European Commission

The President

Brussels, 16 March 2026

Dear colleagues,

The backdrop of our meeting this week is once again of seismic external shocks having a profound internal impact for Europe. We have been here before – whether with Ukraine, the pandemic or the energy crises. Each time, we have responded together with an urgency mindset to take the necessary decisions to mitigate risks for our citizens, for our security and for our competitiveness. I believe it is essential that we demonstrate this same urgency and unity once again this week.

The crisis in the Middle East is a regional conflict with severe geopolitical and geoeconomic repercussions for Europe – from energy and finance, trade and transport, supply chains and the displacement of people within and across countries in the region. We have seen one of our Member States, Cyprus, impacted and we will all reaffirm our unwavering support and solidarity to them later this week. We have seen our partners directly targeted, our citizens caught in the crossfire, and NATO called into action to shoot down missiles and drones. Our first priority remains the security of our citizens, Member States and partners, and we must send a clear message that we will strengthen all diplomatic efforts to work towards de-escalation.

At the same time, the impact on our economies and industries is becoming ever more pronounced. And we have to prepare for more should the conflict be prolonged. Our response must be directly commensurate with the severity of the threats we face.

This week's European Council has long been planned as a pivotal moment for our competitiveness and security. In our meeting at Alden Biesen we agreed to take decisive action to address the bottlenecks which hamper our competitiveness. I believe the current crisis only reinforces that need and makes it even more urgent. It also brings into sharper focus our push for greater European independence as a way to better shield us from future external crises.

Energy

The most urgent matter, from both a competitiveness and an independence perspective is energy, in particular oil and gas. *Since 2021 the EU has made significant progress in diversifying energy supply and in increasing renewable energy capacity. Its share in the electricity mix rose from 36% in 2021 to 48% in 2025. Together with nuclear, more than 70% of our electricity is now produced from low-carbon energy sources. Despite this, several sectors – notably transport – remain heavily dependent on imported fossil fuels.*

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__At present, the physical security of supply of the European Union is assured__. But the increase of fossil fuel prices is already weighing on our economy. Since the beginning of the conflict, Europe has already spent an additional EUR 6 billion on fossil fuel imports – a direct reminder of the price we pay for our dependency. A prolonged disruption of the supply of oil and gas from the Gulf region could have a significant impact on our economy.

As diplomatic efforts continue to de-escalate tensions, there are a number of urgent work strands already underway to mitigate the impact. These include:

- *The largest ever __release of strategic oil stocks__ coordinated by the International Energy Agency to ease the effects of the disruption until regular traffic through the Strait of Hormuz can resume.*

- *Multinational coordination to prepare for the __restoration of freedom of navigation__ in the region. In this regard, France, with other Member States and partners, has launched work to explore the possibility of escorting vessels when security conditions allow.*

- ***Encouraging increased energy production in countries able to replace disrupted capacities** and calling for the avoidance of any export restrictions.*

- *Closely monitoring the impacts affecting __fertilizers__, which are a key concern for farmers and for global food security.*

When considering possible further measures to alleviate the immediate impact on consumers and businesses, we should heed the lessons of the past. A key lesson of the 2022-2023 crisis was that many of these measures were broad and untargeted, leading to inefficiencies and very large fiscal costs. Against this background, it is important that any short-term measures do not delay the decarbonisation of the energy system, do not increase the demand for oil and gas, are temporary and targeted, and minimise fiscal costs.

We are acting to manage the immediate energy shock and protect our economy. At the same time, as we discussed in Alden Biesen, we must move rapidly to the next steps: measures that bring energy costs down more durably by __addressing the structural drivers of high energy prices, focusing on electricity__.

To do so, we must act across the four main components that determine electricity prices: __(1)__ the __cost of electricity__ itself; __(2) network/grid charges__; __(3) taxes and levies__; and __(4) carbon costs__.

First, on the __cost of electricity__, which alone accounts for more than half of the price. Bringing down these costs requires rapid progress towards the EU's 2030 clean energy targets, with timely investments in the locations and technologies that are aligned with system needs.

This is the best way to limit the hours in which more expensive natural gas sets the wholesale price. Experts agree that a market-based system built on marginal pricing delivers clear benefits overall. In recent weeks, many of you – as well as a wide range of stakeholders – have cautioned against changing this fundamental design.

