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NOTE

From:	General Secretariat of the Council
To:	Delegations
Subject:	AOB on impact on energy prices in the context of the situation in the Middle East

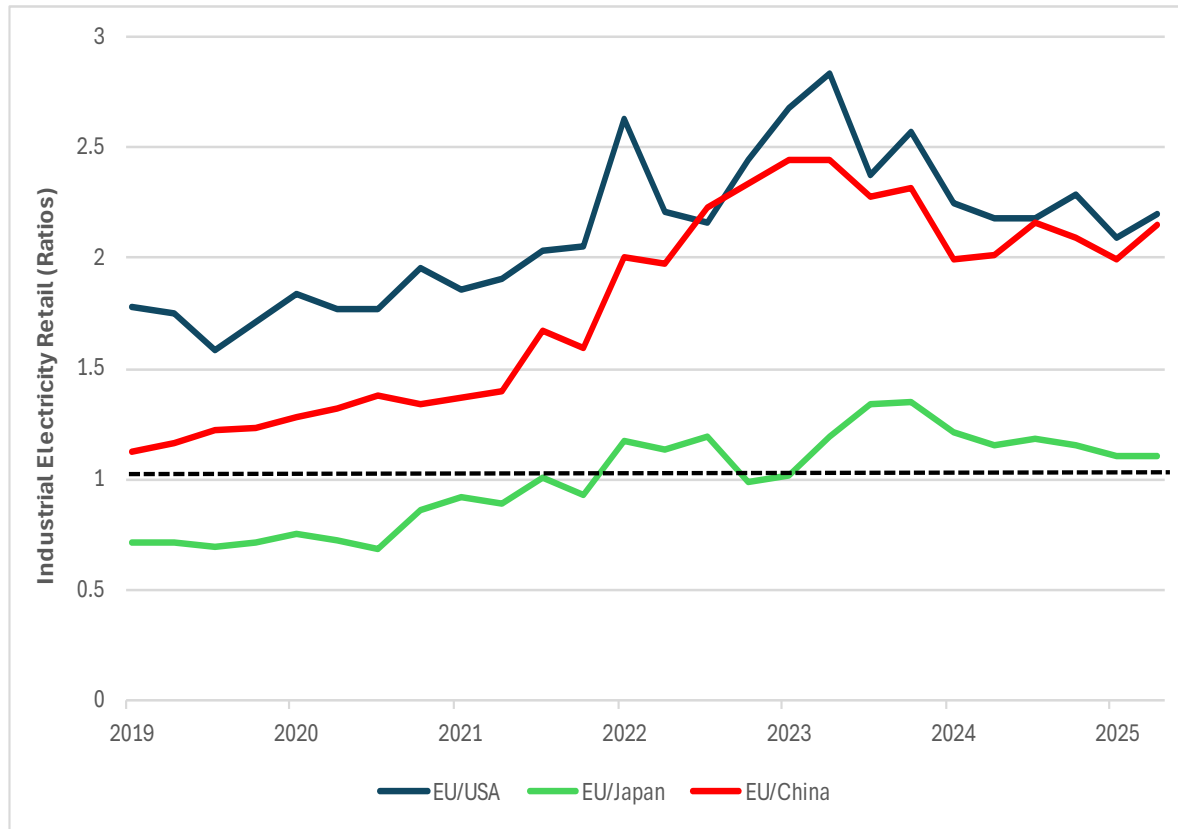
Please find attached the presentation by the Commission.

PUBLIC

COREPER II (AOB)

13 March 2026

EU industries pay significantly more for electricity than their competitors from US or China



