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Energy Security amid Geopolitical Instability: Lessons from the 2026 Strait of Hormuz Shock

The effective closure of the Strait of Hormuz in late February 2026, following the United States-Israel attack on Iran, triggered one of the most significant energy supply shocks in recent history, severely affecting global oil and liquefied natural gas (LNG) markets. While Europe is relatively insulated from disruptions to gas supplies in the Middle East, sourcing only around 8% of its LNG imports from the region, it remains highly exposed to oil market disruptions, with both rising prices and potential supply shortages posing significant energy security risks. Nevertheless, the shock also affected European gas markets, as heightened competition for LNG cargoes outside the conflict zone increased import costs despite the absence of immediate physical shortages. Similarly, the scarcity of oil in the global market led to rising prices, directly affecting households and businesses in Europe. This crisis once more exposed Europe's dependence on imported fossil fuels. This article discusses how European governments have reacted to the shock, with a focus on fiscal measures, and looks at short- to long-term actions that the EU could take to ensure European energy security.

The effective closure of the Strait of Hormuz on 28 February in the wake of the United States-Israel attack on Iran created the largest energy supply shock in history, according to the executive director of the International Energy Agency (IEA; Reuters, 2026).¹ The global supply of

liquefied natural gas (LNG; Keliauskaitė et al., 2026) and oil are primarily impacted. Sourcing only around 8% of its LNG imports from the Middle East, Europe is relatively insulated from disruptions to gas supplies, yet is impacted by higher prices.² It remains highly exposed to oil market disruptions, with both rising prices and potential supply shortages posing significant energy security risks.

¹ This contribution builds on previous and ongoing research at Bruegel.

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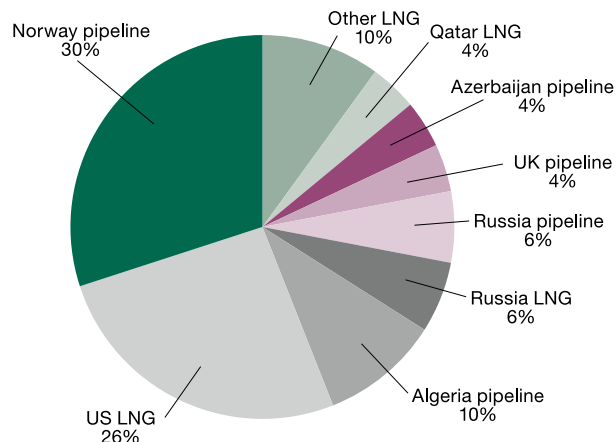
The new energy crisis has caused diesel and petrol prices to soar across Europe; following the start of the war, EU average prices reached peak increases of 32% and 16%, respectively.³ The main European natural gas price benchmark, the TTF, has seen renewed volatility, doubling from €30/MWh to €60/MWh in the first weeks of the war, before stabilising at around €40 /MWh.

In response to this crisis, European governments have committed close to €12 billion in fiscal measures to cushion households and businesses (Bruegel, 2026). Interventions by many countries, however, have focused on excise duty and fuel tax cuts. These measures risk blurring the price signal to consumers, ultimately increasing energy consumption during a period of scarcity.

² Other products, such as fertilisers (Hinz et al., 2026) and helium, are also affected by the closure.

³ Price increases are based on EU average diesel and petrol prices, including taxes. See European Commission (n.d.).

Figure 1
EU gas imports by source, 2025



Note: The EU imported a total of 316 billion cubic metres in 2025.

Source: Bruegel (2022).

This article analyses how renewed geopolitical instability affects European energy security through global oil and gas markets. It evaluates Europe's remaining vulnerabilities, reviews the fiscal measures implemented by European governments in response to the crisis and discusses appropriate policy responses.

The Iran shock as a stress test for European energy security

The closure of the Strait of Hormuz has once again highlighted Europe's vulnerability to disruptions in global fossil fuel markets. The closure led to an initial reduction in global LNG and oil supply of around 20% each.

Despite the EU's decarbonisation and diversification efforts after the Russian invasion of Ukraine in 2022, the EU continues to rely strongly on fossil fuel imports. Natural gas still accounts for around 25% of final energy consumption (Eurostat, 2026), while almost 40% of the EU's energy mix is made up of oil.⁴ These dependencies leave the EU exposed to price shocks on global markets.

