

KyotoPlus - Papers

New Arenas for Climate Policy: Energy & Climate Issues in EU Foreign Relations

by

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1. Introduction

Over the past years, the major arenas for climate policy – multilateral frameworks (mainly UNFCCC/KP) and national, supranational (EU) and local level implementation policies – have been complemented by new, bilateral policy arenas dealing with energy and/or climate issues. In these arenas, climate, energy, security, economic, trade, development and foreign policy converge. The overall philosophies underlying these trends are contradictory, ranging from power politics based on narrow competitive economic interests and/or geopolitics to cooperative approaches around policy goals such as climate protection, global economic and social cohesion, or conflict prevention.

The new arenas therefore provide opportunities for both climate diplomacy and for implementation measures, but also contain some counterproductive trends.

2. The emergence of the EU as a global political actor

In these new arenas, the EU plays a particular role, for a variety of reasons: e.g. as a locomotive of international climate protection, as strong economic force and emerging global player and as so far unique example of regional supranational integration of internal and external policies. The emergence of an EU external energy and climate policy is reactive as well as starting to set global standards. Factors that drove the emergence of EU external energy and climate policies include:

- Attempts of the EU to develop a Common Foreign and Security Policy in the first place (cf. Constitution).
- The emergence of climate diplomacy, also at a high political level, particularly around the global discussions concerning the Russian delay and the Bush administration's rejection of the ratification of the Kyoto Protocol. Here, the European Commission as well as the UK and Germany need to be counted among the drivers.
- The re-surfacing of “great games”, geopolitics and international cooperation, around energy security, particularly with growing concerns regarding EU-Russian energy relations and with growing pressures on the world energy markets with globally rising energy demand pressures.
- The mainstreaming of climate concerns into EU development policy and the centre-stage role of development issues in international climate policy.

- A growing political recognition in EU governments of the seriousness of the challenge to halt dangerous climate change, due to intensifying alarm signals from climate science.
- Concrete trigger events, actors and processes, including the UK G8- and EU-presidencies.

The new arenas, i.e. overall EU external policy strategies and concrete EU / other country relations, provide opportunities and challenges to climate protection and adaptation. On the problem side, one can list

- a lack of coherence of policy goals (including an insufficient insight and commitment of major parts of the foreign policy establishment to the climate challenge);
- the growing dominance of narrow energy security approaches and defensive competition policies, in internal as well as external policies;
- the failure of the EU to sufficiently move ahead internally with more ambitious greenhouse gas reductions, particularly with curbing per capita emissions, which undermines its credibility and inspiration towards 3rd countries;
- intransparency and lack of participation (partly due to complexity of the proliferating and varied processes, partly due to traditional foreign policy reflexes which keep intergovernmental processes out of the scope of public and parliaments); and
- quantitative and qualitative weaknesses in the networks of climate policy actors which prevent participation in foreign policy processes.

On the opportunities side, a variety of dynamics come into play, which can be summarized in the following trends:

- External relations – financial flows, agreements on technology cooperation, trade provisions, legislative dialogues, people to people exchanges, regular diplomatic structures – provide multiple and effective opportunities for climate diplomacy (e.g. around post-2012 negotiations) and for the implementation of climate mitigation and adaptation policies and measures. With regard to the latter, opportunities are increased if linkages are recognized between energy and climate security concerns, e.g. in the multiple dividends to be reaped by cooperation on the improvement of energy efficiency.
- For domestic climate policies, a growing political engagement of foreign, development and security policy makers on the side of precautionary and decisive mitigation could strengthen rational and long-term climate measures, against actors with short-term and narrow interests which currently tend to dominate domestic debates. However, so far, this opportunity tends to be theory: Foreign, development and security policy actors still fail to engage in domestic climate discussions, in spite of their growing recognition that climate policy poses a threat to their own policy

goals abroad. External policy makers need to translate into political action the insight that domestic energy and climate policies define their political room for manoeuvre abroad.

US energy and climate external policies – the case of the AP6

Since 2005, US diplomacy has been working on an “Asia-Pacific Partnership on Clean Development and Climate”, shortly dubbed AP6, with the participation of India, China, Japan, Australia and New Zealand. As EU bilateral energy and climate relations with 3rd countries, this pact mentions an integrative approach to poverty, energy needs, air pollution and climate, sets up working level processes (aimed at key industrial sectors), and contains elements of actual cooperation (mainly focussed on technology). However, with all superficial parallels of US external energy and climate policies in the context of AP6 or of individual bilateral relations (e.g. USA-India, USA-China), there are fundamental differences to EU external energy and climate policy. To mention just the most important weaknesses of AP6: Lack of integration with the international climate frameworks (with the US originally understanding the AP6-venture even as alternative to UNFCCC/KP); misguided philosophy concerning global energy system transformation; weak institutional structures and working mechanisms; limited funding; lack of concrete activities; incoherence with scientific findings on climate mitigation needs; disregard for the adaptation challenge.