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At the same time, it is undeniable that the current system creates significant challenges in some Member States, especially when gas prices are high. As well as faster structural change, we must also mitigate the cost impact of fossil fuels during those periods.

As recommended in the Draghi Report, longer-term contracts, so-called ***Power Purchase Agreements*** *(PPA), can play an important role through decoupling industrial power prices from the more volatile wholesale market. So far, their uptake has remained limited. The Commission will therefore remove existing barriers and further promote their use for all low-carbon generation capacities, including by combining Power Purchase Agreements with Contracts for Difference. Avoiding premature retirement of assets, such as existing nuclear facilities, that can continue to deliver reliable, low-cost and low-emissions electricity can likewise play a role.*

Furthermore, Member States can give ***immediate electricity price relief*** *to the most affected energy-intensive industries through the existing State Aid framework (CISAF). The same is possible for the carbon costs, where Member States can also compensate up to 80% of indirect carbon costs, thereby mitigating the carbon cost impact in a wide range of energy-intensive industries. Currently, sixteen Member States are already making use of this instrument. The Commission will further strengthen these mechanisms and make them more flexible, enabling Member States to deliver even more immediate support where it is most needed.*

Subsidizing or capping the gas-fired generation price and redistributing infra-marginal revenues *is another instrument some Member States have used, for instance in the 2022 energy crisis. The Commission will assess, on a case-by-case basis, the impact of such national emergency mechanisms designed to limit the effects of high gas prices on electricity. The design of these emergency mechanisms should in any case avoid internal market distortions, preserve long-term investment signals for clean energy and preclude excessive additional demand for gas.*

Speeding up the integration of low-carbon, home-grown energy in our energy system *is one of the most effective ways to reduce the impact of fossil fuels on price setting. We cannot afford that huge volumes of cost-effective renewable capacity fail to reach consumers because of inadequate grids. We must prioritise negotiations on the Grids Package, in particular on speeding-up permitting procedures, ensuring its rapid adoption and moving forward resolutely with other elements of system flexibility, including the demand side.*

Second, we need to ***make the best use of existing grid infrastructure****. While grid charges are essential to cover much needed investments, we should also ensure that grid users receive the right incentives to make optimal use of existing grid infrastructure, as this will avoid unnecessary and costly grid expansions. Grid operators too can do more to improve the productivity of grid infrastructure, making full use of innovative technologies. The Commission will present a* ***legal proposal*** *to achieve those goals, while allowing Member States to reduce grid charges for energy-intensive industries.*

Third, when it comes to taxes and levies*, significant discrepancies remain depending on the energy source. In many cases, electricity is taxed much more heavily – up to fifteen times – than gas. This places a disproportionate burden on businesses, particularly energy-intensive industries that are transitioning towards electrification and decarbonisation.*

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There is therefore clear scope, including through legislation, to reduce electricity taxation, remove certain non-energy levies from electricity bills, and ensure that electricity is taxed more favourably than fossil fuels.

Finally, on carbon costs*, the ETS remains a proven instrument to drive industrial transformation. Since its introduction in 2005, Europe cut gas use by 100 bcm, helping to shield consumers from high gas prices. The ETS is market-based, technology-neutral, and provides long-term investment certainty while rewarding first movers. Based on the ETS system, companies across Europe have made investment decisions for the coming decades. We must now ensure that it is also adapted to new realities.*

The Commission will shortly adopt the ***ETS benchmarks****, taking into account concerns expressed by industry. It will also present a* ***proposal to increase the firepower of the Market Stability Reserve****, so that it can more effectively address excessive price volatility and keep prices in check in the short term. We are also accelerating our work on the upcoming ETS revision, notably to set out a more realistic decarbonisation trajectory beyond 2030.*

It is also clear that we have to fast-track support to energy intensive industries as they modernise and decarbonise. Anticipating the establishment of the Industrial Decarbonization Bank, the Commission will work on a ***fast-track bridging instrument****, financed by ETS allowances, and with a particular focus on lower-income Member States.*

Taken together, this ***toolbox of concrete measures*** *can provide tangible and timely relief while remaining consistent with our longer-term climate and energy objectives.*

Europe's broader competitiveness agenda

While energy is clearly the most urgent test, we must ***redouble our efforts to advance Europe's competitiveness agenda****. In a more volatile and shock-prone world, the tasks I outlined in my letter on 9 February have become even more urgent.*

Since then, significant progress has been achieved, particularly within the Single Market.

