

Rising energy prices: The European Union's responsibility

by Pierre Lévy,* Paris



Pierre Lévy.
(Picture <https://ruptures-presse.fr>)

Energy prices in Europe are rising rapidly. Alongside the war in Iran and the consequences of the conflict in Ukraine, the EU is also contributing to this: its sanctions policy, its support for Kyiv and the rules governing the European electricity market are further exacerbating the strain.

Almost everywhere in Europe, energy prices are soaring. Gas, and consequently electricity, as well as crude oil and refined products derived from it: all these price rises are affecting households' purchasing power, which is particularly evident when filling up with petrol – an increasingly painful ordeal for all those who cannot do without their cars.

This naturally has consequences for businesses, which are passing on the increased costs they face to their prices – often with dramatic consequences for the smallest among them.

The phenomenon is thus gradually spreading to a wide range of economic sectors: road haulage, the construction industry and civil engineering, as well as industry in general – particularly as, in the latter case, hydrocarbons are also used as raw materials in production (chemicals, plastics, packaging, etc.). Agriculture, too, is on the front line when it comes to the consequences.

All this applies particularly to France, where fishermen were the first to protest. The government fears – without saying so openly – a renewed outbreak of anger, similar to the “Yellow Vests” protests in 2018, even though social



It is not the closure of the Strait of Hormuz that is strangling Europe, but a completely derailed EU energy policy.

(Picture courtesy of the publisher)

movements are, in reality, unpredictable. It is promising “targeted support” for those who rely most heavily on their vehicles for their work.

Furthermore, the social and economic crisis in France is unfolding against the backdrop of a political crisis: since the dissolution of the *National Assembly* in 2024, the government no longer has a majority and is therefore struggling to implement its plans.

Consequently, no one knows how the draft budget for 2027 can be passed, particularly as the Prime Minister, under pressure from Brussels, has announced cuts to public spending totalling 54 billion euros. And the prospect of the presidential elections next April and May is effectively paralysing the executive.

The sharp rise in energy prices has a variety of causes, several of which are linked to the rules and principles of the European Union. In any case, these causes can be traced back to political decisions made by Western leaders.

Firstly, it should be borne in mind that this renewed rise in energy prices is taking place against a backdrop where prices were already especially high. This has been the case, in particular, since 2022, when the war in Ukraine began.

It should be noted that it was not the war itself that drove up prices, but the decision by the 27 EU Member States to halt supplies from Russia. On the grounds that one must not “finance the aggression decided upon by the Kremlin” (or, as the then French Minister for the Economy hoped, that one could “bring the Russian eco-

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mony to its knees”), it was Brussels – and not Moscow – that decided to halt supplies of oil, coal and subsequently gas (even though a residual flow continues).

The main cause of the current energy crisis, however, is of course the war that the US President and the Israeli Prime Minister unleashed against Iran on 28 February this year. Whilst Washington and Tel Aviv assumed they would swiftly defeat and subjugate Iran through this “little excursion” (as *Donald Trump* called it), exactly the opposite has happened.

Tehran struck back by targeting its oil- and gas-producing neighbours in the Gulf and also by blocking the Strait of Hormuz, through which a fifth of the world’s hydrocarbon trade flowed, triggering a significant imbalance. The United States, which was powerless to lift this blockade, responded with its own blockade against Iranian ships.

An agreement between the two sides, intended to restore shipping traffic, had been signed in June but quickly fell apart. And in recent weeks, the Yemeni rebels of the *Ansar Allah* group – the Iran-aligned Houthis – have staged a spectacular comeback by seizing control of another strategically important strait, the Strait of Bab el-Mandeb. For Saudi Arabia, which is directly affected, this represents a particularly severe blow, as this strait provided an alternative route for its crude oil exports.

Moreover, the Yemeni rebels have also targeted the oil pipeline that formed the first section of this alternative route, forcing Riyadh to shut it down. The result: the world’s second-largest oil producer can no longer fulfil the function implicitly assigned to it – namely, to act as the global supplier of last resort. That was all it took to trigger panic in oil prices.

But that is not all: the EU also bears some of the responsibility. It has, in fact, become the main provider of financial aid, as well as weapons and ammunition, to Kyiv. Brussels has pledged 90 billion euros to the Ukrainian president over the next two years.

This generously provided aid includes the financing of aircraft (often drones) with which the Ukrainian military is attacking Russia, particularly its oil depots and refineries. Kyiv is thus causing fuel shortages in its neighbour, leading to rationing and long queues for Russian motorists.

The Russian government’s reaction was predictable: Domestic supply has been prioritised at the expense of fuel volumes previously destined for export. Consequently, the export of diesel fuel has been suspended. This is causing further tensions in the global trade in hydrocarbons. In short: by supporting President *Zelenskyy* in bombing Russian facilities – at the expense of European taxpayers – the EU is exacerbating the rise in prices even further.

This factor is particularly critical in France, where almost three-quarters of refineries have been closed over the past few decades. The oil companies had concluded that importing refined products – which now cover, for example, 50 per cent of the country’s diesel demand – was more profitable than refining crude oil locally.

However, the European Union’s responsibility does not end there. Whilst it is understandable that geostrategic factors are driving up gas and oil prices, what about electricity? In France, for example, most of the electricity comes from nuclear power, meaning it is supplied by power stations on national territory. The remainder – renewable energy sources, primarily hydropower – is also generated locally. Prices should therefore be shielded from external fluctuations.

However, this is not the case: the European system of electricity pricing stipulates that the price of electricity must follow the so-called “marginal cost logic”. Due to a complex mechanism, this means that, in most cases, the price of electricity must be based on the production costs of a gas-fired power station. It is therefore the price of this energy source – which is rising worldwide – that influences the price of electricity ...

Furthermore, the EU strictly limits a member state’s right to reduce its national VAT rates. Consequently, a government would be prevented by Brussels from relieving the burden on its motorists by reducing VAT on fuel to the minimum rate (or by abolishing it altogether).

In short: European integration is intended to protect “its citizens” (including from the whims of Uncle Sam). The current energy crisis stands as a striking counter-example in this regard.

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