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TRADE LENS

Focus on investing.

MACRO INSIGHT / No.09

European gas · Inflation pass-through · ECB · Industrial competitiveness

Europe’s Energy Crisis Reignited

How Surging Gas Prices Reshape Rates and Industrial Competitiveness

From gas storage and LNG procurement to power bills, margins and Korean exposure

75%
EU gas storage · 21 October [2]

3.8%
September euro-area HICP · YoY [5]

2.50%
ECB deposit rate · 29 October [6]

Keeping gas flowing can still mean a larger bill.

Policy constraints and margin differences grow together.

Not a simple replay of 2022: supply flexibility, contracts and pricing power determine the impact.

Analysis date 2026.10.31

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Economic structure · Monetary transmission · Industrial profitability

01 / RESEARCH VIEW

A simultaneous squeeze on costs and policy

TradeLens view | Costly continuity of supply and diverging profitability are the base case, not universal disruption.

> **Core conclusion**
>
> Europe has a more flexible LNG import system, but infrastructure does not guarantee affordable cargoes. Gas costs pass through to electricity, inputs and retail bills with different lags. **The shock constrains near-term ECB easing and redistributes industrial profits according to pricing power and production flexibility.** [3] [6] [8]

Question	Current interpretation	Evidence that would change it
What changed?	Low stocks and competition for LNG amplify procurement costs.	Recovering LNG arrivals and a normal pace of storage withdrawals
Why does it matter?	Input costs and financing burdens jointly constrain demand.	Energy and services inflation easing together
Who captures the benefit?	Pricing power, low-cost production and flexible sourcing offer relative protection.	Improving net prices, volumes, margins and cash together
What is not established?	Storage alone does not prove rationing, blackouts or recession.	Actual regional supply restrictions and production stoppages

A spot gas or power quote is not a company's average purchase cost. Forward contracts and tariff resets can delay the shock, while weaker demand limits price increases. Identical wholesale prices can therefore produce very different earnings and cash outcomes.

> **The decision framework**
>
> Trace **supply volumes → realised procurement cost → pass-through → demand response → cash collection**. Even lower market prices may not immediately normalise costs when contract resets and storage replenishment remain ahead.

Analysis date: 31 October 2026. EU gas balances and euro-area inflation and policy have different geographical coverage. These are conditional economic views, not price targets or trading recommendations.

02 / THE CURRENT SHOCK

The indicators run on different clocks

Prices, inventories, inflation, output and policy are not one same-date snapshot.

Observation and date	Reported level	What the number tells us
TTF · intraday, 28 October [1]	Around €100/MWh	Wholesale market stress; not a settlement, monthly average or retail bill
EU storage · 21 October [2]	75% of capacity	Facility fill level; not coverage of 75% of winter demand
Euro-area HICP · September [5]	Headline +3.8%; energy +18.9%	Annual consumer inflation, not a TTF price return
Euro-area GDP · Q3 [15]	+0.4% quarter on quarter	Seasonally adjusted preliminary estimate; not evidence of an established recession
ECB · 29 October [6]	Deposit rate held at 2.50%	This meeting's decision, not a commitment to the next move

The 2026 shock combines higher energy costs with still-positive aggregate growth. Neither an economy-wide collapse nor an end to manufacturing margin pressure follows from those observations alone.

Market clock

Wholesale prices react quickly to new information

›

Contract clock

Hedges, fixed tariffs and renewals alter purchase costs

›

Real-economy clock

Output, spending, jobs and investment adjust later

Starting point

The energy-price shock is observable; broader wage and demand responses require separate evidence. A short-term price surge and a medium-term loss of industrial competitiveness are connected, but they are not the same event.

