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# Beyond the Green Deal: Upgrading the EU's Energy Diplomacy for a New Era

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**The Green Deal launched by the new Commission in 2019 is set to profoundly reshape the European Union (EU)'s energy diplomacy. However, although the EU will have to adapt to the new policy direction determined by the Green Deal, it cannot be reduced to it. The EU's energy diplomacy will need to cope with the profound and various geo-economic and geopolitical shifts set in motion by the energy transition, which include – but even transcend – the Green Deal's goals. The current EU Energy Diplomacy Action Plan is due for revision. In setting the new priorities, the Union will need to strike a balance between global aspirations and limited financial means. The upcoming German EU Presidency is being called to step up its efforts to upgrade the EU's energy diplomacy along three lines. First, review the existing set of priorities according to the new challenges. Second, expand the geographic radius of its actions beyond its direct neighborhood by focusing on 12 anchor partners along the Afro-Eur-Asian ellipse. Third, upgrade its instruments toolbox along five new areas of action, avoiding an exclusively normative-ideological approach in favor of a more realistic and country-tailored one.**

The EU's priorities are changing: In 2019, the Von der Leyen Commission launched the European Green Deal Communication, which aims to make Europe the first climate-neutral continent by 2050. This was followed by the Next Generation Recovery Plan in May 2020 in response to the Covid-19 pandemic.

These policy moves inevitably affect the EU's foreign policy, as it explicitly talks about the European continent and envisions the EU as the global leader that will carry the Green Deal agenda to the rest of the world. The external dimension of the EU's energy policy — implemented within the framework of the EU's Energy Diplomacy Action Plan, introduced in 2015 — will have to adapt accordingly.

Traditionally focused on securing access to the supply of fossil fuels and strengthening multilateral energy governance, as defined in the 2015 Action Plan, the EU's energy diplomacy will in fact not only have to adapt to the new policy direction determined by the Green Deal, but also to the profound geo-economic and geopolitical shifts that have been set in motion — not least — by the (diverse) energy transition(s)

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around the globe. These shifts are driven by new strategic technologies and value chains around renewable energy sources; by production, trade, and transport of (clean) gases e.g. hydrogen and its downstream products, batteries and modern storage technologies; by greater digitalization of energy system(s); by increased electrification of economies as a consequence of both energy transitions and the new industrial revolution (Industry 4.0); by cross-border power-grid interconnections and new "grid communities"; by changing dynamics in the financial and investment landscape.

Furthermore, alternative (and competing) visions for the future energy system are being pushed by powers such as China and the United States. This affects not only global transformation processes, but also established partnerships — both within the EU and with third countries, ultimately eroding multilateral energy governance mechanisms in favor of economic fragmentation and technological-normative competition.

Finally, in recent months there has been an added challenge that has already profoundly affected European and global energy systems and will have long-lasting repercussions in the years to come — the crisis related to the outbreak of Covid-19. As we can already see from slumping global oil prices as well as gas and power prices on the European market, the corona crisis will not only affect the stability of economies that are dependent on the export of fossil fuels, but also the European energy industry. Aside from this immediate shock, mid-term effects on the global scale include the disruption of wind and solar value chains; the draining of investment flows in the energy sector; delays in the construction of critical infrastructure and renewable power-generation facilities; profound changes in consumption behavior; the rapid and uncontrolled digitalization of the energy sector; and additional health damage caused by the lack of access to clean cooking fuels for people on lockdown (e.g., India). In view of these — and potentially many more — challenges to emerge from the corona crisis, moving toward sustainable and resilient energy systems has become an even more pressing and formidable issue.

Given the processes under way, the EU's energy diplomacy will face a complex test of balancing climate, industrial, trade, development, as well as energy and security policies — in bi-, pluri-, and multilateral formats.

## Strategic Priorities for the Transition Era

Against this backdrop, the EU will first need to reformulate its energy diplomacy along a few clear strategic priorities; second, on this basis, to identify a set of key countries to (re-) engage with; and third, to redefine its instruments toolbox according to both its strategic priorities and the identified partners.

To this end, we propose the following — revised — set of five priorities for the EU's new energy diplomacy.

