

TOUGH NEW BEGINNINGS

THE EU'S BOLD LEAP TOWARDS A BETTER ENERGY FUTURE

Susi Dennison

ENERGY ministers in the European Union have a tough job this winter. They face at least three daunting challenges: continuing to reduce energy dependence on Russia, and avoiding EU member states being tempted back to former Russian supply lines in a tight economic environment; building new partnerships with third countries around green tech and critical raw materials, to protect European energy security in the long term; and implementing the measures in the Fit for 55 package that can bring the European Green Deal to life. All three challenges are closely related to higher energy prices in Europe and require significant investment in their own right: in infrastructure, in welfare support to help struggling households and businesses, and in political and diplomatic commitment.

When the European Commission launched its International Energy Strategy in May 2022, its big—if not the main—takeaway was the inclusion of the REPowerEU plan. The plan set out an ambitious narrative that the EU can have it all—a climate transition away from fossil fuels, an energy transition to diversify its suppliers, and manageable energy prices. It centers on the five goals of energy efficiency, geographical diversification of the EU's energy dependencies, an accelerating transition to clean energy, smart investment, and increased preparedness for future energy shocks.

Aside from energy efficiency (which relies on reductions in consumption within the EU), these goals will only be achievable through a transformation of the EU's relationships with countries

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Green energy and activism gaining ground in the European Union

in its neighborhood. Accordingly, they will redefine the union's foreign policy priorities. If EU energy ministers are to meet the challenges they face, they will need to work with their foreign ministry colleagues: all the external arms of the EU—in all the relevant institutions in Brussels and member state capitals—should engage with REPowerEU.

Even if the EU does not impose further sanctions on Russia's energy sector, the new plan will have major implications for its relationships with key energy suppliers. The eventual fall in demand for fossil fuels resulting from Europe's transition to renewables

will have an impact on global oil and gas markets, reducing energy exporters' revenues in the long term.

A greener Europe will also be more dependent on imports of the products and raw materials that serve as inputs for clean technologies. For example, rare-earth elements, of which China is the largest producer, are essential to battery production.

The EU needs a foreign policy strategy to manage all these efforts, to build the political resolve to manage the geopolitical dimension of the European Green Deal, and to use diplomacy to

guide sustainable financing for climate adaptation and resilience. European leaders should urgently work with their counterparts in the EU's neighborhood to develop a concept of energy security focused on clean and transition fuels, as well as industrial transformation. For example, actors such as China, Turkey, Russia, and the United States are all competing for access to Africa's minerals and clean energy resources. If the EU takes too long to strengthen its partnership with the African Union, this will heighten the risk of African economies falling prey to an extractive model that hampers the green transition even as the rest of the world profits. The EU also urgently needs to understand REPowerEU's implications for the dynamics of cooperation between member states and their key energy suppliers.

Initiatives to implement the plan are currently limited by European institutional capacity and a lack of collaboration between EU entities. This includes coordination between EU institutions in Brussels and member state capitals, as well as that in third countries between EU delegations and national embassies, to ensure that energy and

climate diplomacy is central to the promotion of European interests abroad. The EU needs to increase the number of personnel who work on the implementation of a green grand bargain within ministries of foreign affairs and the European External Action Service, and should ensure that European diplomats

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who work on energy and climate issues understand the economics of green development. Brussels and member state governments should reinforce these efforts with contributions from all relevant departments, including those responsible for energy, the environment, finance, trade, agriculture, transport, and development.

The vision set out in REPowerEU is only the first step in transforming the EU's energy strategy. Its implementation will require a wholesale renovation of European leaders' approach to climate and energy diplomacy. As such, REPowerEU should help shape the structure of the next European Commission (which will take office in 2024)—and should push the European Council to ensure that member states are engaged and empowered in this new way of working. The stakes are high: Europe needs a form of

diplomacy that can support sustainable energy security. Should it fail to address such a pressing need in turbulent times, its citizens will question its value.