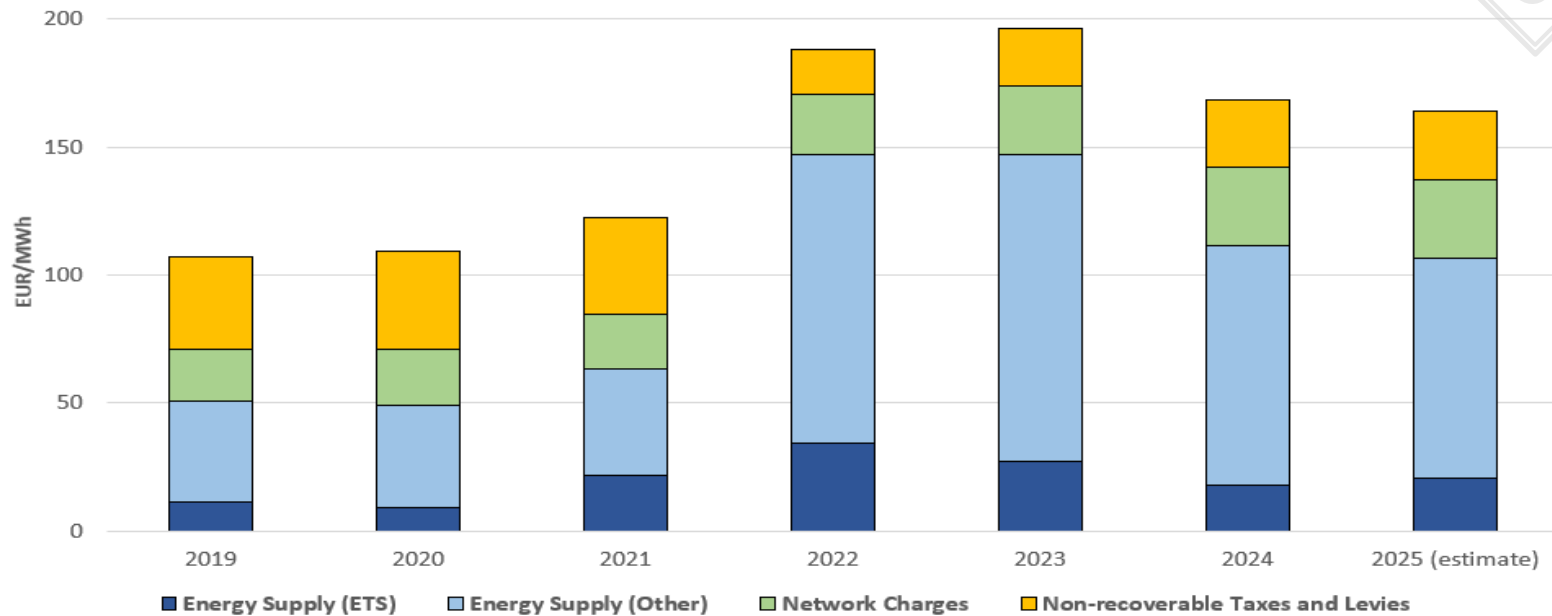
Electro-intensive industries face high electricity prices in the EU compared to other competing markets.

Why do electricity costs remain higher compared to competitors?

- Gas remains expensive since imported (x3 more in EU than Texas).
- The EU has made climate and energy policy choices impacting electricity costs (climate, CO₂ price, coal/nuclear phase-outs...).

How to bridge the structural gap between the European electricity system costs and the prices of competing markets?

Evolution of electricity price and its components



The energy crisis in 2022 increased revenues of renewables, nuclear and hydropower. This was addressed in the EU legislation via crisis rules.

