

## Briefing Note

## Déjà Vu: How is Europe navigating the new wave of energy price volatility?

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**Background**

Europe is facing another surge in energy prices as the war in the Middle East exposes its persistent vulnerabilities to external shocks. Emergency measures after the 2022 energy crisis provided temporary relief, but as we see today, they have failed to address the structural drivers of volatility and energy insecurity. This **new pressure** comes at a politically sensitive moment, as policymakers must balance the climate-neutrality goal with affordability and industrial competitiveness.

What concrete policy options are currently on the table? Will these be enough to stabilise prices while protecting citizens and industry? Can the EU move beyond reactive crisis management to finally tackle the structural drivers of energy price volatility and external dependency? These are the central questions of this briefing.

The outbreak of war in the Middle East on 28 February 2026 has once again exposed Europe's structural vulnerability to external energy shocks, triggering a rapid and politically sensitive surge in energy prices. Within days, the European gas prices rose sharply, reaching over €60/MWh and in some cases doubling compared to pre-war levels. Since the escalation, the [cost](#) of gas-fired electricity generation has jumped by more than 50%, which has been reflected directly in consumer bills and industrial costs. This volatility is directly linked to geopolitical disruptions, including the [blockade](#) of the Strait of Hormuz and damage to key LNG

infrastructure in the Middle East, which have constrained global supply and intensified competition for energy imports.

To understand why prices have risen so sharply, it is important to look at how Europe's energy system has developed since the 2022 energy crisis, sparked by Russia's invasion of Ukraine. Compared to that period, Europe has significantly restructured its gas sourcing, reducing its dependence on Russia, which once supplied nearly half of its gas needs. However, this diversification has also increased reliance on global gas markets, where prices are driven not only by physical supply and demand but also by expectations and perceived risk. As a result, even relatively limited disruptions, or the anticipation of them, can trigger sharp price increases. This dynamic explains why, despite less than 10% of EU gas supply being directly affected by risks around the Strait of Hormuz, market tensions have still pushed prices to more than double pre-crisis levels. This shows that **Europe remains highly exposed to price volatility driven by geopolitical uncertainty on the global market.**

### Europe faces rising gas prices, yet the burden is distributed unevenly

In practice, all European consumers will feel the impact of rising fossil fuel prices, whether through higher heating bills, increased transport costs, or elevated food prices due to more expensive fossil-based fertilisers. The European Trade Union Confederation (ETUC) [stated](#) that if energy costs rise by 50% this year, the average EU household would see its **energy bill increase from €3,792 to €5,688**, equivalent to just over 12% of total household expenditure.

Yet, looking specifically at electricity prices, a clear divergence between Member States emerges. **The same external shock is producing very different outcomes across the EU.** For example, in [Spain](#), prices are expected to average around €66/MWh this year, which is approximately half of those projected in Italy. This difference is not accidental. It reflects structural differences in national energy systems and their reliance on fossil fuels. Under the current market design, the marginal plant (which is often gas) sets the price. In countries where gas dominates, price volatility is passed directly on to consumers. On the contrary, where renewables play a larger role, prices are more stable and less exposed to global shocks. That is why in [Italy](#), for instance, gas sets the price around 90% of the time. In Spain, it is closer to 15%. This gap reflects the result of political and investment choices.

Yet even Spain's case is not entirely insulated from the global shocks. Despite not facing a dramatic surge in energy prices, the country has introduced the EU's most ambitious national plan so far to cushion price increases, worth €5 billion. This illustrates that the reality of energy price impacts is far more complex and nuanced than headline figures alone might suggest. Despite Spain's energy advantages, the country remains vulnerable to the ups and downs of global fossil fuel markets. In Spain, most [households](#) still rely on gas and heating oil, and the majority of cars run on petrol and diesel, meaning that the conflict in Iran is also affecting these areas. As a result, Spanish consumers are experiencing higher costs at the fuel pump and on their heating bills, much like in other parts of Europe. That is why the government introduced an [economic relief package](#), effective until 30 June 2026. The measures focus primarily on tax reductions, including a cut in VAT on all forms of energy from 21% to 10%. This applies to motor fuels, electricity, natural gas, and butane, for which a maximum price has also been set. The plan is expected to reduce electricity bills by roughly 13%, while petrol and diesel prices will fall by around 30 cents per litre. Sectors considered most vulnerable, such as agriculture and fisheries, will benefit from a 20-cent rebate on every litre of professional fuel. Nevertheless, Spain's substantial renewable capacity has proven its worth, cushioning consumers from the **full impact** of rising energy prices while providing both economic relief and a competitive advantage compared with other European countries.