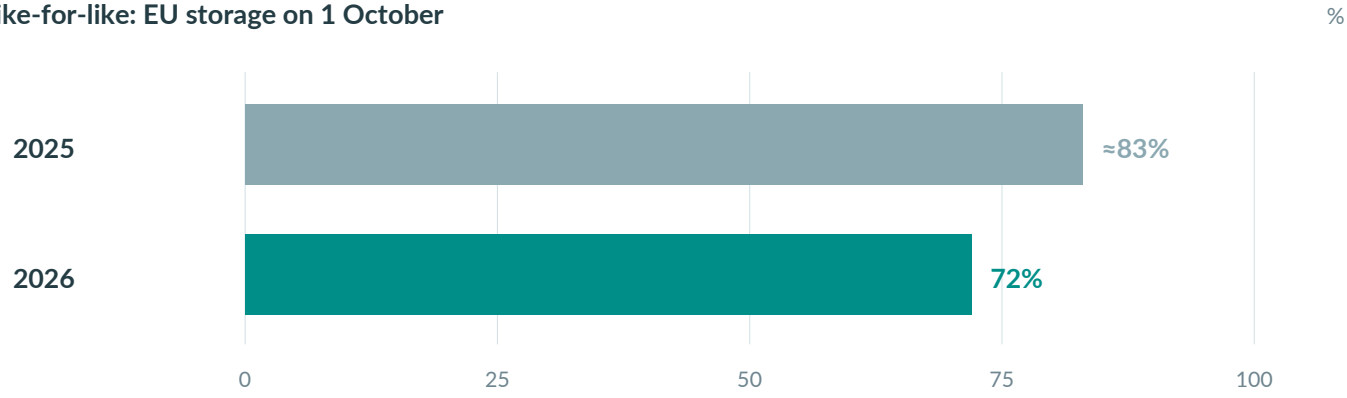
TTF is a wholesale gas benchmark; HICP is a consumer-price index. GDP growth here is not annualised. Late-October events are not retroactive causes of September inflation or third-quarter output.

03 / STOCKS ARE NOT FLOWS

Infrastructure is not a cargo of gas

Capacity, stored volumes, daily arrivals and withdrawal rates impose different constraints.

Like-for-like: EU storage on 1 October



The 2025 comparator follows GIE's reported approximately 11 percentage-point gap from 72% in 2026. [4]

The 75% fill level on 21 October and 72% on 1 October are different dated observations. [2] [4] ENTSOG reports about 1,600 TWh of winter regasification capacity. That is **processing capacity**, not LNG already contracted or delivered. [3]

Winter variable	Economic significance
LNG arrivals and pipeline flows	Gas must be paid for and delivered to reduce reliance on stored inventory.
Cold weather and power demand	Adequate seasonal volume can coexist with peak-day or regional transport constraints.
End-winter inventory	Stocks left in spring 2027 help determine the following summer's refill burden.

> **Supply security is not price stability**
>
> The European Commission points to lower demand and more diverse supply as sources of resilience. [8] **Our base case is a higher cost of securing gas and maintaining inventories, not a certain widespread shortage.**

GIE presents conditional ENTSOG paths reaching 90% storage at end-September 2027 under LNG Optimal supply and 65% under LNG Tight supply, with the same reference demand. These are model scenarios, not realised outcomes or assigned probabilities. [4]

04 / LNG & INCOME TRANSFER

Diversification can still be expensive

Reducing pipeline dependence does not remove exposure to global LNG prices and shipping routes.

-14%

EU LNG imports · summer 2026 YoY [2]

About 30%

US LNG share of total EU gas supply [2]

€18–33bn

Estimated extra import bill, fixed volume [2]

ACER links price pressure to Middle East-related LNG disruption and competition with Asia. A higher US supply share describes sourcing, not any particular seller's windfall or an assurance of safety. [2]

Procurement choice

Withdraw stocks or purchase more LNG

›

Global competition

Flexible cargoes respond to regional price differences

›

Income transfer

A larger import bill reduces domestic spending capacity

Different monetary measures	Why they cannot be added
Extra import bill: €18–33bn [2]	A counterfactual for the same quantity of gas; neither total imports nor a subsidy budget
Refilling cost: upper bound €27bn [2]	Storage-related expenditure; it can overlap with the import-bill measure
End-user energy invoice	Includes procurement, transport, taxes and the applicable tariff regime

Who retains the money?

