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Turning EU green energy diplomacy into reality

In Spring 2022, the European Commission will present its International Energy Engagement strategy, which will undoubtedly reflect that the European Green Deal nowadays tops the Brussels agenda. From being a traditional buyer of fossil fuels, the EU is adapting to become an exporter of green energy solutions and, to some degree, an importer of green energy. At a time when energy prices are historically high and EU climate policy is accelerating, this policy brief analyses what a more pro-active EU green energy diplomacy could look like. In light of this shift, a review is made of which instruments the EU could deploy to support green energy transitions and discourage third countries from continuing extraction and production of fossil fuels. It recommends the EU takes a firm stance on phasing out fossil fuel and enter dialogue with some of its current fossil fuel suppliers on the implications of its own transition. The EU will need to establish new partnerships on green energy provision, technology and critical raw materials needed for the transition.

Introduction

In January 2021, EU Foreign Ministers adopted an ambitious set of Council Conclusions fleshing out their intentions to step up climate and green energy diplomacy efforts. This 'external dimension' of the European Green Deal is gaining momentum since the EU is committed to addressing the climate crisis, despite "only" being responsible for about 8% of global emissions.¹ Moreover, it aims to take a global leadership role on green technologies, which are becoming increasingly part of the wider technology competition between the US

and China.² The Council Conclusions for the first time recognised the need to develop a more outward looking international energy policy. They mandated the EU to "promote energy efficiency, the deployment of safe and sustainable low-carbon technologies, the increasing uptake and system integration of renewable energy, and the highest environmental, nuclear safety and transparency standards".³ A more detailed

1 PBL Netherlands Environmental Assessment Agency, "[Trends in Global CO2 and Total Greenhouse Gas Emissions; 2020 Report](#)", December 21, 2020.

2 Brigitte Dekker & Maaïke Okano-Heijmans, "[Dealing with China on high-tech issues: Views from the US, EU and like-minded countries in a changing geopolitical landscape](#)", Clingendael, December 2020: 1.

3 Council of the European Union, "[Council conclusions on Climate and Energy Diplomacy - Delivering on the external dimension of the European Green Deal \(5263/21\)](#)", January 25, 2021: 6.

plan, or strategy for International Energy Engagement, is expected in Spring 2022.

The document comes at a remarkable time, when energy prices are at historically high levels and the relationship with a key supplier, Russia, is tense. The previous strategy dates from 2011 when the EU's international energy policy focused primarily on diversifying suppliers and managing these relationships.⁴ Now, the key questions are: what could a more pro-active EU green energy diplomacy look like, which instruments can the EU deploy, and how can the EU continue to manage relations with fossil trade partners in the meantime? Finally, how will the strategy engage the EU member states, for instance by incorporating a Team Europe approach?

This policy brief will discuss what has driven the EU to craft its own green energy diplomacy, how to deal with coal, oil and gas at home and abroad, and discusses some of the instruments the EU could use to support transitions in third countries. The text concludes with a set of recommendations for the EU's forthcoming strategy.

EU Energy Diplomacy

The EU has traditionally been a net buyer of energy, most of which has been fossil fuels. This is still the case today; as of 2019, 61% of the bloc's power demands were met by imported sources.⁵ Energy security concerns related to this dependency emerged in the later part of the 20th century, during the oil crises of the 1970s and again in 2005, when Russia cut natural gas export volumes following a dispute with Ukraine over unpaid bills, leading to a surge in prices for EU

consumers. Difficult relations with other fossil fuel exporters, such as Iran, Libya and the Gulf States have added to concerns, which resurfaced in Autumn 2021, when gas prices soared amidst an unsteady post-pandemic recovery. In EU member states this has led to new energy subsidies, the stockpiling of strategic reserves, as well as accelerating the energy transition towards renewable sources.⁶ The new pipeline Nordstream 2, that will distribute gas from Russia to Germany without transiting through Eastern European countries, could also be considered a response to previously felt energy security concerns, even though it is highly contested.