Changing gas supply vulnerabilities after the 2022 energy crisis

The Russian invasion of Ukraine urged the EU to rethink its security of energy supply. As a result, the EU's dependence on Russian gas declined from 45% in 2021

(European Commission, 2024) to 12% in 2025, substituted notably by increasing LNG imports, also from new sources such as Egypt, Angola and Oman. The EU's main LNG supplier is now the US, accounting for two-thirds of all EU LNG imports.

Figure 1 shows that the EU has shifted its reliance from a dominant natural gas supplier towards a more diversified portfolio of suppliers. Unlike during the 2022 energy crisis, the EU's gas supply was not immediately threatened by the closure of the Strait of Hormuz, as Qatar only provided 4% of the EU's total gas imports (or 8% of the EU's LNG imports).

Despite the EU's limited exposure to LNG supplies from the Middle East, it remains vulnerable to soaring global gas prices. Indirect exposure to the conflict may materialise in a rising energy import bill, as fiercer competition for the energy supplies not disrupted by the conflict drives up prices. Prices for most EU gas imports, even under long-term contracts, are indexed to the gas spot market and are therefore directly affected. For instance, assuming an average pre-crisis price of €30/MWh and a post-crisis price of €60/MWh (above current price levels) multiplied by total yearly EU gas imports, would yield an additional €100 billion to European gas import costs over 12 months. In comparison, total gas import costs for the EU amounted to €117 billion in 2025 (Eurostat, 2026b).

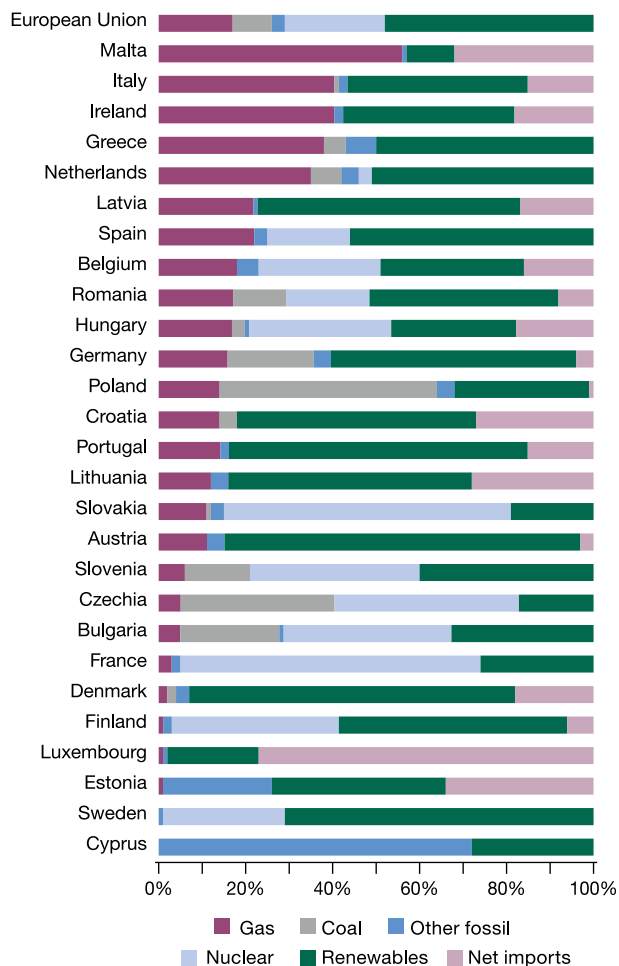
So far, the Iranian energy crisis has led "only" to higher gas prices in the EU, without affecting its security of supply. However, that could change depending on the duration of the crisis. Diversifying the EU's import mix in the short run might prove difficult, as new LNG supplies from, for instance, Australia (Williams et al., 2026), are limited and additional export capacity, primarily in the US and Canada, is insufficient to fully cover supply shortages from the Middle East (International Energy Agency, 2026b).

