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EUROPEAN PARLIAMENT

COMMITTEE ON FOREIGN AFFAIRS

PUBLIC HEARING

***Towards a common European foreign
policy on energy?***

28 February 2007

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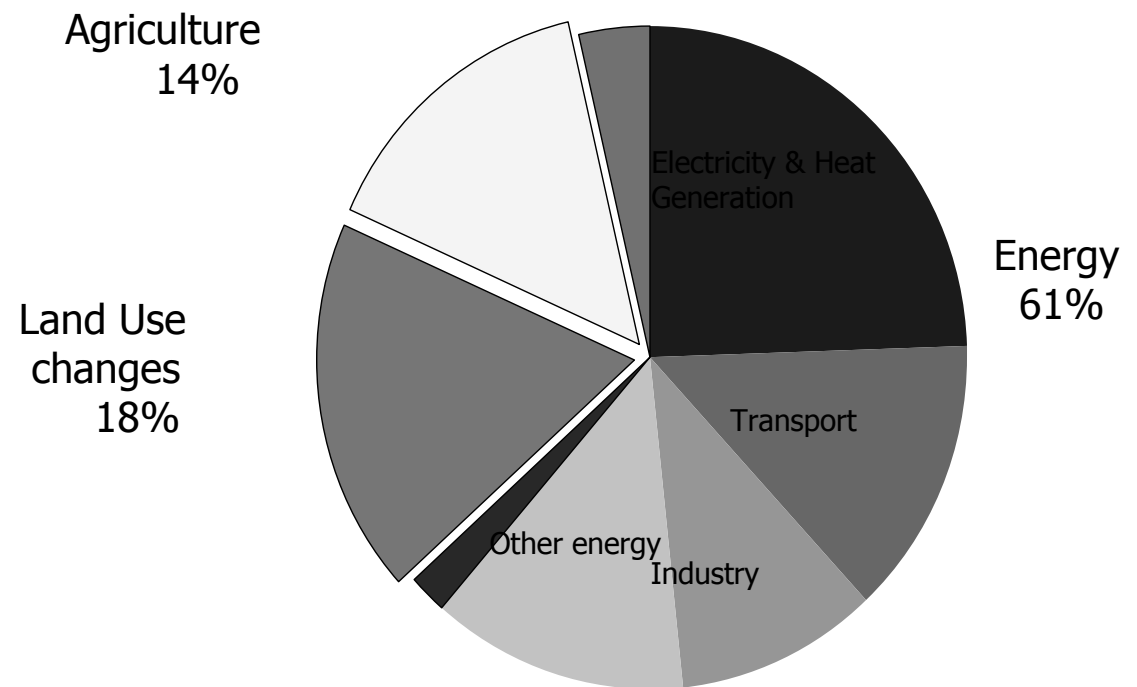
Director Climate and Energy Security

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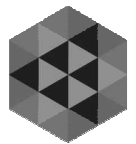
Energy and climate are two sides of the same coin

- IPCC AR4 confirms that human activity associated with energy use is inducing climate change.
- This means that the energy policy choices we make determine the design of our climate policy

Sources of GHG



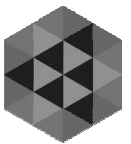
BAU energy use fuelling an unstable climate will have foreign security implications that increasingly undermine global security and prosperity



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- Global economic damage
- Environmental stress
- Conflicts, Erosion of Human Rights & Democracy
- Migratory stress

Global economic damage



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- 2005 saw the highest global financial losses due to weather-related disorders costs to be borne by the world's economies exceeding US\$185bn
- Weather disasters could cost as much as a trillion dollars in a single year by 2040
- Stern's economics of climate change:
 - Costs are higher than previously expected
 - 5% to 20% reduction in consumption per head, now and into the future

Sources: Munich Re, UN Conference Nairobi November 2007, Stern Report 2006.

Environmental stress



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- Access to water: Under Business as usual assumptions, 2 out of 3 persons will live in water-stressed conditions by the year 2025
- Food security: Studies suggest that temperature rises of just 2-3 degrees will see crop yields in Africa, the Middle East and South Asia fall by as much as 30 to 40 per cent. It's a similar story in China.
- Energy security – vital not just for keeping the economies of the developed world running but also – crucially – for giving the developing world the means to lift itself out of poverty. An increase in the frequency and severity of extreme weather events will threaten port and energy infrastructures across the world. Danger of increased instability in key producing regions like the Middle East.