Important for the EU's international energy positioning is the debate on open strategic autonomy. As part of this strategy, amongst other things, the EU wants to reduce its external dependencies on technology and resources needed for the energy transition. According to the EU's own Strategic Foresight report, the EU aims to be a global leader, or at least have a competitive industry in several technologies, such as battery storage and green hydrogen capabilities.⁷ Its Critical Raw Materials (CRM) initiative is designed to develop extraction and refinement capabilities of 30 raw materials such as cobalt, lithium and magnesium.⁸ In order to operationalise value chain development outside the bloc, the EU is developing new partnerships with countries

4 European Commission, "[On security of energy supply and international cooperation - "The EU Energy Policy: Engaging with Partners beyond Our Borders"](#)", Communication (2011) 539, September 7, 2011; Council of the European Union, "[Council conclusions on strengthening the external dimension of the EU energy policy](#)"; November 24, 2011.

5 Eurostat, "[From where do we import energy?](#)", *European Commission*, 2021.

6 Mark Leonard, Jean Pisani-Ferry, Jeremy Shapiro, Simone Tagliapietra & Guntram Wolff, "[The Geopolitics of the European Green Deal](#)", *European Council on Foreign Relations*, February 2021.

7 European Commission, "[Strategic Foresight Report 2021](#)", September 2021: 10; Non-exhaustive list of green-related technologies: Biodegradable electronics, clean hydrogen, low carbon fuels, carbon capture and storage/usage, next-generation sustainable batteries, bio-based technologies and materials, methane cracking, high temperature superconductivity, advanced geothermal and ocean energy, high altitude wind energy generation, and advanced fusion-based nuclear reactors (see reference above).

8 European Commission, "[Critical Raw Materials Resilience: Charting a Path towards greater Security and Sustainability](#)", Communication (2020) 474, September 2020: 4.

like India through the EU-India clean energy partnership.⁹ As much as this move is to strengthen the EU's access to raw materials, it also aids in countering the Chinese dominance in this field.

Another new area of focus is green hydrogen, which is likely to be a key part of the EU's future energy mix, even though it still only represents less than 2% of its energy mix today. Hydrogen is considered a particularly interesting option for transport and heavy manufacturing industries. An added benefit is that green hydrogen can be used to store excess energy production from solar, wind and other renewable sources and can be used at times of limited renewable availability, helping to balance the grid. This requires infrastructure similar to gas, although it is not yet clear if similar distances can be travelled due to safety issues and more countries being able to produce renewable energy at home.

The new strategy will need to balance three EU objectives: help other countries with their energy transition; cater to its desire to increase strategic autonomy regarding green technologies and materials; and manage its continuing fossil dependencies amidst price and supply volatility in the market. The strategy will also be read by countries currently exporting fossil fuels to the EU, many of which do not align with their climate objectives and could go rogue if deprived of fossil revenues. The EU also needs to consider in which countries it wishes to invest most, and with whom it prefers to cooperate on green energy technologies and critical materials. Finally, the EU will need to make concerted efforts to ensure that energy prices, both internally and externally, are made affordable for all, reflecting its objectives for a just transition.

Moving out of fossil at home and abroad?

The EU already has an extensive internal green energy transition effort in place as part of its Green Deal. This is a green growth agenda designed to integrate sustainability concerns into its economic model. To operationalise this, the 'Fit for 55' package aims to implement the EU's target to reduce CO₂ emissions by 55% by 2030 compared to 1990 levels – a target that is already codified in the EU's European Climate Law. National climate policies are aimed at implementing and complementing EU policy and need to ensure that EU member states (over)achieve compulsory EU policies. This unprecedented decarbonisation effort implies further demand falls in fossil imports; it is estimated that after 2030, EU oil import demand will reduce by 78% and gas by between 58-67% when compared to 2015 levels.¹⁰

The gradual decline in EU imports of fossil fuels will have strong repercussions on the economies of producing countries, for instance, Russia, Algeria and Norway, for whom the EU forms their main fossil-fuel export market. The Carbon Border Adjustment Mechanism (CBAM), that is part of the 'Fit for 55' package, illustrates that the EU is also committed to charge a levy on fossil and fossil-heavy industry imports from trading partners who do not have similar CO₂ emission reduction policies in place.