The EU must therefore prepare for a prolonged period of higher gas prices. Asian buyers, who source nearly a third of their LNG from the Gulf, now compete with European buyers for flexible cargoes. Around a quarter of EU gas imports originate from the US, which provides much of the flexibility in global LNG markets. With China previously absent from the US LNG trade (Bousso, 2026), heightened competition from Asian buyers could divert US LNG cargoes away from Europe if European buyers lose an intensified bidding war.

Rising gas prices also affect electricity prices across the EU to varying extents. The impact on electricity prices depends on each country's electricity mix (see Figure 2)

⁴ The share refers to "gross available energy". See Eurostat (2026).

Figure 2
Electricity generation in the EU by source, 2025



Source: Bruegel (2025).

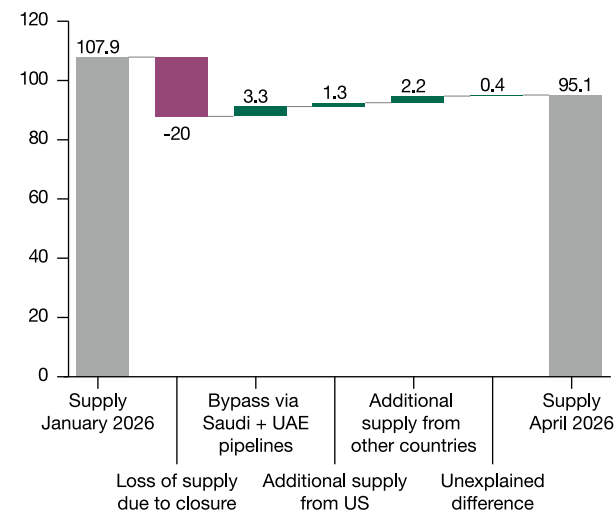
and the number of hours when gas is the most expensive source of electricity. Rising gas prices feed into electricity prices through marginal pricing: the most expensive plant, required to serve the last consumer, sets the clearing market price for all. In Spain, a rapid expansion of wind and solar generation has cut the share of hours in which gas sets the electricity price from 75% in 2019 to just 15% in 2026, the sharpest reduction among Europe's major gas-reliant power markets (Rosslowe & Petrovich, 2026).

Europe's much-overlooked oil vulnerability

The Strait of Hormuz is a critical chokepoint for global oil markets: in 2025, around 15 million barrels of crude oil and five million barrels of oil products passed through it each day, equivalent to 20% of global supply. Figure 3 shows

Figure 3
Change in 2026 global oil supply, January (pre-war) vs April

in million barrels per day



Note: Global oil supply data for April and cumulative supply losses since February are from the IEA Oil Market Report (May 2026). Assuming a 20 mb/d supply disruption from the closure of the Strait of Hormuz (based on historical averages) and an increase of 3.5 mb/d in Atlantic Basin crude exports (including 1.3 mb/d from the US), 0.4 mb/d of the supply adjustment remains unexplained, based on the data at hand.