A higher selling price does not become profit equally for every LNG participant. Indexation, delivery terms, destination rights, freight and hedging determine what remains. Europe's economic exposure includes both price and the value of procurement flexibility.

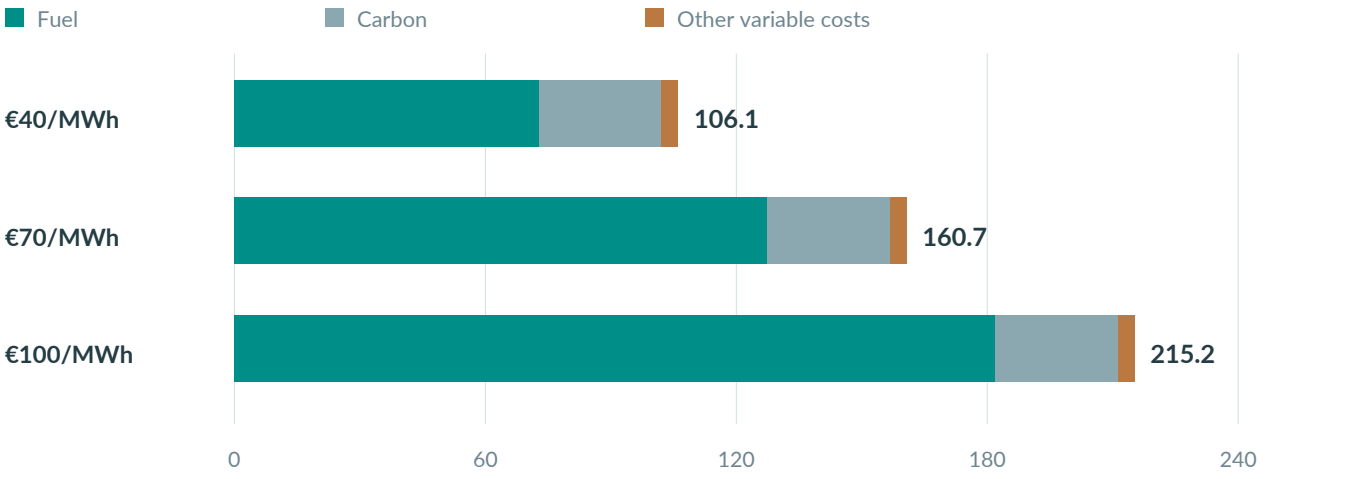
05 / GAS TO POWER

How gas costs influence electricity prices

Fuel-cost arithmetic is an illustration, not a prediction of actual wholesale or retail tariffs.

EU electricity markets generally use marginal pricing: the cost of the last necessary unit influences that period's price. [13] Gas supplied 17% of EU generation in 2025, but its pricing influence is not explained by that share alone. [12]

Gas-fired variable cost under three fuel-price assumptions



EUR/MWh electricity · illustration

Assumptions: 55% electrical efficiency; emissions of 0.202 tCO_2/MWh of gas; carbon price €80/tCO_2; other variable cost €4/MWh of electricity. Variable cost = gas price ÷ efficiency + emissions ÷ efficiency × carbon price + other variable cost. Not actual market prices.

Gas-price assumption	Illustrative power-cost change	Held constant
€40 → €100/MWh	€106.1 → €215.2/MWh; increase of €109.1/MWh	Efficiency, carbon price and other costs
Gas +€60/MWh	At 50% efficiency: +€120 At 60% efficiency: +€100	Incremental fuel component only