To avoid tensions with fossil-fuel exporters, the EU may wish to present hydrogen as a substitute, since it is suitable for countries with existing gas and oil infrastructure. Countries in the EU's close proximity seem best positioned. North Africa, for instance, has the potential to export cost-competitive renewable hydrogen to the EU. However, clean hydrogen will also be produced within

9 Louise van Schaik, Akash Ramnath & Harman Singh, "[Better Together: EU-India Cooperation in Addressing Climate Risks](#)", *Planetary Security Initiative*, August 2021: 7.

10 Leonard et al., "[The Geopolitics of the European Green Deal](#)": 5.

the EU meaning that total energy import figures are still likely to go down.¹¹

At the multilateral stage, the EU and its member states are already active in promoting green energy solutions, such as in the International Solar Alliance, a 107-member consortium initiated by India and France and recently joined by the US.¹² The Green Grid initiative launched at the UN Climate Change Conference in Glasgow in November 2021 (COP26) is another promising effort initiated by India and the UK. It aims to create 'super-continental' electrical grids connecting regions of lower renewable potential to those with higher potential.

Together with the UK and US, the EU declared to formally support South Africa in its own transition, pledging \$8.5 billion to help retire coal power plants, support coal-producing regions to move into other sectors, improve domestic energy efficiency, in addition to supporting universal access to energy for all. This initiative could act as a template for future EU green energy diplomacy.¹³ A similar program is the EU's Initiative for Coal Regions in Transition, which currently targets the Western Balkans and Ukraine. It provides a platform to share best practices as well as technical assistance on how to move away from coal, whilst ensuring that the poorest in society have both consistent access and low costs. A key goal of the initiative is to help third countries access financing for the transition as provided by the European Investment Bank (EIB) and other international partners, such as the World Bank and the European Bank for Reconstruction and Development

(EBRD).¹⁴ Yet, so far, no such funding has been made available.

The Council Conclusions of 25 January 2021 explicitly called for a general discouragement of further investments in fossil-fuel-based infrastructure projects abroad "unless they are aligned with an ambitious climate neutrality pathway".¹⁵ This has not prevented the EU to continue financing natural gas projects in the Western Balkans, despite the current absence of gas infrastructure in the region.¹⁶ The EIB has recently also invested €890 million in six gas projects in five EU countries.¹⁷

At COP26, several EU member states signed a declaration to stop, by the end of 2022, public support to unabated fossil-fuel extraction in other countries. The declaration was also signed by other countries including the UK, the US and Canada.¹⁸ France and Ireland even joined the Beyond Oil and Gas Alliance (BOGA) that was launched by Denmark and Costa Rica. They committed to end new concessions or licensing for oil and gas production and exploration and agreed to set a date for ending production in their territories. So far, the alliance does not include any major oil and gas producer.¹⁹ China promised to halt investments abroad into coal and is also a big exporter of renewables technologies. In short, the transition away from fossil fuels is picking up speed and the question is how the EU can help others to engage proactively.

11 Gniewomir Flis & Matthias Deutsch, *12 Insights on Hydrogen*, (Berlin: Agora Industry, November 2021): 33.

12 Alex Clark, Susi Dennison & Mats Engström, "Climate of cooperation: How the EU can help deliver a green grand bargain", *European Council on Foreign Relations*, October 27, 2021: 15.