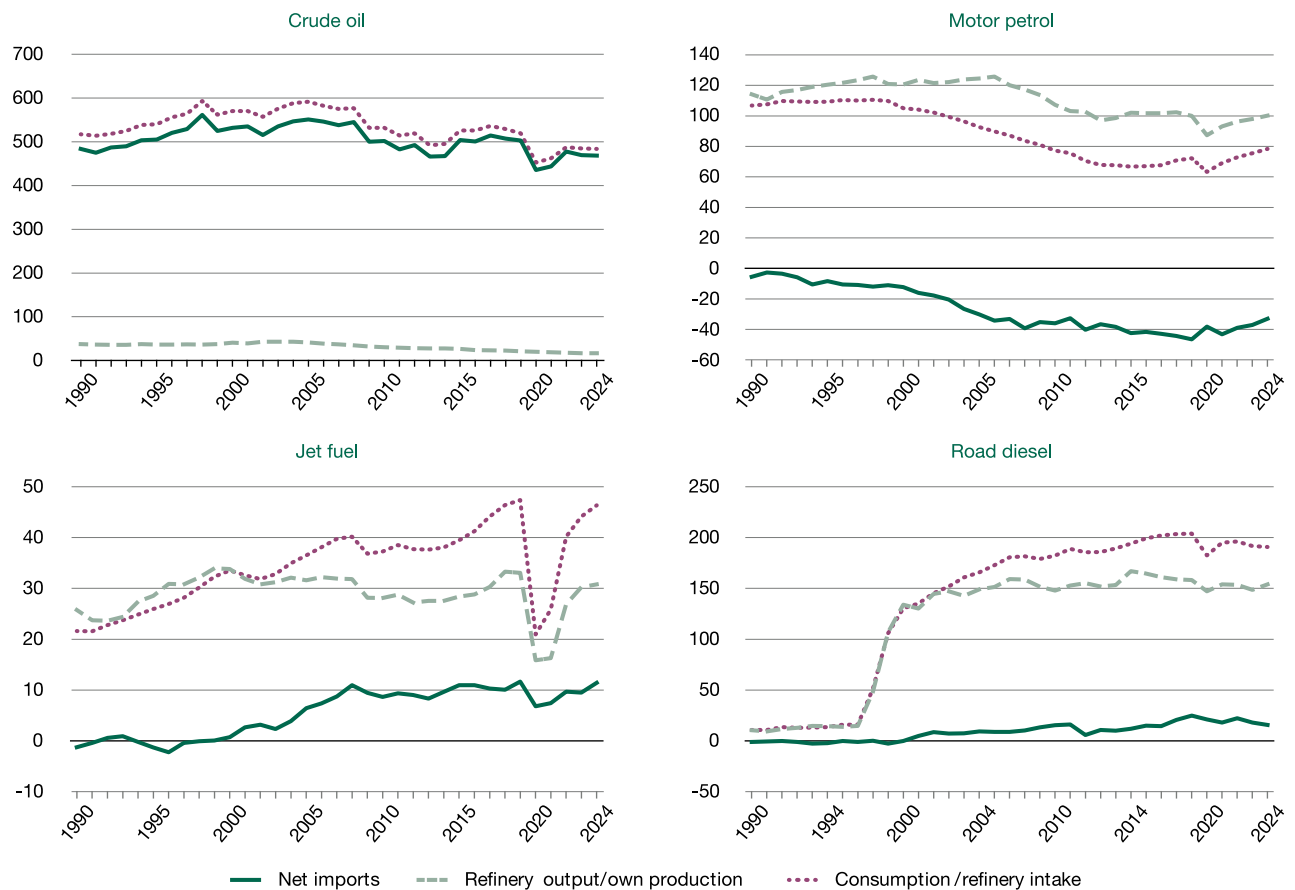
Source: IEA (2026a).

that Saudi Arabia and the United Arab Emirates (UAE) were able to bypass part of their supply, amounting to 3.3 million barrels per day (mb/d) via pipelines, to mitigate the initial impact of the closure of the Strait. Three months after the closure, the IEA estimates that oil supply from the impacted regions remains 14.4 mb/d below pre-crisis levels and global oil supply falls short by 12.8 mb/d (International Energy Agency, 2026a) – despite IEA member countries' efforts to release 400 mb of emergency stocks.

Even after the Strait reopens, global oil markets are expected to remain undersupplied well into 2027, as restoring production, redeploying shipping capacity and rebuilding confidence in the stability of any agreement will take time before normal trade can resume.

The EU imports around 97% of the crude oil it consumes, most of which is refined into fuels for road transport and aviation or used as feedstock for industry. This dependence on oil imports is therefore likely to remain a long-term vulnerability. Although total oil import volumes have remained broadly stable over the past three decades, the composition of imports has shifted somewhat from crude oil towards refined oil products such as jet fuel and diesel

Figure 4
EU oil balance by product
in million tonnes



Source: Bruegel based on Eurostat [nrg_cb_oil, nrg_te_oil, nrg_ti_oil].

(see Figure 4). Crude oil accounted for 97% of total oil imports in 1990 but only 89% in 2024, while imports of jet fuel and diesel increased fivefold and twenty-fivefold, respectively.

Figure 5 shows the EU's main suppliers of crude oil and selected oil products, illustrating how disruptions to global oil markets affect the EU through crude imports and product markets, depending on the level of diversification. While the EU's crude oil imports are quite diversified, with Norway, the US and Kazakhstan emerging as the main suppliers in 2025, vulnerabilities remain in product markets. For instance, jet fuel imports account for around 38% of supply, with the majority sourced from Kuwait, India and the UAE. Although lower, 17% of diesel supply is also imported to the EU, with Saudi Ara-

bia, India and the US making up the largest shares. On the contrary, the EU is a net exporter of petrol.