Industrial implication

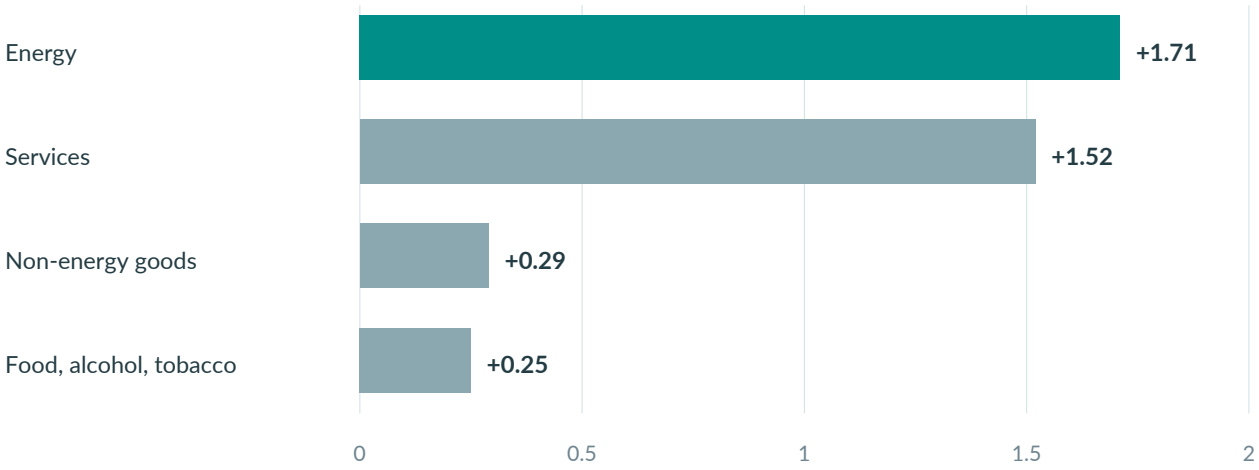
Low-carbon generation, storage and interconnection can reduce the hours in which gas sets the marginal price. PPAs and fixed-price contracts alter individual buyer exposure. **A gas-price increase is not the same percentage increase in every company's power bill.** [9] [12]

06 / INFLATION & CONTRACT LAGS

Transmission is about timing as well as size

A one-day gas move and year-on-year consumer inflation are different measurements.

Contributions to September euro-area annual HICP



Percentage points · contributions total 3.77 ≈ headline 3.8%

The reported contributions sum to 3.77 percentage points, close to the rounded 3.8% headline rate. Energy represents about 45.4% of that sum. [5] This is **contribution arithmetic**, not a finding that gas alone caused 45.4% of inflation.

Wholesale prices
Gas and electricity markets react immediately

›

Purchase contracts
Hedges, fixed terms and regulated tariffs create lags

›

Consumer prices
Resets affect bills and household purchasing power

In the ECB's 2026 central-bank survey, countries reporting a one-to-three-month gas pass-through lag accounted for over half of the HICP-weighted responses. Electricity lags ranged from less than a month to two years. [9] A stable wholesale market need not immediately lower every bill.

A common variable for policy and business

Contracts may absorb a short spike. A persistent shock reaches more customers as agreements reset. **Duration determines how far the pressure spreads to wages, services prices and corporate margins.**

September 2026 final Eurostat data; euro area, not the entire EU. Survey weights reflect countries' HICP contributions, not the number of household contracts or the percentage of a wholesale shock passed through.

07 / ECB REACTION FUNCTION

Inflation and weaker growth constrain the ECB

An unchanged rate is neither an all-clear on energy nor a promise of another increase.

2.50%
Deposit facility · 29 October [6]

2.65%
Main refinancing rate [6]

2.90%
Marginal lending rate [6]

The ECB held all three rates on 29 October. It described upside inflation and downside growth risks, while underlying inflation and wages had not yet shown a material second-round response. [6] [7] Gas prices alone cannot determine the policy path.

Conditions observed together	TradeLens policy interpretation	Market and business channel
Persistent energy costs + wage/services spread	Less room for easing; greater risk of further tightening	Pressure on real incomes and the cost of capital
Normalised supply + stable underlying inflation	Direct energy pressure and policy constraints diminish	Better costs, but no automatic guarantee of rate cuts
Sticky prices + weaker demand and credit	The growth-inflation trade-off becomes harder	Falling sovereign yields can coexist with wider corporate spreads

Companies face bank terms, maturity schedules and refinancing spreads as well as policy rates. If recession concerns lower government yields but raise credit premia, energy-intensive firms may see little relief in their actual borrowing costs.

