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Monthly Analysis

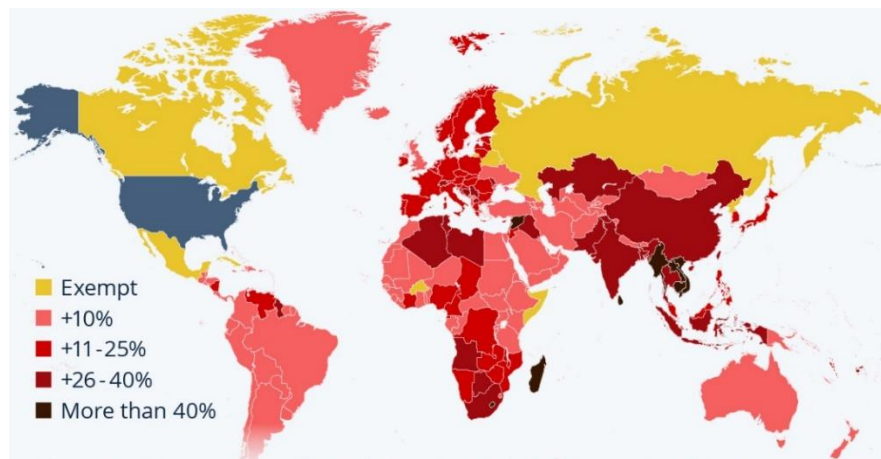
Trump's Tariffs Affect Energy Commodities
in Europe



Introduction

The Trump Administration's wide-reaching tariffs, announced on April 2, 2025, introduced 10% tariffs on all imported goods and additional import taxes for many countries. The tariffs sent global markets plunging and is expected to have a drastic impact on US consumers and industries. Despite President Donald Trump's claim that tariffs will boost domestic production, experts say that when it comes to clean energy, the tariffs stand to drive up costs for US companies that receive supplies from abroad—and throw the global supply chain into disarray. (1)

Figure 1: Trump's Tariffs Pull Up Major Trade Barriers Globally



Sources: White House, Statista

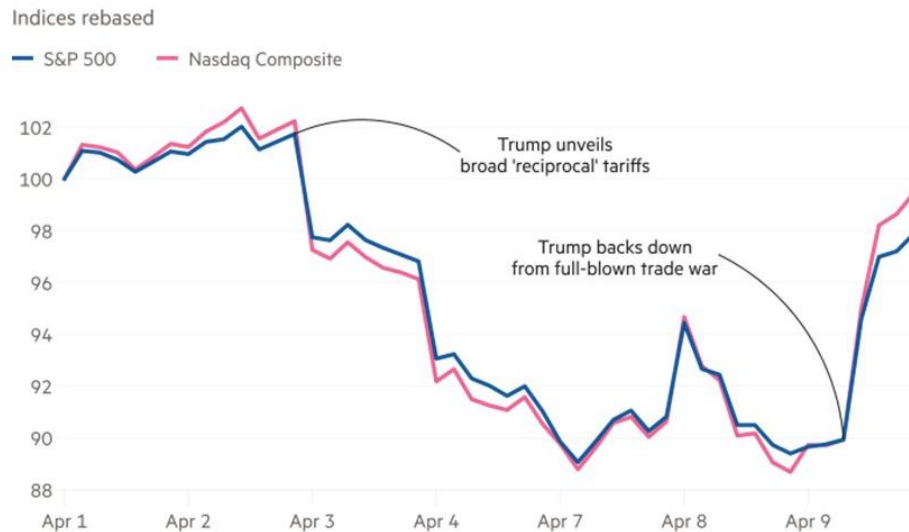
Later, the announcement of a 90-day pause on certain tariffs by President Trump led to a surge in European shares, providing temporary relief to markets. However, underlying uncertainties persist, especially regarding long-term implications for the energy sector and broader economy. According to certain sources, the European Union will have to commit to buying \$350 billion of American energy to get a reprieve from Donald Trump's sweeping tariffs, the US president recently said (2). Although later information (3) says that only an additional €50 billion will be required. The current Analysis examines in detail the impact of Trump's tariffs on Europe's energy commodities and attempts to decode what will be their future and how they will affect the relations among various countries in the continent and beyond it.

The Impact on Natural Gas

The implementation of new US tariffs under President Trump's administration has triggered significant disruptions in global financial markets, with European natural gas prices experiencing a sharp decline. Benchmark futures fell by 7.7% on April 9, 2025, extending a 40% drop from their February 2025 peak. This decline reflects diminished demand projections from energy-intensive sectors and speculative sell-offs in futures markets. Analysts attribute 60% of the drop to anticipatory hedging by industrial consumers.

