

# **Changing priorities on ‘climate action’ and energy policy in Europe as they have emerged during 2014**

*A strategic assessment*

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## SUMMARY

### *Overview*

1. 2014 was a time of unusual and comprehensive flux in European affairs. It saw the abrupt end of the post-soviet era 1991-2014. It therefore concluded the period since 1989, and especially since the late 1990s, when all current European 'climate action' policies were conceived and formed. We are in a different age now. The evidence today is that much is now different both from what was the case in January 2014 and from what official statements are still saying. ***Nothing in the period 1989-2014 should be assumed to predict either in general or in detail what will happen in 2015 onwards.*** This means that the Paris 2015 UNFCCC meeting will occur in circumstances and under public and political priorities that are quite different from those which the moving circus of its professional governmental and NGO activist participants assume, as the failure to find a workable consensus at the Lima COP20, already showed.

2. This flux arose in part from domestic political changes. Prominent was arrival of a new President of the European Commission. Mr Juncker was appointed in a new way by interposition of the European Parliament: it superceded the powers of the nations. A radical change from previous priorities and procedures has occurred with the Juncker Commission. It remains to be seen if Mr Juncker will be removed from his new office because of allegedly corrupt practices in Luxembourg while he was Prime Minister; but the direction of his Commission is increasingly clear and may continue even without him.

3. Volatility occurred also because of global events. Some are the result of past errors by Europeans but now beyond their direct control; some are fall-out from the bitter civil wars fracturing the Muslim 'umma. Respectively, these relate to Russia's return to open hostility following the annexation of Crimea on 21 March and to naked contests of force in energy geo-politics as a result of Saudi action from September to squeeze higher cost oil producers (Iran and Russia in that order) and to protect OPEC market share by depressing the oil price. By the end of December, oil prices had halved and have dipped to below \$60 bbl. This is the eighth slump in oil price of more than 30% in the last thirty years. The 'peak oil' rhetoric favoured by many 'green' organisations is deflated. Other contextual international events are a consequence of European decisions. Above all these relate to the rolling and deepening crisis of the single European currency. The Greek election result in January 2015 returning a strong anti-

austerity government opens what many expect to be the beginning of the end-game for the single currency. The Euro weakens still.

4. Facing 2015, Germany, Spain, France and the UK are the pivotal European states on climate and energy issues, each for different reasons; and there are uncertainties about how events will unfold in each. But in two other groups of states - in Scandinavia and the eastern rim - matters seem more predictable. The report identifies underlying trends and discusses forthcoming potential trigger-points to provide a secure foundation for assessing future events.

*In a little more detail...*

5. There are two background special factors that make assessment of EU politics complicated: the imbalance between its ambition and its power and the refusal to recognise openly the consistent record of failure in the declared objectives of EU 'climate action' policy to deliver the predicted results. These explain the deeper reasons why success is inherently unlikely in the future even if the policies were applied as intended, which they were not and are not.

6. The evidence supporting that judgement is in the three centre-pieces of EU 'climate action' policy of the last two decades each of which is reviewed in detail: attempts at carbon trading have failed; 'green growth' promised and predicted has failed to materialise – and these two policies have contradicted each other – and the series of declared 'climate action' policies (20:20:20; 2030) have been subtly changing in unacknowledged concession of failure. Notably, the ambition to impose 'binding legislation' on sovereign nations has been quietly side-lined in the 2030 'climate action' policy adopted in October 2014.

7. It is broadly a copy of the NAMA tactic that has been followed in the UNFCCC conferences since the Durban COP and it is already plain that NAMA (now called INDT) will be the strategy for Paris following the predictable failure of the Lima COP20 to change the established pattern of these conferences ("deadlock"; extra time; "breakthrough"; toothless 'Saviour Document')

8. However, the return of open hostility in relations with the Russian Federation and with its autocratic president in particular, and the Saudi reprise of the September 1985 tactic to regain control of world oil markets have catapulted energy security issues to the top of the EU and national European agenda.

9. The decisive Republican victories in the mid-term elections of November have consigned President Obama to 'lame duck' status. Lacking democratic mandate via Congress will further impede his attempts to force domestic 'climate action' by executive order. As he strives to secure some sort of legacy from his presidency, his inept concessions to China – which conceded nothing of importance whereas Obama promised much – followed by his reckless speech in Brisbane on 14 November, insulting the Australian Government at the time of the G-20, has further weakened his international standing and commensurately strengthened that of China and India (as became plain at the Lima COP20) as well as further stiffening Congressional opposition to his initiatives, including his recent priority to international 'climate action' matters. Obama's Australian speech also poses Japan with difficult choices about friends at a time when its own renewables policies, notably extravagant FIT for solar, is in turmoil, its thermal coal and LPG imports rising and its economy falling back into recession.