13 UN Climate Change Conference, "Political Declaration on the Just Energy Transition in South Africa", November 2, 2021; Jeff Mason, Andrea Shalal and Emma Rumney, "South Africa to get \$8.5 bln from U.S., EU and UK to speed up shift from coal", *Reuters Environment*, November 2, 2021.

14 European Commission, "Initiative for coal regions in transition in the Western Balkans and Ukraine", February 15, 2021.

15 Council of the European Union, "Council conclusions on Climate and Energy Diplomacy...": 7.

16 European Commission, "Annex to the Communication on An Economic and Investment Plan for the Western Balkans", Communication (2020) 641, October 6, 2020: 2-3.

17 Kira Taylor, "Not quite over yet: EIB spent €890 million on fossil gas since phase out, activists say", *Euractiv*, March 4, 2021.

18 UN Climate Change Conference UK 2021, "Global coal to clean power transition statement", November 4, 2021.

19 Beyond Oil and Gas Alliance, "Who We Are", accessed November 15, 2021.

Available Instruments to support green energy transition in other countries

The EU has had a long-standing climate diplomacy strategy, aimed at catalysing international climate commitments, in addition to substantial mechanisms for climate financing, adding over €23 billion in 2019.²⁰ Now, more needs to be done to link this to its green energy diplomacy ambitions. Another challenge is to increase the synergy among EU member states, and to expand their contributions. For this, the EU has developed a new brand, the Team Europe approach, which aims to streamline and coordinate efforts between member states and financial institutions to deliver greater efficacy in EU spending. This was already used in some areas, such as climate diplomacy, to present a more united front. The EU, its member states and financial institutions, including the EIB and the EBRD, can launch Team Europe Initiatives (TEIs) to partner with third countries on flagship projects.

So far, the majority of TEIs are already focused on advancing the external dimension of the EU Green Deal. For instance, in November 2021, the EU launched a Green TEI with the Association of Southeast Asian Nations (ASEAN), to strengthen cooperation on a clean energy transition, amongst other areas. The EU pledged a €30 million grant from the EU budget to implement this TEI which will be complemented with funding from other Team Europe partners, which are yet to be defined. This seems one of the problems with the Team Europe approach, namely that it is not clear to what extent EU member states are really committed, and whether TEIs can engage others outside of the “usual suspect” member states, which already have their own programmes in place, such as Germany with its development agency, Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ).

Moreover, it is not always clear what the EU itself can bring – beyond coordination –, since most of its own instruments are accompanied with clear objectives and might be too rigid to adapt to different target countries, communities and industries.

Here we collate and review some of the financial and technical support instruments the EU could consider using more extensively to develop a more proactive EU green energy diplomacy.

Financial Support and Technical Assistance

The **Neighbourhood, Development and International Cooperation Instrument (NDICI – Global Europe Instrument)** is the new financing tool designed to cover the vast majority of the EU’s external spending for 2021–2027.²¹ At least 30% of the almost €80 billion must be spent on climate-related activities, as well as meeting commitments stemming from the Paris Agreement to eliminate fossil-fuel -related investments. The topic of sustainable energy aims to honour the EU’s commitment to Sustainable Development Goal 7 and is part of the ‘Global Challenges’ envelope (allocation is €2.73 billion). Sustainable energy is also included within the geographical focus of NDICI, where the promotion of mini-grid and software solutions are mentioned. NDICI also expresses the need for ‘universal access’ to energy.

NDICI combines not just financial, but also technical support, such as **twining projects**, which link a country’s operational climate and energy needs to public sector expertise in the EU, mainly through on-the-ground interactions.²² Twining is currently only possible for EU’s accession, neighbourhood and low-income countries. The same is the case for the EU’s **Global Technical Assistance Facility (EU GTAF) for Sustainable Energy**. This is a

20 Council of the European Union, “[Council conclusions on climate finance \(5 October 2021\)](#)”, 12203/21, October 5, 2021.