Directional assessment

Near-term room for early easing is constrained. Yet stable expectations combined with deeper demand damage could change the policy balance. Track gas, services prices, wages and financing conditions together rather than fixing one rate path.

The table is conditional analysis, not an ECB forecast. The central bank retains a meeting-by-meeting, data-dependent approach and does not pre-commit to a particular path. [6]

08 / INDUSTRIAL INCIDENCE

Energy intensity alone does not decide winners

Technology, contracts, demand and production locations determine who bears the final cost.

Industry or function	Direct exposure	Economic dividing line
Fertilisers and basic chemicals	Gas is both a fuel and a feedstock	Product-to-gas spread, imported ammonia substitution and operating flexibility
Steel and metals	Power, heat and material costs vary by process	Separate blast furnaces, electric arc furnaces and direct reduction; examine contracts and scrap costs
Vehicles and machinery	Direct energy and indirect materials/component costs	Pricing power, European final demand and supply continuity
Power generation and retail	Mismatch between generation costs and sales contracts	Generation technology, purchase/sales hedges, tariffs, collateral and working capital
LNG and energy supply	Difference between procurement and realised selling prices	Destination rights, indexation, freight and hedging determine returns

An expensive plant can sometimes be idled while intermediates are purchased elsewhere, but fixed and restart costs remain. Supply obligations or inflexible processes can sharply restrict the same response at another business.

> **Durable competitiveness**
>
> The advantage is not simply securing cheap fuel once. It is the ability to **adjust costs, utilisation, logistics and product prices together**. Higher costs at European plants do not automatically imply lower consolidated profit at every European multinational.

This is TradeLens structural analysis, not an estimate of individual firms' cost shares, customer terms or returns. Company evidence is presented separately on the next page.

09 / CORPORATE REALITY CHECK

The same shock produced different earnings

Global consolidated results are not results for European factories alone.

Yara

USD million

EBITDA excl. special items [10]



BASF

EUR billion

Sales [11]



Company	What the company reported	Analytical significance
Yara [10]	Q3 EBITDA excluding special items fell from $804m to $675m. Higher gas costs, deferred demand and reliability setbacks all mattered.	The 16.0% decline is not solely attributable to gas. Global production and sourcing offer defensive options.
BASF [11]	Q3 sales €16.4bn; price effect +12%, volume +2%. EBITDA before special items was about €1.6bn, up 15% as reported, at a 10.0% margin.	Higher selling prices can absorb some cost pressure. Group growth does not establish recovery at every European plant.

These are separate examples, not a like-for-like industry average. Yara's adjusted EBITDA and BASF's sales and adjusted earnings have different currencies, business mixes and adjustment definitions. They should not be added or used to rank margins directly.

What the evidence changes

An energy crisis does not mean every European company's earnings collapse. Separate margins defended by price increases, contribution lost to lower volumes, and gains from moving production or sourcing before judging sustainability.

Yara change = (675 ÷ 804 - 1) × 100 = -16.04%. BASF's 15% growth and 10.0% margin are company-reported figures. Do not replace them with calculations using only rounded €1.6bn and €1.4bn amounts.

10 / KOREA SPILLOVERS

Korea’s relative gains are not automatic

European cost disadvantages translate into Korean profit only through procurement, demand and trade conditions.

Higher European costs
Local curtailments and price increases

›

Possible Korean gains
Substitution exports, supply chains and equipment

›

Concurrent burdens
Asian LNG competition, import costs and weaker EU demand

Applying ACER’s assessment of Europe-Asia competition for flexible LNG to Korea gives a two-sided result. [2] Korean manufacturers gain only to the extent that extra contribution from sales exceeds their own energy, input, logistics and financing pressures.

