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The 2026 oil crisis: an opportunity for Europe's energy transition

Seven weeks after the launch of the joint US-Israeli attacks against Iran on 28 February, the damage to regional production facilities and the virtual halt to maritime traffic in the Strait of Hormuz have triggered a rise in crude oil prices of nearly 60% for the WTI index and over 70% for Brent. Despite the two-week truce declared on 7 April, these increases have already had a painful impact on our economies. The duration of the tensions will, of course, determine the severity of the crisis, but the damage has already been done.

A EUROPE THAT IS STILL TOO DEPENDENT ON OIL

Even more worrying, it feels as if nothing has changed since the oil crises of 1973 and 1979. Queues at the petrol stations, empty fuel pumps – particularly for diesel and kerosene – and vulnerable sectors (farmers, fishermen, trucker, etc.) are in serious difficulty. Worse still, the divide between urban and rural areas is widening further, with the former served by a dense network of public transportation and other means of travel, whilst no alternative to the car seems to exist for the latter.

However, the current situation in Europe cannot be compared exactly with previous crises. I am deliberately excluding here other periods of sharp rises in oil prices, whether the first Gulf War in 1991, where the price increase was more limited in scale and duration, or the years of rising prices that preceded the 2008 *subprime* crisis – linked to the global rise in oil demand, rather than to a genuine supply shock. The period 2010–2014 reflects both the global recovery in consumption driven by China, geopolitical constraints – the Arab Spring, Libya – and the discipline of OPEC, which sought to maintain the price per barrel at around $100. Finally, the shock of 2022, following a recovery in demand after the Covid pandemic, mainly concerned gas prices in Europe, after Russia's invasion of Ukraine. Despite the embargo on Russian oil, major consumers have not lacked sources of supply.

In the early 1970s, oil accounted for 61% of the energy needs of the European Economic Community (then consisting of nine Member States), and two-thirds of its imports (representing 95% of its consumption) came from the Persian Gulf states. The 1973 oil crisis deprived the world – including America – of 7% of its supplies, leading even to targeted embargoes (against the United States, Japan and the Netherlands, amongst others), and prices quadrupling. France, Germany and Italy also suffered supply disruptions. This was the era of the first consumption restrictions: turning down the heating and lighting, speed limits, and even – as was the case in Germany – banning Sunday driving. Today, only 15 to 20% of the European Union's oil comes from the Persian Gulf. It also has contingency measures that were only introduced in the aftermath of the 1973 crisis, such as the creation of strategic reserves (1.2 billion barrels stored in Member States), and solidarity mechanisms under the auspices of the International Energy Agency (IEA), founded in 1974. Finally, it can rely on alternative supplies, notably from the United States, the world's leading crude oil producer and the European Union's main supplier, accounting for nearly 18% of its imports – a figure that has already been rising since Russia's invasion of Ukraine in 2022. Whilst the current crisis is depriving the world of nearly 20% of its supplies, Europe is far less reliant on oil than it was in 1973.

LET'S NOT CONFUSE THE ELECTRICITY MIX WITH THE ENERGY MIX

Since those early crises, the European Union has radically transformed its electricity mix. By 2025, renewable energy already accounted for around 47% of the European electricity mix, with nuclear power making up more than 20% of that total. Over the same period, the share of domestic heating oil has fallen from nearly 70% to around 14%[1] at present. The European Union has effectively freed itself from oil whilst massively decarbonising its electricity sector.

However, whilst the share of fossil fuels in electricity generation has fallen to a historic low of around one-third, this says almost nothing about the region's economy's continuing dependence on oil and gas. The energy mix, understood as the totality of energy sources used to meet the economy's needs (transport, heating, industry, non-energy uses), remains largely dominated by hydrocarbons. In other words, whilst electricity has been freed from oil supply, the economy as a whole is far from being so.