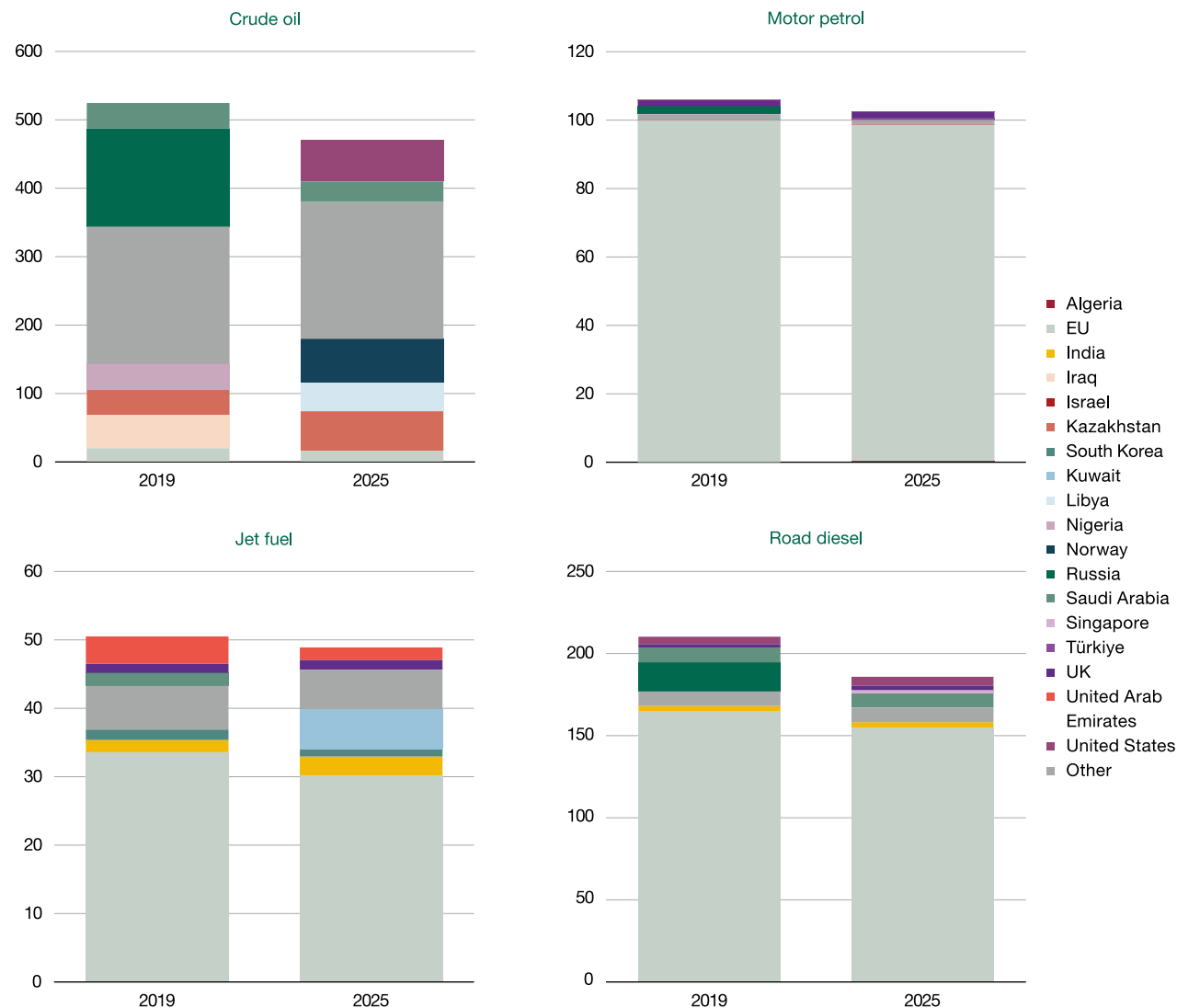
Simultaneously, the EU has seen its refinery capacity decline by 5% since 2015.⁵ While refineries retain some flexibility to adjust output across oil products,⁶ this flexibility

⁵ Based on data from the 2025 Energy Institute Statistical Review of World Energy. Most countries have lost capacity, notably Romania (-62%), France (-42%) and Italy (-28%); while a few countries – Greece (+26%), Spain (+16%), and Poland (+15%) – have increased capacity.