The proposals for the ***Industrial Accelerator Act*** *and the* ***28th Regime - EU Inc.****, alongside complementary actions in the fields of trade, competition, and strategic partnerships, mark our determination to transform ambition into tangible outcomes.*

The ***28th Regime - EU Inc.*** *proposal establishes a genuinely EU-wide corporate legal framework that will make it significantly easier particularly for innovative companies to start, scale, and operate across the Single Market. Companies will be able to register fully online within 48 hours, at a cost of no more than EUR 100, and with no minimum share capital requirement. By enabling fully digital corporate governance, simplifying administrative formalities, and facilitating modern financing instruments and standardized contracts, EU Inc. will drastically reduce burdens for SMEs and startups, unleashing Europe's entrepreneurial potential.*

Equally, the ***Industrial Accelerator Act*** *(IAA) is a cornerstone in reinforcing Europe's industrial sovereignty and long-term competitiveness. By boosting demand for European-made products and technologies through targeted "Made in EU" and low-carbon requirements in public procurement and support schemes, and by introducing a single digital permitting system, the Act accelerates investment, innovation, and industrial growth.*

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Key sectors – including steel, cement, aluminium, cars, and net-zero technologies – will benefit immediately, with potential expansion to other energy-intensive industries. By creating predictable demand, the IAA helps companies plan strategically and invest confidently, supporting Europe's ambition to raise manufacturing's share of GDP from 14.3% in 2024 to 20% by 2035. Finally, the Act will also support the ecosystems that Europe needs to grow and anchor industrial champions.

In parallel, the Commission is conducting the first comprehensive review of the ***EU Merger Guidelines*** *in over 20 years making it fit for nowadays global competition. The revised framework will adopt a forward-looking approach, placing greater weight on innovation, investment, and long-term efficiencies. The updated guidelines will support mergers that build pro-competitive scale, encourage Single Market integration, and foster pan-European players, while maintaining scrutiny of transactions that could create monopolies or oligopolies to ensure affordability for EU companies and citizens.*

The Commission will also bring its ***simplification*** *efforts to a next level. It will continue with the flow of Omnibus proposals to overcome administrative burden of the recent past. It will also systematically review the existing EU legislation by exercising a deep house cleaning to address outdated rules, overlaps and inconsistencies. A new legislative mindset will allow "simplicity by design" in future proposals. In particular, we need much faster permitting procedures to foster investment. Simplification and competitiveness should join up with resilience in the financial markets. Finally, we need considerably more ambition and simplification on delivering an ecosystem for a European digital and AI industry.*

Importantly, supply chain resilience and sustainability will become core dimensions of competition assessment, reflecting the realities of a globalised, geopolitically complex economy.

On trade, we are in the final stretch towards concluding a new ***EU-Australia Free Trade Agreement****. This will mark yet another milestone in diversifying Europe's international partnerships and strengthening our strategic engagement globally. In addition to removing trade barriers, it will also facilitate access to critical raw materials – such as lithium, cobalt, rare earth elements, and hydrogen – and strengthen Europe's presence in one of the world's most dynamic economic regions. The agreement forms part of a broader Indo-Pacific strategy, linking trade, investment, and geopolitical engagement, while enhancing Europe's ability to shape global standards and ensure resilient supply chains.*

An essential dimension of Europe's competitiveness lies not only in agreeing on its components but also in translating them into action. The Commission will soon present the ***One Europe, One Market Roadmap****, which will set out the key legislative measures to be adopted with clear timelines for delivery by the end of 2027. By establishing measurable targets, the roadmap will provide a framework to ensure that strategic priorities are implemented and commitments delivered. The Commission will seek the coordinated engagement of the European Parliament and the Council to ensure unified action. As what now matters is resolute and coordinated implementation to enhance Europe's competitiveness and deliver tangible benefits for citizens.*

Looking further ahead, sustaining growth across our Union will require significant and immediate investment in our economies.

Yours sincerely,

Ursula von der Leyen