S T R A T E G I C H O R I Z O N
ENERGY STATECRAFT · VOLUME 04 OF 08

The Target Trap

Europe’s Strategic Dilemma

China took a position. The United States took a position. Europe set a target. A target commits you to an outcome without committing you to a position, and it is the only one of the three that can be met while the underlying situation deteriorates. That is not a criticism of European ambition. It is a description of the instrument Europe chose, and of why the instrument keeps producing the result it produces.

Document control	
Series	Energy Statecraft — Eight studies in energy, industry and geopolitical power to 2035
Series code	ES-2026-04-EN
Volume	04 of 08
Version	v1.2
Access tier	Open access
Figures	Governed by Canonical Data Sheet CDS-2026-EU v1.0
Author	Arisztotelész, Director of Strategic Analysis
Data cut-off	28 August 2026
Review	Ciceró Red Team and Solon Filter — approved

EDITORIAL NOTE

On writing about Europe

This volume is harder to write than the others and the reason is worth stating. Volumes 02, 03 and 05 examine actors whose strategy can be inferred from their behaviour. Europe publishes its strategy, which makes it easy to quote and hard to assess, because the published document and the operating reality diverge in ways that are nobody's fault in particular.

The approach here is to take the European instruments seriously on their own terms. Most of them are well designed. The Hydrogen Bank auctions are good auctions, the Electricity Market Design reform is coherent, the Clean Industrial Deal identifies the right problem. The argument is not that Europe is incompetent. It is that a set of well-built instruments aimed at outcomes rather than positions produces a specific and predictable failure, and that the failure is now visible in five separate domains.

All figures follow Canonical Data Sheet CDS-2026-EU v1.0. Where sources diverge, the divergence is stated at the point of use.

EXECUTIVE SUMMARY

The argument in brief

— **Europe has met most of its targets and lost most of its positions.** Russian pipeline gas fell from 45 per cent of imports to around 3 per cent. Renewable deployment ran ahead of plan. Emissions fell. Over the same period Europe lost solar, batteries and alkaline electrolysers, and rebuilt its gas dependency on a different supplier. Both records belong to the same decade and the same instruments.

— **The cost position is structural, not cyclical.** Industrial electricity at roughly EUR 120 to 145 per MWh against about EUR 55 in the United States is not a market outcome that will correct. The EUR 303 billion annual investment gap identified by Draghi is a decision not taken rather than capital unavailable.

— **The concentration keeps returning because nothing measures it.** Russia at 45 per cent of gas imports, Norway at 30 per cent of EU and UK demand and now declining to extend, the United States at around 66 per cent of European LNG and projected at 80 per cent of EU LNG by 2028. Different denominators, same pattern, and no European instrument that would have flagged any of the three.

— **The grid is the contest still open and it is being lost by administration rather than by competition.** Around 1,700 GW sits in connection queues against 77 GW connected in 2025. Transmission permitting runs over five years. Meanwhile European manufacturers hold roughly two-thirds of the global HVDC market with order backlogs beyond four years — a scarcity that is a strategic asset and is not treated as one.

— **Brussels has begun to correct, and the correction is narrower than it looks.** The Industrial Accelerator Act of March 2026 introduces Made in EU procurement conditions and a trigger on investments from states controlling more than 40 per cent of global manufacturing capacity. That is a concentration test, and it is the first one. It applies to inbound investment and public procurement, not to supply.

SH VERDICT

Europe is running the most sophisticated energy policy in the world and losing, and the two facts are connected. Sophistication in instrument design is not the same as strategic position, and the European system rewards the first while having no field in which to record the second. A target is auditable; a position is not. So the auditable thing gets managed, and the thing that determines outcomes in 2035 gets managed by nobody. This volume is an argument that the missing instrument is not another fund but a measurement — and that measurement changes behaviour faster than money does.

SECTION I

The Case for the Defence

An assessment that only catalogues failure is not analysis, and the European record contains a genuine achievement that deserves stating before anything else.

REPowerEU worked. Russian pipeline gas fell from roughly 45 per cent of EU gas imports in 2021 to around 3 per cent by the end of 2025. Six floating regasification units were built in Germany inside eighteen months. Norwegian supply expanded, Azerbaijani flows increased, and the system did not fail. In the winter that European industry was widely expected not to survive, it survived.

