

## Editorial insight



### FROM CRISIS SPILLOVER TO ENERGY RESILIENCE: CESEE'S HYDROCARBON VULNERABILITIES AND POLICY PATHWAYS

by Mario Holzner, wiiw Executive Director

*Persistent hydrocarbon-import dependence exposes CESEE to external shocks. Despite recent progress on diversification, resilience remains uneven. To achieve strategic autonomy, governments and businesses must prioritise energy efficiency, regional integration and supply diversification.*

#### Crisis spillover: How the Middle East war tests CESEE's limits

The war in Iran, launched by Israel and the US on 28 February 2026, has evolved from a Middle Eastern conflict into a multi-dimensional shock that is reshaping the security, energy and economic landscape of Central, East and Southeast Europe (CESEE). Even as the main fighting remains distant, it tests the region's resilience, cohesion and strategic autonomy, amid overlapping crises like the war in Ukraine.

Strikes on production facilities in the Persian Gulf and the near-closure of the Strait of Hormuz have driven global oil and gas prices sharply higher. In CESEE, where fiscal and corporate budgets are still recovering from previous energy price shocks, this fuels inflation, widens current account deficits and erodes the momentum behind the green transition (since, with government budgets having to address the high energy costs, green investments are being postponed). Governments face a stark trade-off between immediate affordability and long-term climate and energy security goals.

Iranian missiles and drones have reached the Eastern Mediterranean, striking NATO-linked sites like Britain's Cyprus military bases and Turkish territory. This brings European soil within range of Iran, especially NATO's southern flank. Black Sea and Balkan states – Turkey, Greece, Bulgaria, Romania and Cyprus – face a dual risk: direct spillover plus pressure to shore up the deterrent effect of the alliance amid the ongoing Ukraine war, often without guaranteed burden-sharing.

The conflict risks new migration pressures. No mass exodus from the zone of conflict has yet hit the EU, but Balkan-route states must prepare for future migration flows. This would intensify demographic strains and social tension, and would overload the asylum system, embedding Middle Eastern conflicts in Europe's domestic security framework.

The military campaign by Washington and Israel against Iran has marginalised the EU by demoting the bloc from a major player at the nuclear negotiating table<sup>1</sup> to the role of bystander, and has exposed its internal rifts. Eastern EU members balance security reflex actions against energy vulnerabilities and the fear of conflict escalation destabilising the wider Black Sea and Balkans region. CESEE finds itself squeezed between US-led disorder, a revisionist Russia and a rising China, with scant leverage available. The Gulf–Eastern Mediterranean–Black Sea corridor is now subject to higher insurance costs, delays and risks.

### **CESEE's hydrocarbon dependence: persistent vulnerabilities and uneven progress**

Among the few measures available to oil- and gas-importing economies to partially shield themselves from the fallout of the Iran war and other conflicts in hydrocarbon-exporting regions is a determined reduction in their dependence on imports of mineral products. Yet the CESEE economies continue to exhibit a fairly strong reliance on the import of mineral products.<sup>2</sup> Examination of the period 2006-2025 reveals the following picture. The trade deficit in mineral products averaged around 5% of GDP across 20 of the CESEE countries (the exceptions being Russia, Belarus and Kazakhstan), indicating substantial net imports, particularly of mineral fuels. Moldova stands out as having the greatest dependence, at roughly 11% of GDP, followed by Kosovo (about 8%), and then Ukraine, North Macedonia and Bulgaria (around 7%). At the other end of the spectrum, Estonia, Albania and Romania have comparatively low exposure of about 2% of GDP.

At the same time, most countries of the region made notable progress over the period 2006-2025 in reducing their dependence on the import of mineral products in real terms (i.e. once changes in the price of oil are stripped out). Excluding outliers, the median average dependence-reduction effort was in the order of -4 percentage points (pp) of GDP, with strong performances from Slovenia (around -8pp), and Moldova, Romania, Serbia and Ukraine (about -7pp). Weaker performers like Croatia (roughly -0.2pp) and Hungary (about -1.1pp) show only limited improvement.

High-dependence economies such as Moldova, Ukraine and Bulgaria frequently combine pronounced vulnerability with ambitious reduction efforts (-6pp to -7pp of GDP), suggesting deliberate diversification strategies in the wake of recent energy crises. EU members like Poland, Czechia and Slovakia display moderate average dependence (3-5% of GDP) coupled with a solid reduction (-4pp to -5pp), reflecting both market integration and regulatory pressure, whereas non-EU Balkan countries show a much more heterogeneous pattern. Overall, the region has reduced its import dependence in real terms faster than oil prices have risen, bringing average dependence down to roughly 3% of GDP by 2024-2025. However, continued elevated dependence in countries such as Moldova and Kosovo (8% of GDP) reveals highly uneven resilience, just as the Iran war adds another major external shock.

---

<sup>1</sup> The UK, France and Germany played an important role in negotiating the Joint Comprehensive Plan of Action (JCPOA) agreement signed back in 2015, whereby Iran agreed to scale down its nuclear programme in return for an easing of sanctions.

<sup>2</sup> Mineral products include first and foremost mineral fuels and oils and their derivatives, as well as other oil-price-sensitive and energy-intensive mineral products.

CESEE has entered the Iran shock with sizeable but uneven hydrocarbon exposure – where each percentage point of GDP in the mineral-products trade deficit amplifies the macro-fiscal fragility in the face of price surges. Yet the data also reveal promise: high-dependence states like Moldova and Ukraine have driven the strongest reductions, proving that deliberate policy can accelerate diversification, though there is still a lag in terms of convergence.

### **Pathways to resilience: policy and business action for energy security**

Governments must act decisively, by channelling EU funds into efficiency upgrades, sector electrification and diversification of the energy mix, with priority given to those countries that are particularly energy-vulnerable, like Moldova and Kosovo. They should also advance regional integration through interconnectors, joint procurement, shared storage capacity and coordinated crisis-response protocols, while embedding price-adjusted dependence metrics into macro-surveillance frameworks – in much the same way and to the same extent as fiscal rules are embedded.

Businesses hold parallel levers: they can audit their operations for immediate efficiency gains via process controls and heat recovery; they can diversify suppliers and contracts to end up with stable sources, such as Norwegian production, US LNG and Caspian gas with strategic buffer stocks; they can deploy on-site renewables by tapping subsidies and green taxonomy incentives; and they can integrate energy volatility into risk models, using hedging instruments and geopolitical scenario planning. Public-private alignment can convert this crisis into enduring energy security and strategic autonomy.