

EU RESOURCE STRATEGY: TIME FOR COHERENCE

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Within the context of the “Think Global - Act European” project, *Notre Europe - Jacques Delors Institute* has mobilised a group of 16 European think tanks to explore the ways to attain a more integrated strategy for the EU’s external action. Experts have confronted their analyses in occasion of a series of working seminars (economic interests, strategic resources, migrations, EU neighbourhood and CSDP), organised throughout Europe in October 2012. Policy papers and final report will be available soon.

The second seminar of the project “Think Global - Act European” took place in London at the **Centre for European Reform (CER)** on 18 October 2012. It assembled the members of working group II dedicated to the EU’s climate change, energy, agricultural policies and more broadly the resource challenge.

The debate was shaped by the contributions of the following experts:

- **Sami Andoura**, Senior Research Fellow, *Notre Europe - Jacques Delors Institute*;
- **Annika Ahtonen**, Policy Analyst, *European Policy Centre*;
- **Nadège Chambon**, Senior Research Fellow, *Notre Europe - Jacques Delors Institute*;
- **Gonzalo Escribano**, Director of the Energy Program, *Real Instituto Elcano*;
- **Elvire Fabry**, Senior Research Fellow, *Notre Europe - Jacques Delors Institute*;
- **Lord Chris Haskins**, House of Lords, *UK Parliament*; former chairman of *Northern Foods* and Member of the *CER* advisory board;
- **Clémentine d’Oultremont**, Research Fellow, *Egmont Royal Institute for International Relations*;
- **Stephen Tindale**, Associate Fellow, *Centre for European Reform*.

Discussions were commented by H.E. Mr. **Poul S. Christoffersen**, Denmark ambassador to Belgium, former special advisor to the High representative of the EU for Foreign and Security Policy, former Head of Cabinet of Commissioner Fischer Boel and former Denmark ambassador to the EU.

This synthesis regroups salient points identified throughout the discussions.

Attaining coherence between securitising access to resources, sustainable development objectives and other internal and external European policies shaped the debate as the overarching problematic.

Over the past decade sustainable development has been at the forefront of the international agenda. The EU notably occupied the role of leading norm setter in the field. But June 2012 Rio negotiations have shown that whilst the development of emerging countries deeply impacts the greening of global economy, the fight against climate change will remain based on countries’ voluntary engagement. The economic crisis does not provide a ripe context for great changes of strategy from the world’s leading economies. **With less international influence in this field, the EU thus needs, in the short term, to focus on domestic implementation.** Furthermore, given the present constraining circumstances and its dubious success, the added value of the EU’s overtly normative approach *vis-à-vis* more short term pragmatic means is called into question. These contingencies could provide an opportunity for a strategic repositioning of the EU. The strategy would need to take into account the intrinsically overlapping internal and external dimensions of the resource challenge. The importance of the external dimension of resource management was indeed underlined by the Lisbon treaty as constituting a fundamental objective for the Union. This fact needs to be adequately reflected in EU external policies.

As development progresses, increasing pressure on access to resources must be compensated by changing consumption and production patterns. The EU must manage this transition, considering comprehensively

all resources, means and tools to employ. The need for increased coordination across and within EU internal and external policies must be balanced against the differing margins of manoeuvre that the Union possesses within these two distinct arenas.

1. A necessary set of shared preferences

With sustainability raised as a serious requisite of European patterns of production and consumption, resource management has become a priority. Commitment to the so-called “3x20” targets for sustainable growth is a testament to the EU’s normative engagement. Increasing global competition and the resulting assertive strategies of new economic powers, pressured by ever higher consumption needs, indicate that the EU’s usual legal means may not always be the sole instrument to pursue EU interests. The EU must develop a more comprehensive strategy encompassing political, diplomatic, security and economic tools.