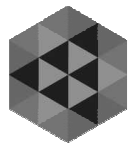
Conflicts, Erosion of Human Rights & Democracy (1)



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- The French Revolution: 6 consecutive years of extreme weather events leading to poor harvests and starvation in France contributed to the discontent that resulted in the 1789 Revolution (Brauch, 2002).
- Rwanda - the conflict originally began as Hutu on Hutu violence over shortage of viable agricultural land (an issue which will be exacerbated by climate change), but political and ethnic differences took over (Pons-Vignon & Lecomte, 2004).
- Sudan - long periods of drought that resulted in increased and widespread poverty have been identified among the various drivers of the events in Sudan's Northern Darfur State. These ecological changes (an extended period of drought) compelled the nomads to immigrate southwards in search of water and herding ground, which resulted in conflict with sedentary tribes (PCRU, 2006). *N.B however there is a risk that climate change might be used as an excuse for this conflict when in fact poor governance and other issues are clearly key exacerbating factors.
- In Haiti, loss of forests and subsequent soil erosion has led the rural population to flee to cities. Dispossessed agricultural workers were the main instigators of violence when the Duvalier regime collapsed (Homer-Dixon, 1994).
- In Bangladesh, flooding in 1974 killed 300,000 and caused social upheaval leading to the overthrow of the President. This occurred even though government knew of the threat (flooding occurs annually) and had contingency plans (Myers, 1996).

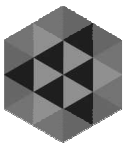
Conflicts, Erosion of Human Rights & Democracy (2)



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- Competition for resources, both between and within countries, is likely to rise in an increasingly resource-constrained world
- This will lead to a growing temptation for countries to secure access to resources at any cost, and increase financial flows to totalitarian regimes e.g. China in Angola, Sudan, Burma etc
- This may increase the 'resource curse' whereby resource-endowed countries, particularly those enjoying oil and mineral resources, are more prone to economic stagnation or decline, regime instability and financing of conflicts
- The continued pursuit of resources regardless of its impact on democracy and human rights would risk a breakdown in the multilateral system and the rise of hard power competition between new 'great powers'

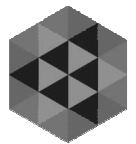
Migratory stress



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- Climate change may create up to 50 million 'environmental' refugees by the end of the decade, mainly in Sub-Saharan Africa but also in Asia and India
- One study suggests that a sea-level rise of just 50 centimeters – half the most optimistic estimates – will displace two million people from the Nile Delta. A one meter rise will displace 25 million in Bangladesh.
- Environmental degradation is already driving economic migration out of sub-Saharan Africa and onto Europe's shores.

European foreign policy agenda is therefore highly dependent on the EU policy to tackle climate change, i.e. EU energy policy



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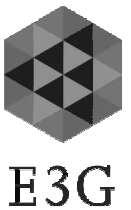
- Things highest on the European agenda include:
 - strong borders,
 - poverty reduction,
 - the risks of conflict and international terrorism,
 - energy security
- Risks in all these areas will be amplified by climatic impacts
- If Europe can get the response right to climate change through adequate energy policy, its ability to deal with all of these foreign policy issues is enhanced. If the response is missing, Europe's efforts across the board will be undermined.

Opportunities for achieving climate and energy security



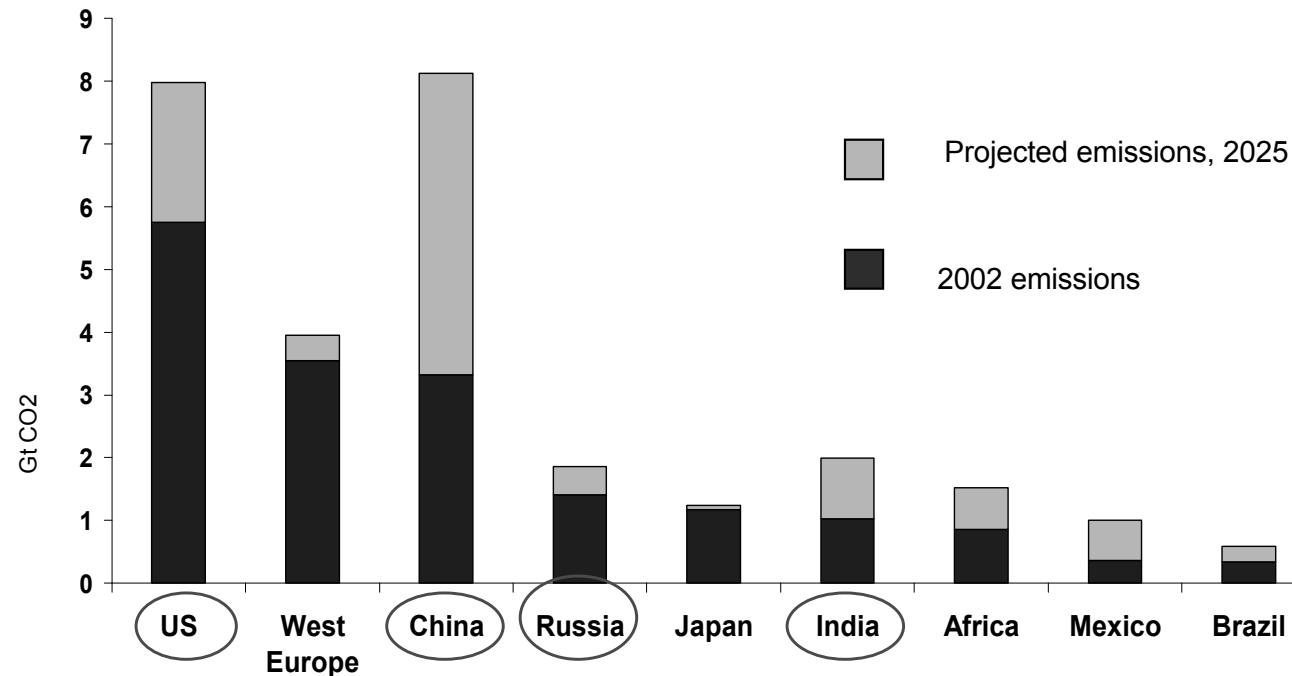
- * Work to stay below 2 degrees to avoid the instability of climate impacts
 - Reduce demand – massive potential
 - Diversify supply - renewables
 - Make coal climate compatible if you want it to be part of the future
 - Carbon capture and storage
 - Especially important when look at projections – and Coal to Liquid trends

