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## **POLICY RESPONSES OF MAJOR ECONOMIES TO HIGH OIL PRICES CAUSED BY THE MIDDLE EAST CONFLICT**

- **Major economies striving to stabilize market prices while maximizing support for vulnerable groups affected by the surge**

With the outbreak of the Middle East war and the blockade of the Strait of Hormuz, global oil prices have been surging, and negative ripple effects across the global economy are intensifying. In response, major countries are actively employing various policy measures including fiscal and tax policies.

First, to stabilize energy prices, governments are implementing measures to prevent retail prices from exceeding certain levels by providing subsidies to suppliers, such as oil refiners. As a prime example, Japan is fully subsidizing oil refiners and other suppliers for the portion of the retail gasoline price exceeding 170 yen (approximately 1,580 won).

Second, governments are pursuing tax rate reductions, such as lower fuel taxes. Countries like the U.K. \*, Italy, and Sweden have cut fuel tax rates, while Spain and Poland have lowered value-added taxes (VAT) on fuel. Vietnam is also exempting tariffs on fuel imports to lower costs.

*\* The U.K. has extended its existing fuel tax reduction measures until August 2026.*

Third, governments worldwide have closely cooperated to release strategic oil reserves in response to crude oil supply shocks. The International Energy Agency (IEA) resolved to implement a Collective Action on March 11, 2026, to release a total of 420 million barrels of emergency reserves.

Fourth, price caps are being implemented to minimize the extent of fuel price increases. China adjusts its price ceilings every 10 business days and, in March, limited the scale of price hikes for the first time in 13 years. The U.K. lowered its energy price cap by 6.6% to an annual average of £ 1,641 in the second quarter, down from £ 1,758 in the first quarter. Meanwhile, Poland has set direct price caps on gasoline and diesel, and Germany has restricted gas stations to just one price hike per day, scheduled at noon.

Lastly, strict supervisory measures against market-disrupting activities have been implemented in some countries. The U.K. has announced plans to conduct market reviews to monitor profiteering on heating oil and fuels.

Governments are also working to minimize the impact of high energy prices on livelihoods. This includes direct payments to consumers vulnerable to rising fuel costs. The U.K. plans to allocate a total of £ 52.4 million to support households burdened by rising heating oil (kerosene) prices. New Zealand is providing weekly payments of NZ\$50 (approximately 43,000 won) to low-income working families, and Sweden has announced a plan to provide subsidies based on individual electricity and gas usage.

Secondly, governments are supporting industries most vulnerable to high oil prices. France is providing short-term loans to affected companies through its state-owned investment bank while offering selective subsidies to sectors sensitive to price hikes, such as transportation, agriculture, and fisheries. Spain is providing a fuel subsidy of 20 euro cents per liter to the agriculture and transportation sectors, while also reducing electricity transmission and distribution tolls for energy-intensive industries. Greece is offering subsidies covering 15% of the purchase price of fertilizers.

Finally, measures to minimize the broader impact of high inflation, such as housing stabilization, have been put in place. For example, Spain is pursuing a temporary cap on rent increases.