Despite its role as norm setter, the need for a clear, coherent and unique voice for the EU persists. The extent to which each member state has ascribed to the normative principles advocated collectively at the European level is questionable. A sense of commonality and the creation of a set of shared preferences are necessary. The EU has ambitious visions, yet the direction to be taken remains fuzzy.

2. Prioritising actions and identifying the tools

Global contingencies severely limit the area of action for EU policies externally. The priority for the EU thus needs to be refocused on how to make its internal climate policy relevant. The short term calls for the EU to lead by example, in preparation of a medium to long term review of its international strategy in climate change.

2.1. Considering deep internal divisions regarding what exact energy mix to endorse at EU level, there is a need for deeper coordination on energy efficiency and renewable policies.

Germany acting as a case in point refuses both CCS and nuclear energy. The lack of an EU vision on the role of coal is an alarming question mark. The potential of second generation bio-energy is underlined. Whilst these should not count towards renewable targets, unresolved issues such as land exchange call

for strengthened mandatory Europe wide sustainability criteria. Phasing out of nuclear energies and unconventional gas supplies could potentially engender a ‘golden age of gas’, shifting global geopolitical stakes and thwarting the transition towards renewables. Gas could thus serve as a technological bridge towards a green economy. The continued role of gas is inevitable for the foreseeable future although its phasing out is auspicated in the long run. Again, greater Europe-wide regulation is necessary, notably in the case of shale development. The external constraints that the EU faces for the security of gas supply are expected to remain extremely important in the years to come, highlighting the need for the EU to clarify its energy choices. Member states currently negotiate their own gas prices damaging the competitiveness of EU industries. EU energy partnerships with its neighbours are to be actively pursued. The Union’s external policy in the energy field would indeed benefit from better coordination of policy instruments (CFSP, trade agreements, development policy, ENP, strategic partnerships, etc.).

2.2. The necessity of effective market solutions - integrated internal and external markets for energy and pricing systems reflecting the real cost of resources. Both are fundamental.

The ETS commends attention. The EU has set up the largest system of cap and trade. Yet at a price of about 8 €/tonne the ETS is not delivering. Phase III (2013-20) of the ETS proposes a single Europe-wide cap. Presently a carbon floor price is implemented in merely a few member states. Unless the EU acts in coordination, the result will be mere redirection of investments and emissions will not be decreased. Assuming the right price balance can be struck within the ETS, there is an external dimension to the ETS to be considered. The problem of carbon leakage (production shifting to more polluting countries) calls for a border tax solution. This would trigger regulation in third countries and revenues could be returned to the country of origin for green investments. In 2008 the Commission chose a system of free allowances over a border tax. The latter addresses carbon leakage yet does nothing to incentivise energy-intensive industries to implement decarbonisation strategies or encourage non-European industries to do the same. Simultaneously reducing allowances, setting a Europe-wide price floor, at around 30€/tonne, and implementing border tax adjustments would instantly boost ETS efficacy. The prospective of introducing border adjustments should be put back onto the agenda as a priority measure.

The creation of a common energy market is also a priority. More competition, better supervision and adequate regulation along with large investments in infrastructures, strategic interconnections and storage facilities both within and outside the EU are necessary. International agreements and energy partnerships with producer and transit countries need to be negotiated by the EU as a whole. The Nabucco project, for example, is to be commended; it now needs the necessary agreements to be concluded. The EU should align economic, technical and political means to finalise the project in due time.

2.3. Investment policy needs more strategic thinking. The EU lacks a clear and credible regulatory framework for investors. The upcoming EU budget revision offers an opportunity to define more clearly this framework. EU-wide disagreement regarding the cases of GMOs and CCS illustrate the need for a defined and longer term investment strategy at the EU level. Whilst normative stances may contribute to innovation and investment, these need to be distinctly and overtly defined to create a safe environment for investors. Private public partnerships are also paramount; in order to make these attractive to investors a convincing and long term investment plan of action is necessary. The role to be played by savings should be explored. Pension funds today are searching for risk free investments, the potential of linking these to safe investment opportunities should be considered.

