policy reversal, is the operative constraint on further deployment, and that the most probable stall scenario for Chinese renewables is therefore financial rather than political.

The boundary of that claim is stated rather than blurred. The scale and the incidence of the loss are supported. The capital structure of the affected projects and their debt service coverage are widely asserted at 70 to 80 per cent leverage and sub-unity coverage respectively, but were not obtained from a primary source in this cycle; they are treated as assumption and carry no finding here. The aggregate non-performing exposure remains unquantified.

Recommendation V/1-R — European and American forecasts should stop extrapolating Chinese deployment linearly beyond 2027. Provincial asset quality warrants separate

monitoring and is a candidate indicator for the ETGEM Matrix.

SECTION VI

Industrial Capture and the Weaponised Chain

Chinese factories produce roughly sixty per cent of the world's wind turbines and eighty per cent of its solar panels, and Chinese entities file approximately seventy-five per cent of global clean-energy patent applications. In 2025 new energy vehicle sales reached 16.49 million units, up 28.2 per cent, of which 2.62 million were exported — a doubling year-on-year.

One correction of a widely repeated claim: NEVs accounted for 47.9 per cent of Chinese vehicle sales across 2025 as a whole. The fifty per cent threshold was crossed on a monthly basis, first in October 2025 at 51.6 per cent. The annual and monthly figures are routinely conflated in commentary, and the distinction matters when the number is used as evidence of a completed transition.

November 2025: the declaration

Effective 8 November 2025, Chinese export controls were extended to synthetic graphite anode materials, lithium-ion cells above 300 Wh/kg, cathode materials and precursors, and the equipment and processes required to manufacture them. The framework asserts extraterritorial reach: foreign-manufactured products containing 0.1 per cent or more of Chinese-origin rare earths, or made using Chinese processing technology, require a licence. The measures were subsequently suspended until November 2026. The IEA estimates that full disruption of battery-grade graphite trade would place over USD 300 billion of annual downstream production outside China at risk.

SH ASSESSMENT VI/1

In November 2025 the energy-transition supply chain was formally designated an instrument of statecraft. The Western response has been slow. A 0.1 per cent extraterritorial threshold is not a trade measure. It is a claim of jurisdiction over foreign manufacturers. The suspension is a date on a calendar. The capability has been shown, and the demonstration is the weapon.

The asymmetry deserves naming. The EU tariffed electric vehicles: a finished good with alternative suppliers. China moved on anode materials and production equipment: intermediate inputs with none. These are not two rungs of one ladder. They are two depths of one chain, and the Union escalated from the weaker of them.

Recommendation VI/1-R — Shift the centre of gravity of EU critical raw materials policy from mining to processing and production equipment. A mine takes seven to ten years; anode processing capacity takes three to four. The time dimension matters more here than the resource dimension.

SECTION VII

Strategic Implications

Strategic Horizon's consolidated recommendations, in priority order. Each is stated in the body of the volume; they are gathered here for reference and not softened in the gathering.

Ref.	Recommendation	Addressee	Horizon
III/2-R	Emergency Union energy legislation on cross-border transmission: binding consent deadlines, constructive approval on expiry, consolidated assessment, outer limits on judicial review duration, EIB-backed treatment outside regulated return.	**Council and Parliament**	Immediate
II/1-R	Introduce two metrics: sovereign reserve cover, and a supplier concentration ceiling for gas applied irrespective of supplier alignment.	EU security-of-supply framework	Immediate
VI/1-R	Reweight critical raw materials policy from mining toward processing and production equipment.	EU / Member States	2026–29
IV/1-R	Design dispatchable reserve as an explicit strategic instrument, not a residual.	Member States	2026–30
II/2-R	Separate internal trade defence from a funded external clean-energy export offer.	Commission / Global Gateway	2026–28
III/1-R	Model Chinese capacity surplus as structural, not cyclical.	DG TRADE	Now
V/1-R	Stop linear extrapolation of Chinese deployment beyond 2027; monitor provincial asset quality.	Forecasters	Ongoing
I/1-R	Agree a harmonised cross-country electrification indicator.	Commission / IEA	2026–27

Figure 10. Consolidated recommendations. Bold entries are assessed by Strategic Horizon as the two on which European outcomes principally depend.

Europe retains agency precisely where it has stopped looking. Manufacturing share is a concluded contest. Grid capacity, permitting speed and reserve cover are open ones, decided by European statute, European finance and European administrative practice. None of the three requires a Chinese concession.

SECTION VIII

Conclusion — The Strategic Horizon View

The Strait of Hormuz closed on 28 February 2026. Through March, two energy systems absorbed the same shock in full view: Brent peaked near USD 126, Asian LNG rose 54 per cent in seven weeks, and European TTF moved from roughly EUR 32 per MWh in late February to above EUR 50 by mid-March against storage near 28 per cent. That month is the closest thing to a controlled experiment this decade will produce. What follows is what Strategic Horizon takes from it, stated plainly, because the analysis points somewhere specific and it would be evasive to close on a survey of possibilities.

On China

Beijing is not running a climate policy. It is running a substitution policy, and the electron is the instrument because it is the only carrier China can produce on its own soil, with its own equipment, without a sea lane. Every apparent contradiction in Chinese energy behaviour resolves once that objective function is accepted. In 2025 the country added 315 GW of solar and 119 GW of wind, crossed 47.3 per cent of installed capacity in wind and solar, connected 71 GW of new coal, and recorded the first absolute fall in coal generation since 2015. That is not incoherence but a system building generation and insurance at once, because the insurance is what makes the generation politically affordable.