1) As competing visions and regulatory frameworks for the future energy system emerge and multiply, the first imperative for the EU will be to *strengthen its position as a norm- and standard-setter on energy transition*, promoting transparent cooperation mechanisms for technical and regulatory matters.

2) Considering the increasingly competitive geo-economic environment — including competition over market share, control of new technologies, and new value and supply chains — the second priority of the EU's new energy diplomacy will be *to strengthen and enhance economic opportunities for European businesses.* These will have to be tested particularly in the established and emerging renewable energy markets and in new low-carbon and digital technologies.

3) *Increasing the security and stability of both energy supplies and energy systems* will be another priority. The traditional focus on the security of fossil fuel supplies, particularly gas, will remain a relevant goal during the transition, even under changed market conditions. However, given the systemic nature of the new challenges and shifts under way, the focus on security and stability will now need to be *expanded* to cover

not only fossil fuels, but also electricity and low- and carbon-neutral fuels, e.g., hydrogen and its downstream products, as well as the raw materials central for the manufacture of storage and renewable power-generation equipment. Furthermore, its scope should be *broadened* to encompass social and political stability, not only of the EU but of neighboring countries and those that are particularly vulnerable to these shifts (e.g., petrostates, politically volatile countries). Even if the nurturing of energy relations is not the silver bullet for the challenges faced by these countries, it can give the EU leverage to contribute toward their political and social stability.

4) The fourth priority should be supporting the energy transition in third countries and regions by *addressing the Sustainable Development Goal on energy* (SDG 7) to ensure access to affordable, reliable, sustainable, and modern energy for all.

5) Finally, in line with the Green Deal and in order to *strengthen the international system*, it is necessary to achieve success within one of the few multilateral cooperation mechanisms on energy and climate — the Paris Agreement.

There is, of course, an inherent dilemma in view of the global scope of these challenges on the one hand, and the EU's limited political and financial resources on the other. An overstretching of ambitions needs to be avoided, also for the sake of managing expectations in the respective partner countries. The scale and scope of the EU's efforts will have to be reconsidered and reinvented as well.

## Remapping the EU's Energy Partners

The EU will have to reorder its priorities regarding partner countries and regions: Given the global nature of the systemic shifts taking place in the energy landscape, the traditional focus on the European "neighborhood" will not suffice. Since the capacity to widen the scope of the EU's energy diplomacy efforts is not limitless, a prioritization of prospective countries of interest (anchor partners) is required. While creating the new map of anchor partnerships for EU energy diplomacy, the following questions must be addressed. What "historic" energy partnerships will remain, and how are they to be modified? What will change in the dynamics and formats of future cooperation? What new partnerships must be aspired to in the era of transformation of the energy system? What will the toolbox for the EU's new energy diplomacy look like?

Identifying the anchor partners in the regions is strategically relevant for the EU's energy diplomacy. The strategic importance of the countries in question is derived from the five priorities listed above, and from the declared interests of the respective countries to cooperate with the EU and associate themselves with the European energy and climate agenda.

Norway, the United Kingdom, and the Balkans are all members of the EU's regulatory space and/or the European Economic Area, and are viewed therefore as natural partners. The world's three biggest economies and the most influential players when it comes to shaping global energy markets as well as normative and regulatory spaces — the United States, China, and Japan — have been deliberately left out here. The global impact of China and the United States is massive in every respect. While formulating and executing its energy diplomacy, the EU will in any case have to come to terms with the worldviews that these two countries are exporting. On the one side, there are China's expansionist investments in critical infrastructure, its "no normative strings attached" policy combined with the proclivity to cooperate with non-democratic regimes, as well as the attempts to create alternative — or transform existing — multilateral governance structures. On the other side, there is the isolationist attitude of the United States and the tendency to renounce multilateralism in favor of national interests with its "energy dominance" strategy. Japan, in its turn, puts its stake on multilateral norms-based energy governance and could prove to be a crucial global ally for the EU's

energy diplomacy, despite partially competing industrial interests.

Furthermore, the selection of the anchor partners is intentionally focused on Afro-Eur-Asia, given that the geopolitical shifts set in motion by the global energy transition(s) are particularly pronounced on this greater continental space. While focusing its main efforts on the countries listed in the section below, the EU should maintain its dialogue and engagement in Latin America, which is one of the most dynamic regions when it comes to pursuing energy transition goals, among them the deployment of renewables and energy efficiency. The countries in the region remain not only top destinations for renewable investments among emerging markets (Brazil, Argentina), and central for strategic raw materials for renewable value chains (Chile), but also important players in the multilateral governance fora, most importantly within the G20.