### A snapshot of some national energy policy measures

Member States have chosen different [instruments](#) to respond to the price crisis.

In **Germany**, petrol prices jumped to over 2 €/L in a matter of days, leaving the country among those with the highest pump prices in the EU. Germany's governing coalition [agreed](#) on April 13 on a package of short-term relief measures and longer-term reforms for households and businesses. The centrepiece is a two-month reduction in fuel tax of around 17 cents per litre for petrol and diesel, worth an estimated €1.6 billion, with the fiscal cost to be offset through measures targeting oil companies and tighter competition rules. Employers will also be allowed to grant a tax- and duty-free €1,000 bonus in 2026, financed through a planned tobacco tax increase. In parallel, the government announced support for the automotive industry by opposing stricter CO2 rules for hybrid vehicles planned for 2027 and calling for greater technological neutrality in EU discussions.

In **Italy**, the government has focused on consumer protection and market transparency, including strengthening the anti-speculation mechanism by requiring oil companies to publish their recommended fuel prices for a three-month period, alongside broader discussions on using additional VAT revenues from higher fuel prices to support households and businesses. At the same time, temporary jet fuel [rationing](#) was introduced at four major airports: Milan Linate, Bologna, Venice Marco Polo and Treviso, where refuelling was limited to 2,000 litres per aircraft, with priority given to medical evacuations, state flights and long-haul connections. Additionally, among the latest measures, the Italian government has recently decided to **delay its coal phase-out** by more than a decade, from 2025 to 2038. This is intended to protect consumers from price shocks. However, analysts criticise the decision as being [ineffective](#), arguing that coal generation remains relatively expensive and does little to address the structural cause of high prices, namely Italy's continued exposure to volatile fossil fuel markets.

**Portugal** moved first among the southern states with a concrete step: the government announced a temporary, extraordinary cut of 3.55 cents per litre in the diesel tax, explicitly framed as handing back the extra VAT revenue triggered when pump prices jumped more than 10 cents per litre.

**France** introduced a structural approach and has put [electrification](#) at the centre of its efforts to address the current energy crisis. On 10 April, the French government presented its national electrification plan and introduced instruments combining social and industrial policy. For example, from 2027, gas boilers will no longer be allowed in new buildings, and by 2030, one million heat pumps are to be installed annually across the country, and two-thirds of new car sales will be electric. In this sense, France's plan aims to replace 20% of France's annual gas imports with domestic electricity by 2030.

**Greece** has announced a €300 million support package for April–May 2026 aimed at cushioning households, farmers, and selected sectors from rising energy costs. The measures include a subsidy of €0.16 per litre on diesel at the distribution level (around €0.20 per litre including VAT at the pump), alongside broader consumer support and targeted relief for energy- and transport-intensive users. In addition, the government has introduced a temporary cap on fuel station profit margins of around 12 cents per litre above wholesale prices, intended to limit excessive retail mark-ups during the period of elevated volatility.

**Poland** is set to reduce fuel taxes, impose caps on pump prices, and potentially introduce a windfall tax on energy firms, [according](#) to Prime Minister Donald Tusk. He noted that Warsaw is developing plans for a windfall levy targeting oil companies.