Deployment also worked. Renewable capacity ran ahead of national targets across most member states. Battery storage grew tenfold in four years, from 7.8 GWh in 2021 to 77.3 GWh at the end of 2025, with a record 27.1 GWh added in 2025 alone at 45 per cent annual growth. The regulatory architecture was rebuilt in three years: the Electricity Market Design reform, the Net-Zero Industry Act, the Critical Raw Materials Act, the Clean Industrial Deal and the Affordable Energy Action Plan.

And the instruments are, individually, good. The Hydrogen Bank auctions are competitively subscribed and allocate capital to real projects. The Industrial Accelerator Act of March 2026 is a serious attempt at demand-side industrial policy. None of what follows is an argument that Europe cannot design policy.

SH ASSESSMENT I/1

The achievement and the failure share a mechanism, which is why the failure was invisible while it happened. REPowerEU succeeded because it had a measurable objective, a deadline and an owner. It reduced Russian pipeline dependency to 3 per cent. It was not asked to reduce dependency as such, and so it did not: the same programme that removed one supplier concentration built another, and reported success, correctly, against the objective it was given.

SECTION II

The Cost Position

European industry pays two to three times what American industry pays for electricity, and the gap is structural rather than cyclical.

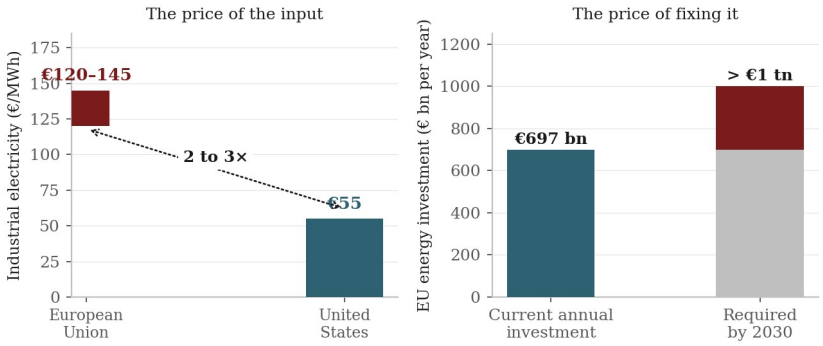


Figure 1. The input cost and the cost of fixing it. Sources: Draghi Report on European Competitiveness, September 2024; European Commission.

The Draghi diagnosis of September 2024 has not been superseded and has largely not been acted on. Industrial electricity at roughly EUR 120 to 145 per megawatt-hour against about EUR 55 in the United States is a structural disadvantage absent deliberate intervention. The EUR 303 billion annual investment gap — EUR 697 billion of current investment against more than EUR 1 trillion required — is the single largest constraint on European energy sovereignty.

The Commission has responded. The Affordable Energy Action Plan projects overall savings of EUR 45 billion in 2025 rising to EUR 130 billion annually by 2030 and EUR 260 billion by 2040. Those are real numbers and they are also, on the Commission's own framing, savings against a counterfactual rather than a reduction in the gap. The plan's principal short-term measures — lower electricity taxation, network tariff reform to reward flexibility — rely on voluntary national implementation.

SH ASSESSMENT II/1

The investment gap is not primarily a capital availability problem, and treating it as one has cost a decade. European capital markets have demonstrated appetite for clean energy assets; the EIB holds a AAA rating and effectively unlimited access to bond markets. What is scarce is bankable pipeline, permitting throughput and the political decision to deploy at the required scale. A gap of EUR 303 billion a year that persists in a market with capital looking for exactly these assets is a governance outcome, not a financing one.

The reliance on voluntary national implementation is the recurring structural weakness. The Union legislates hard where it can — the Russian gas prohibition carries penalties of at least EUR 40 million or 3.5 per cent of worldwide turnover — and recommends softly where the competence is national. The result is that the binding instruments point at outcomes while the discretionary ones point at positions, which is precisely the wrong way round.

Recommendation II/1-R — Move the two measures that actually reduce industrial electricity cost — electricity taxation floors and flexibility-rewarding network tariffs — from recommendation to binding instrument, on the model used for the Russian gas prohibition. If the competence question makes that impossible, say so publicly, because a plan whose principal measures are optional is a forecast rather than a policy.

SECTION III

The Concentration Carousel

Europe has now, three times in five years, resolved a supply problem by concentrating on a single external supplier and recording the result as security.