THE ENDANGERED GREEN AGENDA

While the REPowerEU plan set out the EU's ambition for a broader definition of energy security with clean energy at its core, the prospect of widespread energy deficits as a result of Russia's willingness to weaponize energy, have prompted a focus away from green ambitions in the near term and towards short term measures to secure like for like energy sources—fossil fuels from non-Russian sources in the near future.

For the oil price cap to fully work, many nations outside the EU and the G7 would need to enforce it. And many countries in the global south and elsewhere continue to undercut Western efforts to sanction Russia. One challenge, then, is how to get them on board.

The headline proposal from the June 2022 G7 meeting was the first commitment to explore the possibility of a global cap on the price of Russian oil. Designed to prevent Russian firms from selling oil to countries that have not imposed sanctions on Russia, the measure was intended to hamper the Kremlin's ability to replenish its war chest in Ukraine. The proposal capitalized on the public mood in Europe. In a June 2022 public opinion survey the

European Council on Foreign Relations conducted in ten European countries, 70 percent of respondents supported further sanctions on Russia, with 63 percent favoring an end to all imports of Russian fossil fuels.

This feeling may even have grown since the poll took place—due to a growing number of Russian atrocities in Ukraine. But, for the price cap to fully work, many nations outside the EU and the G7 would need to enforce it. And many countries in the global south and elsewhere continue to undercut Western efforts to sanction Russia. One challenge, then, is how to get them on board.

Furthermore, the G7 communiqué reflects Western states' focus on protecting their short-term energy security through continued reliance on fossil fuels. This was evident in German Chancellor Olaf Scholz's push to include investment in the gas sector as an "appropriate temporary response" in the G7 communiqué—undoing months of efforts to remove gas from the EU's taxonomy of clean investments. It is also clear from the fact that Austria, the Czech Republic, Germany, Greece, the Netherlands, and Poland are some

high profile examples of having recently extended the life of their coal-fired power plants.

By contrast, through 2022 EU leaders appeared relatively unfocussed on the need to immediately scale up clean-energy investment and production capacity, in line with the RePowerEU plan, in order to keep on target for their decarbonization goals by 2030 and 2050. Their shared understanding that this will be fundamental to Europe's long-term energy security seems to have given way to panic about possible energy shortages.

Clean energy investment has not been a major theme of EU energy and environment ministers' meetings through 2022. They of course made some progress in their ambitions for, and commitments to, the climate agenda in other areas. The energy policymakers set higher targets for energy efficiency and renewables under the Fit for 55 package, while the environment ministers confirmed that, by 2035, only zero-emissions vehicles would be sold in the EU.

But, to make these targets achievable, EU member states will need to back up

their words with the level of funding needed to rapidly develop clean sources of energy. Furthermore, they will need to do this collectively, by creating a next-generation energy union that benefits from economies of scale. They will also need to address the tricky issue of how to finance this—possibly including

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by borrowing to invest. Finally, they will need to invest in their diplomatic relationships with a range of countries to access the resources and technologies essential to the green transition. Member state have yet to really engage with these challenges.

The fate of the European Green Deal amid heightened geopolitical tension will have implications far beyond Europe. If the EU is true to its word on climate issues, it will show other regions and states that decarbonization is possible—even in a highly competitive geopolitical environment. This would help the union regain some credibility as a leader by example on climate. Given that many countries in the global south are disappointed with the EU's approach to vaccine nationalism, debt relief, and climate financing—as well as the resonance of the Chinese and Russian narrative that Western sanctions on Russia are behind

the growing international food crisis—principled climate leadership could begin this healing process.

TACKLING GEOPOLITICAL HURDLES

Images of ministers in perma-meeting on the energy crisis and emerging bleary-eyed from talks—exhausted but still convinced an agreement is possible—are becoming all too familiar. Yet something is shifting under the surface—European leaders are coming to terms with the long term reality of the changed geopolitical landscape.