**Austria** has introduced a federal ordinance requiring companies to lower net selling prices by 5 cents per litre from 2 April 2026, while ensuring that sales remain above cost and that a reasonable profit margin is maintained. This measure is designed to be complemented by a 5-cent per litre fuel tax reduction, bringing the total expected price decrease to around 10 cents per litre.

**Hungary** has chosen a direct price ceiling approach. The government established a cap of €1.54 per litre for 95-octane petrol and €1.59 for diesel, with the restriction applying solely to vehicles bearing Hungarian plates to deter cross-border refuelling by drivers from nearby countries.

**Romania** has introduced temporary measures to cap fuel prices. The Romanian government adopted an emergency [ordinance](#) in March 2026 declaring a crisis on the crude oil and petroleum products market and capping fuel price markups to 2025 average levels, alongside export limits and other market-stabilising measures. The cap on commercial fuel markups (for gasoline and diesel) is aimed at preventing sudden price surges at the pump and stabilising consumer costs for up to six months (with possible extensions).

### Current status at the EU level

The EU sends a clear political message at this stage. According to the Commissioner for Energy and Housing, [Dan Jørgensen](#): “We are much better prepared compared to 2022 thanks to collective political choices, coordinated diversification efforts and accelerated roll-out of homegrown energy”. Nevertheless, the European Commission already called on EU countries to start the gas filling season and preparations in time for next winter, and the European Commission energy spokesperson Anna-Kaisa Ikonen recently [stated](#) that even in the event of the current pause in hostilities, the **current energy price crisis should not be expected to be short-lived**.

Meanwhile, Austria, Germany, Italy, Portugal and Spain have [called](#) on the European Commission to ensure that **excess profits** linked to the Middle East energy crisis are more fairly distributed, as households and businesses face rising fuel costs amid disruptions to energy flows through the Strait of Hormuz. In response, the Commission stated that EU governments are free to introduce windfall taxes on energy companies benefiting from high fuel prices, while also noting that a coordinated EU-level approach is under consideration. When it comes to national measures, senior EU officials, including Economy Commissioner Valdis Dombrovskis, have stressed that **any interventions must remain temporary, fiscally contained, and compatible with long-term decarbonisation goals**.

### Business strategies in Europe’s evolving energy and transition landscape

When it comes to the position of industries, for companies across Europe, **renewable energy continues to be the most cost-effective and reliable way** to cut dependence on gas and reduce long-term electricity expenses. According to the [analysis](#) provided by the international bank ING Group, political support for renewables is also strengthening, particularly during periods of crisis. However, the **main challenge for business leaders is** no longer the cost of renewables, but **the limitations of infrastructure**. The pace at which companies can expand their use of renewable energy will increasingly hinge on access to grid capacity and flexibility options. As a result, investments in energy storage, demand response, on-site generation, and locations with sufficient grid availability are becoming key strategic considerations, not just energy pricing. It is worth noting that ING Group also highlights that the **renewed focus on nuclear power in Europe has uneven implications** for business leaders, depending on their position within the value chain. For those directly involved in the nuclear sector, the evolving policy environment signals growing support and emerging opportunities. By contrast, the outlook is more cautious for energy-intensive industries. For many companies, nuclear energy remains a long-term, high-risk option rather than an immediately viable solution, especially if it risks shifting attention away from existing technologies that can more effectively reduce dependence on natural gas in the near term.

### Next steps

The EU is currently drafting the following response [measures](#) in parallel:

- (1) a forthcoming **easing of EU state aid rules** to allow governments to provide greater financial support to energy-intensive industries, including higher coverage of electricity costs for heavy industry. The current [draft](#) indicates the EU will allow Member States to increase subsidies for heavy industry by allowing the state to cover 70% of wholesale power bills until December 31 2026, up from 50% today;
- (2) a **“toolkit”** to be released on 22 April, setting out options for gas storage coordination, temporary reductions in energy taxes, and demand-reduction measures such as building renovation and industrial efficiency upgrades;
- (3) an accelerated push to finalise the EU electricity grids package by early summer to expand and modernise cross-border infrastructure and support electrification as a structural response to high fossil fuel prices;
- (4) a legislative proposal in May **revising electricity taxation and grid charges** to reduce distortions in retail energy pricing;
- (5) the adoption of an **EU-wide electrification target** before the summer to structurally reduce dependence on oil and gas;
- (6) updated ETS benchmarks to determine the allocation of free carbon allowances for industrial sectors, which will affect compliance costs and competitiveness across energy-intensive industries.

