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EU climate and energy policy at the risk of upset international conditions

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Outline

- EU climate and energy policy at the turn of 2020
- The COVID crisis
- The Ukraine war
- The inflation crisis
- The broader globalisation crisis
- Climate and energy policymaking in upset international conditions

The EU Climate Law of 2021

- The 2019 European Green Deal objective into law: net emissions 55% below 1990 in 2030, zero in 2050, negative after 2050
- Leaning on the Fit-for-55 policy package: EU-ETS and extension, Carbon Border Adjustment Mechanism (CBAM), reformed LULUCF regulation, strengthened CO₂ norms for cars & vans, Social Carbon Fund
- Process for setting 2040 climate target
- Establishment of European Scientific Advisory Board on Climate Change
- Stronger provisions on adaptation to climate change
- Commitment to engage with sectors to prepare sector-specific roadmaps charting the path to climate neutrality in different areas of the economy

The COVID Crisis

- Delayed the policymaking process by close-to 2 years
- Caused massive public debt build-ups, which limit the ability of governments to take some actions and increase their exposure to degraded financial conditions
- Similarly harmed businesses especially SMEs across Europe, making them less resilient to later crises as well
- Underlined the dependency of EU and Member States on global supply chains: masks, breathing machines, drugs... Then about any spare part and finished product when the Chinese lockdown lasted — prompted some competition between MSs on resources
- Damaged the confidence of part of the population in the decision-making process: Have all lessons been learned? How long before a ‘Lockdown Files’ equivalent in one or several MSs?

The Ukraine war

- Massive sanctions from the G7 and the EU piling up on those dating back to the annexation of Crimea in 2014
- ... *Volens nolens*: who blew up the Nord Stream pipelines? We only know that They know
- Retaliation from Russia
- The global South broadly condemns the invasion but refuses to impose sanctions
- Main effects so far
 - The disruption of European and Russian supply chains, and inflation
 - The end of natural gas as a transition fuel for the EU?
 - Some EU dissonance: maintained ties with Russia (Hungary, Bulgaria) short-term reliance on coal (Germany, Austria), nuclear revival (France, Finland), competition on natural gas and LNG supplies (Italy vs France, etc.)

The inflation crisis

- Caused by the disruption of global energy markets prompted by the G7 reactions to Ukraine invasion
 - Gas prices soar and impact on EU electricity prices because of bad energy market regulation ⇒ to be updated shortly
- ... And by the prolonged Chinese lockdowns in reaction to the COVID crisis
- ... And by the repeated Quantitative Easing of major central banks since the 2008 crisis
- ... And by opportunistic behaviour along all value chains, from raw materials to trade
- Buffered by public policies in some Member States — another source of EU dissensus
- Back to the Yellow-Vest catchphrase:
“The problem is the end of the month, not the end of the world!”

The broader globalisation crisis

- The COVID and Ukraine crises sent/send strong signals about the dependency of the EU and other economies on global supply chains: diversification of trading partners and relocation of some activities become political objectives
- The US hegemon facing the end of... the end of history and paying the price of 30 years of somewhat brutal leadership: Russia, China, but also India or Indonesia and even Saudi Arabia developing multilateral order including in the financial sphere
- The CBAM first fueled concerns by BRICS and other large South countries, is seen as a discriminatory policy measure undermining mutual trust and prospects of economic growth
- The US Inflation Reduction Act (IRA) raised EU concerns of delocalisation to the US, which were already strong because of the energy price differential
- Not 2 weeks ago, the EU issued the Net Zero Industry Act as a response to the IRA

Climate and E policymaking in such international conditions

- The opportunities...
 - Energy security as blatant side benefit of decarbonisation
 - Fossil fuel price hikes provide additional incentives towards low-carbon investments
 - Relocation policies in line with European peoples' expectations
 - Crisis moments as moments of increased capacity to impose 'blood and tears' public policies
- ...And the risks
 - Degraded economic conditions shrink willingness to pay: the Yellow Vests and the Dutch farmers' protests or, beyond climate and E, the anti pension reform protests (France) or 'Mega Streik' (Germany)
 - Capacity to develop industrial policies against other global players without fueling costly trade wars?
 - Capacity to hold united course internally?
Latest German opt out of 2035 ICE ban, nuclear eligibility to the NZIA, etc.