Korean exposure	Condition for an economic gain	Concurrent burden to check
Chemical and material exports	Substitution demand becomes orders and better realised prices	Feedstock indexation, energy, inventory and freight costs
Steel and vehicles	Price competitiveness, customer approval and volumes align	Weaker European demand and product-specific trade/environmental rules
Power and efficiency equipment	Projects progress through contracts, construction, delivery and collection	Rates, subsidies, permitting and customer finance
LNG-related businesses	Profitable purchase/sales terms and operational or shipping capacity	Higher spot prices do not automatically expand company margins

The profit bridge

Incremental profit = extra sales contribution - added procurement, logistics and financing costs - demand-related losses. European curtailment headlines do not establish new Korean orders or margins.

This is conditional transmission analysis, not a forecast of Korean orders, export volumes or firm-specific cost shares, and not a recommendation on any security.

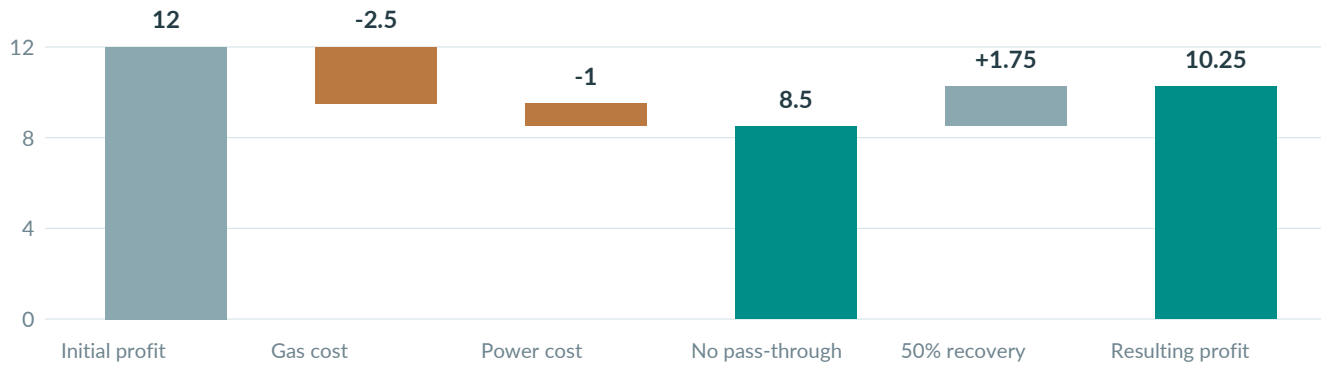
11 / PASS-THROUGH SENSITIVITY

Full cost recovery need not restore the margin

An illustrative income model separates sales growth from margin protection.

Assume revenue of 100, gas cost 10, power cost 8 and other operating costs 70: profit is 12. Gas prices rise 50%, power prices 25%, and 50% of each cost base is exposed. Costs rise by 3.5, holding volume and all other costs constant.

Illustrative operating-profit bridge: initial revenue = 100



Extra cost passed through	Revenue	Operating profit	Operating margin
0%	100.00	8.50	8.50%
50%	101.75	10.25	10.07%
100%	103.50	12.00	11.59%

Extra cost = 10 × 50% × 50% + 8 × 25% × 50% = 3.5. Revenue = 100 + 3.5 × recovery rate; profit = 12 - 3.5 + 3.5 × recovery rate. Recovery means added costs recouped through prices at constant volume. This is not a company forecast.

What the arithmetic tells us

Recovering all added costs restores **profit to 12, but the margin is 11.59%, not 12.0%**. Maintaining the original margin requires added revenue of 3.5 ÷ (1 - 12%) ≈ 3.98. Actual analysis must also allow for volume responses and contract resets.

12 / POLICY & CAPITAL

Subsidies change who pays the bill

Short-term cushioning and long-term cost competitiveness are different policy tasks.

The European Commission distinguishes measures that directly affect consumer energy prices from income support for households and firms. [14] Either may absorb a shock, but neither makes the international energy bill disappear.