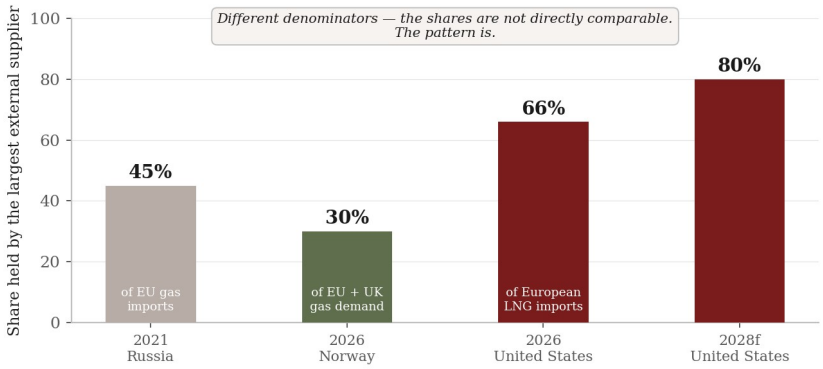


Figure 2. Three concentrations. The denominators differ and the shares are not directly comparable; the pattern is. Sources: European Commission; Eurostat; IEEFA European LNG Tracker, May 2026; Reuters.

The sequence is worth setting out precisely, because the shares are routinely compared when they should not be. Russian gas stood at roughly 45 per cent of EU gas imports in 2021, measured across pipeline and LNG. Norway supplies around 30 per cent of EU and UK gas demand today, and in August 2026 declined to extend the interconnection relationship. The United States supplies roughly 66 per cent of European LNG imports in 2026, overtook Norway this year as the largest gas supplier to the EU, and is projected by IEEFA to reach up to 80 per cent of EU LNG imports by 2028.

Two further details complete the picture. Russia remains the EU's second-largest LNG supplier despite the prohibition schedule, and EU imports of Russian LNG rose 15 per cent year on year to 9.9 million tonnes in the first half of 2026. And Regulation (EU) 2026/261 has converted the phase-out into binding prohibition with dates, which means Europe now buys under a public deadline while declining the long-term contracts that would fix terms.

One thing this comparison does not claim, and the distinction is easy to lose. It is not an assertion that European dependence on the United States is now equal to or greater than the pre-2022 dependence on Russia. Those two shares are measured on different bases and cannot be ranked against each other; the 45 per cent covered all gas imports, the 80 per cent projection covers LNG imports only. What repeats is the structure — one external supplier, no ceiling, no alternative route at scale, no credible willingness to switch — and the structure is the finding.

SH ASSESSMENT III/1 — THE CENTRAL FINDING OF THIS VOLUME

No European instrument would have flagged any of the three concentrations, because none of them measures concentration. Storage targets measure volume. Diversification plans measure the number of named suppliers. Security of supply assessments measure adequacy under stress scenarios. None of them produces a number that would have risen as Russian share went to 45 per cent, and none produces one that is rising now. The exposure that has cost Europe most in this decade is the one quantity the system does not compute.

The 2026 storage season shows the same mechanism in miniature. European storage stood at roughly 63 per cent in late August, the lowest for the date in records from 2009, and was on pace to meet its target — because the target had been lowered from 90 to 80 per cent under ACER flexibility provisions. The obligation is met. The buffer is the thinnest in eighteen years. Both statements are true because the measure moved, and a system that manages to its measure will always produce that pair.

Recommendation III/1-R — Introduce a supplier concentration ceiling as a binding security-of-supply indicator, applied irrespective of the supplier's political alignment, reported annually alongside storage levels, and covering gas, LNG and — as Volume 06

recommends — the assumed spare capacity buffer. This is the single instrument that would have caught all three concentrations, and it costs nothing to legislate.

SECTION IV

The Contest Still Open

Manufacturing share in solar, batteries and alkaline electrolysers is settled and settled against Europe. The grid is not, and it is being lost administratively rather than competitively — which means it is recoverable.