10. Closely related because of its world-wide ramifications is the on-going energy-geopolitical civil war between Muslims in the Middle East. Saudi Arabia, supported quietly by Egypt, Jordan (and Israel), are on the one side. A motley combination of Islamists stands on the other. There is Iran (running Hezbollah and, with help from Putin, Assad). There is the Muslim Brotherhood and allies (Qatar, Turkey, Hamas). There are the Da'esh (ISIL) and Al Qaeda (sometimes fighting each other, sometimes not). At the moment, the Iranian pursuit of the nuclear weapon is the epicentre of danger to the whole post 1945 world order as well as the region. But intellectually weak geo-political analysis in Washington and Europe means that the fact that (for the moment), the Iranians also fight our enemies, the Da'esh, makes them seem to be our friends. This has given credence to a P5+1 process which looks likely to produce the worst outcome, namely a leaky and vague diplomatic instrument that cannot prevent breakout. If that happens, all bets for global security are off – which is another subject.

11. In light of all the above, how should we interpret the radical moves by the incoming Juncker Commission? It is plain on the face of the facts that the new Commission has returned to more traditional priorities. The escalating Eurozone crisis, the renewed Cold War with Russia and European energy security are the top priorities. 'Climate action' has been swiftly relegated to a low priority despite any statements or appearances to the contrary. Ms Connie Hedegaard and the 'Climate Action' DG have disappeared. On the record of

actions, ‘Climate Action’ is very much the junior issue in Commissioner Miguel Arias Cañete’s portfolio. The concerted ‘Green’ opposition to his appointment was simply swept aside.

12. The current international scene is so full of tensions and contradictions that no firm predictions about what may happen in particular countries can be made except the likelihood that formally declared policies are not likely to translate into what they intend. The report therefore responds to the nature of events by offering a deeper sort of analysis. It highlights the forces that are important in assessing national directions in three groups of European states. Particular attention is paid to various national positions on nuclear power in the energy mix.

13. Paradoxically, the more reliable political and business opportunities to advance the agenda of innovating clean and affordable energy for all (as spelled out in *The Vital Spark* in 2013) probably lie outside the countries which have been core enthusiasts for ‘climate action’ in the past and they do not lie in revolutionary but in evolutionary energy technologies, and not in a principal preoccupation with decarbonisation.

13. Emerging difficulties in the German economy as a result of its *energiewende* policies; the implications of the hollowing out of Spanish democracy – accelerated by the Syriza victory in Greece; increasingly firm resistance to EU ‘climate action’ and energy policies in Poland; the consistent priority of geo-political over ‘climate action’ priorities in the Czech Republic and Slovakia; crisis in the British energy market at a time of historic uncertainty in British politics and problems in the previously stable environment of the French nuclear industry at a time of crisis in French politics are particular points to note.

14. The report is silent on recent developments in Japan but was written on the assumption that Prime Minister Abe was likely to obtain a renewed mandate in the snap election in December (as in fact occurred) and that, broadly as has happened in Europe, Japan’s return to recession will probably reduce the political appetite for gesture ‘climate action’ policies and increase the interest in reliable if less flamboyant practical export opportunities as well as restoration of least-cost energy and energy security of supply. The firm response of some Japanese power companies by refusing to destabilise their grids with uncontrolled subsidy-driven solar electricity surges and METI’s reported resistance to German levels of deployment subsidy via feed-in tariff

which have exacerbated this additional energy problem for Japan, supports that view.

### 15. Key findings

- Structural and policy priorities have been radically changed at the EU.
- Russia, Russian challenge to the European security order, energy security and the Eurozone crisis are the top issues
- ‘Climate action’ has been rapidly demoted to a low priority
- The 2030 EU ‘Climate Action’ plan was adopted but is unenforceable
- The fall in oil and gas prices has destroyed the business cases based on ‘Peak Oil’ assumptions for much unconventional energy investment. It undermines many national energy plans in Europe (eg the UK DECC; the Scottish Nationalists; the German *energiewende* above all).
- Subsidy and system management costs for uncontrollable generators (wind and solar) are rocketing and face consumer price backlash in UK
- But Germany is the key pivot state in the 2014-15 European crisis although there is more uncertainty about political dynamics in core enthusiast states than in the Scandinavian and eastern European periphery
- The *energiewende* experiment is poisoning the German economy but will continue. Germans probably have the highest public tolerance for cost
- The Eurozone crisis, and social stress in southern Europe, will probably dominate European politics in early 2015. A hollowing out of democracy is occurring across Europe, North and South, with profound implications
- The need for security of supply will continue to trump ‘climate action’ in eastern Europe. Poland and the Czech Republic led the successful neutering of the EU 2030 ‘climate action’ policy in October.
- The influence of Denmark and of environmental NGOs on EU affairs waned in 2014 and does not look likely to revive to 2000s levels. To their very public fury, the structural changes in EU procedures have locked environmental NGOs out of their previously privileged access to policy-shaping.