

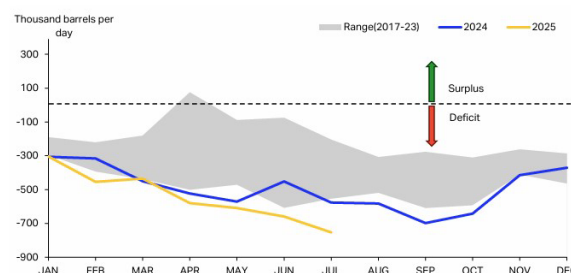
Competitiveness of the Aviation Sector: the impact of fuels prices in the aftermath of the Middle East Crisis/1

Prior to the 2026 Hormuz crisis, the European Union's (EU) refining sector already faced a widening structural deficit compared to global peers, particularly during the summer period, for jet fuel. While the United States operates over 130 mainstream oil refineries and Asia hosts approximately 300, the EU's operational count stood at just 73 in 2025. This capacity gap reached a critical turning point in 2025, when the cessation of crude processing at four EU refineries resulted in an further loss of roughly 400,000 barrels per day (bpd) crude oil processing. Long-term industrial forecasts indicate that total EU refining capacity is on a trajectory to decline by 50% by 2050 —contracting from 13 million bpd in 2024 to less than 8 million bpd. The EU's resulting 'structurally short' position is defined by:

- Persistent Import Dependency: a fundamental reliance on external middle distillates and final products to meet inland demand.
- Supply Chain Vulnerability for jet fuel: heavy concentration of imports originating from the Middle East and the Asia Pacific region.
- Shrinking Internal Recovery: a widening divergence between post-pandemic demand recovery and diminishing domestic production capacity.

As specifically regards jet fuel, IATA analysis, comparing jet fuel production minus demand, identified approximately 700 thousand barrel per day (kbd) deficit.

Pre-crisis EU jet fuel production minus demand



Source: [IATA](#)

Analysis of the Hormuz Crisis and Market Disruption

The 2026 disruption of the Strait of Hormuz stands as the largest supply interruption in the history of the global oil and refined products market. Lasting three months, the crisis affected 20% of global supplies, paralyzing the flow of crude, refined products, and natural gas through a primary maritime chokepoint. The collapse in maritime logistics through the Strait is quantified below: while the ships per week, rolling average, was equal to 549 at Hormuz pre-crisis time (January 1 – February 27, 2026), during the crisis period (February 28 – June 7, 2026) this figure decreased to 39, with weekly cargo capacity, rolling average, also collapsing from 22.9M metric tonnes to 1.0M metric tonnes.

Market volatility led to a price peak of \$109/bbl in April 2026. While severe, this remained below the historical spikes of 2008 (\$140/bbl, WTY NIMEX inflation-adjusted average) and the 2022 surge following the invasion of Ukraine (\$114/bbl). To mitigate the total blockage of the Strait, the market increasingly looked toward alternative infrastructure, such as the Yanbu (East-West) pipeline in Saudi Arabia and the Fujairah export terminals in the UAE, though these could not fully offset the maritime loss.

Tactical rebalancing: EU and UK jet fuel supply diversification

The crisis created a ~400 kbd deficit of jet fuel supply in the European region, in a structurally short region. The situation was exacerbated by another constraint on supply: the EU's own regulatory restrictions on Indian jet fuel produced from Russian crude. To prevent a total grounding of the aviation sector, the EU and UK utilized a three-pillar recovery strategy, generating ~390 kbd of fuel replacement.

- Integration through higher import from US: The EU implemented a temporary regulatory waiver to accept US Jet A fuel as a replacement for the standard European A1 specification, facilitating an influx of ~140 kbd.

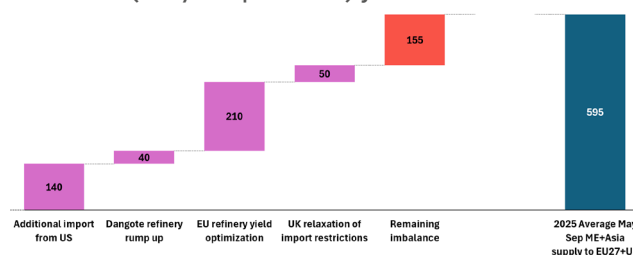


- African Supply Ramping: Regional diversification was bolstered by Nigeria's Dangote refinery, which provided ~40 kbd of additional supply.
- EU Refinery Yield Optimization: Internal EU refineries maximized jet-yields, increasing them from 9% to 11% by volume in average. This operational pivot provided the largest recovery component at ~210 kbd.

Notably, the UK considered relaxing the import restrictions set by EU to 100–130 kbd of Indian jet fuel from Russian crudes, a policy lever that could recover an additional ~50 kbd, supporting the stability of the broader European market.

Overall, EU remains short of ~150 kbd during the summer season.

Summer (May–Sept 2026) jet fuel balance

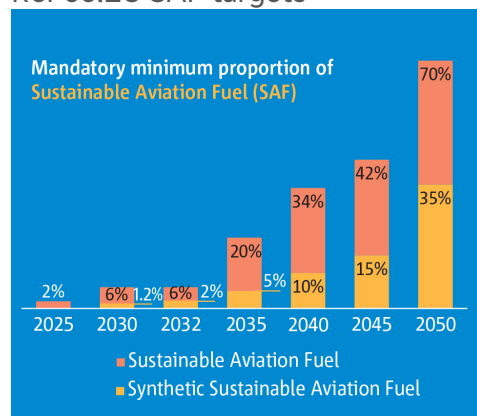


Source: KPLER analysis, May 27th, 2026

Strategic Transition to Sustainable Aviation Fuels (SAF)

The 2026 crisis demonstrated that while tactical rebalancing is possible, long-term security requires a transition from conventional aviation fuels (CAF) to Sustainable Aviation Fuels (SAF). This shift is mandated by the REDIII framework, which targets a 29% minimum renewable energy share in transport (RES-T) or a 14.5% greenhouse gas (GHG) intensity reduction, and the ReFuelEU regulation, which imposes a progressive mandatory increase of SAF (both sustainable biofuels and efuels) in the market.

ReFuelEU SAF targets



Source: [EASA](#)

Two recent EU studies modelled two strategic paths for 2030, i.e. meeting the 29% RES-T minimum target through high-volume renewable fuel adoption or achieving the -14.5% GHG intensity reduction target.

In both scenarios, sustainable biofuels are the primary driver of compliance. Even in the long term, the share of biofuels in transport energy is projected to exceed both renewable electricity and Renewable Fuels of Non-Biological Origin (RFNBOs—synthetic fuels produced from renewable energy other than biomass). Approximately half of these projected quantities will be advanced biofuels (according to RED definition), which are vital for meeting stringent environmental and security mandates.

Conclusions and Policy Implications

The vulnerabilities of maritime chokepoints—including Hormuz, the Suez Canal, and the Strait of Bab el-Mandeb—pose an existential threat to EU aviation and energy sector. During the peak of 2025, the EU relied on the Middle East for 400 kbd of its jet fuel imports; the 2026 crisis proved that such dependence is no longer tenable. The 'Tactical Rebalancing' of 2026, specifically the yield optimization to 11%, was a temporary industrial 'quick fix' that cannot be sustained indefinitely without damaging the production of other essential distillates. Conversely, the 'Strategic Transition' to SAF and the rapid ramp-up of EU biorefineries represent a major permanent solution to the region's 'structurally short' status. To ensure autonomy, resilience, and competitiveness, EU policy should prioritize domestic SAF production to decouple the aviation sector from the inherent volatility of global oil transit routes.

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