The situation in France perfectly illustrates this necessary distinction between the electricity mix and the energy mix. French electricity is overwhelmingly low-carbon: in 2024, 94% of our country's electricity generation came from decarbonised sources (nuclear for 67%, hydroelectricity for 14% and solar and wind for 13%), making France one of the lowest CO2-emitting electricity systems in the OECD. However, when considering our total energy supply, oil remains the country's second-largest energy source, still accounting for around 28% of primary energy consumption in 2024, behind nuclear (42%) and ahead of gas (13%). These figures vary from one Member State to another, particularly regarding the share of nuclear power, which is overwhelmingly dominant in France, whilst some countries still rely on coal to a significant extent. Nuclear power accounts for around 60% of electricity in Slovakia, and nearly 40% in Finland, the Czech Republic, Hungary, Bulgaria and Belgium. However, it accounts for none in several countries (Germany since 2023, Austria, Denmark). Across the EU, coal has fallen to around 10–12% of the electricity mix, but its share remains much higher in certain Member States: in 2022, nearly 80% of Poland's electricity came from fossil fuels, predominantly coal. The same applies to the Czech Republic, Bulgaria, Greece and Germany, which retain significant shares of coal in their electricity mix; whilst others (Austria, Portugal, Sweden, France) have virtually or completely phased it out.

The European Union still suffers greatly from its dependence on fossil fuels, a situation exacerbated since the 1980s by natural gas, whose share of the energy mix across the 27 Member States has risen from around 14% to over 20% – an increase of 45%. The share of gas in the European energy mix has clearly increased over the last forty years, and the crisis in Ukraine has been a painful reminder of this, affecting Italy, Ireland, Greece, Spain, the Netherlands and Germany in particular[2]. The crux of the problem therefore lies in end-use energy consumption, rather than in electricity generation. For instance, the transport sector remains overwhelmingly reliant on oil (road transport, aviation, shipping and recreational boating). Similarly, the chemical industry continues to rely heavily on hydrocarbons (petrochemicals, plastics, nitrogen fertilisers). Finally, the inertia of the building sector, infrastructure and industrial value chains means that the decline in the share of fossil fuels in the overall energy mix is much slower than in the electricity sector.

DID WE PERHAPS START (AND STOPPED) WITH 'THE EASIEST' TASK?

We must not overlook the efforts that have been made. Nor should we forget that our total consumption has risen significantly: in 1973, the world was suddenly deprived of 4.5 million barrels per day, or 7% of total supply. By 2026, the loss of available capacity or logistical accessibility amounts to nearly 20 million barrels per day. China absorbs around 11 million barrels per day and the European Union 9.3 million barrels per day. Despite the sharp decline in energy intensity and consumption per unit of GDP, due to technical progress, the sectors mentioned above remain highly vulnerable and without any immediate, large and affordable alternatives.

In 2024, fully electric cars accounted for 13.6% of new car registrations in the European Union, rising to 16.9% in France. However, the penetration rate within the vehicle fleet remains marginal, at just over 2% for fully electric

[1] Source: Eurostat.

[2] Natural gas still accounts for a significant proportion of Germany's energy mix, at nearly 25% (compared with 13% in France). The country has accelerated the roll-out of renewable energy in recent years, replacing not only nuclear power but also coal and now, natural gas.

vehicles in both Europe and France (it is now just over 10% in China). The current crisis, along with commercial and support opportunities, should help to further boost these figures. The appeal of these vehicles will go hand in hand with falling prices – which we are already being seen – as well as with the expansion of the electric charge point network.

If we take the progress of decarbonisation in the European Union as a measure of our dependence on oil, we see that the transport sector accounted for around 25% of the Union's greenhouse gas emissions in 2023. Road transportation is by far the dominant mode, accounting for over 70% of the sector's total greenhouse gas emissions. As for industry, the picture is somewhat harder to assess, as fuel substitutions are still out of reach in some cases. Since 2010, emissions from industry in the broadest sense (industrial processes, combustion in manufacturing and construction) have fallen by nearly half. However, there are multiple reasons for this, relating to energy efficiency, fuel substitutions (gas/biomass versus coal/fuel oil) and, in some cases, relative deindustrialisation. Thus, the European Energy Agency reports that emissions linked to energy use, across all sectors, account for over 75% of greenhouse gas emissions. Along with transport (road and air), heavy chemicals, steel and cement are both the most dependent on fossil fuels – particularly oil – and the biggest emitters of greenhouse gases.

As was already clear in 2022, the shift towards decarbonisation and moving away from fossil fuels remains largely unfinished. Is it a question of price? Certainly. The cost of nuclear power, like that of renewables, has remained higher – in 'normal' times – than that of fossil fuels. The scale of the investment programmes required to adapt networks to new climate constraints and rising demand may give even the most ambitious pause for thought. The development and transport of low-carbon hydrogen is still in its infancy, whilst kerosene alternatives remain far too scarce and expensive. Furthermore, fossil fuels provide specific services to cover consumption 'peaks', inter-seasonal storage needs, and grid management – all of which are particularly critical in the Northern Hemisphere. It is also difficult to further reduce driving speeds or home heating levels – when some of our fellow citizens are already suffering the cold due to their rising bills.

