



EUROPEAN
COMMISSION

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COMMISSION RECOMMENDATION

of 30.4.2026

on supplier risk management

{SWD(2026) 126 final}

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THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 292 thereof.

Whereas:

- (1) During the energy price crisis of 2021 – 2022, significant instability within the electricity sector resulted in supplier bankruptcies, with considerable effects for consumers. When suppliers fail to adequately hedge their electricity portfolios, fluctuations in wholesale prices can expose them to financial distress, potentially resulting in bankruptcy and the transfer of risks and costs to consumers and other market participants. To protect consumers from such consequences, it is essential that suppliers offering fixed-price contracts have appropriate hedging strategies proportionate to their generation access, capitalisation, exposure to wholesale volatility, size and market position.
- (2) The concept of ‘hedging’ refers to a purchasing strategy or financial strategy designed to mitigate the risk of adverse price fluctuations in energy markets. Through effective hedging, suppliers can stabilise procurement costs, shield themselves from wholesale-market volatility, and offer consumers stable and predictable retail prices. For suppliers with substantial fixed-price contract portfolios, it is essential to hedge against price changes throughout the contract duration, while accounting for consumption pattern variations.
- (3) While hedging may lead to increased costs, the security it provides is significantly more valuable, as failures within the sector can increase costs for consumers by jeopardising consumer advance payments and potentially leading to more costly alternatives. Suppliers should therefore demonstrate that their strategies align with their business models and do not pose undue risks to consumers, particularly through inadequate hedging practices. Competition within the market is expected to incentivise cost optimization, driving costs down for consumers. Therefore, sustaining robust competition amongst retail suppliers is vital for mitigating potential rises in supplier costs.
- (4) While the fundamental responsibility lies with the supplier to set up and demonstrate the suitability of their hedging strategy, national regulatory authorities have the competence and obligation to enforce this responsibility onto suppliers pursuant to Article 18a of Directive (EU) 2019/944¹ as amended by Directive (EU) 2024/1711².

¹ Directive (EU) 2019/944 of the European Parliament and of the Council of 5 June 2019 on common rules for the internal market for electricity and amending Directive 2012/27/EU (OJ L 158 14.6.2019, p. 125, ELI: <http://data.europa.eu/eli/dir/2019/944/oj>).

- (5) An effective measure to enhance the resilience and liquidity management of energy suppliers is stress testing, which in this context is a simulation evaluating the impact of predetermined risk factors. Conducting stress tests can help gauge a supplier's financial resilience. It is at the discretion of national regulatory authorities to determine the inclusion and structure of such stress tests.
- (6) Financial risks faced by energy suppliers can be closely linked to the complex dynamics between physical and financial markets, notably derivatives markets. Strengthened cooperation between energy regulators, prudential supervisors, and financial market authorities can help identify cross-sectoral vulnerabilities, particularly related to margining requirements, collateral requirements, and liquidity requirements in energy derivatives trading.
- (7) It remains difficult for energy communities to engage with hedging products on centralised markets. This situation amplifies their exposure to market fluctuations and is compounded by discussions at the national level about imposing hedging requirements on suppliers, potentially exacerbating market risks for community suppliers without recognising their specific circumstances.
- (8) While Member States have certain discretion in implementing Article 18a of Directive (EU) 2019/944, this Recommendation should provide guidance on the enforcement of supplier risk management to protect consumers from supplier risks and energy price shocks.

HAS ADOPTED THIS RECOMMENDATION:

It is recommended that Member States take the following measures:

Transposition

1. In transposing Article 18a(1) of Directive (EU) 2019/944, Member States should designate an independent national regulatory authority for the enforcement task. **It is recommended that Member States assign the enforcement task to the regulator, or another similar independent authority with a strong consumer protection mandate** to enforce prudential measures on suppliers, ensuring effective oversight and protection of consumer interests.
2. **Delegate the detailed implementation and enforcement of the obligation on suppliers** to have in place and implement appropriate hedging strategies as well as the obligation to take all reasonable steps to limit their risk of supply failure **to the designated authority**. Member States may establish general criteria for this purpose, provided this respects the independence of national regulatory authorities as set out in Directive (EU) 2019/944.
3. **Take into account that appropriate hedging strategies can in principle be ensured through general oversight rules**, without necessitating a detailed review of each supplier's positions or strategies. **Tools such as stress tests and supplier reporting requirements are recommended to further assess these hedging**

² Directive (EU) 2024/1711 of the European Parliament and of the Council of 13 June 2024 amending Directives (EU) 2018/2001 and (EU) 2019/944 as regards improving the Union's electricity market design (OJ L, 2024/1711, 26.6.2024, <http://data.europa.eu/eli/dir/2024/1711/oj>).

strategies. Member States should implement general rules for suppliers that uphold oversight without compromising their commercial freedom.

