

Europe must prepare for a possible oil supply crunch

With falling commercial and emergency oil reserves, Europe's oil price shock could soon become a volume crisis – a scenario for which it must prepare

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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 history¹, primarily impacting the global supply of liquefied natural gas (LNG) (Keliauskaitė *et al*, 2026) and oil². Every day in 2025, around 15 million barrels of crude oil and five million barrels of oil products transited the Strait, roughly 20 percent of global supply³. Since the closure, cumulative losses have exceeded one billion barrels (IEA, 2026). Despite international efforts⁴ (Figure 1) to cover the shortfall, the International Energy Agency (IEA) estimates that oil supply from the affected region remains 14.4 mb/d below pre-war levels and global oil supply remains 12.8 mb/d short. As supply stays low and demand rises due to summer travel, this shortfall is likely to increase further⁵.

Even in the event of a swift reopening of the Strait, the global oil market is expected to remain undersupplied well into 2027 as restarting production facilities and global logistics take several months⁶. Restoring the pre-war supply chain means relocating hundreds of tankers from other trade routes, moving workers and reopening oil fields⁷. Above all, shipping companies and producers must regain confidence in the region's future stability to restart shipping and production there⁸. In this context, Europe's dependence on oil imports looks to be a long-term liability.

The EU's oil supply and its import dependency

The European Union's economy is highly exposed to higher oil prices and supply shortfalls: in 2024, oil⁹ made up 38 percent of the EU's energy mix¹⁰. Almost all crude oil¹¹ is refined¹² to produce fuel for road transportation and aviation, or as feedstock for industry (Figure 2).

The EU is almost entirely dependent on imported oil, with 97 percent of its crude oil consumption sourced from abroad¹³. While total import volumes have remained largely stable over the past 30 years, their composition has shifted away from crude oil and toward refined products, particularly diesel and jet fuel (Figure 3). Crude oil accounted for nearly 97 percent of imports in 1990 but only around 89 percent in 2024, while jet fuel and diesel imports grew fivefold and twenty-five-fold, respectively.

Global shocks affect the EU through crude imports and product markets, depending on diversification. Crude supply is relatively well diversified, with most imports coming from Norway, the United States and Kazakhstan. For petrol, the EU is a net exporter. For diesel, around 17 percent of the EU's supply is imported, mainly from Saudi Arabia, the US and India. For jet fuel, imports account for around 38 percent of supply, with Kuwait, India and the United Arab Emirates (UAE) as the major exporting countries (Figure 4).

At the same time, the EU's overall refining capacity has decreased by 5 percent since 2015¹⁴. Oil refineries can, to a certain extent, switch between different oil products¹⁵, but the further they move from their optimal input, the less efficiently they operate¹⁶.

Short-term impacts

Figure 5 shows the sharp rise in oil prices after the start of the US-Israel-Iran war and the subsequent closure of the Strait of Hormuz. Compared to the beginning of the year, crude oil (Brent) rose by over 90 percent, diesel by over 75 percent and jet fuel by over 170 percent at their maximum.

To cushion the impact of higher oil prices on consumers, European governments have so far committed more than €11 billion in fiscal measures – 72 percent of which consists of untargeted measures, such as general energy excise duty or VAT cuts, which lack a clear target group or qualifying criteria (Bruegel Dataset, 2026). These risk distorting the price signal to consumers, ultimately increasing energy consumption during a period of scarcity¹⁷.

Despite the ongoing interruption, crude prices have stayed below their historical maximum – reached in 2008 – and have fallen recently alongside product prices. It seems commodity markets do not believe in a lasting supply deficit; their muted reaction may reflect the hope of a quick resolution of the Iran conflict¹⁸, and traders may fear sharp price drops in response to a resolution more than prolonged scarcity. This could change if storage levels dip lower.

Total tanker-based oil imports tracked the previous five-year average through early 2026 (Figure 6). No immediate change followed the late-February Hormuz closure, which is plausible, since ships already *en route* were unaffected and some floating storage was drawn down. But since mid-March, oil products arriving by tanker have declined consistently. Through April, tanker-based imports to the EU have been as much as 50 percent below the previous five-year average¹⁹. For crude oil, on the other hand, imports have been stable, hovering around the five-year average.

In line with IEA recommendations, the EU requires member states to hold emergency stocks equivalent to at least 90 days of net imports or 60 days of consumption. Commercial storage is significant, with the ARA region (Amsterdam-Rotterdam-Antwerp) as a key hub. Its fill levels show a mixed picture (Figure 7): while crude oil and diesel stocks appear stable relative to their 2021–2025 average, jet fuel stocks have depleted sharply since January, reaching less than 70 percent of their five-year average by May²⁰. While some airlines are optimistic that jet fuel shortages can be avoided²¹, analysts, including Goldman Sachs²² and S&P Global²³, are less so.

Data availability

As in earlier energy crises, the EU lacks detailed and timely energy data to guide policy (McWilliams *et al*, 2025). Eurostat's data on oil imports, exports and consumption is typically only released once a month and is substantially lagged. Data on inventories is also out of date; for example, as of early June both Eurostat and the IEA only provide data up to February 2026 – before the war and the release of emergency reserves. While the US Energy Information Administration provides extensive up-to-date figures and analysis on a weekly basis²⁴, Eurostat's emergency oil stocks statistics page, which could serve as a single hub for information in this crisis, shows data only up to May 2025²⁵. Analysts must therefore rely on and trust private firms' tracking of shipments and stocks for near-real-time information.

Outlook and potential measures

The EU should start preparing for the possibility of physical shortages of some oil products in the coming months.

Action should be taken at six levels, from short-term to long-term:

First, EU member states should halt the rollout of untargeted fuel subsidies that only sustain oil demand during periods of scarcity. Untargeted subsidies risk subsidy races that raise global demand and worsen scarcity elsewhere. Scarce public funds should instead be used to protect the most vulnerable and to incentivise clean technologies.

Second, the EU should engage with its members to prepare a contingency plan for coordinated oil demand reduction measures in case of a supply crunch. A spike in oil prices reduces demand naturally, but some degree of coordination will still be important. This could be realised with the adoption of an oil demand reduction target, as was implemented for natural gas during the 2022-23 energy crisis.

Third, a further release of emergency oil stocks should be avoided. Countries should secure supplies when needed, not artificially cap prices, to preserve an adequate buffer for situations of actual scarcity.

Fourth, the availability of public data on energy must be substantially improved (McWilliams *et al*, 2025). Currently, it is hard to identify stress points and to issue specific warnings before shortages manifest. Public European data providers such as Eurostat should provide more granular, timely data, including weekly updates to facilitate better informed policies and more specific recommendations.

Fifth, the EU needs to develop a clear pathway to reduce its dependency on imported fossil fuels by introducing a dedicated target if necessary, and identifying which suppliers it can rely on in the future, as a return to the status quo is unlikely.

Sixth, the EU should use this crisis to accelerate its transition to clean energy and electrification, which would both cut emissions and reduce its dependence on imported fossil fuels, mitigating the impacts of such crises in the future.

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Endnotes

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