The 15th Five-Year Plan makes the objective explicit for the first time: 35 per cent electrification of final energy consumption by 2030. Western forecasting has meanwhile tracked emissions, which are an output of the Chinese system rather than its target — and the fact that five reputable institutions place the lead indicator anywhere between 27 and 32 per cent is a measurable failure of Western energy statistics, not a technicality.

Strategic Horizon's view is that this model works, and that saying so is not an endorsement. It carries a bill: a large stranded-asset liability in a 1,260 GW coal fleet increasingly built to run rarely, the world's largest emissions trajectory, and a constraint that moved in 2025 from generation to absorption. Solar curtailment reached 6.6 per cent nationally in the first half of the year and 33.9 per cent in Tibet; roughly USD 17 billion of output was foregone, concentrated on project companies in the western provinces. That is where an efficiency problem becomes a financing problem. Our expectation is that the next Chinese slowdown will be financial rather than political, and that analysts watching for a policy reversal will miss it.

On Europe

The harder verdict concerns Europe: the Union is fighting on ground it has already lost and conceding the ground still in play.

Manufacturing share in solar and batteries is not recoverable on any timescale relevant to this decade: Chinese factories supply roughly 80 per cent of the world's panels and 60 per cent of its turbines, and Chinese entities file some 75 per cent of clean-energy patents. The tariff architecture built around that contest targets finished vehicles, where alternative suppliers exist. The leverage actually exercised on 8 November 2025 sits at the intermediate and capital-equipment layer, where they do not: synthetic graphite anode material, cells above 300 Wh/kg, cathode precursors, and the machinery to make them, under a rule reaching any foreign product containing 0.1 per cent or more of Chinese-origin rare earths. That is not a trade measure but a claim of jurisdiction over foreign manufacturers, and its suspension until November 2026 is a date in a calendar rather than a resolution.

What remains open is grid capacity, permitting speed and reserve composition. All three turn on European statute, European finance and European administrative practice, and none requires a Chinese concession. State Grid has committed roughly 4 trillion yuan for 2026–30, a forty per cent increase, financed at average bond yields near 1.7 per cent; no regulated European transmission operator can match that on cost of capital, and none needs to in order to fix its permitting. Strategic Horizon's position is that the Union's single most consequential decision before 2030 is whether it will legislate its way to a two-year interconnector — including outer limits on the duration of judicial review, which is the binding term in most member states and the one nobody wishes to touch. If that legislation does not come, the target should be withdrawn rather than repeated, because an unreachable target restated often enough becomes a substitute for policy.

What March 2026 actually taught

The crisis produced one lesson widely drawn and one not drawn at all. The first is that chokepoints matter. The second is that Europe lost almost no Hormuz volume and absorbed a fifty per cent price move anyway. Qatar supplied around 6 per cent of European LNG in the first quarter of 2026; the United States and Russia, Europe's two largest suppliers, were untouched by the closure and set a quarterly record. The shock ran through price, through the loss of roughly 17 per cent of Qatari export capacity at Ras Laffan, and through concentrated national exposure — Italy 33 per cent, Poland 25, Belgium 16 — not through Union-wide shortfall.

The conclusion follows. A system priced at the margin on a common market inherits every supplier failure anywhere in that market, whether or not its own cargoes move. Sovereignty in gas is not achieved by diversifying the flag on the tanker. Europe's response — deepening concentration on a single external supplier from 58 per cent of LNG imports in 2025 to 63 per cent in the first quarter of 2026, with that supplier now on course to displace Norway as the largest source of European gas overall — is not diversification. The alignment of the supplier does not alter the arithmetic. The Union should measure two things it does not currently measure: the share of dispatchable reserve running on domestic or overland fuel, and supplier concentration in gas, applied without regard to whose flag it is.

Where this sits in the series

The findings here run through the rest of the series. Volume 03 examines the opposite bet, the American wager that the molecule era outlasts the electron era. Volume 05 records the electrolyser chain settling on the same pattern found here in solar and batteries. Volume 06 scores every technology named here on the five ETGEM dimensions. Volume 07 finds that the Chinese platform plateaus at a high level rather than declining — the planning assumption Europe should be using.

The verdict

> STRATEGIC HORIZON VERDICT
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> **The two systems have made opposite bets, and both are coherent.** China purchased physical volume security at the price of capital efficiency: overbuilt capacity, curtailed output, a coal fleet that will run for a fraction of its design life. Europe purchased market efficiency at the price of physical sovereignty: cheaper gas most years, no floor under the year when it is not. Neither is obviously wrong. What is wrong is that only one of the two has priced its choice.
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> Beijing knows what its model costs and has decided to pay it. Brussels has not established what its own costs, because it has never measured the exposure. That asymmetry — not manufacturing share, not deployment rates, not patent counts — is the finding of this volume.
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> The remaining decade will not be decided by who builds the most panels. It will be decided by who can move electrons across borders fastest, and who can keep the lights on when somebody else's supplier fails. On the first question Europe still has agency. On the second it does not yet have a number.

On the limits of this volume

Two claims rest on weaker ground. The provincial financing argument holds on the scale and location of the losses but not on the capital structure of the projects, widely put at 70 to 80 per cent leverage through local government financing vehicles but not sourced

primarily. The Hormuz analysis rests on an event unresolved at the time of writing. And where institutions report different figures for one quantity — coal commissioning at 71 against 95 GW, the Qatari share of European LNG at 6 against 15 per cent — the divergence is stated at the point of use.

Principal sources: IEA; NEA; China Electricity Council; CREA; Global Energy Monitor; Greenpeace East Asia; Ember; Enerdata; CAAM; State Grid; Brookings; Baker Institute; Columbia CGEP; Bruegel; IEEFA; Chatham House; Reuters; Bloomberg; CRS. © Strategic Horizon 2026. Volume 02, v2.6. Open access. Reviewed by Ciceró and Solon; see the note on limits in Section VIII.