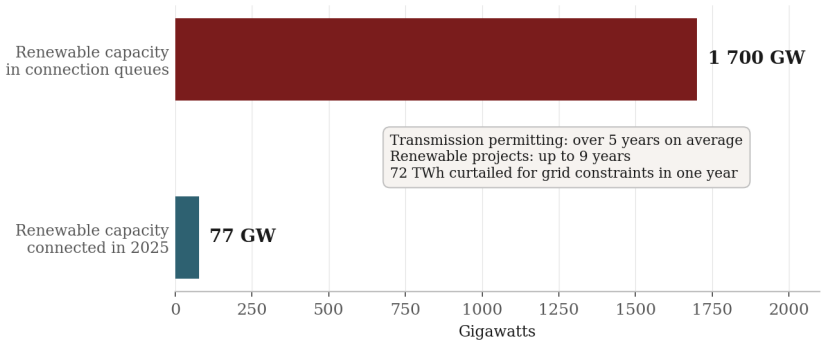


Figure 3. The bottleneck. Sources: European Commission; ENTSO-E; IRENA; Beyond Fossil Fuels.

Around 1,700 GW of renewable capacity sits in connection queues across sixteen countries, against 77 GW connected across Europe in 2025. Transmission permitting takes over five years on average and renewable projects up to nine. Roughly 72 TWh was curtailed in a single year for grid constraints. Grid investment of EUR 584 billion is required by 2030 and around EUR 1.2 trillion by 2040, and more than half of the transmission projects needed by 2030 are still awaiting permits.

The other half of the picture is the one Europe does not discuss. European manufacturers hold roughly two-thirds of the global HVDC market. Hitachi Energy and Siemens Energy together take more than half of everything outside China, and Prysmian, Nexans and NKT lead subsea cable. Offshore HVDC cable order backlogs extend beyond four years. Volume 06 scores HVDC converters and cable at 3.8 on the ETGEM matrix, the highest of any technology that can scale.

SH ASSESSMENT IV/1

Europe holds a genuine two-thirds global position in the one technology its own transition is bottlenecked on, and treats it as procurement rather than as industrial policy. The constraint in HVDC is factory capacity, not ownership. That is the rarest kind of strategic problem: one that European capital can solve without a concession from anybody. A four-year order backlog in a technology with no substitute is pricing power, and pricing power that is not being converted into capacity is being left on the table.

The permitting constraint is the binding one and it is entirely self-imposed. Volume 03 sets out the case for emergency Union legislation with binding consent deadlines, constructive approval on expiry and outer limits on the duration of judicial review. That last element is the one nobody wants to touch and the one that matters: in most member states litigation duration, not administrative processing, is what sets the

delivery date.

Recommendation IV/1-R — Two instruments, both available now. First, emergency Union energy legislation on cross-border transmission consent, including outer time limits on judicial review duration rather than on the right of review. Second, public capacity co-investment in European HVDC manufacturing against long-term TSO order books, with second-source qualification for insulation compound supply. The first unblocks demand; the second unblocks the supply that demand will hit.

SECTION V

What Brussels Has Started to Get Right

The correction has begun, and it is more interesting than the criticism because it shows what the European system can do when it identifies the right variable.

The Industrial Accelerator Act, presented in March 2026, introduces Made in EU and low-carbon requirements for public procurement and public support schemes in strategic sectors. More significantly, it sets conditions on investments of at least EUR 100 million by companies from non-EU states that control more than 40 per cent of global manufacturing capacity in areas including electric vehicles, batteries, solar and critical raw materials.

That 40 per cent threshold is a concentration test. It is the first instrument in the European toolkit that measures market structure rather than volume or price, and it is exactly the class of measurement this series has argued was missing.

SH ASSESSMENT V/1

The right instrument, pointed in a narrower direction than the problem requires. The Act applies the concentration test to inbound investment and public procurement. It does not apply it to supply, which is where the exposure sits. A rule that scrutinises a Chinese investment in a European battery plant while imposing no ceiling on the share of European batteries imported from China is measuring the smaller risk.

The heat pump case shows why the layer matters. Over 80 per cent of heat pumps installed in Europe are assembled in Europe, and more than 90 per cent of indoor units are European. Around 90 per cent of global rotary compressor manufacturing capacity is in China, which the IEA describes as an acute supply chain vulnerability. A Made in EU requirement satisfied at the assembly layer secures the layer that was not the problem, and the European heat pump industry has said publicly it could produce three times more if demand existed — which locates the constraint on the demand side, not the origin side.

Recommendation V/1-R — Extend the 40 per cent concentration trigger from inbound investment to supply, and specify content requirements at the component layer — compressors, magnets, cells, wafers — rather than at final assembly. Where a component cannot be sourced in Europe within the decision horizon, the honest instrument is a stockpile and a qualified second source, not an origin rule that will be satisfied by relocating the screwdriver.

