

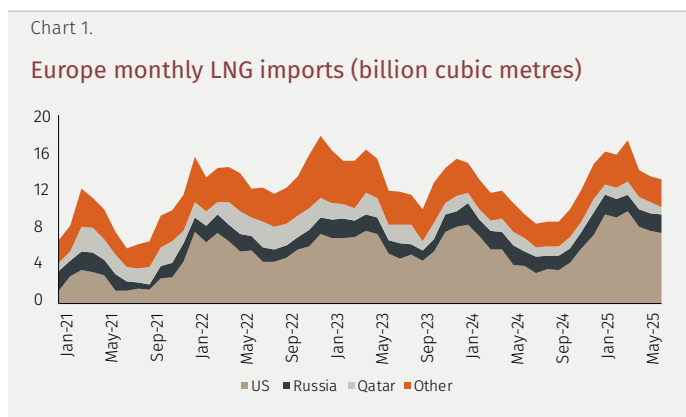
Fool me twice:
Why Europe's gas
vulnerability endures

The US-Israel strikes on Iran in late February 2026 have delivered Europe's second major gas supply shock in four years. In this InFocus, Haya Kamal examines Europe's continued dependency on energy imports, including natural gas, and the case for an accelerated renewables transition.

Iranian drone attacks on Qatar's Ras Laffan industrial complex on 19 March forced QatarEnergy, the world's largest liquefied natural gas (LNG) producer, to halt production entirely. With gas shipments blocked since 28 February, European Title Transfer Facility (TTF) prices had already been moving higher. TTF has been trading around €50/MWh, after peaking close to €70/MWh in the aftermath of the 19 March strike. This compares with about €30/MWh before the conflict began. Against a backdrop of already low storage levels, the episode has renewed scrutiny of the durability of Europe's gas exposure and the pace of its energy transition.

Europe's exposure to Qatar

Today, Europe's gas supply is split almost equally between pipelines and LNG. Within the LNG market, the US has emerged as the dominant supplier (Chart 1), accounting for 56% of EU LNG imports in 2025, up from roughly 25% in 2021.¹ Meanwhile, Russia's LNG share has fallen from around 40% to below 15% over the same period. Qatar's share of LNG supply is comparatively limited, accounting for around 8 to 10% of EU LNG imports,² which is a relatively modest contribution, although exposure differs across EU member states.



Source: IEEFA, Kpler, EFGAM calculations. Data as at 26 March 2026.³ "Other" includes Algeria, Angola, Australia, Belgium, Brazil, Cameroon, Chile, China, Dominican Republic, Equatorial Guinea, France, Indonesia, Jamaica, Lithuania, Mozambique, Netherlands, Nigeria, Norway, Oman, Papua New Guinea, Peru, Puerto Rico, Singapore, South Korea, Spain, Trinidad and Tobago, United Arab Emirates.

With direct exposure to the Middle East relatively contained, price sensitivity is the more significant transmission channel. Supply disruptions in global markets can feed through quickly into European prices. In addition, European gas storage entering the summer refill season stands at less than 30% of capacity (Chart 2). This is the lowest level since 2022, implying that more imports and/or lower consumption will be needed to rebuild inventories ahead of next winter. With supply constrained and increased competition from Asia for LNG, this raises the risk that TTF prices remain elevated.

¹ IEEFA, EU risks new energy dependence — US could supply 80% of its LNG imports by 2030, 2025. <https://ieefa.org/resources/eu-risks-new-energy-dependence-us-could-supply-80-its-lng-imports-2030>

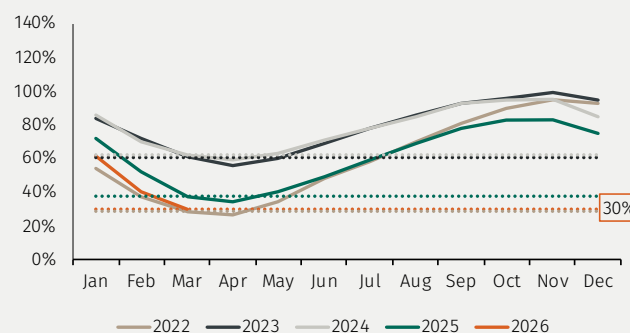
² Kpler / IEEFA, Middle East Conflict — Gas Market Implications, 2026. <https://www.kpler.com/blog/middle-east-conflict---gas-market-implications>

³ <https://ieefa.org/european-lng-tracker>

⁴ <https://ec.europa.eu/eurostat/web/products-eurostat-news/w/ddn-20260129-2>

Chart 2.

