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# IENE Comment

## A Difficult Year for EU Energy Policy



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*By Irina Slav\**

At the start of this year, we outlined five challenges for the EU in the field of energy policies and practices, among them over-regulation and energy cost inflation looming especially large. As the year draws to a close, it is time to take stock of progress, of which there has been some but nowhere near enough to divert Europe from its self-destructive path.

[The latest economic growth figures](#) for both the eurozone and the EU as a whole peg growth in the third quarter at 0.3% for the euro area and 0.4% for the EU. That sort of “growth” is nothing to write home about, to put it mildly. Yet it may yet get worse as Brussels moves ahead with the carbon border adjustment mechanism that will see previously cheap—and much needed—feedstocks for key industries get a lot more expensive.

The CBAM comes into effect from January in response to pleas from troubled European industries to get some relief from net-zero regulation that has pushed their production costs much higher than what Asian industrials are paying. The CBAM, however, is not a solution to the problem. Rather, it is a band-aid for a wound that needs stitches.

Energy costs, which we named as one of the biggest challenges for the EU this year, remain much higher than they were five years ago. To be fair, it is not a challenge that was easy to solve, not when the EU’s leadership remains adamant about banning all forms of Russian energy imports (but not Russian fertilisers). The ban is now a fact, set to come into effect gradually beginning next year and ending in 2027, cementing high energy costs for the bloc.

There is, however, a bigger problem. The EU has become the biggest market for U.S. liquefied natural gas. Right now, U.S. LNG producers are making so much of the fuel that prices in Europe have fallen, though nowhere near close to pre-2022 levels. Demand for gas in the United States itself is [on the rise](#) amid the AI frenzy gripping Big Tech. U.S. gas prices have gone up, reducing profits for LNG exporters. It is only a matter of time before the price for U.S. liquefied gas moves higher, making the energy burden for European industry even heavier.

In a rare moment of lucidity, some European governments have addressed the energy cost problem: Germany and the Netherlands this year struck a deal for joint gas drilling in the North Sea. Greece is expanding gas drilling in the Ionian Sea. Shell has indicated it would be happy to do some drilling of its own offshore Italy. The tide for domestic gas production in Europe seems to be turning, late but hopefully not too late.

Elsewhere, money for the energy transition remains tight, though not too tight to not continue subsidizing electric vehicle sales—because without the subsidies said sales would plummet, as demonstrated in the United States. Subsidies continued to flow into wind and solar as well, but capacity growth continued to slow down in 2025. Inflation is not selective and hits all industries, including wind and solar developers.

This means they now need even higher subsidies, even as report after report continues to try and convince readers that they are really cheap and definitely cheaper than coal and gas. Actual developments suggest otherwise, most recently in Germany, where the government earlier in the year failed to get any bids for offshore wind installations because it hadn't offered enough financial support. This month, Berlin [reduced](#) the amount of capacity it is going to auction next year in acknowledgment of its inability to offer wind developers more in subsidies.

In regulation, the EU was forced to dial back some of its ambitions in deforestation and methane emission reduction, faced with the risk to suffer import disruption in some key commodities, including gas. The methane regulation dial-back was especially impressive because it took Qatar and the United States not one but several warnings for the EU to realise they are not joking when they say they would stop sending LNG to Europe if the methane regulation came into effect. That regulation is dead in all but name – and this is a positive thing for energy affordability in Europe.

Finally, President Trump lived up to the worst fears of Brussels, not only taking the U.S. out of the Paris Agreement again, not only doubling down on oil, gas, and coal at home, but also cramming down the EU's throat a trade deal that binds it to both higher export tariffs and a massive commitment to buy U.S. hydrocarbons. [The commitment](#), worth \$750 billion over three years, is physically impossible to fulfil, both for sellers and for buyers. What it will most certainly do, however, is lock in high energy prices for those three years, at least.

To conclude, we are sending off 2025 with more energy trouble than we had at the

start of the year but also a glimmer of hope that eventually, commons sense may prevail over unrealistic ambitions for total decarbonisation—and the accompanying economic collapse of Europe.

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