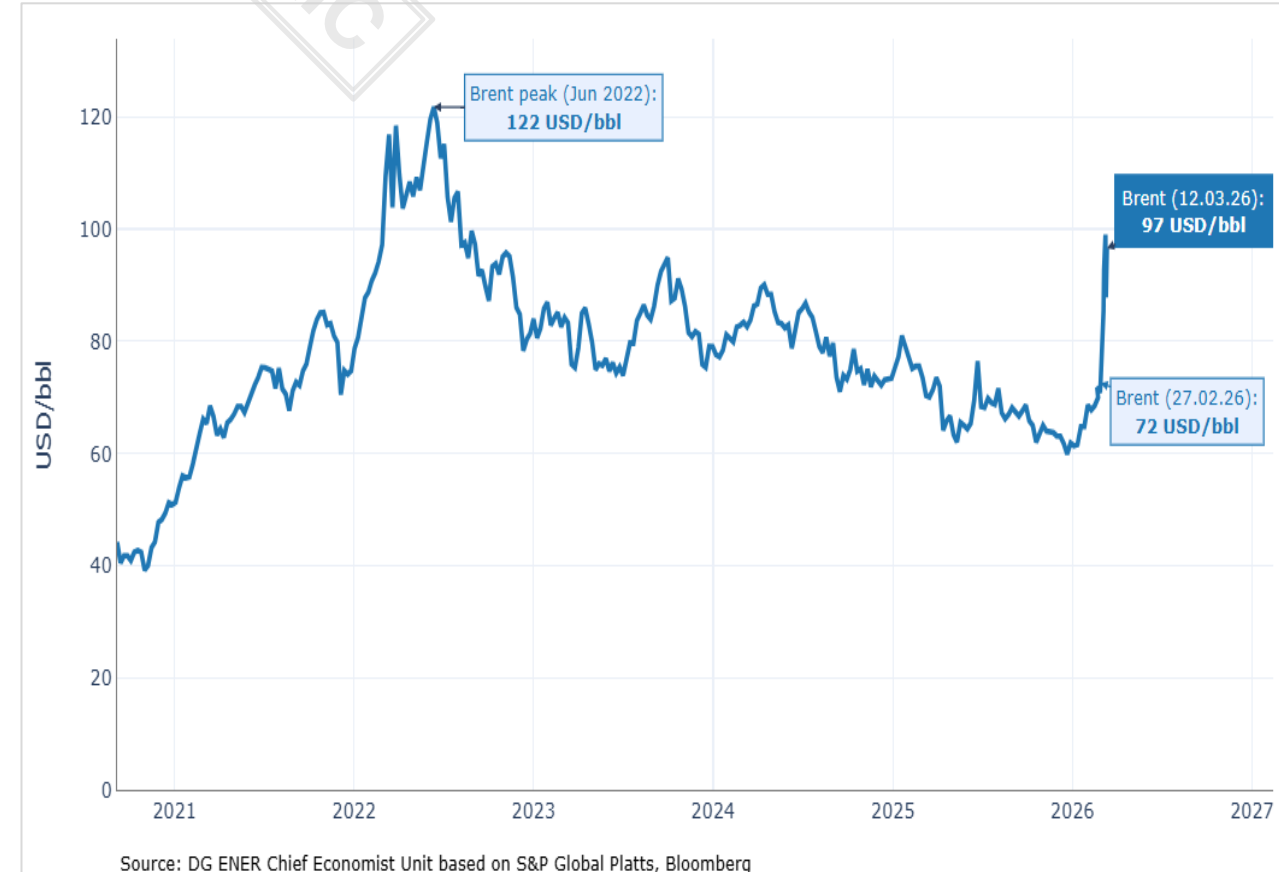
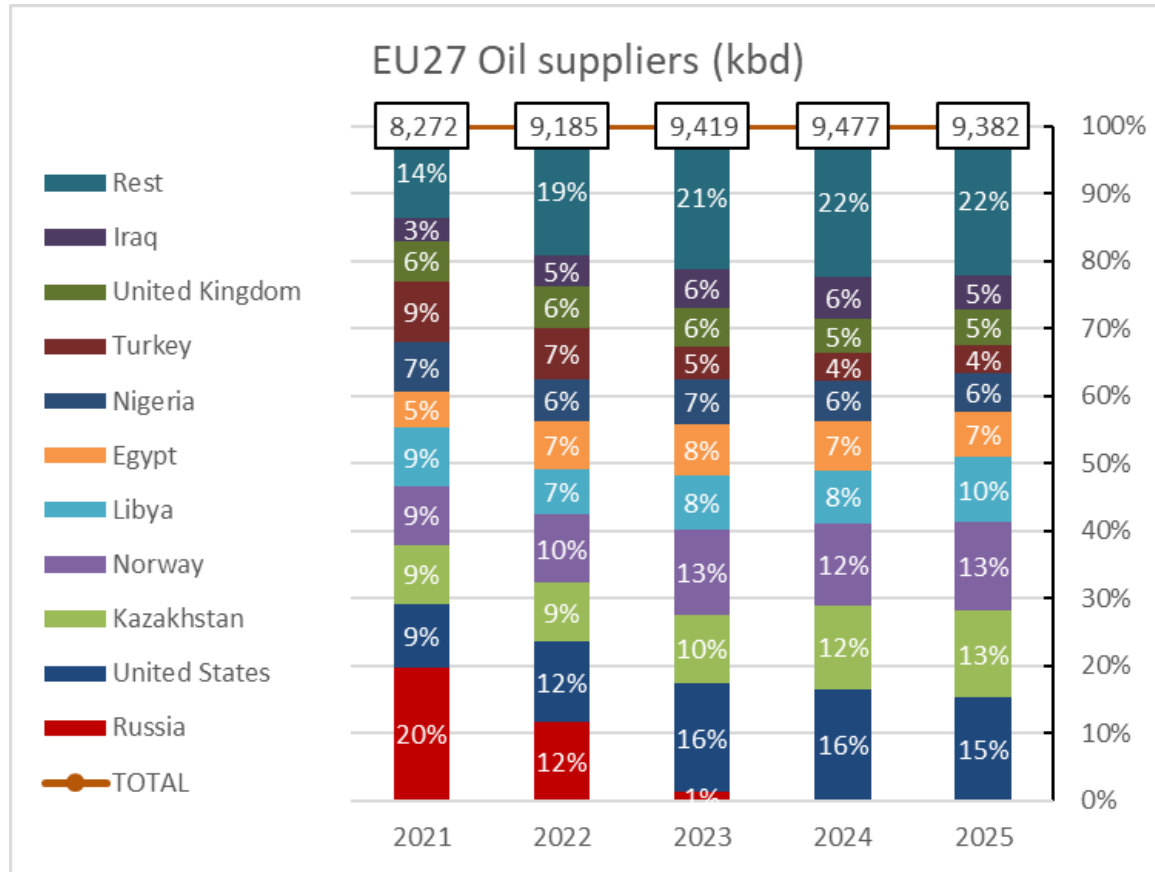
Some MSs introduced excess profit taxes.