## Prioritizing and Re-engaging Countries in the Afro-Eur-Asian Ellipse

The upgraded set of priorities of the EU's energy diplomacy serves as a starting point that allows for identifying a set of 12 anchor partners who are geographically located in an Afro-Eur-Asian ellipse — a more or less contiguous space that both includes and transcends the immediate neighborhood in the east and the south.

A flexible, less ideological, and more partner-tailored engagement will allow the EU's new energy diplomacy to effectively create a balance between the global scope and scale of its efforts and its (limited) means. The countries are ranked according to their relevance along the five priorities identified earlier. The ranking was conducted based on the weighted scoring of the countries' performance levels in relation to the five priorities of the EU, combined with the qualitative assessments of the authors regarding their predisposition to cooperation on energy-transition issues and their general strategic relevance.

On the one side, the results single out countries where cooperation with the EU on energy issues already exists and is well-established (e.g., EU-India, EU-Algeria, and EU-Egypt energy dialogues). On the other side, they call either for a profound rethinking of the existing formats and instruments — since some partnerships, particularly those with Russia and Ukraine, are tailored in line with the EU's traditional focus on security of supply — or for a much greater and substantial engagement with countries that have been marginalized in the EU's energy diplomacy, such as Saudi Arabia, the United Arab Emirates, Kazakhstan, and Uzbekistan.

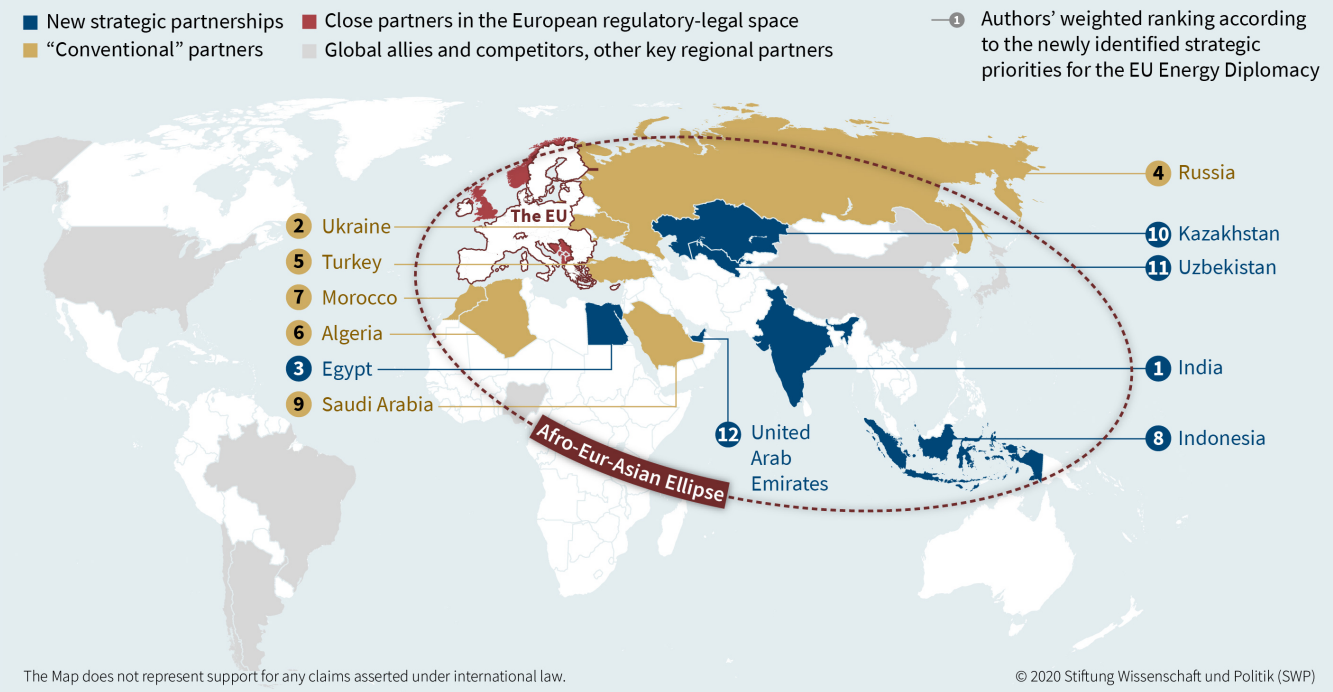
**India** is a strategically important partner for regulatory and normative cooperation. It plays a central role in the Paris Agreement as it is the third-biggest emitter of $CO_2$. The country plans to reduce the intensity of its GDP emissions by 35 percent compared to 2005 levels and to increase the share of its non-fossil power-generation capacity to 40 percent (or 450 GW) by 2030. The country offers a favorable climate for foreign investments combined with the need to satisfy the growing energy demand. Clean cooking and access to electricity can be leveraged to support sustainable development.