2.4. Waste and overconsumption are major obstacles to sustainable development. The EU currently wastes 30% of its food production. Given the normative consensus on the need to reduce waste, this could be a policy area where progress is possible in the shorter term. Being a cost-effective solution it is worth pursuing given the present context of economic austerity. The creation of an integrated market for secondary raw materials both internally and externally, particularly in relation to the southern neighbourhood, is suggested.

2.5. Agriculture is an important area where a change of paradigm is possible. The external dimension of European agriculture is largely approached by only one dimension, that of food aid. The global challenges of food security and environmental commitments are widely under developed. Agriculture can be an effective tool for development strategies, notably so in the neighbourhood. Greater

investment in agriculture in developing countries is desirable. It is particularly relevant to understand global food security and environmental issues as a whole. A unified strategy to encompass these two aspects within a sectorial approach for agriculture is thus proposed. The overarching aim is to be defined as that of increasing efficiency by producing more with less. Considering the diversity and complexity of agro-systems the EU should promote a knowledge-based agricultural policy based on small scale projects. The amelioration of the common agricultural policy's (CAP) environmental practices is commended and the question of demanding the same standards to importers should be elaborated further. Yet the policy remains strikingly at odds with larger development and sustainability aims endorsed by the EU. The opening of the EU agricultural market was mentioned as a means to encourage substantial development in the EU's neighbourhood. Given that the CAP has furthermore provided for diplomatic tensions (e.g. failed agreement with Mercosur), whether this instrument is best serving EU interests is a question to be raised.

2.6. Trade remains essential for the promotion of responsible resource management abroad. Trade policy allows for the promotion of EU interests and sustainable development, the two are deeply inter-linked and must be promoted together. An example is green trade. The past twenty-five years indicate the need for the EU to distance itself from the concept of 'feeding the world' and reorient its policies from aid towards trade. Trade can facilitate efficient resource allocation if the right policies are in place. Given the criticisms often directed at the CAP for encouraging resource intensive production at home, the EU would benefit from promoting energy imports and agriculture from countries where these prove to be more sustainable in the long-run.

2.7. Sustainable goals pursued internally need to be reflected clearly in the EU's external affairs. The EU's resource-dependence and its geographical position make it vulnerable to the broad implications of resource driven-crisis outside its borders. The first step to supporting sustainability externally is ensuring the relevance of the Union's own sustainability model. Lack of cooperation among member states hinders the exportation of a single European model. Complementing internal policies with cooperation and networking amid external partners is key to successful resource management. Cooperation in

the areas of trade and research and development are to be reinforced. International agreements can help foster favourable conditions for markets for green technologies, products and knowledge. Asia Pacific Economic Cooperation is engaging in the promotion of environmentally friendly goods. These initiatives present an opportunity where the EU should play a more significant role; specifically, in the creation of an external market promoting renewables and environmentally friendly goods.

The Union for the Mediterranean's Solar Plan is an example of such an initiative, yet largely underfunded. Its aim of promoting sustainable development via integration of production systems in Mediterranean partner countries (MPCs) is largely undermined by the 2009 energy directive. The latter provides flexible measures to achieve "3x20" targets, allowing members of the Energy Community Treaty to virtually trade certificates for renewables. The measure bypasses the dimension of market integration, and hence the potential for the creation of a shared area of prosperity in the neighbourhood. For development plans to be sustainable in the long run, both EU interests and the interests of the neighbourhood must be pursued in unison. MPCs development requires that the plan deliver more than just rent. Technological transfer, investment in training, industrial delocalisation and support for regulatory reform, are all essential elements. Whether the EU sufficiently supports these aspects is debatable.

