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Prime Minister of the Czech Republic

Prague, 20. April 2026

Dear colleagues,

Following on from our previous discussions and my letters regarding the issue of high energy prices and the revision of the ETS 1 and ETS 2 system, I would like to present a few specific, data-backed considerations ahead of the upcoming European Council meeting. Current geopolitical developments, particularly in the Middle East, reaffirm that energy security is not merely a strategic issue, but an immediate economic factor affecting the competitiveness of the entire European Union.

In 2025, the European Union consumed approximately 330 billion m³ of natural gas, with domestic production covering only around 10% of this consumption. The EU imports approximately 87 - 90% of its gas, with roughly 50% coming via pipelines and 50% in the form of LNG and the key fact is that two countries, Norway and the United States of America, currently account for roughly 60% of all gas imports into the EU.

In the short term, the market is currently functioning relatively efficiently, but this balance is extremely sensitive to regulatory and geopolitical signals. This is precisely why we must take decisions today that will influence the availability of gas and its price over the coming years.

In this context, I consider it necessary to openly address the impacts of the EU regulation on reducing methane emissions, which from 2024 significantly tightens the conditions for the production, transport and import of natural gas. The regulation introduces an obligation to:

- detect and repair all methane leaks exceeding approximately 5 kg CH_4 per hour, generally within five days of their detection,
- prohibits the routine venting and flaring of methane,
- and requires a minimum efficiency of 99% for permitted flaring.

At the same time, this regulation is gradually being extended to gas imports into the EU. From 2027, new import contracts will have to meet equivalent requirements for monitoring and reporting emissions throughout the supply chain, and after 2030, the introduction of a maximum permitted methane intensity for imports is expected, the methodology for which has not yet been clearly defined. Modelling by industry associations shows that if:

- the EU were to strictly enforce import requirements from 2027,
- without flexible recognition of equivalence (at country or producer level),
- and without transition periods ('stop-the-clock')

then up to 41 - 43% of current natural gas imports into the EU could be formally non-compliant with MRV/methane requirements.

This combination of technical rigour and regulatory uncertainty is already influencing the investment decisions of key suppliers of both LNG and pipeline gas. In other words, this is not a hypothetical future risk, but a factor that is already affecting gas pricing and availability for Europe.

I therefore believe that, in the current situation, we must act swiftly and pragmatically. Specifically, I propose that the EU:

- reconsider the timing of the implementation of methane rules, without calling into question their long-term environmental objective,
- further postpone the entry into force of the CSDDD Directive, whose cumulative impacts on global supply chains may further restrict the availability of energy raw materials in the short term,
- and adjust the timeframe for the natural gas taxonomy, with the aim of ensuring its recognition as a transitional source at least until 2045, which is a necessary prerequisite for infrastructure financing and the conclusion of long-term contracts.

At the same time, I consider it essential that the European Union immediately establish a clear legal framework enabling Member States, in cooperation with commercial entities, to secure part of their gas consumption through long-term contracts with sources outside the EU. This framework must:

- provide legal certainty regarding state aid,
- enable risk-sharing between the state and the private sector,
- and be based on proven instruments, such as difference contracts, which are already in use in the energy sector.

Without this step, we risk Europe becoming a price-taker on the global gas market with no bargaining power.

At the same time, the EU's energy security is being undermined by developments in the oil and petroleum products sector. The EU's oil consumption stands at approximately 520 million metric tons, with domestic production covering about 0.5%. Consequently, the EU imports more than 99% of its oil consumption, with the three main suppliers to the EU (the United States, Norway, and Kazakhstan) accounting for 50 %.

As a result of a long-term decline in investment and regulatory burdens, the EU has lost more than 40 % of its refining capacity over the last fifteen years. This development means:

- growing dependence on imports of finished fuels,
- greater vulnerability to geopolitical shocks,
- and a direct impact on the chemical industry and other strategic sectors.

Europe is increasingly shifting in this area from production to mere distribution. If we do not reverse this trend, the issue of energy security will become a matter of controlling infrastructure and logistics flows, rather than production.

For the reasons outlined above, I believe that the EU must:

- explicitly open a debate on the minimum necessary refining capacity in the EU,
- target and limit the negative impacts of regulation on the refining sector, including further deferral of certain obligations under the ETS,
- and actively support the development and maintenance of strategic energy infrastructure.

The available data clearly show today that the pace and accumulation of regulatory measures are beginning to directly affect the availability and price of energy in Europe. If we wish to maintain a competitive industry, investment and social stability, the European Union must act now, swiftly, in a coordinated manner and with a clear economic rationale.

I look forward to a substantive discussion on these points at the upcoming European Council meeting.

Yours sincerely,

Members of the European Council