Instrument	Immediate benefit	Remaining cost or condition
Price subsidies and tax relief	Lower the current bill and measured inflation	Fiscal cost and possible rebound on expiry; broad support can weaken conservation incentives
Targeted income/liquidity support	Protect vulnerable households and viable firms	Eligibility, duration, funding and repayment conditions matter
Procurement, hedging and storage	Shift price and volume exposures through time	Renewal, collateral, working-capital and storage costs remain
Grids, storage, efficiency and low-carbon power	Reduce gas-price-setting hours and energy used per unit	Upfront capital, permitting, connection and payback constraints

The IEA emphasises grids, storage, flexible demand and taxation as well as generation. [12] More energy-security investment therefore does not automatically improve every supplier's cash generation. Customer finance, completion and collection still matter.

> **Capital-allocation test**
>
> Distinguish **buying the same energy more cheaply** from **using less energy per unit of output**. The former remains exposed to global prices; the latter can create a structural cost advantage if the investment pays back.

Policy categories draw on the European Commission's spring 2026 analysis. Its then-current budget estimates are not treated as end-October totals. The economic interpretation is TradeLens analysis.

13 / CONDITIONAL OUTLOOK

The base case is persistent cost pressure

Conditional paths through winter 2026–27 and spring 2027; no price targets, rate targets or assigned probabilities.

Scenario	Gas and real-economy conditions	Policy and industrial direction
Base: costly continuity	LNG procurement and storage withdrawals cover demand, but costs remain elevated	Near-term ECB easing is constrained; contract resets and pass-through widen margin differences
Relief: normalised supply	Shipping and LNG arrivals recover, weather is mild and withdrawals moderate	Direct inflation pressure eases; industrial costs improve after lags, while policy still depends on underlying inflation
Stress: supply and cost squeeze	Further disruption and cold weather create regional physical constraints	Selective production losses, real-income damage and tighter credit deepen the ECB's trade-off

The base case combines more flexible infrastructure with unusually low inventory. [3] [8] It distinguishes a market balancing through higher prices and lower demand from one facing actual physical shortages.

Evidence supporting the view

LNG continues to arrive, but expensive procurement reaches invoices and factory costs as contracts reset. Profitability then separates according to product pricing power: **different shock-absorption capacity**, rather than universal industrial collapse.

Evidence requiring a change

Normalised supply together with easing underlying inflation would weaken the persistence thesis. Regional restrictions, actual curtailments and deteriorating credit would instead warrant escalation from **a cost shock to physical and financial distress**.

14 / OUTLOOK & MONITORING

Look past winter to the next refill cycle

Core question: how do surging gas prices change monetary constraints and industrial competitiveness?

Horizon	Evidence to follow	Test of the current view
Next month	TTF, LNG arrivals, daily withdrawals and temperature	Is a price decline supply recovery or lost industrial demand?
Next 1–3 months	Tariff resets, energy/services HICP, wages and lending conditions	Does delayed pass-through expand into second-round effects?
Next 3–6 months	Net prices, volumes, margins, working capital, curtailments and restarts	Does pass-through preserve profit and cash, and are production cuts temporary?
Winter-end to summer 2027	Remaining stocks, seasonal price spreads and LNG contracts	Does preparing for the next winter create another refill-cost squeeze?

Near-term official checkpoints are the October inflation flash estimate scheduled for 4 November and the Q3 GDP update scheduled for 13 November. [5] [15] These describe different periods. Assess the combination of energy, underlying inflation, demand and credit rather than one release.

Final assessment

Europe's renewed energy crisis is a supply-cost shock that constrains monetary flexibility and industrial costs simultaneously. The base case is neither universal shortage nor uniform profit collapse. Expensive procurement persists, easing is constrained and cost-response capabilities separate winners from losers. Korean opportunities must pass the same demand, cost and contract tests.

The judgment depends on continuing physical supply, contained inflation spillovers, and firms preserving volumes and cash after price increases. Normalised supply and weaker pass-through, or actual physical disruption, would change its strength.

All outlooks are conditional assessments using information available on 31 October 2026. Official schedules can change; unpublished outcomes are not assumed.