SECTION VI

Strategic Implications

Ref.	Recommendation	Addressee	Horizon
III/1-R	Legislate a supplier concentration ceiling as a binding security-of-supply indicator, applied irrespective of alignment, covering gas, LNG and the assumed spare capacity buffer.	**Council and Parliament**	Immediate
IV/1-R	Emergency Union legislation on cross-border transmission consent, including outer limits on judicial review duration; public capacity co-investment in European HVDC manufacturing.	**Council and Parliament**	Immediate
V/1-R	Extend the 40 per cent concentration trigger from inbound investment to supply; specify content at the component layer.	Commission / DG GROW	2026–28
II/1-R	Move electricity taxation floors and flexibility-rewarding network tariffs from recommendation to binding instrument.	Commission / Council	2026–28

Figure 4. Consolidated recommendations. Bold entries are the two that most change European outcomes, and both are legislative rather than financial.

SECTION VII

Conclusion — The Strategic Horizon View

The evidence assembled across this series points repeatedly to the same structure, from whichever angle the decade is examined. China controls what it consumes. The United States sells what others cannot do without. Norway separates the two. Europe sets a number and meets it.

What a target does

A target is a genuine instrument and it has real advantages. It is auditable, it is politically communicable, it survives changes of government, and it coordinates twenty-seven administrations that agree on little else. Europe did not choose targets out of weakness; it chose them because they are the only instrument that works across a union of that construction.

What a target cannot do is notice a position eroding. It measures the distance to an outcome, and it is silent about how the outcome was reached. Emissions fall whether the panels are made in Dresden or Xinjiang. Storage adequacy is met whether the target is 90 or 80 per cent. Russian dependency falls to 3 per cent whether the replacement is diversified or concentrated. In each case the target reports success, accurately, while the strategic position moves the other way.

That is the trap, and it is not solved by more ambitious targets. It is solved by adding a second class of measurement alongside the first.

The verdict

> STRATEGIC HORIZON VERDICT
>
> **Europe’s problem is not that its targets are wrong. It is that targets are the only thing it measures.** Every failure catalogued in this series — solar lost while the argument was about tariffs, batteries lost while it was about subsidy, electrolysers lost

while it was about additionality rules, gas concentration rebuilt three times — shares one property: no European instrument produced a number that was getting worse. The information did not exist, so the decision was never presented.

The missing instrument is a measurement, not a fund, and that is the good news. A supplier concentration ceiling, a component-layer content rule, a sovereign reserve cover metric and an ETGEM-style assessment in the funding decision cost almost nothing to legislate and would have caught every one of those failures at the point it was still reversible. Europe has spent this decade arguing about how much money to spend. The cheaper and more consequential argument is about what to count.

One position remains open and it is the one that matters most. Manufacturing is settled. Fuel relationships are being written into treaty law now. The grid is neither: two-thirds of the global HVDC market is European, the bottleneck is permitting and factory capacity, and both are within European control. Volume 01 said the grid was the contest still open. The evidence assembled since leaves that conclusion unchanged: it is still open, still European to lose, and still being treated as an engineering matter rather than as the last industrial position of scale the Union holds.

Limits

Figures follow Canonical Data Sheet CDS-2026-EU v1.0 and the divergences recorded there apply here: EU gas demand to 2030 falls 14 per cent on IEEFA and 7 per cent on Ember against different baselines, and the concentration shares in Figure 2 use different denominators and are not arithmetically comparable. The 80 per cent US share for 2028 is an IEEFA projection. The characterisation of European buyer behaviour on long-term contracts rests on trade press reporting of unannounced negotiations. And the Hormuz disruption that began on 28 February 2026 remains unresolved at the time of writing, which affects both the price environment and the security assessment underlying Sections II and III.

Principal sources: Draghi Report on European Competitiveness; European Commission (Clean Industrial Deal, Affordable Energy Action Plan, Industrial Accelerator Act, Grids Action Plan); Regulation (EU) 2026/261; IEEFA European LNG Tracker and EU Gas Flows Tracker; SolarPower Europe; ENTSO-E; ACER; IEA; European Heat Pump Association; Beyond Fossil Fuels; Eurostat. © Strategic Horizon 2026. Volume 04, v1.2. Open access. Reviewed by Ciceró and Solon; see the note on limits in Section VII.