Note: Graph shows industrial retail electricity prices (consumption band ID)

Source: ENER Chief Economist Unit (based on Eurostat)



Oil - Situation in the Middle East: Markets and Prices



EU has diversified crude oil supplies away from Russia with the help of the US, Kazakhstan, Norway and others



Oil - Strait of Hormuz and Iran

Iran

- **No oil exports to the EU.**
- 4.0-4.5 % of the oil global supply.
- Exports 1.3-1.6 million barrels per day mainly to China.

Strait of Hormuz:

- **Currently not open (transit disrupted).**
- **~ 20% of global oil supply.**
- (Oil) main destinations (via Hormuz): Asia (87%).

IEA Oil Release

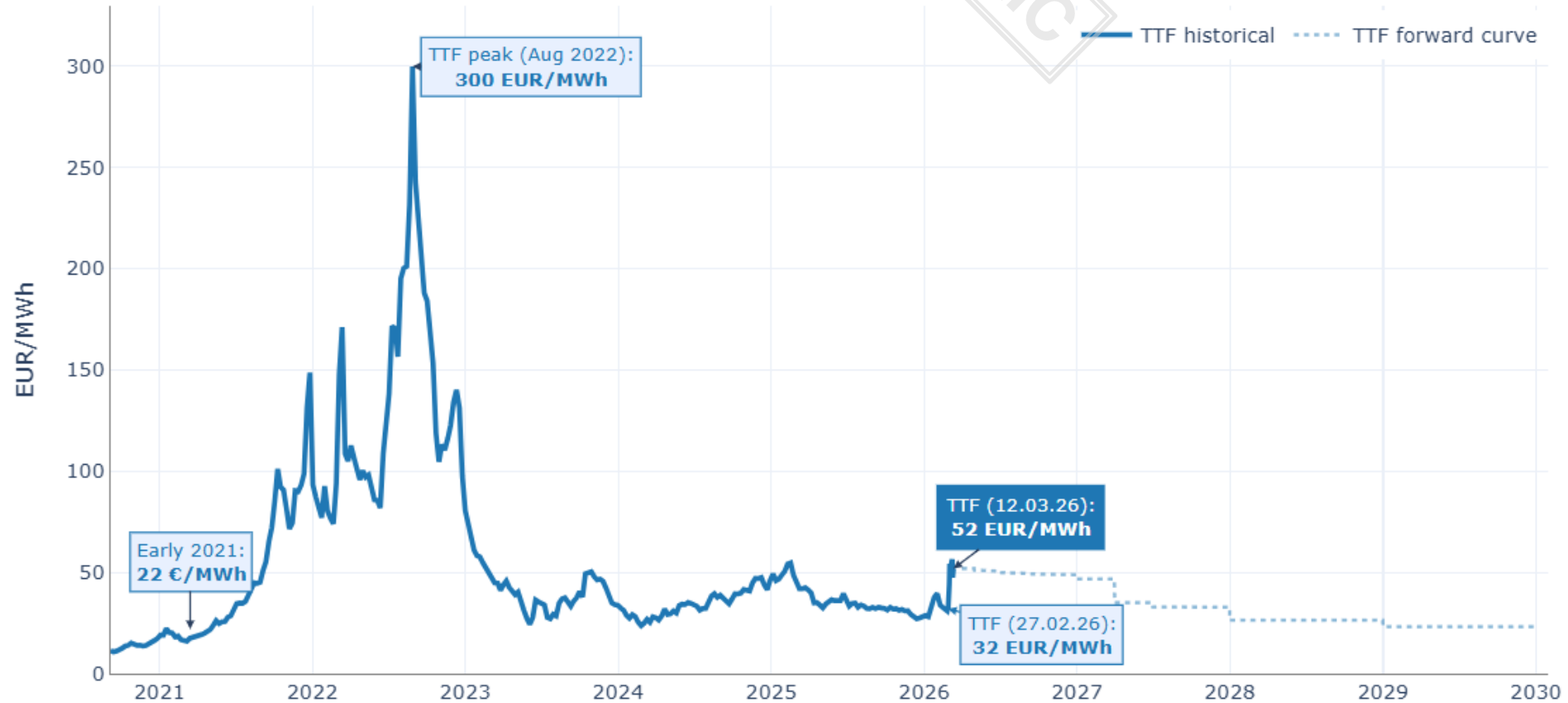
- On 11 March, IEA (backed by G7 leaders) agreed to make 400M oil barrels available to the market.
- The largest ever release of reserves.
- ~ 20 days of Hormuz flow.