21 European Parliament & Council of European Union, “[Establishing the Neighbourhood, Development and International Cooperation Instrument – Global Europe](#)”, Regulation 2021/947, June 9, 2021.

22 NDICI – Global Europe Regulation, 2021: 33.

programme of €31 million designed to support the strengthening of regulatory frameworks, creating local/community buy-in and policy reform around integrating green energy solutions into external countries.²³

There are two other programs with a global reach but are confined to only supporting outreach and policymaking.

NDC Partnerships help countries develop their own Nationally Determined Contributions to reduce greenhouse gas emissions, in line with the Paris Agreement. The EU's programme – **Strategic Partnerships for the Implementation of the Paris Agreement (SPIPA)** – supports national planning to not just reduce dependency on fossil fuels but achieve emissions reductions through supporting the increased use of other renewable energies such as green hydrogen.

Finally, **Global Gateway** loans are a newly proposed financial mechanism to fund green energy infrastructure and transportation investments in third countries. They build on the 2018 **EU-Asia Connectivity Strategy**, which prioritises third country infrastructure investments such as offshore wind farms, raw material value chains and renewable hydrogen production. They also replace other pre-existing programmes such as Power Africa and the Africa-EU Green Energy Initiative. Hence, they combine the EU's objectives to support green infrastructure with a political aim to offer an alternative to Chinese Belt & Road Initiative (BRI) loans. Cooperation is sought with the 'Build Back Better World' global infrastructure initiative set out by US President Joe Biden. Through a Team Europe approach, the loans will leverage investment from and through many sources such as the EIB, EBRD and directly from NDICI (€135 billion).

To facilitate private investments, the EU aims to set-up a new **European Export Credit Facility**, helping facilitate greater liquidity for European companies investing in green

infrastructure projects abroad. The EU's total spending commitment for this instrument is up to €300 billion by 2027. In comparison, the BRI is estimated to spend in excess of \$1 trillion in the next decade, but at least more of an alternative is being offered.²⁴

Standard Setting

The EU is also catalysing the low carbon transition with an array of product standards, such as energy efficiency standards for appliances and eco-design requirements. One significant standardisation effort is the **Taxonomy Regulation**, which identifies a list of sustainable activities that 'Do No Significant Harm' (DNSH) to the environment.²⁵ This allows investors to clearly identify which investments truly are sustainable and disincentivises investment toward environmentally negative industries or activities. Energy-related investments are divided into 'enabling' and 'transition' activities, meaning they either help achieve climate-neutrality or are fuels/technologies that contribute to carbon emissions, but that are considered necessary for economic stability. Additional taxonomy standards are expected by 31st December 2021, and it is still debated whether nuclear energy and natural gas will receive a "green" label. The taxonomy could be used to specify which investments abroad can be considered unsustainable and will apply for instance to the **EU Green Bond Standard**, a debt-financing instrument used to fund projects that have a net positive climate impact.²⁶

23 European Commission, "[The EU Global Technical Assistance Facility for Sustainable Energy \(EU GTAF\)](#)", December 22, 2020.

24 European Commission & High Representative of the Union for Foreign Affairs and Security Policy, "[The Global Gateway](#)", Joint Communication (2021) 30, December 1, 2021; Mario Esteban & Ugo Arminini, "[The EU-Japan connectivity partnership: a sustainable initiative awaiting materialisation](#)", *Elcano Royal Institute* ARI 12/2020, February 4, 2020: 5.

25 European Parliament & Council of European Union, "[Establishment of a framework to facilitate sustainable investment](#)", Regulation 2020/852, June 18, 2020.