Geopolitically, **Ukraine** is of strategic importance in the neighborhood. It has declared willingness to conform to the EU's Green Deal and the EU's internal energy market. Ukraine is both a conventional transit partner and a future energy partner within the synchronized power system of continental Europe under the operation of ENTSO-E, but also for production, transport and storage of clean gases as well as in energy efficiency. Ukraine's regulatory framework is increasingly supportive of renewable energy sources.

**Egypt** is in a strategic geographic position in the Afro-Eur-Asian ellipse as a gas and electricity hub, and thus important for the EU's norm- and standard-setting position. It is a promising partner for Europe, because of its growing industrial sector, its home market of 98 million people, its

*Figure*

**Remapping EU's anchor partners for Energy Diplomacy**




The Map does not represent support for any claims asserted under international law.



rapidly increasing electricity demand, its ambitious targets for renewables, and its plans to increase energy-efficiency levels. The industrial base (wind, PV and CSP technology) and the regulatory framework offer great chances for European business.

**Russia** is the EU's major energy supplier and its biggest neighbor. Thus, the country will be heavily affected by EU's decarbonization. Managing the impact of the transition and cooperating with Russia in renewables, methane leakage and hydrogen, and energy-efficiency measures could not only contribute to the stability of the Russian economy, but also co-opt Russia for a greener future and help it sustain its commitment to the Paris Agreement. Russia is an important partner for a dialogue on technical and regulatory matters — as a norm- and standard-setter in the Eurasian Economic Union.

**Turkey** is synchronized with the European continental grid and a major gas transit country to the EU. It is in a geostrategic position as a bridge between Europe and Asia, to the Caucasus and the Middle East, and to the East Mediterranean. The shared areas of regulatory cooperation with the EU are numerous, ranging from technology transfer, norms and standards in renewables, and energy efficiency to further liberalization of the power market. Turkey is part of the EU Customs Union and offers a favorable environment for economic cooperation on energy efficiency and clean technologies.

**Algeria**, a major oil and gas supplier to the EU, will be heavily affected by the EU's decarbonization. The need for Algeria to adapt might open up chances for cooperation with the EU on the yet-to-be-realized energy market reforms, energy-savings measures, and the planned, ambitious RE projects and targets. Algeria is an important anchor partner in terms of regional power grid integration, but also regarding economic cooperation on energy-efficiency technology and wind-power value chains.

**Morocco** is synchronized with the European continental grid and intends to become a regional electricity hub. Its vast RE potential and favorable regulatory frame-

work make it an attractive market for European RE technology, particularly for wind and parabolic trough CSP, but also for electrolysers. Given that the amount of investments and technology transfer from Chinese and Gulf companies in the RE sector is growing, the EU needs to step up its presence there. Finally, Morocco's emission and renewable targets are ambitious, and among the few nationally determined contributions found to be compatible with the Paris Agreement goals.

Although **Indonesia** is one of the key manufacturing bases for RE technology in East Asia, it still lacks its own low-carbon capacities. Its economic potential in the sphere of RE and energy efficiency is massive, but it is short on investments and does not have a transparent regulatory framework. Looking at the Paris Agreement, the EU should consider how to provide support to this major $CO_2$ emitter and one of the most populous countries in the world while helping it to achieve its ambitious goal of a 41 percent reduction in emissions by 2040 compared to business as usual scenario.