Agree on an internal energy policy



- Strategic Energy Review's Integrated climate and energy package is the right way to go
 - 20% by 2020 unilateral GHG emissions,
 - - 30% in cooperation with others
 - 20% energy efficiency by 2020
 - 20% by 2020 mandatory renewables target
 - Significant steps to a near zero emission power sector – carbon capture and storage

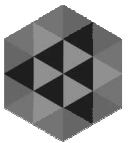
Unilateral action by Europe would only have a marginal impact: Cooperation is critical to address the energy and climate challenge



- Europe's relative global energy use footprint and climate emissions are projected to decrease in comparison with those of developing countries so European action alone cannot reverse global trends
- International action is required to maintain the conditions for energy and climate security that underpin prosperity and stability
- A common European foreign energy (/climate) policy needs to engage with key countries: US, China, India and Russia

Source: World Resources Institute CAIT Energy Information Administration Reference Scenario, Energy emissions only

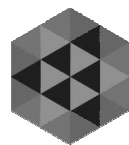
The example of China: opportunity for EU soft power



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- Europe and China are currently each other's second largest trading partners. They are predicted to become each other's leading trading partners in the near future.
- China (including Hong Kong) receives the major part of of the FDI (Foreign Direct Investment) made by EU companies to Far East Asia – 72% of the total inflow.
- Europe is the world largest market while China is the world fastest growing economy
- A common foreign policy strategy in Europe would allow the EU to reap the benefits of its economic weight and works towards greater Chinese involvement in the multilateral response to climate change.

Opportunity to engage: China's rapid economic growth is placing constraints on its ability to produce the clean energy it needs for continued economic growth



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- In 2005, China commissioned 66 GW of new power plants, of which 48 GW was coal-fired. It is expected to be the largest GHG emitter by 2025
- China is forecast to experience 590,000 premature deaths per year from 2001-2020 due to urban air pollution primarily arising from the transportation and power sectors, nearly 30 times that of market economies
- China's thirst for energy and resources endangers world stability and finances repressive leaders. If competition intensifies China may be tempted to follow a hard power approach to international affairs
- However, Chinese officials are conscious of these threats and willing to move towards cleaner energy sources:
 - China's Renewable Law which came into force on 1 January 2006 seeks to increase the share of renewable energy in China's energy mix to 15% by 2020.
 - The current five year plan aims to improve the country's energy efficiency by 20%. At the end of the five years plan the energy consumption per unit of GDP should be about 20% less.

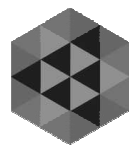
Converging and competitive approaches to China undermine European effectiveness



