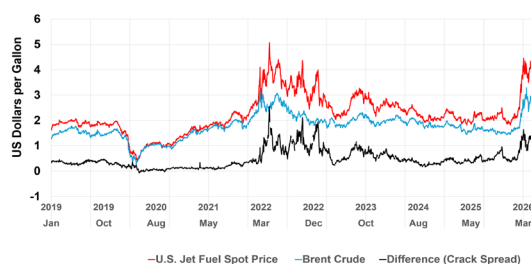


Competitiveness of the Aviation Sector: the impact of fuels prices in the aftermath of the Middle East Crisis/2

The February 28th 2026 attacks on Iran disrupted European aviation through airspace restrictions and higher jet fuel prices. EASA (European Union Aviation Safety Agency) conflict-zone advisories affecting Persian Gulf airspace added to existing Russian and Ukrainian airspace closures, increasing flight distances, fuel use, costs and emissions on some long-haul routes. European carriers also faced a sharp increase in jet fuel prices in the six weeks following the start of the crisis, with particularly elevated levels in mid-April. Figure 1 shows daily jet fuel and crude oil prices from 2019 to June 2026, together with the crack spread (the differential between jet fuel and crude oil prices). This reflects refining costs, demand conditions, refinery capacity and, during periods of stress, the scarcity value of refined aviation fuel. IATA (International Air Transport Association)'s weekly price monitoring indicated that European and Asian jet fuel prices were 10%–15% higher than US jet fuel prices in March and April 2026, while SAF (Sustainable Aviation Fuels) prices also rose significantly and remained substantially above spot kerosene jet fuel prices. EU carriers typically hedge between 60% and 80% of the fuel requirement, significantly mitigating the impact in the short term.

Figure 1: Crude oil and jet fuel prices



Source: US Energy Information Administration

Member State Government and EU Responses

European governments made fuel available from mandated national reserves. However, jet fuel reserve volumes vary considerably between Member States and current reserve requirements do not specify minimum holdings of individual refined products. Given aviation's strategic economic importance, future revisions to reserve requirements should consider minimum jet fuel stock obligations. Increased production by suppliers in the United States and West Africa helped ease immediate concerns about continuity of supply in Europe ahead of the summer peak.

However, media reporting on potential fuel shortages and flight cancellations appears to have affected consumer confidence, dampened demand and delaying purchase decisions until closer to departure. Although summer 2026 demand remains relatively strong, later booking patterns reduced revenue certainty and placed additional pressure on airline yields, particularly where carriers responded to slower bookings by reducing fares. In early May 2026, the European Commission clarified consumer protection obligations, carrier responsibilities and mandatory fuel uplift requirements. Cancellations caused solely by exceptionally high fuel prices are not generally considered extraordinary circumstances, whereas properly notified local airport fuel shortages may be, and EU fuel uplift obligations ([ReFuelEU](#)) remained in force.

Carrier Responses

Passenger demand in the European market was strong in January and February 2026, and carriers entered the year with expectations of continued growth. As a result, airlines scheduled more capacity than in 2025. Following the crisis, capacity was reduced in March through to June, although overall levels remained above 2025. European carriers have cancelled or reduced planned summer 2026 services to several Middle Eastern (ME) destinations, with the main exceptions being Cyprus–Israel and Greece–Israel markets. Scheduled capacity for the second half of 2026 also remains higher than in 2025. The post-COVID operating environment has changed airline capacity management. Carriers schedule capacity six to twelve months in advance and make decisions to reduce, consolidate or cancel services much closer to departure. This gives airlines greater flexibility but also makes it more difficult for policymakers to interpret forward schedules as a reliable indicator of final operated capacity.



European carriers account for a relatively modest share of Europe–ME capacity compared with other long-haul regional markets. Table 1 shows EU and ECAA (European Common Aviation Area) traffic shares in 2025 across major global regions and indicates that EU carrier market shares have declined across all international markets over the past decade.

Table 1: External Market Shares of Total Traffic for EU and ECAA Registered for 2019 and 2025

Region	EU Carriers Share 2019	EU Carriers Share 2025	ECAA Carriers Share 2019	ECAA Carriers Share 2025
North America	38%	37%	48%	43%
Middle East	13%	11%	15%	10%
Africa	41%	41%	48%	43%
Asia	38%	27%	37%	29%

Source: Cirium SRS Analyser

Seat capacity data to the end of June 2026 show that volumes were higher than in the first half of 2025 in most EU states, except for Germany and Austria. The strongest increases were recorded in Eastern European, ECAA and Balkan markets, as well as in large Mediterranean states. Carriers reallocated capacity away from Middle Eastern markets towards intra-European services. Growth in 2025 and 2026 has been particularly strong in Eastern Europe and the Balkans, with seat capacity now moving closer to the EU average of approximately two available departing seats per head of population. This expansion is supporting improved mobility in Eastern and Central Europe. In Poland and other Eastern European states, part of the growth may also reflect the reallocation of capacity that would otherwise have served Ukraine, where airspace remains closed. Many new direct intra-ECAA routes have also been introduced from these markets.

Discussion

The competitiveness of ECAA and EU carriers in major global regional markets remains a concern (see Table 1). ECAA carrier shares have declined in most external markets, while EU carrier shares have fallen in *all* external markets over the past decade. European carriers were less exposed to the Middle East market than to other major long-haul regions, where their market shares are higher. Nevertheless, the crisis has added to existing cost pressures. European carriers are facing rising costs linked to changes in the EU Emissions Trading System, proposed revisions to the Energy Taxation Directive and SAF mandates. These measures increase costs for EU carriers relative to many external competitors. Over time, this may affect airline profitability, delay fleet renewal and weaken the financial resilience of some carriers, particularly legacy airlines with extensive long-haul networks.

The 2026 disruption highlighted the importance of aviation to European connectivity, trade and economic resilience. It also exposed gaps in fuel-security planning, market monitoring and policy coordination. Policy responses should focus on four areas.

1. The EU Directive on minimum oil stocks should be reviewed to include specific jet fuel reserve requirements.
2. The Commission and Parliament should consider the timing of additional regulatory cost increases, as EU carriers are already facing cost and revenue pressures that may weaken competitiveness on extra-European routes.
3. Standardised reporting on jet fuel prices, fuel quantities, SAF availability, refinery supply and reserve levels should be mandated to support transport, energy and climate policy analysis.
4. Regulators should publish regular aviation KPIs, including passenger and cargo capacity, cancellations, fuel availability, fuel prices and route connectivity, to allow governments to monitor performance and disruption and respond more quickly.

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