3. Overall EU external energy and climate policy strategies

While there were first waves to integrate energy, climate, security, development and foreign policy over the past years (cf. e.g. the European Security Strategy of 2003, the establishment of the Green Diplomacy Network in 2002, the Communications and Action Plan on climate issues in development cooperation in 2003ff), energy foreign policies started to receive priority political and public attention with the tensions around Russian gas exports in winter 2005/2006. Following this crisis, the High Representative Javier Solana went public with the demand for a “European energy diplomacy, based on common interests and shared principles” (e.g. Financial Times of March 9, 2006). The rationale he proposed as guidance for a European energy diplomacy mainly relied on two pillars, the promotion of energy security through internationally free energy markets and the promotion of stability through the mutual entwining of producers’ and consumers’ energy sectors.

Informal debates were followed by the submission of the strategy paper “An External Policy to Serve Europe’s Energy Interests”, presented by HR Javier Solana together with the Commission and endorsed by the June 2006 European Council. It now forms part of the EU process on an overall energy policy package,

which will be presented by the European Commission in December 2006 and will rank high on the agenda at the spring 2007 European Council.

The strategy paper “An External Policy to Serve Europe’s Energy Interests” proposes the following objectives for a “coherent approach” to guide the EU’s external energy policy, with “functioning markets” and “diversification (of supplies)” being the dominating paradigms:

1. Promoting transparency and improved governance in the energy sector.
2. Improving production and export capacities in producer countries and developing and upgrading energy transportation infrastructure in producer and transit countries.
3. Improving the climate for European companies’ investments in third countries and opening up the production and export of energy resources to EU industry.
4. Improving conditions for trade in energy through non-discriminatory transit and third party access to export pipeline infrastructure.
5. Enhancing physical and environmental security as well as the energy infrastructure safety.
6. Encouraging energy efficiency, use of renewable energies including bio fuels, low emission technology and rational use of energy worldwide.
7. Implementing the relevant Kyoto Protocol mechanisms.
8. Diversifying energy imports by product and country.
9. Creating an international regime for the supply of enriched uranium to countries that have chosen the nuclear option, in line with non-proliferation commitments and taking into account the EURATOM treaty provisions.
10. Promoting strategic reserve stocks and encouraging joint stock holding with partner countries.

Geographically and process-wise, the focus of activities is on EU-Russia, the European Neighbourhood Policy (ENP) and dialogue with energy major producers and consumers (cf. below).

While the emerging EU external energy policy provides some opportunities to the European and international climate agenda, its current drafts contain some fundamental flaws. To highlight the most important deficits that need to be addressed:

- The strategy explicitly aims at establishing an EU External Policy to Serve Europe’s Energy Interests, instead of recognizing that the EU’s external policy should serve to solve energy security problems globally. Such a comprehensive approach is both realistic (energy security problems as well as solutions are globally interlinked) and in keeping with other EU policy positions (global economic and social cohesion; conflict prevention).

- While climate change is mentioned as a problem, the substance of strategy papers and decisions on EU external energy policy so far does insufficiently integrate climate change mitigation and energy security solutions. Specifically, the stated goal of the EU to keep global warming below 2°C compared to pre-industrial levels (European Council decision of March 2005) should be mentioned and followed as key paradigm and goal of the EU's external energy policy strategy.
- Much of the substance in the strategy papers so far is based on narrow free-market ideologies, neglecting the need of sufficient frameworks and level playing-fields for markets to function; plus it mainly focuses on large-scale infrastructures rather than the more complex measures required to harvest, for example, energy efficiency potentials.
- There is a lack of integration of EU internal and EU external energy policies, thus a failure to recognise that internal energy decisions largely determine the political room for manoeuvre of external energy policies.
- Civil society actors as well as large parts of "climate-saving" business sectors are insufficiently invited into the debate. Next to governance concerns, this endangers the effectiveness of the EU's external energy policy.

EU member states' external energy and climate policies

While the EU is struggling, with some success and drawbacks, to establish common external policies, both in substance and process, the foreign policy arena is still dominated by the EU member states' foreign policies.

With regard to energy and climate, many member states carry out their own climate diplomacy, formulate their own foreign energy security policy, and have established individual energy and/or climate agreements with 3rd countries. The latter can be stand alone agreements, as well as activities within development, trade or technology cooperation or within legislative dialogues.