Impacts for the EU

- **No immediate security of supply risks.**
- EU direct exposure amount to 8% of EU total oil imports (crude and refined oil products) but the actual exposure is higher as EU buyers compete in the global oil market.
- EU Main suppliers of crude oil (via Hormuz): Iraq (95%), Saudi Arabia (3%).
- Oil Stocks are at close to 90 days in all MS.
- Gulf countries represent 40% of EU diesel and jet fuel imports, equivalent to 15% of jet fuel consumption and 5% of diesel.
- Bypass options limited: Saudi Arabia and UAE pipelines can only partially offset a closure.
- **Price increase and volatility remain a key concern. Brent up 33% since start of conflict to around 97 USD/bbl (12 March).** Oil prices appear to have priced in the IEA release and did not immediately react to the announcement.



Gas - Situation in the Middle East: Markets and Prices

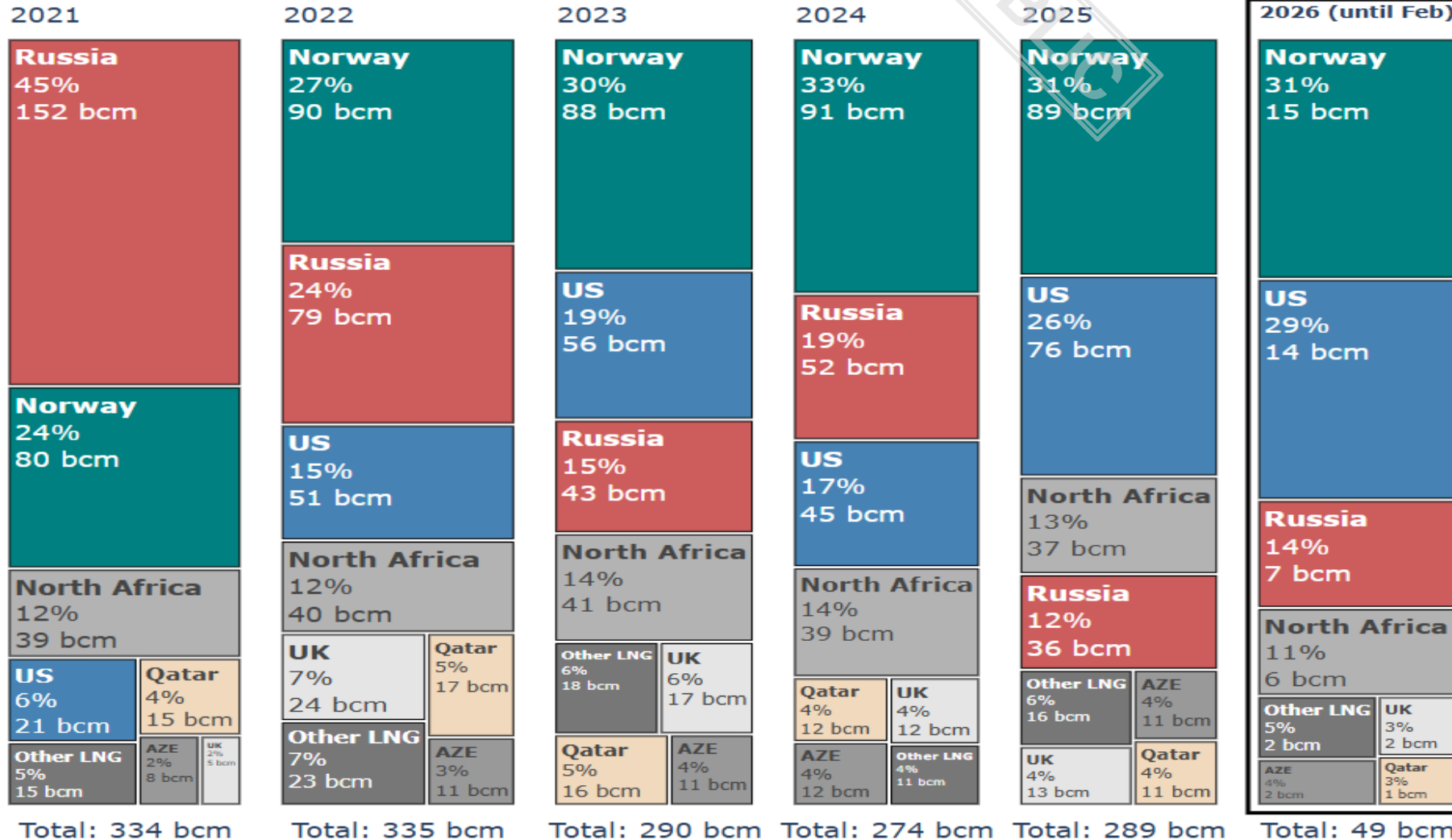


Source: DG ENER Chief Economist Unit based on S&P Global Platts, Bloomberg



Gas – EU imports

EU natural gas (pipeline & LNG) imports per year



Gas – Strait of Hormuz and Iran

Iran

- **No gas exports to the EU.**
- 6–6.5 % of the world's gas supplies.
- Limited exports to neighboring countries (Turkey, Iraq and Armenia).

Strait of Hormuz

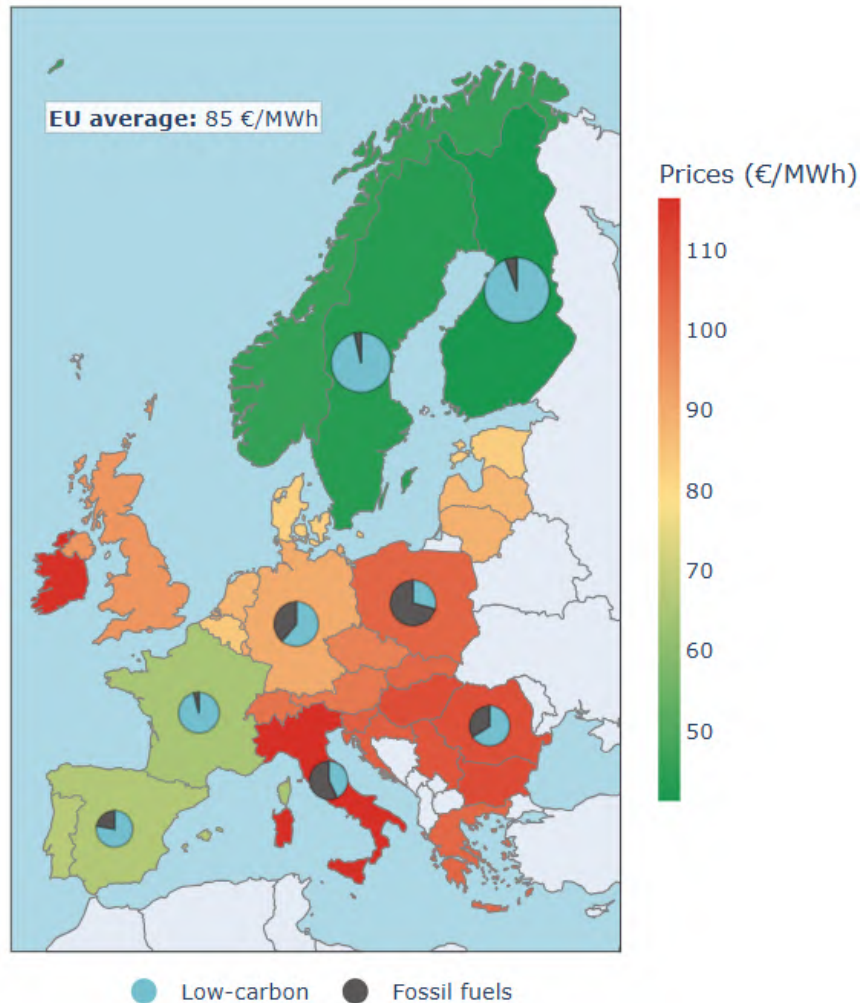
- **Currently not open (transit disrupted).**
- **Approx 110 bcm of LNG (~ 20% of global LNG supply).**
- Gas main destinations via Hormuz: Asia (~85%).
- Gas suppliers via Hormuz: Qatar (94%), UEA (6%).

