The climate-energy nexus

by Gerald Stang

The EU, as the dominant energy importer and rules exporter in the Western Hemisphere, increasingly defines the rules of the energy game in its neighbouring countries and further abroad. This is accomplished both through explicit export of its *acquis* to the Energy Community and in defining the conditions under which it cooperates with energy exporters. The EU is also a global climate leader, a position won first through being ahead of the curve in cutting emissions and setting relatively ambitious new targets, and now buttressed by more unified climate diplomacy efforts.

But as Europe has begun to recognise and act upon the inherent linkages between these two fields, too many of its international partners have not, to the detriment of effective action in either area. Helping bridge this gap is an opportunity to both improve European energy security in the long term and to make European climate diplomacy more effective.

Setting continental rules

In the countries in its vicinity, the EU has been successfully exporting EU energy policy via the Energy Community. It aims to extend the internal EU energy market to all non-EU states in southeast Europe, plus Moldova and Ukraine. Turkey, Armenia, and Norway are observers, while Georgia is a candidate, leaving Switzerland, Russia and Belarus as the only EU neighbours without formal connections. The extension of the EU energy market to neighbouring countries, along with the supporting principles of liberalisation, transparency and the rule of law, supports the core goal of improving EU energy security as these neighbours interconnect and cooperate not only with the EU but with each other. Importantly, renewable energy, energy efficiency, and the environment are three central areas of work within the Community, bringing in European priorities in saving energy and cutting carbon.

The attractiveness of the Energy Community, and of European energy policy, can be seen in the case of Turkey. Although only an observer state, Turkey has made significant progress in developing its energy policies along the lines of the EU *acquis*. As both an important transit state for European gas imports and a fellow importer struggling to manage relations with its main supplier, Russia, Turkey is a natural partner for the EU. And despite political disagreements and regional turmoil, when it comes to energy policy, the EU is still the reference point for its innovative and constructive approach.

Ukraine has also made progress on its energy policies, especially in the last year. Although Ukraine applied to join the Energy Community in 2008, it was the current crisis with Russia that served as the impetus to try and overcome the entrenched domestic interests that delayed reform. The crisis has also unleashed financial, technical and political support for policy reform and improved energy connections with Europe from multiple sources, including the European Commission, the European Investment Bank, the EBRD, the World Bank, the USA and the

UK. But while improved energy policies and better links with Europe are positive developments, improvements in Ukraine's energy relationship with Russia, its main energy supplier and closest historic partner, will be essential. Despite disagreements on many issues, the EU has a role to play in influencing Russia's domestic energy policies and its policy towards Ukraine. Most obviously, the EU played a key role in brokering energy deals between Russia and Ukraine in the last year. European energy choices in the years ahead will also influence whether their bilateral relationship will be shaped by opportunities for joint projects and cooperation or by increased division and mistrust.

Russia has also been forced to recognise and even internalise some European lessons for the energy rules of the road. The failure of its South Stream project was a reminder that it must respect European rules for new energy projects. And Russia has taken initial steps to emulate European work on energy efficiency and export liberalisation. There is even serious discussion about splitting Gazprom´s production and pipeline activities into separate companies, as is required in Europe. But there remain serious limits to how much Russia is willing to follow in the EU's footsteps, and nowhere is this clearer than on climate change.

Setting global standards

The Russian approach to climate negotiations has ranged from hesitant to oppositional over the years. The EU, on the other hand, has increasingly approached these talks as an essential mechanism for sharing its own goals and ideas about climate and energy with the rest of the world. The inherent connections between climate and energy, and between domestic and international action, are expressed in the 'Framework Strategy for a Resilient Energy Union with a Forward Looking Climate Change Policy', or Energy Union. The full title may not roll easily off the tongue, but simplifying it as the 'Energy Union' has the unfortunate consequence of omitting the essential climate portion of the title.

Because the climate component is indeed central to the Union. EU member states are being called on to develop national energy and climate plans with clear trajectories for energy savings, the share of renewables in the energy mix, and electricity demand. This complements the ongoing linking and integration of climate and energy departments at different levels in governments across Europe.

Europe's success in these efforts, and minimising the costs associated with them, may hinge on how quickly other nations follow its lead. Many European partners will be open to a shift in focus of climate talks from the costs of transition to the economic and security advantages that accompany better energy efficiency and reduced energy imports. Already, partners such as China are learning from our successes and our failures by beginning to replicate European experiments in carbon trading and the creation of unified gas and electricity markets, both useful tools for improving energy efficiency (and pursuing decarbonisation).

Talking climate *and* energy

Ensuring effective follow-up on the COP21 climate talks will of course be important for the climate, but it will also be important for long-term European energy security. Efforts in Paris and afterward to improve decarbonisation and 'bend the curve' on climate change, creating a downward trajectory in future emissions, will push towards reduced global demand for the energy that Europe imports. This, in turn, will bend supply and demand curves in ways more favourable to energy importers. But the EU is more than just another importer.

Although Asian growth continues to drive energy markets, the EU still has the capacity to help shape global demand through its climate diplomacy and support for clean energy development around the world. And through its development of a transparent and liquid continental energy market, it is also becoming the model for shaping global energy relations.

On neither climate nor energy policy are all European voices perfectly in sync, but this is not necessary for the EU's action to be effective on the international stage. In fact, it may be a boon, as Europe's international partners can readily see their worries and debates about energy dependency, decarbonisation and climate change reflected in the EU's lively and transparent debates.

More closely linking climate and energy issues in the EU's external action can, of course, only complement significant action on other fronts. The Energy Union framework lays out clear ideas for diversifying energy imports, from the development of the Southern Corridor to the elaboration of a new LNG strategy to the pursuit of energy dialogues at bilateral, regional and global levels. But bringing climate discussions into these relationships can be about more than just forging a good climate deal – it can also be about shaping international energy choices over the decades ahead.

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