GENSHAGENER FORUM
Für deutsch-französischen Dialog

FORUM DE GENSHAGEN
Pour le dialogue franco-allemand

INSTITUT MONTAIGNE

Stiftung Genshagen

Workshop Paper | February 2022

Green Deal Geopolitics and Global Implications

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The European Green Deal aims to achieve carbon neutrality by 2050. To secure this goal, the EU is hoping to reduce its net greenhouse gas emissions by at least 55% by 2030. As almost 70% of the EU energy mix is based on fossil fuels which are, for the vast majority, imported, the ambition to decarbonize will have major implications for Europe's international energy producing partners and the world's current geopolitical landscape.

This shift further implies new geopolitical risks associated with Europe's energy security – which is already under pressure with the Russia-Ukraine crisis – as well as new dependency on raw materials needed for the green transition. On the other hand, it represents an opportunity for EU member states to rethink international partnerships and trade relationships in a more sustainable way.

The Green Deal will require coordinated action in the context of multiple crises. Germany and France should coordinate their responses and develop a common strategic vision on how to ensure Europe's energy security in the future and to balance out »winners« and »losers« of the changing value chains.

Consequences of the Green Deal for Europe's oil and gas producing neighbors

Today, the European energy mix is based on petroleum products (35%) and gas (24%) which are largely imported. The oil and gas import bill represented €296 bn in 2018. In 2019, total imports of crude oil to the EU amounted to 507.2 million tons. Top supplier countries included Russia (27% of the 2019 EU import), Iraq (9%), Nigeria (8%) and Saudi Arabia (8%). For natural gas imports, the main EU trading partners in 2020 were Russia (44%), Norway (20%) and Algeria (12%).

In 2021, Europe was hit by a major energy crisis, which revealed the extent of this dependency. The winter season 2021-2022 saw the situation worsen, leading to an unprecedented raise in European household electricity and gas bills. The high gas prices have driven power prices up across Europe. This crisis has raised concern about the EU's supply security and dependency on gas imports, highlighting the need for future energy systems to become more resilient to external price shocks.

The move away from fossil fuels will certainly not be linear. Gas demand could even increase in the short-term. Nevertheless, between 2030 and 2050, EU oil and natural gas imports are expected to decrease dramatically.

As new dependency risks emerge, the EU's energy security will remain a concern

With this major energy shift, new dependency concerns will emerge.

Today, the EU's energy security relies on the bloc's ability to ensure a sufficient oil and gas supply at an affordable price. In this context, one of the EU's primary energy security concerns is its high dependency on Russian gas, which makes up about 45% of EU gas imports. The Green Deal represents an opportunity to reduce such dependencies, and replace them with new energy partnerships.

Over the next 30 years, investments in renewable and nuclear energy sources will help reduce the continent's energy dependency. In early February 2022, the European Commission confirmed its version of the EU Taxonomy framework which establishes a list of environmentally sustainable economic activities classifying them from low-carbon, transitional to enabling.

The latest announcements confirmed nuclear energy and gas count as 'transitional' activities under the »green« category, with strict conditions attached. However, Germany and France do not share the same view on the role that nuclear power should play in the energy transition. While Germany advocates phasing out of nuclear power, France supports further investment.

The effects of renewable energy development on energy security will largely depend on the progress made in energy storage technology (e.g. green Hydrogen). Otherwise, intermittency, which prevents solar and wind farms from consistently generating energy at all hours of the day, will need to be compensated for with backup resources capable of providing electricity on very short notice. To foster its energy security, especially when replacing all molecules in the system with »green« molecules, the EU will therefore still need external energy supplies in the future. The EU should, however, not overlook the opportunities that are offered by non-intermittent renewable sources such as biomass.

What does this mean from a global strategic perspective? Europe may develop major solar and wind energy imports from neighboring regions, especially North Africa. The Sahara desert has immense potential to generate large amounts of renewable energy, and Germany is already partnering with several countries, such as Morocco, to develop Africa's first industrial plant for green hydrogen exports. France, which could harness its strong regional networks to supply external hydrogen, has been reluctant to take advantage of its close ties with North Africa. Instead, it continues to privilege domestic supply of hydrogen. France and Germany should make the supply of hydrogen a key priority of their bilateral talks.

Meanwhile, EU countries should proceed cautiously with their MENA partners and ensure diversification to mitigate new geopolitical risks. The trend of renewable energy imports from the Middle East, North Africa and other regions may accelerate in the next decades, prompting new energy security concerns. New strategic partnerships could provide unique opportunities to proactively restructure the geopolitical landscape that has shaped our world for decades.

Furthermore, a greener Europe requires major imports of critical raw materials and products needed for solar panels, wind turbines or EV batteries from foreign suppliers like China, that also often happen to be produced in a non-sustainable way. The development of clean energy and clean technologies therefore requires substantial imports of raw materials, causing further rises in emissions, or other forms of pollution, in remote territories. In the long term, the EU's current energy dependence on Russia could switch to a dependency on China, one of the few real winners of the Green Deal transition amongst EU international partners.

Climate change mitigation & transition support measures should be key elements of a European strategy

The EU's role as a leading energy importer has shaped our geopolitical landscape for decades. Furthermore, by aiming to set norms and standards regarding the CO_2 footprint of products (e.g. Carbon Border Adjustment Mechanism/CBAM), European institutions could have an influence on shaping future rules of global trade.