Impacts for the EU

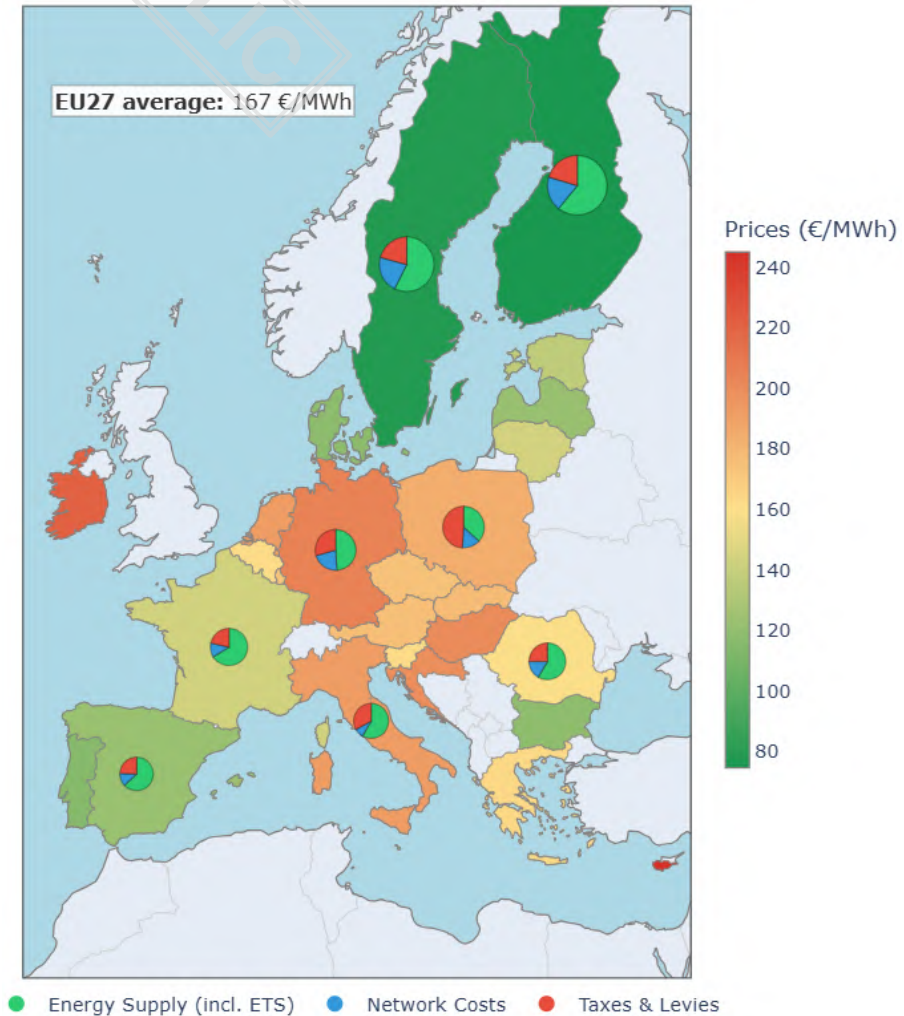
- **No immediate security of supply risks.**
- Only EU LNG supplier through Hormuz is Qatar (11 bcm in 2025, 9% of total EU LNG imports).
- **Price increase and volatility remain a key concern.** TTF gas price up 64% since start of conflict to €52/mwh (on 12 March).
- Analysts estimate TTF gas prices could potentially triple (~90EUR).
- Current storage levels stand at 29% (7 pp. lower than one year ago). But EU now holds 250 bcm of LNG import capacity (unlike in 2022). Flexibility on storage filling to adapt to market.
- Analysing security of supply implications of, e.g., RePowerEU pre-authorisation and Methane Regulation.