15 / SOURCE REGISTER · PHYSICAL MARKETS & POLICY

Source register

Numbered citations, source titles and “Open source” link directly to the original documents.

01. Reuters | European gas touches €100 for first time since 2022 energy crisis Open source

2026.10.28 · Market reporting · intraday TTF; not a closing, average or retail price

02. ACER | Key developments in European gas wholesale markets – summer 2026 Open source

2026.10.27 · Market monitoring · 21 Oct storage, LNG supply, import and refill cost estimates

03. ENTSOG | Winter Supply Outlook 2026/27: publication and main findings Open source

2026.10.08 · Infrastructure scenarios · regasification capacity, LNG availability and end-winter stocks

04. GIE | Europe enters winter with historically low storage levels Open source

2026.10.09 · Infrastructure analysis · 1 Oct comparison and conditional 2027 refilling outcomes

05. Eurostat | Annual inflation up to 3.8% in the euro area Open source

2026.10.16 · Official statistics · September HICP rates, contributions and next flash release

06. ECB | Monetary policy decisions Open source

2026.10.29 · Policy decision · deposit rate held at 2.50%; data-dependent stance

07. ECB | Monetary policy statement Open source

2026.10.29 · Economic assessment · inflation and growth risks, wages and second-round effects

08. European Commission | EU gas system prepared for the winter despite lower storage levels Open source

2026.10.08 · Supply assessment · diversification, import capacity, demand and LNG procurement

Statistics, institutional scenarios and company releases retain their own dates and scope. Calculations and conditional views are TradeLens analysis. Statistics and source material may subsequently be revised.

16 / SOURCE REGISTER · TRANSMISSION & INDUSTRY

Source register

Numbered citations, source titles and “Open source” link directly to the original documents.

09. ECB | The uneven journey of wholesale gas and electricity prices to consumer bills Open source

2026.09 / Bulletin 6 · Economic Bulletin · wholesale observations to August; 2026 survey of retail pass-through

10. Yara | Yara reports solid 3Q amid market volatility Open source

2026.10.22 · Company release · adjusted EBITDA, gas, demand, reliability and production flexibility

11. BASF | Strength across core businesses drives growth in EBITDA before special items Open source

2026.10.28 · Company release · sales, price/volume effects, adjusted EBITDA and margin; group scope

12. IEA | Affordable electricity is essential for the EU’s electrification goals Open source

2026.07.23 · Structural analysis · 2025 generation mix, grids, flexibility and taxation

13. European Commission | Electricity market design Open source

2026.10.31 · Market design · marginal pricing; wholesale versus contract and retail prices

14. European Commission | Policy measures in EU Member States to address the 2026 energy price shock Open source

2026.05 / Spring Forecast · Policy taxonomy · price versus income support; not an October spending estimate

15. Eurostat | GDP up by 0.4% in the euro area and by 0.5% in the EU Open source

2026.10.30 · Preliminary flash · seasonally adjusted quarter-on-quarter growth; not annualised

Statistics, institutional scenarios and company releases retain their own dates and scope. Calculations and conditional views are TradeLens analysis. Statistics and source material may subsequently be revised.

17 / METHODOLOGY & USE

Methodology, disclaimer and permitted use

Separate reported facts, institutional estimates, company statements, analysis and illustrative assumptions.

Item	Basis
Date and scope	31 October 2026. Transmission from European gas and power costs to inflation, ECB policy, manufacturing and Korean exposure.
Statistical coverage	EU gas balances are distinct from euro-area HICP and ECB policy. September inflation, preliminary Q3 GDP and October prices/stocks are not one period.
Observations and scenarios	Intraday TTF differs from monthly averages and contract prices. ENTSOG/GIE supply scenarios are not actual outcomes or probability forecasts.
Calculations	Gas-fired variable costs, inflation contribution shares, Yara growth and cost-recovery sensitivity use the stated formulas; rounding occurs at the final step.
Companies and purpose	Yara and BASF are global group examples, not European plant accounts. No price targets, trading calls or personalised investment advice.

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