26 EU Technical Expert Group on Sustainable Finance, "[Report on EU Green Bond Standard](#)", (Brussels: EU TEG, June 2019): 35

Research, Technology and Transition Partnerships (Industrial Policy)

The EU also runs several specific programmes, consortiums and alliances dedicated to specific renewable energies and raw materials. To reduce its resource dependencies, the EU is setting up **strategic partnerships on raw materials** with resource-rich countries, such as Canada and Ukraine.²⁷ The **European Raw Materials Alliance (ERMA) and European Battery Alliance (EBA)** link research institutes and private corporations, with the ambition of creating wholly European integrated value chains. This is also the principle aim of the **European Clean Hydrogen Alliance**. It supplements the **Clean Hydrogen Partnership, housed within the Horizon programme** that targets technological innovations to improve the value chain from non-EU regions. They are connected to the **EU's Hydrogen Strategy** that aims to engage third parties to develop internal EU hydrogen production. The EU's aims for having 40GW electrolyser capacity by 2030 produced at home and in the Southern/Eastern neighbourhoods.²⁸

Towards a green EU energy diplomacy

The EU and the world are transitioning towards cleaner energy sources. The question is what the EU can do to accelerate the transition in third countries and at the same time safeguard its own position on green energy technologies, and the scarce materials they need. The following recommendations could be considered:

- Identify specific countries that the EU considers vital to support in terms of the transition; this could be based on geography, geopolitical importance, emissions and strength of governance and institutions to cope with a transition. Acknowledge that for green energy diplomacy, middle-income countries might be most in need of support, since several of them have both high fossil energy production and consumption.
- Articulate how the 30% NDICI spending on climate activities relates to its provisions on sustainable energy, as well as how the newly proposed 'Global Gateway' loans will overlap with facilitating energy transitions.
- Further explore the Team Europe approach as part of EU green energy diplomacy. Invite EU member states and their financial institutions to submit proposals for what they can offer to support the EU's green energy diplomacy efforts.
- Target TEIs to support green energy transition as well as the phase-out of fossil fuels. The participation or lead of members states in the design and implementation of TEIs should be encouraged to accelerate efforts and increase EU visibility as a green leader.
- Step up technical support for identified target countries to integrate renewable energy sources into grid infrastructure. A potential avenue could be through the 'Green Grids Initiative': a proposal from COP 26 to create super-continental electrical grids, linking coasts and interiors, providing reliable electricity from regional, less volatile sources.
- Bilaterally engage with gas and oil exporters to find suitable alternatives to fossil fuels and include the external impact of the EU transitioning to a low-carbon economy into targeted communication and outreach activities in third countries. It is of particular importance to enter into dialogue regarding the implications of CBAM, the Taxonomy Regulation and other standard-setting efforts (e.g. on green hydrogen).
- Consider expanding the participation of entities from various target countries within forums of the EU that are based

27 European Commission, "[EU and Ukraine kick-start strategic partnership on raw materials](#)", July 13, 2021; European Commission, "[EU and Canada set up a strategic partnership on raw materials](#)", June 21, 2021.

28 European Commission, "[A Hydrogen Strategy for a Climate-Neutral Europe](#)", Communication (2020) 301, July 8, 2020: 2; Mathieu Pollet, "[Explainer: Why is the EU Commission betting on hydrogen for a cleaner future?](#)", *euronews*, July 7, 2020.







on technical cooperation such as the European Battery Alliance, European Raw Materials Alliance and European Clean Hydrogen Alliance.

- Accelerate financing and support for green hydrogen development in third countries, specifically in countries with high potential for renewable energy and low-cost establishment of the necessary infrastructure, as well as working with third countries on storage and transmission technologies.
- Consider expanding the eligibility for twinning projects in the field of energy beyond accession and neighbourhood countries.
- Build on the 'Initiative for coal regions in transition in the Western Balkans and Ukraine', as well as the International Just Transition Energy Partnership with South-Africa and expand its scope of action to also support countries phasing out oil and gas as principal sources of energy.
- Consider signing and devising an operational strategy for the implementation of the BOGA Declaration, as well as fully committing to the phaseout of oil and gas. An EU commitment to phase out oil and gas could send an important signal internationally and help bring more countries into the alliance to promote a global phaseout of fossil fuels.

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