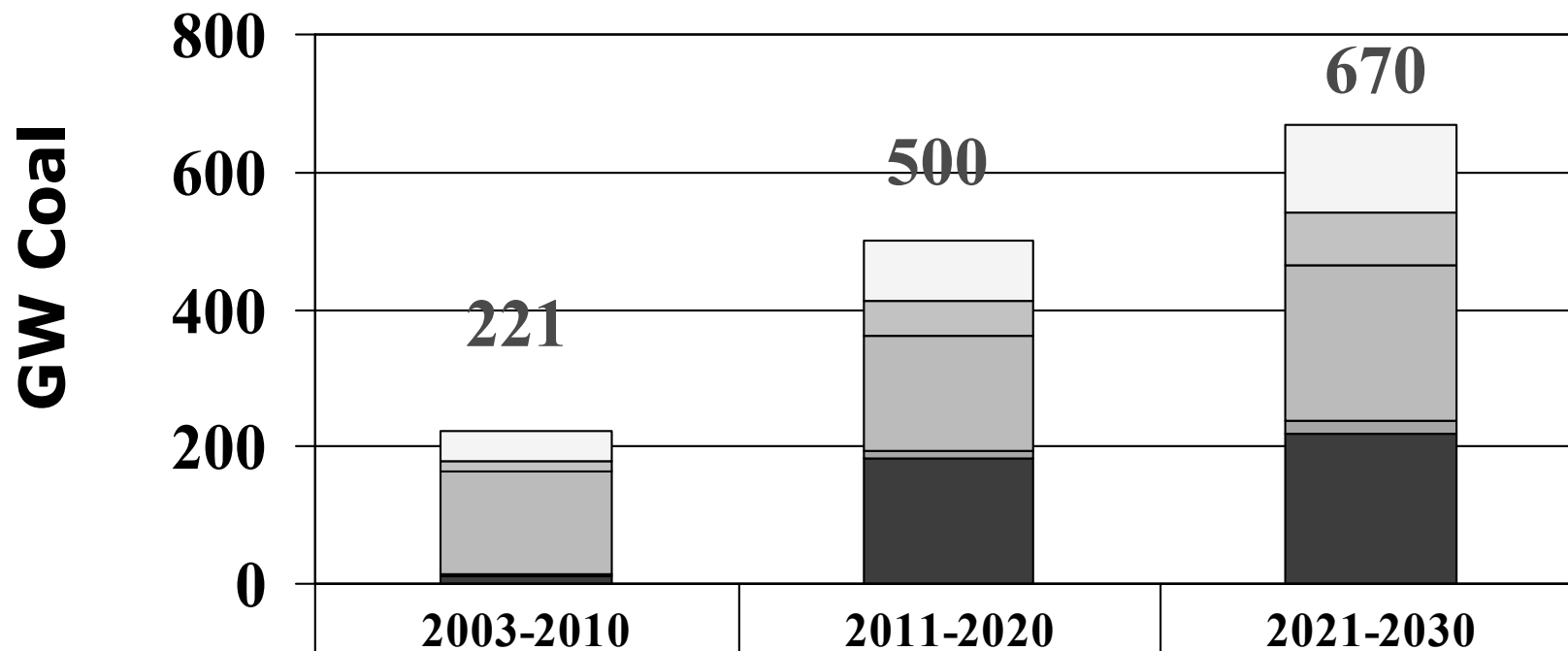
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- Duplication of Programmes and institutions
 - * UK: cooperation agreements: basic research, environmental protection, health, agriculture, meteorology, space and aviation
 - * France: research agreements: science and technology, environmental protection, health, space, nuclear energy, artificial intelligence, coal cleaning and electricity generation with wind power
 - * Germany: cooperation: optical technologies, environmental research, biotechnology, production technology, microsystems technology, marine and earth science and the preservation of cultural heritage.
- Possible pursuit of converging/diverging interests and strategies
- Competition among EU member states
- Missed opportunities to maximise national assets within the EU and maximise transfer of technologies, especially energy technologies.
- Vulnerability towards China's ability to 'pick and choose'

EU energy and climate priority: China is building 1GW new coal every 4 days – need to avoid lock into to coal



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	2003-2010	2011-2020	2021-2030
Other Developing	43	90	128
India	16	48	79
China	150	168	226
Transition	1	11	19
OECD	12	184	218

Source:
IEA,
WEO 2004

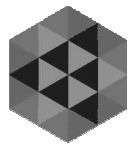
Another example: lack of EU foreign policy towards Russia



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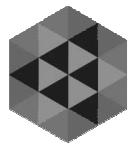
- Unilateral deal: German agreement with Russia on gas pipeline under the Baltic Sea, bypassing Poland
- Unilateral deals disable Europe's capability:
Like Germany, much of Europe is dependent on Russia for most of its oil and gas supplies but Europe won't be able to negotiate as a united block if Germany has already secured its 'special deal'
- Unilateral deals endanger internal cohesion:
Neither the EU nor Poland have been consulted before the agreement was made
- Unilateral deals threaten other member states:
Warsaw is concerned that the pipeline could be used to divert energy away from Poland for political purposes
- Baltic Sea pipeline unambiguously violates the common interests of the European Union and its member states
- An EU foreign policy on energy is essential

What does it mean for the strategic energy review?



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- The first step is the creation of a domestic EU energy strategy. Adopt the package at the Spring Council.
- From there create an Common EU framework with priorities for each consumer and producer nation of importance
- An allied European front will then be able to engage strategically and effectively to "actively pursue Europe's interests" on the international scene with major supplier, consumer and transit countries
- The focus of the external energy policy towards major consumers should be on the development of energy efficiency and clean energy technology, including clean coal technology



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Thank you!

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