In addition, the European Union is planning to slash natural gas purchase targets — even as US President Donald Trump insists that buying more gas is the only way to end his trade war. EU countries advanced plans to loosen mandatory goals for refilling storage facilities ahead of winter. Seven countries — France, Germany, Italy, Austria, Hungary, Slovakia and the Netherlands — led the charge to rein in gas purchase goals, advocating lowering a 90%-of-capacity storage target to 80% in certain circumstances.

Figure 2: Trump’s Tariff U-turn Sends US Stocks Zooming Higher



Source: LSEG, Financial Times

Representatives from these countries say the higher figure is locking the EU into buying huge volumes of gas, much of it from the US, at a time when it is most expensive. “In these turbulent times and [amid the] ongoing fight for competitiveness, it would be, of course, a better solution [to have greater flexibility] than just to stick to the current targets”, Lithuanian Energy Minister Žygimantas Vaičiūnas said recently in an interview. Lower industrial demand “might be one of the potential consequences” of Trump’s tariffs, he added, making it objectively harder for the EU to buy more US LNG. (4)

Europe turned increasingly to American LNG three years ago when Russia invaded Ukraine and slashed gas supplies to the continent. The US gas has since become a lifeline for the bloc. That link is only expected to grow stronger in the coming months. The EU is trying to phase out remaining Russian energy ties and also needs to replace gas that, until recently, arrived via Ukraine. “The EU will have to buy more American gas to make up for lost Russian supplies”, said Laura Page, a leading market analyst at intelligence firm Kpler. “Reducing the storage target will put less pressure on Europe’s gas imports this summer, which weighs on prices — meaning a better deal for the EU”. As of April 1, 2025, the EU gas storage levels were at 34%.

At the current refilling rate, Kpler data shows EU stores are likely to reach only 78% of capacity by this winter. To reach 90% the EU would have to overpay for gas in the coming months, Page said. Trump’s tariffs are also prompting predictions of industrial decline, with EU exporters facing a 20% levy on all goods they ship across

the Atlantic. Less industrial activity means less need for fuel. A new analysis from intelligence firm ICIS estimates that EU gas demand will decline 3.6% this year and that prices will drop 3.5% as well.

Figure 3: Dutch TTF Natural Gas Futures Over the Last 3 Months



Source: ICE

The new US tariffs could approach “Great Depression levels,” noted Andreas Schroeder, Head of Energy Analytics at ICIS. The tariffs, Schroeder added, “will have widespread, longer-term implications for European energy markets”. A resulting drop in industrial demand will likely reduce “spot LNG deliveries into Europe”, again meaning less business for American producers. Still, EU officials have been holding talks in Washington in recent weeks to try to reach a deal to buy more LNG, but those overtures have gone nowhere. Privately, diplomats have expressed frustration that US officials were uninterested in negotiating despite concrete offers to buy more gas.

Trump’s \$350 billion energy purchase demand also goes far beyond a realistic negotiating stance. Buying that much in gas would translate to almost 16 million barrels a day — higher than America’s current total daily output of around 13 million barrels. “Regarding the \$350 billion, what is important is that energy contracts are made based on demand and price, and these are factors that do fluctuate”, said Anna-Kaisa Itkonen, a spokesperson for the European Commission, the EU’s executive. “Therefore, it is very, very difficult to peg any comments on one number that has been given from the US side”.

The Impact on Oil

On April 9, 2025, oil prices fell for a fifth day to their lowest since February 2021 on looming demand concerns fuelled by an escalating tariff war between the US and China, the world’s two biggest economies, and a rising supply outlook. Brent futures dropped \$1.39, or 2.21%, to \$61.43 a barrel in the morning of April 9, while US West Texas Intermediate crude futures fell \$1.50, or 2.52%, to \$58.08. Both contracts lost as much as 4% before paring some losses (5). Today (5/5), Brent is trading at about \$60 per barrel, while WTI is trading at about \$57 per barrel.

Both Brent and WTI have tumbled over the five sessions since US President Donald Trump announced sweeping tariffs on most imports sparking concerns a global trade war would dent economic growth and hit fuel demand. The premium of the Brent futures contract to the contract six months later slumped to 98 cents a barrel, its lowest since mid-November. That premium has contracted from \$3.53 on April 2 when the tariffs were announced and as the trade war with China has escalated.