The EU needs to reflect on the coherence of its policy instruments and engage in a more thorough analysis of policy implications. Comprehensive policies are needed. The EU should understand resource

availability as being linked to quality of governance and within this mind frame pay close attention to actions that may improve global governance. Market solutions must be tailored to the particularities of MPCs. Unbundling policies advocated by the ENP, for example, will be extremely hard to implement for countries who are important hydrocarbon producers.

3. There are sufficient elements in the EU agenda to pick from and go ahead with. Implementation is lagging behind.

At home, implementation efforts are gravely frustrated by the fact that energy is a shared competence between the EU and its member states. Increased efforts are needed for the completion of the internal market. Effort to implement the 2009 energy directive is also called for. Mandatory targets or mandatory means are possible solutions to reinforce the implementation of the directive. Abroad, the feasibility of controlling implementation of EU external actions is a major obstacle (Ecuador oil field dispute). Yet the creation of a global market for renewables and green technologies should remain a central focus for the EU. These goals need be pursued actively and coherently, the latter is not always the case (the case of Brazil's ethanol market).

The mandate delivered by the Lisbon treaty identifying the EEAS as an instrument for increased coordination and coherence needs to be implemented. The EEAS could also be a powerful communication tool and aid the building of coalitions with third countries.



The project “**Think Global - Act European**” (TGAE) organised by *Notre Europe - Jacques Delors Institute* is focused on the EU’s external action.

A more integrated global strategy would allow the EU to better respond to the substantial changes that are affecting the international arena. More coherence and coordination between internal policies and external policies as well as mitigation of institutional discrepancies through reinforced dialogue between EU institutions on those new challenges are thus scrutinised by the [16 European think tanks](#) involved in this project:

Carnegie Europe (Brussels), CCEIA (Nicosia), CER (London), CEPS (Brussels), demosEUROPA (Warsaw), ECFR (London, Madrid, Berlin, Paris, Sofia), EGMONT (Brussels), EPC (Brussels), Real Instituto Elcano (Madrid), Eliamep (Athens), Europeum (Prague), FRIDE (Madrid, Brussels), IAI (Rome), Notre Europe - Jacques Delors Institute (Paris), SIEPS (Stockholm), SWP (Berlin).

They confront their analyses on key strategic issues: economic interests, sustainable development, migration, the EU neighbourhood and security.

After a series of policy papers, the [final report](#) will be published in March 2013 under the direction of Elvire Fabry, Senior Research Fellow at *Notre Europe - Jacques Delors Institute*.

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Elvire Fabry and Chiara Rosselli, *Synthesis, Notre Europe - Jacques Delors Institute, November 2012*
Other syntheses of TGAE seminars on economic interests, migrations and CSDP available soon.

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Raúl Compés López, José María García Álvarez Coque and Tomás García Azcárate, *Policy Paper, Notre Europe - Jacques Delors Institute (available soon)*

DO THE PROPOSALS FOR THE CAP AFTER 2013 HERALD A ‘MAJOR’ REFORM?

Louis-Pascal Mahé, *Policy Paper No. 53, Notre Europe, March 2012*

THE EU PROPOSALS FOR RURAL DEVELOPMENT AFTER 2013: A GOOD COMPROMISE BETWEEN INNOVATION AND CONSERVATIVE CHOICES?

Francesco Mantino, *Policy Brief No. 31, Notre Europe, January 2012*

TOWARDS A NEW EUROPEAN ENERGY COMMUNITY

Jacques Delors and Jerzy Buzek, *Declaration, Notre Europe, May 2010*

TOWARDS A EUROPEAN ENERGY COMMUNITY: A POLICY PROPOSAL

Sami Andoura, Leigh Hancher and Marc Van Der Woude, *Policy Proposal by Jacques Delors, Study No. 76, Notre Europe, March 2010*

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Jacques Le Cacheux and Eloi Laurent, *Study No. 74, Notre Europe, December 2009*

THINK GLOBAL – ACT EUROPEAN REPORTS

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 Elvire Fabry (dir.), *Notre Europe - Jacques Delors Institute*

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