In some instances, these individual bilateral energy and climate relations start to be coordinated more closely with and within EU external relations, foremost in case of EU-China relations (e.g. the complementary Memoranda of understanding on "zero emission" coal technologies between China and the UK and the EU respectively, or the attempt of the Commission to get an overview of all energy and climate related activities of all Commission segments as well as member states towards China).

4. The European Neighbourhood Policy (ENP)

In an attempt to rationalize and refocus relations with the EU's seventeen neighbouring countries after the EU enlargement wave of 2004, the European Commission created the European Neighbourhood Policy (ENP).

Energy security concerns rank high in the ENP and, vice versa, the ENP is a key component of the emerging EU external energy policy (cf. above): Europe is a major importer of oil, gas and uranium, trade in energy sources as well as electricity also from neighbouring countries is increasing. Securing energy supplies, improving internal market conditions, and leveraging sector reform currently belong to the priority goals of the ENP energy dimension.

Largely concentrating on fossil energy supply diversification, the ENP runs the risk of simply reinforcing a long-term dependency on fossil fuels, overemphasizing the assumed benefits of energy market reform, failing to focus on the energy needs of ENP countries, failing to tap renewable energy and energy efficiency multiple dividends, and not adequately addressing climate change mitigation and adaptation.

5. EU-Russian energy and climate relations

EU-Russian relations are the most important vector of EU external energy policy, and have been so long before the explicit development of an external energy policy strategy.

The energy dialogue between EU and Russia historically contained efforts such as the drawing up of the currently stalling Energy Charter Treaty. Since 2005, bilateral energy relations are mainly organised in the framework of the EU-Russian Permanent Partnership Council (PPC) on energy. Cooperation on energy as well as climate falls into the Common Economic Space process, one of the four "Common Spaces" established in 2005 in an effort to reinforce and restructure bilateral relations. EU-Russia relations are also tied into the Northern Dimension Policy of the EU as well as linked to the European Neighbourhood Policy (ENP; cf. below).

Energy policy cooperation between EU and Russia, particularly within the PPC on energy, is dominated by large infrastructures, investment security, grid connections and talks between oligopolies on both sides. Renewable energy is a non-issue; energy efficiency measures again mainly look at supply infrastructures.

There has been some progress on the climate side, based on EU-Russian cooperation around Joint Implementation.

6. EU energy and climate relations with other major producers beyond Russia and ENP – the case of EU-OPEC

The EU is stepping up its dialogue with major energy producers and consumers, e.g. in the framework of the strategy paper on an EU external energy policy (cf. above).

Next to Russia and Neighbourhood countries, the EU-OPEC energy dialogue established in 2005 is becoming the main arena for EU dialogue with producer countries. While the main focus of the EU-OPEC dialogue is on “stable, transparent and predictable oil markets”, transparent data as well as “adequate infrastructure”, the EU-OPEC dialogue also contains some more directly climate related activities, most notably talks on the use of oil and gas fields for carbon capture and storage (CCS), cooperation on energy technology, and more comprehensive dialogue on future energy strategies.

7. EU-China energy and climate relations

EU relations with China feature an array of policy fields, ranging from traditional foreign policy and political dialogue (including on human rights) across deeper engagement in a number of policy fields (mainly related to economy, trade, science and technology, environment) to development cooperation. Particularly over the last years, cooperation on energy and climate has intensified considerably.

Building on the earlier “EU-China Partnership on Climate Change”, which provides a high-level political framework for cooperation and includes elements such as the China-EU Action Plan on Clean Coal and the China-EU Action Plan on Energy Efficiency and Renewable Energies, the EU and China concluded, in September 2005, an extensive Partnership on Climate Change. The joint declaration reaffirms both partners commitment to the UN-Framework Convention on Climate Change (UN-FCCC) and the Kyoto Protocol, and envisages closer cooperation on energy, sustainable development, technology, economic instruments (notably emissions trading and CDM), capacity building, as well as on adaptation to climate change.

The agreement identifies as key areas for technological cooperation:

1. Energy efficiency, energy conservation, and new and renewable energy;
2. Clean Coal;
3. Methane recovery and use;
4. Carbon capture and storage (CCS);
5. Hydrogen and fuel cells;
6. Power generation and transmission.

Regarding the cooperation on CCS, China and the EU agreed to develop and demonstrate, by 2020, near-zero emission coal-technology through CCS. Complementary Memoranda of Understanding (MoUs) on a CCS demonstration plant have since been concluded with China by the UK and the EU; a feasibility study is in the pipeline.