EU gas storage: March levels vs historical range



Source: LSEG and EFGAM calculations. Data as at 26 March 2026.

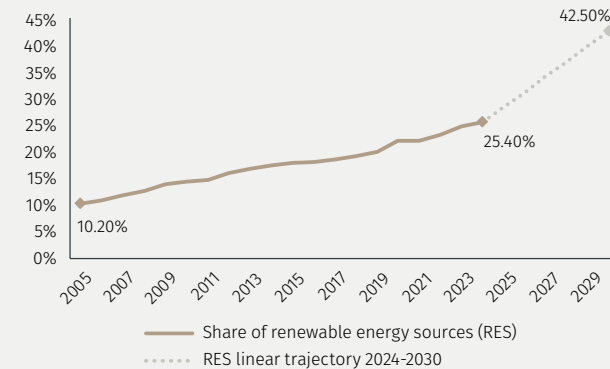
Did Europe learn its lesson?

The Russia-Ukraine war in 2021 prompted a meaningful restructuring of European energy supply. Several member states have expanded LNG import infrastructure, diversified supply agreements and grown renewable generation capacity.

Two of natural gas' primary functions in the EU energy system include direct heating and electricity generation. It is in the latter where the transition has been most visible so far. Renewables reached nearly half of EU electricity generation in 2024, with gas falling to around 17%, its fifth consecutive annual decline. Nuclear power contributed a further 23% of EU electricity,⁴ meaning clean and low-carbon sources now account for the majority of EU electricity generation. Progress in transport, where fossil fuels remain dominant, has been slower.

Chart 3.

Progress towards renewable energy



Source: European Environment Agency, Eurostat. Approximated estimates for the share of gross final consumption of renewable energy sources in 2023. Data as at 26 March 2026.

That said, the current shock illustrates there is still a long way to go. The reduction in Russian pipeline dependence was largely offset by greater reliance on global LNG markets, which are subject to their own supply and geopolitical risks. Therefore, even though Europe's gas import mix is more diversified than it was in 2021 and less dependent on Russia, its sensitivity to external disruption remains.

The road to energy independence

Part of the structural response to this exposure is the clean energy transition that Europe has been pursuing since 2022. REPowerEU⁵ set the framework for reducing gas demand, diversifying supply and scaling renewables and energy efficiency. The EU's joint purchasing mechanism helped secure close to 100 bcm of competitively priced gas as an interim measure.

The longer-term targets are ambitious. The EU has set a binding commitment to raise the share of renewables in gross energy consumption to at least 42.5% by 2030 (Chart 3). Delivering this requires around €150 billion per year in power generation and grid investment, rising to approximately €1.2 trillion annually once industry, transport and buildings are included. This is equivalent to roughly 7% of EU GDP, and more than three times what member states currently spend on defense for example.⁶ Studies suggest that meeting solar and wind targets alongside deeper cross-border grid integration could reduce electricity prices by more than a quarter by 2030 and make them less sensitive to gas price movements.

As gas price shocks feed directly into electricity costs, the EU's electricity market reforms agreed in 2024 are intended to improve the efficiency of price formation. Over time, this should help lower electricity prices and support the broader electrification of the economy.

Finally, in March 2026, the EU adopted a Clean Energy Investment Strategy, targeting energy sector investment of around €660 billion annually in 2026 - 30, compared with roughly €240 billion in 2011 - 21. The strategy is designed to mobilise private capital at scale.⁷

Conclusion

The disruption stemming from the Iran conflict is a further illustration that Europe's exposure to natural gas supply risk has not been fully resolved. The transition away from that dependency is well underway but will take years to complete. In the near term, price volatility and supply uncertainty will remain considerations for European energy markets with potential effects for inflation and growth. Episodes of this nature should, hopefully, reinforce the strategic commitment to the EU green agenda and the investment case for strengthening the domestic clean energy generation capacity.

⁵ REPowerEU is a strategy adopted by the European Commission in May 2022 in response to the sharp rise in energy prices and the energy security risks that followed Russia's full-scale invasion of Ukraine.

⁶ <https://www.consilium.europa.eu/en/policies/defence-numbers/>

⁷ https://energy.ec.europa.eu/topics/funding-and-financing/clean-energy-investment_en

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