Figure 4: Brent Crude Oil Price (\$ per barrel) Over the Last 6 Months



Sources: ICE, Financial Times

The narrowing of the Brent market's backwardation, the market structure when prices for prompt futures are higher than later-dated supply, indicates investors are becoming increasingly concerned about falling crude demand and the potential for excess supply (6). Trump warned China to withdraw tariffs or he would respond but China refused, and the two sides embarked on a series of tit-for-tat raises. Trump pledged a levy of 104% and then 125% against Chinese imports, and left them in place while announcing a reprieve elsewhere. Currently, the US has imposed tariffs of up to 245% against China, while China has implemented a 125% levy on the US.

The situation is expected to worsen after the recent OPEC+ meeting and announcement of further increase in oil production. That meeting ended with the group agreeing to another 411 kb/d increase in June to punish overproducing countries, such as Kazakhstan and Iraq. OPEC+ leader, i.e. Saudi Arabia, warned that it could amplify a historic shift in policy and deliver further production increases unless those countries fall in line. Goldman Sachs now forecasts that Brent and WTI could edge down to \$62 and \$58 per barrel by December 2025 and to \$55 and \$51 per barrel by December 2026. As oil prices sank, Russia's ESPO Blend oil price fell below the \$60 per barrel Western price cap level for the first time ever on Monday. In one positive sign for demand, data from the American Petroleum Institute industry group showed US crude inventories fell by 1.1 million barrels in the week ended April 4, compared with expectations in a Reuters poll for a build of about 1.4 million barrels.

The Impact on Coal

Coal traders could become rare winners among businesses reeling from US President Donald Trump's drastic new tariff regime that adds at least 10% to the cost of nearly all goods imported into the United States. That is because energy providers across Asia - which has been hit with some of the highest new US tariffs - will be under pressure to cut power costs for their consumers, which include many of the world's largest goods producers. By helping to lower operating costs for factories, Asia's utilities may allow manufacturers to sustain some sales to the world's largest importer, even with the new tariffs in place.

However, in order to produce the cheapest power possible, Asian power producers will need to step up the use of coal and likely cut back on the use of pricier fuels in their generation mix. That would be good news for coal traders and miners in the region, but likely bad news for regional emissions levels, which will only climb further as more coal gets burned for power.

Most affected by the new US tariff levels are manufacturers in Asia, where China and Vietnam have been hit with new tariffs of 34% and 46%, respectively. Between them, China and Vietnam are home to a major share of the global production of electronics, clothing, furniture and sporting goods that are regularly purchased by US consumers. Other Asian nations with large export-oriented manufacturing bases that have also been hit with steep new tariffs include Indonesia (32%), Cambodia (49%), Malaysia (24%) and the Philippines (17%).

(7)

Given the relatively soft state of consumer demand in the US so far in 2025, companies will not be able to pass on much of the cost increase triggered by the tariffs to consumers without incurring a sharp drop in sales. So, instead many companies may try to absorb at least some of the tariff impact themselves, and look for ways to reduce costs in order to maintain a profitable operating margin. This widespread search for cost reductions will likely be aided by local governments, who will be eager to preserve jobs in the manufacturing sector despite the new hostile trade arena.

Coal traders will happily volunteer to help in those cost-cutting endeavours by supplying power producers with extra volumes of thermal coal for electricity production. Coal is by far the cheapest and largest source of thermal power production in Asia, and accounted for around 56% of regional electricity supplies in 2024, according to Ember, with coal production not being penalized, like in Europe, with high CO₂ tax (see EU-ETS). Pollution reduction efforts have seen natural gas displace some coal output in certain countries, and accounted for around 10% of regional electricity supplies last year.

Going forward, however, coal will likely undergo a resurgence as utilities in Asia prioritise cost over all else in an effort to help manufacturers weather the tariff storm. For coal traders, this will likely mean supplying higher volumes more regularly to major coal-burning hubs across the region. And the region's largest manufacturers are already among the fastest-growing coal consumers in the world, according to data from global trade intelligence firm Kpler. Indeed, in 2024 nearly all major manufacturing hubs in Asia recorded steep increases in coal imports from the year before, including China (10%), Vietnam (28%), Cambodia (26%), the Philippines (5%) and Malaysia (3%).

In addition, the import totals into those countries were all record highs in 2024, even as shipments to countries outside of Asia continue to decline. This combination of growing demand among a narrowing group of consuming nations is good news for coal traders, who can optimize shipments to a relatively small number of destinations.