**Saudi Arabia**, the world's biggest oil-exporting country, is aiming for an energy transition to balance the economic diversification of sustainable development measures with stability. In its Vision 2030, Riadh is betting big the development of a circular carbon economy, RE technology and value-chain development and on energy-efficiency measures. Saudi Arabia is also key for the creation of a regional electricity market. This all creates opportunities for EU business and calls for the EU to strengthen regulatory and economic cooperation.

**Kazakhstan** — along with Uzbekistan — will be a crucial anchor partner for the EU in Central Asia to solve trans-border water and energy issues as well as to favor regional grid (re)integration and the trade in electricity. The country is aiming at economic diversification and encouraging FDI in the RE manufacturing sector, thus opening up chances for European business. As Kazakhstan is the second most important member of the Eurasian Economic Union and a key target of Chinese investments in RE in Central Asia, the EU partnership with the country will be crucial for promoting EU norms and standards in the region.

**Uzbekistan** will prove essential for increasing regional energy cooperation (reactivation of the Central Asian Power System, water—energy nexus) and stability. The announced electricity market reforms and recent diplomatic openness offer a good basis for regulatory and economic cooperation with the EU, while high energy-intensity, growing energy demand, and rapid economic growth increase the potential for RE and energy efficiency. Unreliable electricity supply to rural areas and repeated power blackouts make cooperation with the EU essential.

**United Arab Emirates (UAE)** has emerged as a frontrunner, both in advancing the global energy-transition discussion (the country hosts the International Renewable Energy Agency, IRENA) and as an investor in renewable energy. The UAE supports regional grid integration. It is a potential valuable partner for the EU in exporting technology standards, investing in regional and global value chains, and reinforcing global energy discussion fora.

## Upgrading the EU's Energy Diplomacy Toolbox

The selection of the 12 anchor partners across the Afro-Eur-Asian space is a first and necessary step toward redefining the geographic radius of action of the EU's new energy diplomacy amid limited means and rapidly mounting global challenges. In addition, this diplomacy will have to further adjust its existing set of instruments in line with the identified priorities.

By doing so, however, the EU cannot afford a strictly norm-based "one-size-fits-all" approach, nor can it reduce its actions to the external promotion of, and compliance with, the Green Deal. On the contrary, the high levels of versatility regarding the political situations of the identified anchor partners, their different energy transition agendas, and their distinct approaches to

climate change call for a more flexible and differentiated toolbox. This toolbox should ideally consolidate and repackage many of the already existing instruments along the following five revised areas of action and operationalize them as follows.

1) **Normative-regulatory exchange and transfer.** In this area, which includes energy market reforms, network codes and tariffs, technical standards and certificates, and renewable energy as well as legislation for clean gases, currently existing instruments such as high-level bilateral energy dialogues and partnerships need to be adjusted to include dialogue and exchanges on technical and regulatory matters at the working level. These should go beyond generic declarations and Memorandums of Understanding, become binding for both sides, and be equipped with step-by-step implementation monitoring. Though the fora for such cooperation already partly exist, they are not strategically used. It is imperative to have a continuous exchange between transmission operators and regulators at EU level (ENTSO-E/G and ACER), and its counterparts in the countries connected to — or willing to conform to — the EU's power market (TEİAŞ and EMRA in Turkey, Ukrenergo and NEURC in Ukraine, ONEE and ANRE in Morocco, etc.) and gas markets. In addition, regulatory exchange with the counterpart regional institutions, such as MEDREG or the Energy Department of the Eurasian Economic Commission (EAEU), is of high relevance. Additional instruments for enabling and strengthening the exchange and transfer of clean technologies must become part of future energy partnerships, among them the creation of new joint research programs and clusters of excellence; the training of skilled personnel/manufacturers; cooperation on licensing and industrial property rights; and creating bi- and multilateral frameworks for supporting research spinoffs of the most promising technologies.

