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The Interrelationship between Energy and Geopolitics from a European Perspective

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On September 17–18, a conference titled "Expert Talks on Energy Market Development and Geopolitics" was held in Berlin. The event was organized by the German think tank Stiftung Wissenschaft und Politik (SWP), also known in English as the German Institute for International and Security Affairs. Approximately 70 participants (registered) attended, including government officials, energy industry representatives, and researchers, mainly from Berlin and other parts of Germany, and engaged in lively discussions under the Chatham House Rule.

As the title suggests, the conference focused on the relationship between international energy markets and geopolitics, with six sessions covering the following perspectives: (1) the overall international energy situation, (2) the impact of the Trump administration on the international energy landscape, (3) Trump 2.0 and EU energy and climate change policy, (4) EU gas supply security issues, (5) energy geopolitics in Asia and the Middle East, and (6) infrastructure, cyber issues, and energy resilience. While most participants were from Germany, there were also many from other European countries, as well as some from the United States and Asia. In this sense, it was a valuable opportunity to gain insight into the concerns of Germany and Europe regarding the interrelationship between energy and geopolitics. Below, I will summarize my impressions of the key points of the conference.

First, I would like to point out that I was struck by the impression that Europe is in an extremely difficult and uncertain situation, and that those involved in the energy sector in Europe are uniformly struggling with this reality. European energy policy officials who attended the conference all emphasized the importance of maintaining a vision for the future that Europe should aim for. This includes climate change policy goals such as achieving carbon neutrality by 2050, reducing GHG emissions by 90% by 2040, and energy security policies such as eliminating dependence on Russian fossil fuels by 2027. The implementation of industrial policies consistent with strengthened climate change policies, as well as the full-scale introduction of the Carbon Border Adjustment Mechanism (CBAM), which can also be seen as part of this, are similarly important. The "ideal" that Europe should pursue is extremely important, and the stance is that efforts should be made to achieve it.

However, at the same time, many European participants at this conference expressed the view that, while the pursuit of ideals is important, Europe should also face the realities it is now confronted with. With income distribution becoming more unequal and social divisions deepening, and with populist trends rising in society, it is becoming increasingly difficult in Europe (as elsewhere in the world) to accept rising energy and living costs. In this context, some pointed out that the momentum that once existed in Europe to promote the energy transition is being lost.

Related to this, I also got the impression that Europe is facing a difficult reality regarding the issue of how to align climate change policy with industrial policy. Since the energy price surge following the Ukraine crisis, industrial activity has visibly declined in Germany and elsewhere in Europe, and the industrial sector is concerned that further cost increases due to the energy transition could worsen this situation.

One powerful way to successfully implement the energy transition while curbing energy cost increases and maintaining industrial competitiveness is to choose the most cost-competitive options for the energy transition. However, at present, choosing such options would mean deepening dependence on China's dominance in clean energy manufacturing capacity and critical minerals. Having experienced the risks of over-reliance on specific countries for strategic materials during past oil crises and, more recently, the Ukraine crisis, Europe finds it extremely difficult to make decisions regarding this choice.

It is also an undeniable fact that a key element of energy geopolitics surrounding Europe is its relationship with the United States. European energy officials are keenly aware that the US has had a significant impact on European energy geopolitics in relation to the Ukraine crisis and the Russia issue, and that this situation is likely to continue under the Trump administration. By mobilizing all possible measures, including the large-scale import of flexible US LNG, Europe overcame the gas crisis of 2022. The dominance of US energy played a crucial positive role for Europe. Currently, regarding the ceasefire and peace issues in the war between Russia and Ukraine, President Trump has suggested the possibility of strengthening energy sanctions against Russia. Europe, too, has indicated its intention to accelerate the move away from Russian fossil fuels to increase pressure on Russia.

These policies could become a "double-edged sword" for the US and Europe, potentially leading to higher oil and gas prices unless alternative supplies to the international market are secured. Especially for Europe, many believe that US LNG, which is expected to increase significantly in the future, will play an important role as an alternative supply source for the move away from Russian gas. This is a clear example of the significant presence of the US in European energy geopolitics regarding the Ukraine issue.

Another noteworthy point regarding the US presence in European energy geopolitics is that President Trump's policies have created a linkage between tariff issues and energy issues. In negotiations with the US, the EU has announced its intention to implement large-scale imports of energy, including LNG, from the US in exchange for tariff reductions. In reality, there are various challenges and uncertainties regarding how much US LNG Europe will actually purchase. However, in the discussions at this conference, it was interesting to note that there was a sense of awareness about how US LNG and energy are being used as "leverage" in negotiations over tariff issues and how US LNG should be positioned in future energy choices.

The relationship between Europe and Russia goes beyond energy geopolitics and is itself a security and geopolitical issue for Europe. Although there was no direct discussion at this conference regarding the ceasefire and peace issues in the war between Russia and Ukraine, it goes without saying that the outcome of this conflict will have extremely broad and significant impacts on Europe. The outcome of this war could determine the role of Russian energy in European energy market in the future, making it a direct issue of energy geopolitics. Furthermore, and even more importantly, this war is having a decisive impact on Europe's security issues. Regardless of the relationship with the Trump administration, it is certain that Europe will move to fundamentally strengthen its security with Russia in mind. Strengthening security as the highest priority will require enormous costs, imposing new burdens on Europe. The increase in these burdens could have both positive and negative effects on the promotion of other important policies, such as the need to reduce necessary expenditures. This, in turn, could have secondary effects on Europe's energy and climate change policies.

The discussions on energy and geopolitics in Europe this time were extremely interesting in considering Japan's own issues. For Japan as well, it is important to learn lessons from Europe in addressing the gap between ideals and reality and in considering energy geopolitics with the US, China, and Russia.

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