In 2025, thanks to the cost-cutting drive triggered by Trump's new tariffs, the coal volumes shipped to Asia's main markets will likely only climb higher still. That means that even as Asia's production lines struggle to maintain margins with the new tariffs in place, coal traders can expect growth in both volumes and margins as the region's power system attempts to drive power costs as low as possible.

The Impact on Europe's Clean Energy Transition

Meanwhile, the tariffs have raised prices for essential materials and components used in renewable energy projects in Europe, such as steel, aluminum, and advanced batteries. This escalation in costs hampers the development and deployment of clean energy technologies across Europe. Moreover, European industries, reliant on imports from the US and other affected countries, are experiencing supply chain instabilities. This disruption is particularly detrimental to sectors like wind and solar energy, which depend on a steady supply of specific components and raw materials.

It is worth noting that the US has announced tariffs as high as 3.521% on solar panels imported from Southeast Asian countries, including Cambodia, Thailand, Malaysia, and Vietnam. These countries are key suppliers of solar components to Europe. Analysts warn that such tariffs could fracture global supply lines, leading to increased costs for renewable energy projects in Europe and threatening investment flows. (8)

The increased costs and supply chain issues are also causing delays in the implementation of renewable energy projects. This slowdown threatens Europe's ability to meet its climate goals and transition timelines. In response to the tariffs, several European countries are seeking to diversify their trade partnerships and reduce reliance on US imports. For instance, Spain's diplomatic efforts to strengthen ties with China and Vietnam aim to attract investments in green technology and electric vehicle sectors. It is worth noting that

the EU has indicated readiness to respond firmly to the US tariffs, which could lead to a cycle of retaliatory measures. Such a trade conflict may further destabilize the economic environment, impacting funding and investment in clean energy initiatives.

In terms of electromobility, the 25% tariff on car imports directly affects European automobile manufacturers, leading to higher prices for electric vehicles (EVs) exported to the US. This could result in reduced competitiveness and lower sales volumes in the American market. Furthermore, the tariffs have led to increased costs for critical minerals essential for battery production, such as lithium, cobalt, and graphite.

China's retaliatory export controls on these minerals further exacerbate supply chain challenges, potentially hindering battery manufacturing and increasing production costs in Europe. In addition, tariffs on solar products, including a 60% duty on Chinese solar products, have increased the cost of solar panels and related components. This escalation in prices may slow down the deployment of solar energy projects in Europe.

In addition, European utilities with significant operations in the US, such as Denmark's Ørsted and Germany's RWE, are experiencing cost pressures due to these tariffs. These pressures may lead to lower margins in the near term, despite potential offsets from rising offtake prices.

Nearly \$8 billion in investments and 16 new large-scale factories and other projects were cancelled, closed, or downsized in the first three months of 2025 amid escalating market uncertainty and as Congress begins debate on repealing the tax credits and other incentives. The \$7.9 billion in investments withdrawn since January are more than three times the total investments cancelled over the previous 30 months, according to E2's latest Clean Economy Works monthly update. [\(9\)](#)

Discussion

The tariffs imposed by President Trump in April 2025 have heightened tensions between the US and the EU, particularly concerning energy commodities. The EU faces increased pressure to import more US oil and gas, while also considering strategies to mitigate the economic impact of the tariffs and maintain energy diversification and security. Undoubtedly, the tariffs imposed by the US present substantial challenges to Europe's clean energy transition.

By increasing costs, disrupting supply chains, and prompting strategic shifts, these measures risk delaying the EU's progress toward its climate objectives. To mitigate these impacts, Europe may need to accelerate efforts in diversifying trade partnerships, investing in domestic manufacturing capabilities, and fostering policy environments conducive to sustainable energy development. The situation remains fluid, with ongoing developments likely to influence energy sector's trajectory at global and European level in the coming

months.

The US tariffs announced in April 2025 have introduced significant challenges for SE Europe, a region that is relied by 62% on energy imports (10) and closely integrated into European supply chains, affecting key industries, energy markets, and economic stability. For instance, tariffs on steel and aluminum imports increase production costs for industries in SE Europe, potentially leading to reduced competitiveness and job losses in these sectors. The region's response involves strategic negotiations, diversification of energy sources, and efforts to enhance economic resilience. The SE European countries are exploring alternative energy sources and suppliers to reduce dependence on US imports and mitigate the impact of tariffs. This includes investing in renewable energy projects and strengthening regional energy cooperation.

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