2) **Seizing market opportunities in global and regional low-carbon-energy value and supply chains.** This area applies to several of the identified countries (India, Egypt, Morocco, Russia, Uzbekistan, Indonesia, and to a certain extent Turkey). Here, existing energy dialogues and partnerships will not suffice. Moreover, the EU's new energy diplomacy should more decisively act to include energy-sector-specific provisions when negotiating or renegotiating Association Agreements, Deep and Comprehensive Free Trade Areas, Partnership and Cooperation Agreements, and Preferential Trade Agreements in order to secure access to emerging local and regional production networks. Second, as many European companies, particularly in the low-carbon sector, are small and medium-sized enterprises, a greater involvement of, and coordination with, European Chambers of Commerce and involvement of investment institutions such as the European Investment Bank (EIB) will be required to facilitate and support market access to the renewable energy sectors of developing countries. Localization and local content rules are an issue here.

3) **Engage in the regional interconnectivity of electric grids.** Initiatives toward strengthening cross-border and regional power-grid connectivity have taken off across the Afro-Eur-Asian ellipse, most notably in Central Asia, the Gulf, and North Africa. These initiatives did not remain unnoticed by China, which, in pursuit of its own connectivity strategy (GEIDCO and BRI), is rapidly building up its presence as a major investor and norm- and standard-setter. To ensure that power-grid connectivity in these regions is being pursued in a way that is conducive to the stability of these countries, their sustainable development, and the achievement of the Paris climate goals, the EU's energy diplomacy must refocus regional multilateral energy dialogues as well as bilateral dialogues with key potential electricity hubs (Saudi Arabia, Uzbekistan, Egypt, Morocco). The focus of the EU's action should be on technical and regulatory support, but it should also consider the possibility of financial support for investments in physical interconnections via EIB and European Bank for Reconstruction and Development. In this sense, the EU's energy

diplomacy should frame these dialogues as a substantial part of the EU's connectivity strategy and of regional initiatives such as the Eastern Partnership and the new Central Asia Strategy, and it should upgrade efforts with the Mediterranean neighborhood. For instance, initiatives such as Green Central Asia are relevant first steps to engage countries in a dialogue on climate change, but without a more solid focus on regional energy and electricity-grid integration, it will scarcely have an impact. The EU should also scale-up the level of institutional cooperation with the Gulf Cooperation Council.

4) **Advance the global outreach of the Green Deal and the targets of the Paris Agreement.** Given the abundance of alternative visions and approaches to the issue of climate change (e.g., those of China and the current US administration), as well as widespread climate change skepticism among the countries relevant to the EU's energy diplomacy (aside from, perhaps, Morocco, Egypt, India, and the UAE), the EU's usual normative approach to spreading its climate agenda might be less futile. The EU will need to change its narrative and mitigate its approach. What will secure these partners over the long term is taking a "bypass" through new partnerships on sustainable economic growth, fighting local pollution, and promoting green financing, electrification, and integrated energy systems rather than directly demanding a decrease in $CO_2$ emissions or phasing out coal.

5) **Strengthening multilateral and regional governance mechanisms.** Multi- and plurilateral governance platforms —on the global level — are needed to address the systemic challenges that are emerging along with the energy transition(s). The EU has to further contribute toward strengthening the mandate of the existing institutions — most notably the United Nations Sustainable Energy for All, the International Energy Agency, IRENA, the International Partnership for Energy Efficiency Cooperation, and the Energy Charter Modernization Process — and push for cooperation on energy transition(s) within the G-formats. Yet, as the Sino-US rivalry, nationalist rhetoric, and fragmentation of energy markets escalate, the G20 becomes less functional. Against the backdrop of regional fragmentation and competition over spheres of influence, it is equally important for the EU to intensify regional cooperation schemes. New regional governance mechanisms must be established or upgraded and a clear agenda defined. In this sense, the EU should consult with the partner countries — ideally starting with the 12 anchor partners of the Afro-Eur-Asian ellipse that have been identified — as to how to continue and reinforce constructive dialogue on the most contingent issues, such as transit, power grid connectivity, investment, intellectual property rights protection, clean energy technology transfer, cybersecurity of power systems, etc. A logical first step might be to bring together relevant working groups within the EU and the national institutions of these (groups of) countries as well as national regulatory authorities and representatives working for companies that provide critical infrastructure.

Finally, and most importantly, the EU's new energy diplomacy must be equipped with one essential feature — strategic patience. Without giving up its own strategic interests and values, the EU must nevertheless take into account the asynchrony of developments in its own energy market and system and those of the partner countries.

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