8. EU-India energy and climate relations

EU-Indian relations have developed into a formalised Strategic Partnership, launched in 2004. Further developed at the 2005 EU-India summit, partnership activities contain, among others, an India-EU Initiative on Clean Development and Climate Change with the aim of promoting cleaner technologies and their use, plus cooperation in the energy sector to develop more efficient, cleaner and alternative energy chains. The action plan to implement the strategic partnership further contains provisions to strengthen mutual understanding in particular on the UN Framework Convention on Climate Change (UNFCCC) and the Kyoto Protocol.

Among the working structures, an India-EU Energy Panel has been set up, with working groups focussing on:

- Energy efficiency and renewable energies;
- Coal and clean coal conversion technologies;
- Fusion energy including India's membership in ITER.

9. EU-US energy and climate relations

EU-US relations have undergone phases of strengthening (e.g. New Transatlantic Agenda of the late 90ies) and decline over the past decades. Both have the most developed business and civil society dialogue structures, though the formal transatlantic NGO dialogue on environmental matters is currently not functioning.

Energy and climate issues are playing a strong role in transatlantic summits and working level processes particularly since 2005. In the June 2005 summit declaration, EU and US pledged cooperation on "energy security, energy

efficiency, renewables and economic development”, while the political positions on climate change were too far apart to find a common language on that issue.

At the June 2006 EU-US summit, the scope of cooperation was broadened to “promote strategic cooperation on energy and energy security, climate change and sustainable development”, though much of the substance in this agreement still falls short of the necessary redirection of energy systems. Moreover, the language on energy security in the summit declaration draws heavily on geopolitical considerations, thus echoing concerns around the EU’s external energy strategy (cf. above) which was published just before the summit. While not mentioning the Kyoto Protocol, EU and USA pledge to work together towards UN-FCCC implementation, particularly in the processes for a future regime established at COP/MOP-1 in Montreal 2005.

10. Conclusion

As the map of EU external energy and climate relations sketched above indicates, bilateral energy and climate policy activities can help to

- move forward national energy security, climate mitigation and adaptation policies and technologies;
- serve as yeast to the UN process and negotiations, enhancing mutual understanding and cooperation on energy and climate matters – creating the necessary “climate of trust”; and
- implement outcomes and obligations under the UNFCCC and Kyoto Protocol, e.g. in the arenas of technology transfer/cooperation, carbon markets and CDM, capacity building.

To reap this potential, however, presupposes intelligent and decisive integrative approaches, consistently linking climate protection, energy security, sectoral and development policies. While the EU is starting to use such approaches in its overall external policy strategies and 3rd country relations, there are major inconsistencies which need to be corrected. Furthermore, the EU, on whose leadership international progress on climate security currently rests, needs to become more decisive in putting its external relations capacities at the service of keeping global warming below 2°C.

References:

Introductory information on EU External Energy and Climate policies is available at the homepage of the WWF European Policy Office project on Energy and Climate Issues in EU Foreign Policies: www.panda.org/epo/climate/foreignpolicy.

The most important official websites include:

- **Key documents on the EU's external energy policy strategy:**
 - “An external policy to serve Europe's energy interests” - Paper from Commission/SG/HR for the European Council:
<http://www.consilium.europa.eu/uedocs/cmsUpload/st09971.en06.pdf>
 - European Council Conclusions on the external energy strategy (June 2006):
http://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressdata/en/ec/90111.pdf
- **Energy and climate issues in EU development cooperation, e.g.:**
 - Integration of climate issues in EU development cooperation:
http://ec.europa.eu/comm/development/body/theme/environment/MEA_climate.htm
 - Environmental policy integration in general plus environmental impact assessments:
http://ec.europa.eu/comm/development/body/theme/environment/env_int.htm
 - Council Conclusions on Energy and Development, GAERC-meeting April 2006 (8358/06):
<http://register.consilium.europa.eu/pdf/en/06/st08/st08358.en06.pdf>
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 - overview:
http://ec.europa.eu/comm/external_relations/russia/intro/index.htm
 - WWF press release on the 2005 Russia-EU summit:
http://www.panda.org/about_wwf/what_we_do/climate_change/news/index.cfm?uNewsID=23619
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http://ec.europa.eu/world/enp/index_en.htm
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http://europa.eu.int/comm/external_relations/china/summit_0905/index.htm
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- **EU-USA relations:**
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http://ec.europa.eu/comm/external_relations/us/intro/index.htm
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http://ec.europa.eu/comm/external_relations/us/sum06_05/declarations/energy.pdf
 - results of June 2006 EU-US summit:
http://ec.europa.eu/comm/external_relations/us/sum06_06/docs/decl_final_210606.pdf