⁶ Recent reports show that EU refiners have adapted their output. See, Ferman (2026).

Figure 5
EU27 oil supply by product, 2019 vs 2025

in million tonnes



Source: Bruegel based on Eurostat [nrg_cb_oilm, nrg_ti_oilm].

is limited, as operating further from their optimal input mix reduces efficiency.⁷

Strategic and commercial oil inventories provide an important buffer against temporary supply disruptions. In line with IEA recommendations, EU member states are required to maintain emergency stocks equivalent to at

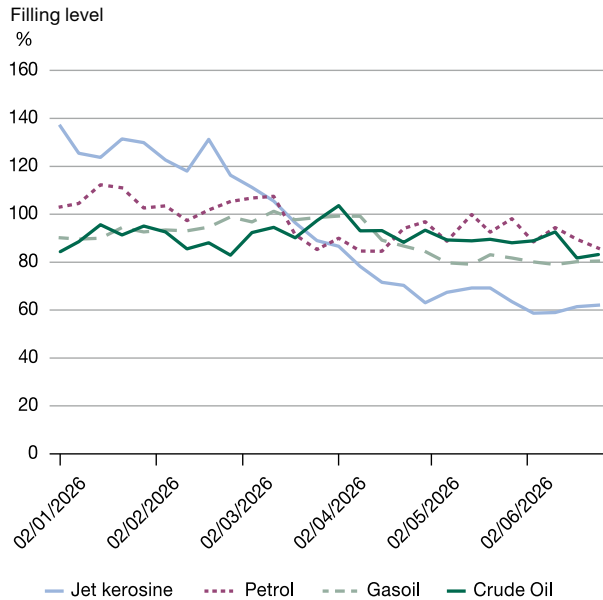
least 90 days of net imports or 61 days of consumption, whichever is greater.⁸ As recent data on public inventories are unavailable, private inventories provide insights (see Figure 6 for the Amsterdam–Rotterdam–Antwerp region). While crude oil and diesel stocks have remained broadly in line with their 2021–2025 averages, jet fuel inventories have markedly fallen since January 2026, reaching less than 70% of their five-year average by May. This suggests that, despite adequate crude oil supplies, tightening

⁷ This can also be observed in the US, which imports large quantities of crude oil, despite being a net exporter of crude oil, as its domestic refineries run less efficiently with domestically produced crude oil. See Rapier (2026).

⁸ https://energy.ec.europa.eu/topics/energy-security/security-oil-supply_en

Figure 6

Storage filling levels in the Amsterdam–Rotterdam–Antwerp region relative to the last five-year average



Source: Bruegel based on Insights Global via Bloomberg Terminal.

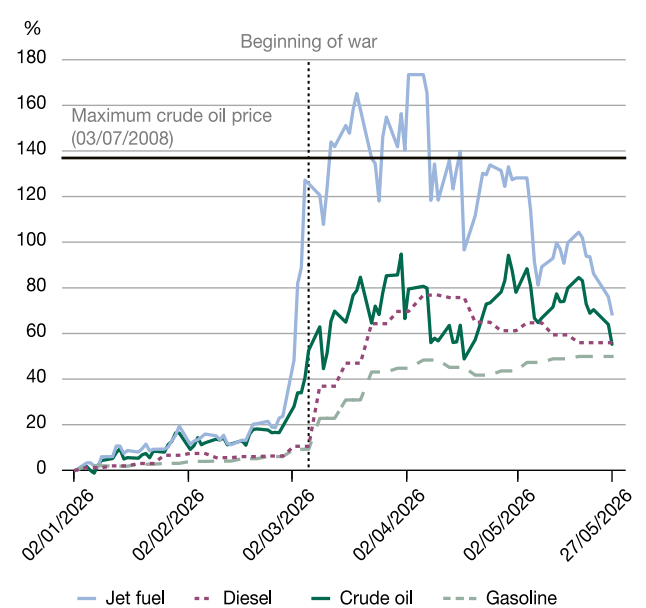
product markets are already putting pressure on specific fuel inventories. A similar picture emerges when inspecting changes to tanker-based imports of crude oil and oil products to the EU. Compared to the previous five-year average, tanker-based imports of oil products have declined by as much as 50% between mid-March and April (Bloomberg, 2026).