4. **Enable national regulatory authorities to determine a suitable enforcement framework**, including regular reporting cycles and stress testing, proportionate to market size, supplier type and exposure to risk.
5. **Establish an obligation for suppliers to implement appropriate hedging strategies** and to take all reasonable measures to minimise their risk of failure and limit spillovers to the financial system. This may include introducing prudential licensing criteria, financial solvency thresholds or liquidity measures, enabling national regulatory authorities to assess suppliers' purchasing and risk-management strategies.
6. **Encourage suppliers to make use of the different hedging instruments** available, including forward contracts, futures and power purchase agreements (PPAs).
7. **Facilitate the participation of energy communities and smaller market actors by simplifying access to hedging products**, promoting aggregation mechanisms, peer-to-peer trading and cooperative PPAs, in line with Union competition rules and in line with Commission Recommendation C(2026)2850 on supporting the development of energy communities and maximising the potential of self-consumption³.

Guiding principles for enforcement

8. **Ensure that hedging strategies** developed and implemented by suppliers **take into account the suppliers' access to their own generation capabilities and their capitalisation, along with their exposure to fluctuations in wholesale-market prices, the size of the supplier, and the market structure and availability of liquidity.**
9. **Recognise that appropriate hedging strategies vary by supplier type and national context.** Member States should ensure that suppliers demonstrate the adequacy of their approach relative to their business model and that national regulatory authorities exercise flexibility in enforcement.
10. **Encourage national regulatory authorities to promote the adoption of effective risk management strategies among suppliers to mitigate the effects of price volatility** on the supplier and the system as a whole, while recognising that a complete hedge may not always be necessary. Member States should ensure that national regulatory authorities allow for partial hedging if suppliers can demonstrate equivalent resilience through production assets, liquidity reserves or other safeguards. Member States should ensure that larger suppliers with significant fixed-price portfolios should maintain proportionate hedging coverage to minimise systemic risks.
11. **Equip national regulatory authorities with the necessary competences** to specify, monitor and enforce hedging obligations, while preserving supplier flexibility in designing risk-management approaches that effectively reduce exposure to volatility.

³ COMMISSION RECOMMENDATION on supporting the development of energy communities and maximising the potential of self-consumption - C(2026)2850.

12. **Encourage national regulatory authorities and suppliers to, where feasible, implement regular or ad hoc stress tests** simulating adverse market conditions to assess the liquidity, solvency and risk exposure of suppliers. The duration and scope of such simulations should be determined nationally, for example over six- or twelve-month horizons.
13. **Member States should establish systems to take proportionate preventive actions to prepare for orderly market exits**, in line with the provision on the supplier of last resort set out in Article 27a of Directive (EU) 2019/944⁴. In cases of supplier distress or default, Member States should ensure a clear and transparent process between the competent authorities and the suppliers (of last resort). Member States should ensure that consumers are promptly informed, in plain language, about the continuity of supply, activation of the supplier-of-last-resort scheme, and any changes to contractual terms.

Ensuring effective and simple reporting

14. **Encourage national regulatory authorities to establish proportionate and user-friendly reporting obligations for suppliers**, building where possible on existing licensing frameworks. Digital reporting tools should be employed to ensure efficiency and transparency. Member States should also encourage national regulatory authorities to align any reporting with the data obligations under Regulation (EU) No 1227/2011 of the European Parliament and of the Council⁵, particularly Article 8 of that Regulation.
15. **Ensure that national regulatory authorities adopt review strategies adapted to national markets**, whether through comprehensive assessments, batch reviews or risk-based monitoring, considering supplier size, portfolio complexity and access to generation or liquidity. Member States should also encourage national regulatory authorities to establish reporting cycles to enhance predictability for the sector, considering intervals that best align with regulatory needs and industry operations.
16. **Ensure that national regulatory authorities treat all suppliers fairly and equitably in their enforcement strategies**. Review strategies, especially risk-based approaches, should be guided by clear, predefined criteria to ensure transparency, predictability, and consistency, and should ensure a level playing field while applying requirements proportionately to the size and risk profile of the supplier.

⁴ Article 27a, Directive (EU) 2019/944 of the European Parliament and of the Council of 5 June 2019 on common rules for the internal market for electricity and amending Directive 2012/27/EU (OJ L 158 14.6.2019, p. 125, ELI: <http://data.europa.eu/eli/dir/2019/944/oj>).

⁵ Regulation (EU) No 1227/2011 of the European Parliament and of the Council of 25 October 2011 on wholesale energy market integrity and transparency (OJ L 326, 8.12.2011, pp. 1, ELI: <http://data.europa.eu/eli/reg/2011/1227/oj>).

17. **Encourage national regulatory authorities to frequently review and update reporting and oversight frameworks** in response to market developments. Member States should encourage cooperation with national central banks, financial regulators and relevant stakeholders to enhance coherence and ensure that prudential supervision continues to be robust and credible. Exchange of good practices between EU regulators is encouraged.

Done at Brussels, 30.4.2026

For the Commission
Dan Jørgensen
Member of the Commission