The context of the last couple of months of meetings is different from that during the summits immediately after Russia's full-scale invasion of Ukraine. Back then, discussions among European leaders reflected a mindset that the need to cut off cooperation with Moscow would be relatively short-lived. This resulted in temporary fixes to replace the 40 percent of the EU's gas that it imported from Russia. However, given that this reality of an aggressive Russia, which has declared war on the Western-led international order, is here to stay, the deals they are making now need to give mind to the way they want to shape their energy dependence over the longer term.

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This brings a new layer of complexity to European leaders' deliberations. They can no longer labor under the illusion that there is a 'short term'—during which they can make interim deals on fuels such as gas on the way towards decarbonization—and then a 'long term', in which they fully implement the European Green Deal. Instead, their current responses to the crisis are already shaping their long-term energy outlook.

The EU's gas suppliers, from Norway to the United States and Canada, are seeking to renegotiate their terms in line with the new realities

of the energy market. Representatives from supplier countries in the southern Mediterranean report in private that they feel much more relaxed about the possibility of their fossil fuels becoming stranded assets than they did a year ago. And all suppliers are including infrastructure commitments in their deals to scale up the amount of gas they can send to the EU. The talks between German Chancellor Olaf Scholz and Canadian Prime Minister Justin Trudeau during the summer of 2022 were just one high-profile example of this trend.

Governments need to be able to justify every penny of this investment to their

citizens. People are fearful about rising living costs, and they need reassurance that their leaders are making cost-effective deals that genuinely contribute to sustainable energy security. This has provided increasing momentum to the idea of joint gas purchasing—through which EU member states can secure better deals collectively due to economies of scale. But governments also need a clearer picture of the myriad ways in which the agreements they are currently making lock them in for the long term.

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new infrastructure, such as liquefied natural gas terminals or new pipelines. And only a minority includes any component on renewables.

Europeans are clearly facing some tough decisions to get through the next few winters. But EU member states should incorporate plans to massively scale up renewables into the third-country relationships they are cementing now. They should ensure that they future proof their energy strategy for turbulence in the energy

Analysis shows not only that Europeans are actively seeking alternative energy suppliers to diversify away from Russia, but also that they are looking for them in very different places. Alongside Norway, the United Kingdom, the United States, Canada, and Australia, Europeans are reaching out to Middle Eastern and North African producers (such as Qatar, the United Arab Emirates, Algeria, Libya, and Egypt) and suppliers in other parts of Africa (including Angola, the Democratic Republic of the Congo, and Benin), as well as Azerbaijan and Israel—with both Brussels and member states taking the initiative in different instances. Several of the deals would require

supplier relationships they are becoming dependent on. The current tensions within EU member states about how to respond to the anti-competitive elements of the U.S. Inflation Reduction Act, at a time when we are reliant on the United States not only for security guarantees, but also increasingly liquefied natural gas, is a case in point. This is how the EU can guarantee its energy security in a sustainable way: by building up a strong energy and climate diplomacy that will underpin the co-innovation, development, and supply of technology for the EU renewables industry. Indeed, this diplomacy would also help secure supplies of clean energy to supplement what the EU can produce in the post-fossil fuel era.

The EU should not allow geopolitics to delay the process of decarbonization. Instead, it should use it as a spur to take the difficult decisions that the transition requires. In a tight economic environment, with citizens worried about how they will cope during the impending recession, governments simply cannot afford too many sunk costs. European leaders have been expecting a ‘winter of discontent,’ with disagreements across member states on how to handle the increasingly

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difficult choices that Putin lays before them. To bind the European public into a firm EU response to his abhorrent war against Ukraine, leaders will need to be clear that only a sustainable energy strategy can bring long-term security. They should therefore prioritize the ambition set out in the RePowerEU initiative to speed up the expansion of clean energy. And they should do so now—sticking determinedly to the path they chose with the launch of the European Green Deal. ●