Meanwhile, the war in Iran continues to pose risks for Europe. The situation is evolving with no clear end in sight. Furthermore, even a rapid resolution would not reverse the immediate damage. Iranian attacks have knocked out around 17% of Qatar’s LNG export capacity, threatening supplies to Europe and Asia. State-owned QatarEnergy [declared](#) force majeure on long-term contracts for up to five years, affecting deliveries to European countries, including Italy and Belgium. These developments highlight Europe’s **ongoing exposure to global energy disruptions and price volatility**.

### Conclusion

The current spike in energy prices is not an isolated shock but a reminder that Europe remains exposed to global energy dynamics, raising urgent questions about the effectiveness of its energy security and social protection frameworks. This signals that **the continent’s energy security architecture**, built on diversification goals set post-2022, **still falls short**.

In response, policymakers may be tempted to rely on quick fixes such as emergency market interventions, temporary relief packages for households and energy-intensive industries, or ad-hoc adjustments to tax and subsidy regimes. However, experience shows that short-term measures, even if politically appealing, are not enough to protect Europe from recurring energy crises. Without addressing the underlying structural weaknesses, each energy crisis only delays the problem and shifts the costs to households, industries, and governments.

A meaningful and durable response requires a strategic approach. With the European Commission expected to propose new energy security legislation in May 2026, as well as new legislation on the governance of the Energy Union and Climate Action, including the phase-out of fossil fuel subsidies, the **policy window is open**. In this context, the following strategic priorities might be considered for further action by the European policymakers:

- a) First, addressing structural vulnerabilities involves developing a more coherent and forward-looking approach to **fossil fuel imports**, alongside reinforcing strategic storage and accelerating efforts to strengthen grid interconnectivity. Despite accounting for around 20% of global fossil fuel imports, the EU has not yet fully leveraged its market power in a coordinated or strategic way, as policy remains largely focused on reducing

internal demand rather than shaping external supply conditions or supporting the decarbonisation pathways of exporting countries. While progress is already underway, particularly through the EU Grids Package, which aims to enhance cross-border electricity coordination and modernise infrastructure, and the Carbon Border Adjustment Mechanism (CBAM), which demonstrates the EU's ability to use its market access to drive emissions reductions abroad, there remains scope to better align these efforts within a broader energy security framework that also takes into account external supply risks, particularly in oil and gas markets.

- b) Second, the uneven exposure across Member States cannot be ignored: countries with higher renewable shares or stronger fiscal buffers are far better positioned to absorb price shocks than those still dependent on fossil fuels. This highlights the necessity of EU-level tools and **coordination mechanisms** that can help mitigate these asymmetries and enhance solidarity.
- c) Third, the energy transition must accelerate. Scaling renewables, expanding electrification and storage, and maintaining strong investment incentives are Europe's best defence against fossil fuel volatility. In addition, this requires strengthening Europe's financial capacity to enable the large-scale expansion of renewable energy, ensuring sufficient and predictable capital can be mobilised to fund generation, grid infrastructure, and storage systems over the long term. The European Central Bank has also linked energy volatility to structural investment gaps in renewables and grids, stressing that insufficient and uneven investment in clean energy infrastructure, particularly in generation capacity, cross-border interconnections, and storage, has left the EU overly exposed to imported fossil fuel price shocks. This points to the need to **rethink investment frameworks** and strengthen mechanisms to mobilise capital for the long-term expansion of renewable energy capacity.

The challenge now is to translate this momentum into coordinated legislative and investment measures that will reinforce Europe's long-term energy resilience.

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