A major obstacle to assessing emerging physical shortages during major energy shocks, such as the recent disruption in the Middle East, is the lack of detailed, near-real-time oil market data (McWilliams et al., 2025). Eurostat's statistics on oil imports, exports and consumption are published only monthly and with a substantial reporting lag. Data on inventories are even less timely: as of early June, both Eurostat and the IEA reported inventory data only up to February 2026, i.e. before the outbreak of the conflict and the release of emergency reserves. By contrast, the US Energy Information Administration (n.d.) publishes weekly data and market analysis, providing policymakers and market participants with a much more up-to-date picture of evolving market conditions. Eurostat's emergency oil stocks portal, which could serve as a central source of information during an energy crisis, contains data only up to May 2025.⁹ As a result, policymakers and

⁹ See Eurostat dataset of 18 October 2026, "Emergency oil stocks statistics", https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Emergency_oil_stocks_statistics.

Figure 7

Price increase of crude oil and oil products since January 2026



Note: Crude oil price is type Brent (in US dollars); gasoline and diesel prices are European averages of retail prices without taxes, converted to euros if necessary; jet fuel price is the Northwest Europe Jet Fuel CIF Cargo (in US dollars); all prices are in nominal values.

Source: Bruegel, based on Bloomberg, European Commission and EIA.

analysts must rely largely on proprietary shipment tracking and inventory data to assess market developments in near real time. Strengthening the availability of timely, comprehensive energy market data should therefore be part of the EU's broader strategy to enhance energy security and crisis preparedness.

Fiscal responses: Lessons from the 2022 and 2026 crises

The closure of the Strait of Hormuz triggered a sharp increase in global oil prices, with Brent crude rising by more than 90%, diesel by over 75% and jet fuel by more than 170% relative to the beginning of 2026 (Figure 7). To cushion households and businesses from rising energy bills, European governments have so far introduced a range of fiscal measures totalling around €12 billion, or equivalently 0.5% of the EU's GDP (Bruegel, 2026).¹⁰ Despite mixed signals from the US and Iran over a possible ceasefire until mid-June (Sands, 2026), crude oil prices remained well

¹⁰ This estimate includes the UK, as the UK also committed some fiscal spending in response to the energy shock.

below their 2008 historical peak and began to ease as the conflict continued. Compared with the 2022 energy crisis, governments have committed – so far – substantially fewer fiscal resources in response to the 2026 shock. This more restrained response likely reflects a combination of limited fiscal space following the COVID-19 pandemic and the 2022 energy crisis, and expectations that the current disruption will prove less persistent than the energy crisis of 2022.

The fiscal response was highly heterogeneous, both in terms of the resources committed and the types of measures adopted. In absolute terms, Spain and Germany accounted for more than half of all committed support, while Greece, Spain and Slovenia recorded the largest commitments relative to GDP.

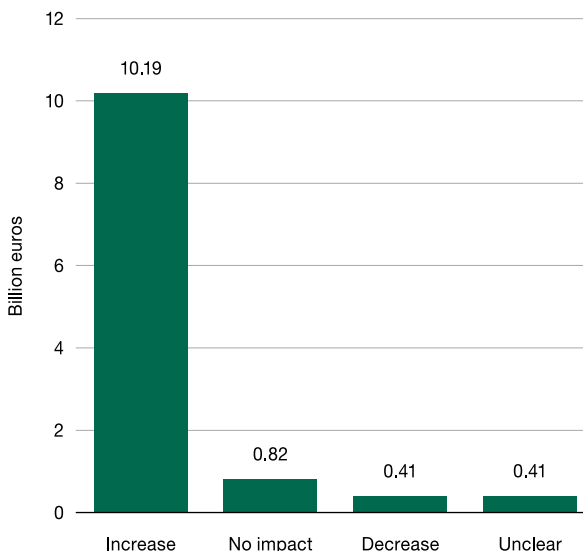
Despite recommendations of the European Commission (2026b), European Central Bank (2026) and the International Monetary Fund (Fleming & Tamma, 2026) cautioning against untargeted fiscal responses, several governments, including Spain, Germany, Ireland and Italy, have focused on excise duty or VAT cuts, lacking a clear target group or conditionality.