AN OPPORTUNITY TO SPEED UP THE ENERGY TRANSITION. DO WE STILL HAVE A CHOICE?

The 1973 crisis and the rise in crude oil prices paved the way for the development of North Sea oil fields, and others, which had become profitable. Apart from the time required to complete these projects, our current refining capacities and their industrial specificity[3] – as different grades of oil require specific refining processes – simply diversifying our supply sources will not be enough to compensate for current shortfalls, particularly as our demand is in direct competition with a growing number of emerging economies that are consumers of crude oil. A few "timely, targeted and temporary" measures have indeed been implemented. However, the experiences of the 1970s remind us that purely short-term responses (price subsidies, temporary tax breaks) tend to delay structural adjustments rather than facilitate them. Not to mention that they are out of reach for many Member States – including France – given their current budgetary constraints.

Progress made in electricity generation shows that a transition pathway is possible: the challenge now is to extend and accelerate this momentum to benefit end-use sectors: electrified transport, decarbonised heating, and a less carbon-intensive industry. European regulations are contributing to this: increasing constraints on greenhouse gas emissions, carbon tax, etc. The European Green Deal, the European Climate Law and the Fit for 55 package set out the emissions reduction trajectory (–55% net by 2030, carbon neutrality by 2050) and, in doing so, the phasing out of fossil fuels. The current oil shock confirms the economic rationale: by increasing the cost of the *status quo*, it strengthens the relative competitiveness of low-carbon investments (renewables, nuclear, efficiency, hydrogen, electrification of end-uses). It is high time to deploy alternative energy sources and optimise their distribution. The rise in crude oil prices therefore represents an opportunity to increase and accelerate public uptake of alternatives in transport (electric vehicles, modal shift, efficiency standards) and in heating (heat pumps, decarbonised district heating networks), by explaining that the real 'shield' against oil crises is a structural decline in demand. This price signal makes investments in energy efficiency, industrial electrification and alternative fuels

[3] *Most European refineries are designed for so-called 'light-sweet' crude. Their ability to adapt to 'heavy-sour' crude can only be partial in the short term and would require significant investment beyond that.*

(advanced biofuels, e-fuels for aviation, green hydrogen for certain industrial uses) more profitable, provided that public policies stabilise expectations. Every additional kilowatt-hour (kWh) of decarbonised electricity, used to replace oil or gas in end-use applications, reduces not only emissions but also exposure to geopolitical shocks affecting hydrocarbons.

Can we also rely on new technologies to bridge the mobility divide? One of the priority areas identified is suburban and rural public transport. The advent of artificial intelligence should be leveraged to facilitate the deployment of fixed routes (school transport, commuting) between sparsely populated areas. Numerous trials are already underway – with or without a driver – to increase the frequency of shuttle services and reduce reliance on individual cars. In the agricultural sector, the European Union is promoting a dual transition: the decarbonisation of ammonia and fertiliser production, as well as a reduction in overall dependence on mineral fertilisers through changes in farming practices. The development of sustainable aviation fuels (SAF), which can be blended with kerosene, will also help reduce both our dependence and our greenhouse gas emissions. The roll-out of smart grids, including increased storage capacity, will also contribute to access to cheaper and sustainable electricity. Finally, as regards France, from Dunkirk to Marseille, our country's major industrial sites are recognised as priorities for decarbonisation and the electrification of production.

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The current oil crisis cannot be treated as a mere hiccup or an isolated phenomenon: it is the manifestation of an economy still largely organised around hydrocarbons, facing both geopolitical constraints, relative scarcity and the need to respect climate limits. The European Union, which has already embarked on a rapid decarbonisation of its electricity mix, will no longer be able to 'manage' its oil dependency through repeated emergency measures. Only a structural reduction in hydrocarbon consumption will restore sustainable energy sovereignty. This is even more desirable as it aligns with our ambitions for the energy transition and decarbonisation. This means, for example, that we cannot allow a return to coal, which is still significantly in use in some countries in the EU. A clear indicator of the incomplete transition in end-use sectors, our macroeconomic and geopolitical response must be to continue and scale up the structural transition already underway in the electricity mix, extending it to the energy mix as a whole; otherwise, the European Union will remain trapped in recurring cycles of oil crises.

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