National setups for energy supply differ and lead to different impacts on the consumers' bills

Electricity Wholesale Prices and Low-carbon Generation

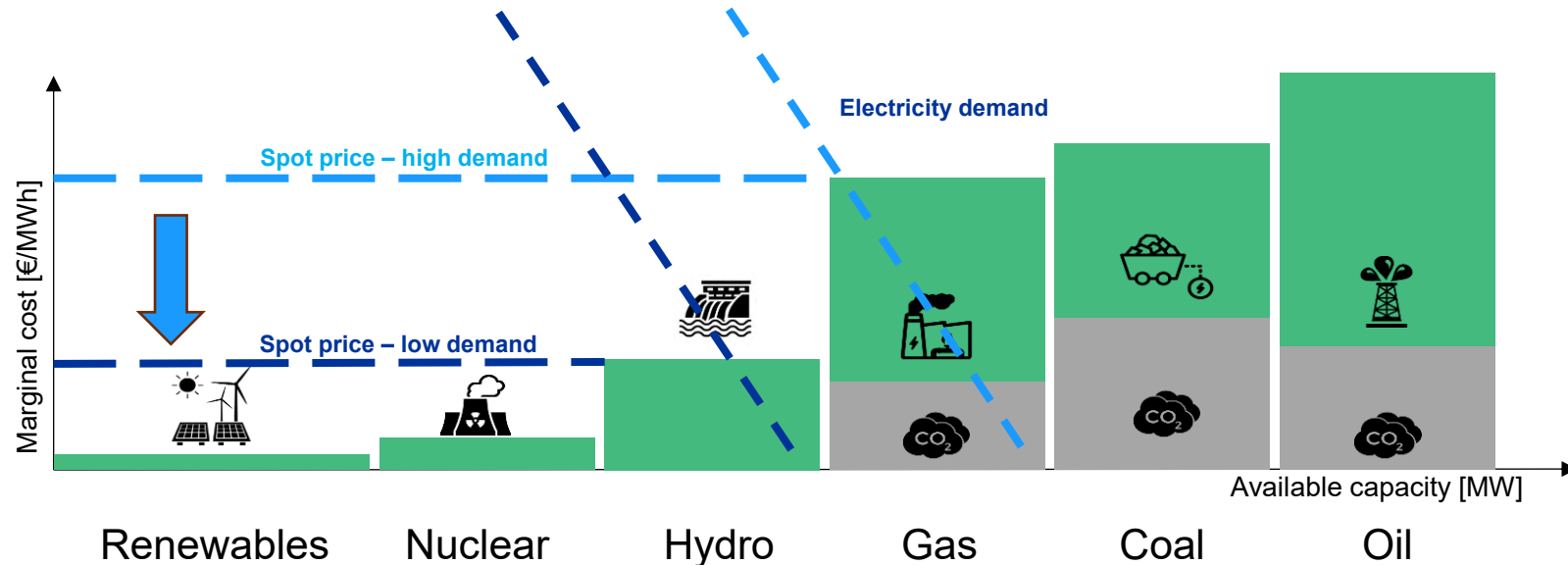


Industrial Retail Electricity Prices and Price Components



Electricity prices levels

- When renewables and/or nuclear are sufficient to meet demand, prices are close to zero (record number of negative price hours in 2025).
- Prices tend to rise in hours when renewables produce less and fossil fuels are needed to meet demand. This allows cheap energy sources which are still producing to recover the revenue lost during zero-negative price hours.
- No clear evidence of excess profits made by renewable producers today.
- Removing market revenues from renewables hampers investor confidence but also leads to higher subsidy needs.



Electricity prices are market-based – allow to match supply and demand

- The pricing of electricity is based on the market fundamentals – it matches supply and demand.
- Marginal pricing is not imposed by EU legislation but is based on economics.
- Marginal pricing is the **most efficient** existing pricing system (i.e. saving costs). It **always supplies the cheapest energy first** and unlocks **efficient cross-border exchanges**.
- Marginal pricing is the way electricity and other commodities are priced in liberalised markets across the world.
- **ETS functioning is linked to the marginal pricing.**
- **It underpins the European internal market for electricity** (EUR 34 bn welfare per year).

Electricity Market Design

- Market significantly reformed in 2022 to decouple bills from volatility of fossil fuel costs.
- Still being implemented at national level. Power Purchase Agreements and 2-way Contracts for Difference.