The Green Deal will therefore affect supply chains worldwide, and there will inevitably be winners and losers as a result of these changes. Trade relations on energy will need to change from fossil fuels imports to carbon-free energies (this also includes imports of renewable molecules such as green hydrogen). Persisting trade relationships with oil and gas producing countries could have stabilizing effects on political relationships.

It is crucial for Europe to coordinate a progressive transition with its neighboring countries otherwise there could be profound political consequences for global peace and stability (including the rise of political tensions at borders, diplomatic tensions, migration crises etc.). It is important to avoid further destabilization and new conflicts in affected regions by offering alternatives.

Besides the risks related to changes in global trade and political stability, the so-called Global South is more vulnerable to the impacts of climate change. This is why, when changing its trade behaviors, the EU will have to adapt its external action strategically, by helping oil and gas importing countries to transition towards alternative economic activities and implementing climate change mitigation and adaptation measures. The EU will only be able to turn risks into opportunities if it anticipates these developments, acts providently, and with a coherent energy-driven foreign policy.

Why EU diplomacy matters: creating a partnership of equals

There is a key parallel between the climate crisis and the Covid-19 pandemic: it can only be solved on an international level. Mitigating these crises will require solidarity between rich and poor countries, as well as between traditional oil and gas exporting and importing countries. Balancing out winners and losers requires an inclusive approach based on multilateralism. Establishing international energy cooperation will have to provide mutual economic, social and environmental benefits for the EU, its member states, and developing countries. This will reinforce overall geopolitical stability, prosperity and peace, and support a cost-efficient implementation of the Paris Agreement and UN-Sustainable Development Goals (SDGs).

The Conference Of the Parties (COP) 27, which will take place in Egypt in November 2022, will have to focus on climate finance, as well as the adaptation to, rather than mitigation of, climate change. Fossil fuel subsidies will most likely disappear from the agenda of developing banks. In addition, climate and energy partnerships should be established to reinforce developing countries' capacity to implement sustainable energy transitions.

Building carbon-free energy projects presents opportunities for new value creation and new employment. This is why it is important to build equal partnerships which aim to dissolve traditional dependencies. When it comes to fulfilling individual Nationally Determined Contributions (NDC) there will be points leading up to 2050 climate-neutrality when some industrial countries will not be able to build any additional renewable energy capacities so that they will need to import carbon-free energy sources (also in the form of molecules). In addition, clean energy hydrogen partnerships open up new perspectives also in terms of foreign and security policy.

Together, France and Germany should be pioneers in the process of shaping a coherent vision for a strategic, sustainable, and peace-securing energy and climate foreign policy, despite their different national energy choices. In order to do so, a greater role should be thought out for the EU to coordinate the formulation and implementation of energy transition goals worldwide, in coordination with its external action. France and Germany will also have important roles in the coming months to start discussions on these issues, with the French Presidency of the Council of the European Union and the German G7 Presidency.

Perspectives of the French Presidency of the Council of the EU and the German G7 Presidency

In 2022, France and Germany take on crucial roles that should allow them to gain new momentum in international climate policy, with the French EU Presidency set for the first six months of 2022 and German G7 Presidency. These respective responsibilities represent an opportunity to accelerate the Green Deal implementation, requiring clear priorities to be set ahead and agreed on between the two countries.

The EU's current context continues to be shaped by the Covid-19 crisis, which has delayed the implementation of the Green Deal agenda as governments' focus shifted to more pressing healthcare issues. The pandemic can, however, act as an accelerator of the energy transition if public aid flows into green recovery and sustainable technologies. In Germany, a new government has just been established, with a strong ambition to tackle climate change. The three coalition parties in power seem eager to push the Green Deal agenda, even on tricky topics like the CBAM. On the other hand, the French presidential election will occur in the middle of the EU Presidency. In this regard, there is higher pressure for initial results to become apparent in the first three months of the EU Presidency.

Taking this context into account, France's Presidency of the Council of the EU could represent a unique opportunity to leverage the political momentum of the new German government, and make major progress on the Green Deal agenda. On the other hand, Germany will need to focus on striving for convergence of global carbon pricing at the international level. As these negotiations have not been successful in the past, Germany calls for the creation of an ambitious open climate club in its agenda for the G7 Presidency.

In the middle to long-term, however, geopolitical implications should be at the core of top-level EU discussions. It is crucial that the EU defines a strategy on how to anticipate and handle the geopolitical implications of the Green Deal while maintaining the ambitions of an EU global green leadership, which includes the topic of biodiversity protection.

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Genshagen Forum 2020/2021
This paper resulted from a workshop at the final conference of the Genshagen Forum for Franco-German Dialogue with the topic »Green Deal reloaded: sustainably out of the crisis?«. The 9th Genshagen Forum 2020/2021 aimed to promote a high-level French-German dialogue on the economic, social and political implications of climate policies and the EU's capability to act in the field. The final conference on 2nd and 3rd of December 2021 concluded a series of events and publications on the topic of a sustainable transformation of the EU in the context of the European Green Deal and of the COVID-19 crisis.

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Publisher
Stiftung Genshagen
Am Schloss 1
D-14974 Genshagen
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Proofreading
Sara Furxhi and Lisa Klaassen

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The 9th Genshagen Forum was funded by the Federal Foreign Office and TotalEnergies:

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