By contrast, some governments have prioritised more targeted support. Belgium, the Netherlands and the United Kingdom have focused on heating cost support for vulnerable households, while the Netherlands has also invested in energy-efficiency improvements. Sweden has opted for lump-sum electricity payments, which preserve incentives to conserve energy, alongside additional support for electric vehicles and measures to reduce fossil-fuel consumption by public authorities.

The composition of support suggests that only a limited number of European governments have fully internalised the lessons of the 2022 energy crisis. Several measures continue to suppress energy price signals directly, risking higher fossil fuel consumption at a time when scarcity should instead encourage demand reduction. Measures that are likely to encourage fossil fuel consumption include cuts to fuel excise duties, reduced VAT rates on fossil fuels, energy price caps, and subsidies for fuels and fuel-related activities. As shown in Figure 8, these price-distorting measures account for the overwhelming majority of fiscal support adopted by European governments, amounting to more than €10 billion in committed spending, leaving very few policies aimed at reducing fossil fuel consumption.

At the EU level, the European Commission introduced a temporary state aid framework for the fisheries, transport and agriculture sectors and increased the maximum

Figure 8
Policies sorted by their effect on incentives to consume fossil fuels



Source: Bruegel (2026).

compensation for electricity costs incurred by energy-intensive industries from 50% to 70%.¹¹ While these measures are targeted and temporary, they provide limited incentives to improve energy efficiency and are likely to be used mainly by member states with greater fiscal space.

The 2026 energy shock reinforces a key lesson from the 2022 crisis: accelerating electrification is not only a climate objective but also an energy security imperative. Reducing Europe's dependence on imported fossil fuels through greater electrification of transport, heating and industry would make the EU more resilient to future geopolitical shocks and volatile global oil and gas markets (Lal et al., 2026). As a major net importer of fossil fuels, the EU would also benefit from improved terms of trade over the long run, as lower import dependence would reduce the income transferred abroad during periods of elevated global oil and gas prices.

How Europe should respond to this major energy shock

The 2026 energy shock demonstrates that Europe's energy security landscape has changed fundamentally since the Russian invasion of Ukraine in 2022. While the disruption

¹¹ At the EU level, the response package comprises the newly adopted Middle East Crisis Temporary State Aid Framework (METSAF) and amendments to the Clean Industrial Deal State Aid Framework (CISAF; European Commission, 2026a, 2026c).

tion to global LNG markets increased gas prices, its direct impact on European consumers was considerably smaller than during the 2022 crisis. Structural changes to the European energy system – including lower gas demand, more diversified LNG imports and the rapid deployment of renewable electricity – have reduced Europe’s vulnerability to gas supply disruptions. Countries with a high share of renewable electricity generation illustrate how a less gas-intensive power system can better shield consumers from a global energy shock.

By contrast, the crisis has exposed Europe’s continued dependence on imported oil. As almost all crude oil consumed in the EU is imported and oil remains indispensable for transport, aviation and parts of industry, disruptions to global oil markets continue to translate rapidly into higher prices and potential supply shortages.

The EU’s policy response should thus reflect these different exposures and provide both short- and long-term measures to strengthen its energy security. Broad-based fuel subsidies in the short term must be avoided, and targeted relief to vulnerable households and sectors in immediate need of support should be prioritised instead. EU-wide coordination of gas storage, contingency planning for oil demand reduction and the timely provision of energy market data will be essential to manage the current crisis and strengthen preparedness for future shocks.

The 2026 energy crisis should be seen as a reminder that the phase-out of the EU’s reliance on fossil fuels is inevitable, not just to mitigate greenhouse gas emissions but also to strengthen its resilience against future energy shocks. Accelerating electrification alongside investments in energy efficiency improvements would reduce exposure to volatile international oil and gas markets while simultaneously advancing the EU’s climate objectives.

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