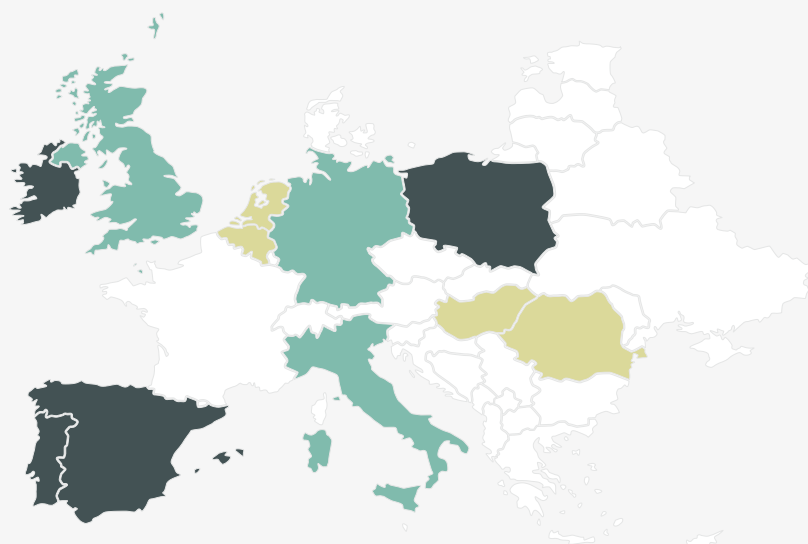


Rising Gas Prices Fuel Europe's On-site Battery Moment

March 2026



Europe's On-Site Battery Opportunities

- Active markets
U.K., Germany, Italy
- Emerging markets
Spain, Portugal, Poland, Ireland
- Markets to watch
Romania, Hungary, Netherlands, Belgium

Rising Gas Prices May Test Europe's Energy Vulnerabilities Again

Europe's vulnerability to global gas supply shocks has resurfaced, coinciding with new gas-dependent power market designs in Germany, Italy, and Poland. Additional governments may [accelerate](#) renewable procurement plans to reduce overall gas dependence, but gas-fired generation is expected to remain the marginal price-setter across most markets. Post-2022 solar additions have compressed midday power prices, while gas continues to drive evening peaks. With limited battery storage deployment in Europe to smooth price swings, widening intraday spreads are likely to persist.

- **The escalation of the Middle East conflict** in March shuttered Qatar's Ras Laffan liquified natural gas (LNG) facility, the world's largest, and constrained Strait of Hormuz transit, removing about 20% of global LNG supply. Over the longer term, availability risks of Qatari LNG and the pace of planned expansions will likely shape global gas supply dynamics.
- As of March 23, front-month **Title Transfer Facility (TTF) gas prices have nearly doubled to €60/MWh** since the onset of hostilities. Gas-reliant markets such as Italy, which sourced about 11% of its gas from Qatari LNG in 2025, saw front-month baseload prices surge 48% to €145/MWh. Prices in the U.K. have also risen by 50%, while Germany's prices are up 20%.
- **Europe enters this disruption with gas storage below 30%**, reportedly its lowest seasonal level in years, and a regulatory mandate to refill to at least 80% by November 2026. Restocking at prevailing gas prices could push summer and winter forward contracts higher, raising procurement costs for industrials securing supply.

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Germany

Gas-weighted capacity auctions risk locking in elevated fuel costs long-term

Capacity Market

In December 2025, Germany [finalized](#) a capacity market design targeting ~41 GW of de-rated capacity for 2031 delivery, with contract terms of up to 15 years.

The first tenders (12 GW) are expected later this year, with 10 GW reserved for gas-fired plants and 2 GW open to all technologies, including batteries. A fully technology-neutral round in 2027 is expected to tender another 21–26 GW.

With European gas prices around €60/MWh after Middle East supply disruptions, the gas-weighted first round risks embedding today's elevated pricing for up to 15 years.

Grid Connection Reforms

Germany's [grid fee reform](#) is set to introduce time- and location-variable access fees for batteries beginning in 2029. Network operators are also introducing Flexible Connection Agreements (FCAs) designed to constrain utility-scale battery dispatch.

Key takeaways

New grid fees and dispatch constraints under FCAs could disadvantage utility-scale projects in Germany. Industrial sites with spare grid capacity could offer the fastest path into a new 41 GW capacity market.

Spain

Widening price spreads and new revenue streams strengthen the case for batteries

Flexibility Market

Industrial sites in Spain can monetize flexibility by curtailing load through the grid operator's demand response service ([SRAD](#)). The most recent auction allocated 1,725 MW for 1H 2026, up 50% from the prior period, at €65/MW per hour of availability. Based on a site's existing grid capacity, on-site batteries can fulfill SRAD obligations without production loss while also capturing wholesale arbitrage.

Power Price Volatility

Spain's average daily price spread widened 37% to €98/MWh in 2025, driven by midday solar oversupply and gas-set evening peaks. Aurora Energy Research forecasts an additional 12 GW of solar by 2030, far outpacing the projected 7 GW of battery capacity — a mismatch likely to widen intraday spreads further.

A forthcoming capacity market, expected to pay €15–21/kW-year, could add a long-term contracted revenue stream alongside merchant arbitrage.

Key takeaways

With SRAD allocations up 50% and widening intraday spreads, more industrial sites could earn flexibility payments without curtailing production, while capturing price arbitrage and new capacity payments.

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United Kingdom

Gate 2 delays and capacity market saturation squeeze utility-scale outlook

Grid Connection Delays

The National Energy System Operator's (NESO) grid connections reform [pushed Gate 2 offers to late 2026](#) and indefinitely postponed the next application window. Delays in connection approvals threaten to slow the U.K.'s utility-scale storage buildout.

Capacity Market

The most recent [capacity auction](#) for 2029/30 delivery cleared at £27/kW-year, with 1 GW of batteries securing contracts of up to 15 years. The decline from £60–65/kW-year in prior rounds reflects growing competition. High gas prices and grid connection delays constraining new supply could reverse recent price declines in future auctions.

Power Price Volatility

Daily power price spreads expanded 13% in 2025 as gas set the marginal price during a growing share of hours. The U.K.'s [record £49 billion commitment to 8.4 GW of offshore wind](#) could further expose the system to low-wind periods when gas fills the gap.

Key takeaways

With capacity market prices down to £27/kW-year and Gate 2 offers postponed to late 2026, industrial sites with existing grid access may be better positioned than utility-scale projects to capture widening spreads.

Italy

Global gas supply disruptions may offset planned emissions cost reductions

Wholesale Power Market Reforms

Italy's [Energy Law Decree](#), approved domestically in February 2026, would remove emissions and transport costs from gas plants and shift them to consumer utility bills. If the EU approves the measure, it could lower the marginal cost of gas generation, which sets Italy's power prices roughly two-thirds of the time.

Baseload power prices fell following the reform's domestic approval. However, the Middle East gas supply disruption in March pushed front-month prices to €145/MWh, given Italy's Qatari gas dependence, overshadowing any anticipated cost relief.

Industrial firms committing to 20-year renewable power purchase agreements (PPA) under the Energy Release program may be particularly exposed to volatile gas-set power prices. Declining renewable capture rates may erode the value of PPA-hedged energy, potentially leaving offtakers overexposed when renewable output is highest.

Key takeaways

The Energy Law Decree and declining renewable capture rates could leave Energy Release PPA offtakers overexposed to volatile gas-set pricing. On-site storage may offer a hedge for industrials locked into long-term contracts.

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Ireland

New data center connection rules may catalyze battery storage deployments

Data Center Growth Plans

Ireland's [Large Energy User Action Plan](#), announced in January 2026, requires new data centers to buy at least 80% of their electricity from additional renewable power and to provide dispatchable generation or storage to support grid adequacy.

The policy aims to channel data center investment to designated areas near offshore wind sites.

Offshore Wind Auction Update

Ireland awarded its first [offshore wind contracts](#) in late 2025. The oversubscribed auction cleared at a strike price of €98.7/MWh, well below the €150/MWh cap. Developers may have priced in anticipated demand from nearby data centers, which could limit curtailment risk.

New offshore wind capacity is expected to widen the spread between low-price windy hours and gas-set peaks, increasing the system's need for firm, dispatchable resources.

Key takeaways

New data center connection rules requiring dispatchable capacity, combined with capacity prices at €150/kW-year, could create premium offtake opportunities in Ireland for industrial sites near data center clusters.

Poland

Stricter de-rating rules for batteries reinforce the value of past capacity contracts

Capacity Market

The December 2025 capacity auction for 2030 delivery cleared at €108/kW-year, nearly double the ~€65/kW-year of prior rounds. The increase was driven by tighter de-rating rules for batteries and costlier gas-fired bids taking most of the capacity.

A representative 100 MW battery could bid only 13.4 MW of de-rated capacity, down from 60 MW under prior rules. Gas dominated the 2025 auction with 2,400 MW, compared with 685 MW of batteries. A combined 4,200 MW of battery storage had cleared in the previous two auctions, when de-rating factors were much higher.

As Poland negotiates a revised capacity market framework with the EU, elevated gas costs may weaken the case for a gas-weighted auction design, potentially favoring batteries in subsequent rounds.

Separately, the final €1 billion portion of EU incentives was awarded to [172 battery projects](#) in December 2025 through a combination of loans and grants.

Key takeaways

Stricter de-rating rules have largely closed Poland's capacity market to new battery entrants. Projects that secured contracts and EU incentives before the reform may now hold some of the most bankable revenue stacks in Europe.

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Contact us to learn more



Pol Lezcano
Director of Market Intelligence
CBRE Energy
Pol.Lezcano@cbre.com



Andreas Sakellaris
Director of EMEA Distributed Generation
CBRE Energy
Andreas.Sakellaris@cbre.com



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