



TRANSATLANTIC ENERGY FUTURES



*Strategic Perspectives on Energy Security,
Climate Change and New Technologies
in Europe and the United States*

7 MARCH 2012

'With the world economy going through times of uncertainty and major challenges occurring in the international system, the transatlantic relation is more relevant than ever'.

Herman van Rompuy, President of the European Council.

Energy is at the heart of the transatlantic relationship, and a means of ensuring security and prosperity on both sides of the Atlantic. Energy efficiency, the liberalisation of the domestic energy markets and their stronger integration with the international market is a common goal shared by Europeans and Americans. Fleishman-Hillard is committed to creating bridges between Europeans and Americans and helping them understand the complexity of both regulatory systems. We believe that building understanding between businesses and governments is key to guaranteeing prosperity and ensuring a stable growth.

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Climate change and energy cooperation will be the litmus test of converging or diverging European and American norms, values and interests in the 21st century. We have to bridge our differences quickly in order to remain in the driving seat. Transatlantic Energy Futures endeavours to give you a taste of the intricate and multifaceted energy challenges facing the transatlantic community. It aims to do so with a strong conviction in the enduring prominence and necessity of a true partnership.

Transatlantic Energy Community – Where are we now?

The transatlantic community stands at a fork in the road. The undeniable reality of climate change pits us against a highly complex set of challenges that are political, economic, technical, social and cultural in nature. With a very tight deadline to manage a successful transformation to a low-carbon economy, we face uncertainty about whether we can meet these challenges due to the uncertainty created by energy markets in flux, fierce debates over the sustainability of energy sources, and the geopolitical tensions over natural resources.

The successful conclusion of a comprehensive global climate change deal still seems rather distant after the modest achievements of Durban late last year. Even if the global framework is in place, its implementation, monitoring and sanctioning is unlikely to be without incident. In the Western world the transformation to a clean energy economy will be long, costly and involve deep and initially unpopular changes in lifestyle for

citizens, testing the resolve of governments to mandate it and the private sector to invest in it.

Energy investments will have to be taken up largely by the private sector, but ultimately public policy will need to set a stable and predictable regulatory environment and provide incentives for private sector action. Markets alone cannot trigger the transformation within the limited time available. Yet governments will need to avoid the temptation to micro-manage, pick winners and losers and shoulder the bulk of costs.

Bridging the Transatlantic Gap

There is a clear risk of a widening transatlantic rift. Differing climate change perceptions and the lack of U.S. commitment and action alienate Europeans: policymakers and the wider public alike. U.S. and European energy markets could largely decouple in coming years thanks to diverging geopolitical and domestic energy development trends. The U.S. has edged closer to self-sufficiency with respect to fossil fuels, with the extensive development of its vast unconventional gas resources. This could lead to a more isolationist stance in U.S. policy. Meanwhile fossil fuels and unconventional resources face mixed reactions in Europe. If this gap is not bridged soon, it could drive a wedge for decades between the partners, undermine trust, create a value gap and hinder cooperation not only in climate change and energy issues but in all other aspects as well.



'Bridges' are needed to a low-carbon future. Conventional and unconventional natural gas can play an important role in the global energy mix - gas could improve energy independence in the U.S. and in Europe and become a bridge fuel to a low-carbon future. However, anxieties about a lock-in effect are voiced by some. Moreover, though gas emits roughly 50% less than coal, it is still a fossil fuel. Zero-emission nuclear energy struggles with public acceptance issues and financial difficulties, understandably so after the Fukushima accident in March 2011.

Frictions in transatlantic perceptions on climate change, energy security and divergences over preferred courses of action are real and dangerous. Yet there is hope. We face common challenges linked to climate change and energy of a geopolitical nature, such as a resurgent Russia, an unstable Middle East and China's insatiable appetite for natural resources. The transatlantic community is uniquely positioned to develop technology, leverage financing, and share experiences in legislative and regulatory developments that are necessary to advance clean energy technologies.

Challenges & Opportunities

Transatlantic cooperation can contribute to providing secure and affordable energy to our people, foster economic prosperity and create jobs. The transatlantic partners share strategic interests in maintaining and improving the effectiveness of a global governance system that is norm-based, rule-based, and inclusive, and that ensures the security of the U.S and the EU. We are well positioned to develop technology, leverage financing, and share experiences in legislative and regulatory developments that are necessary to advance clean energy technologies. As pluralist democracies, the EU and the U.S. are best positioned to profit from the 'democratization of energy': innovation, initiative, subsidiarity and self-governance, decentralized decision-making system, management of interconnectivity, co-dependencies and market integration - all these skills, which will be required to be successful in the new era, are deeply ingrained in our societies.

In the 1980s the transatlantic partners somewhat differed in their views on core energy security issues and in their responses to challenges, such as the role of Russia in providing oil and natural gas to Europe. Nonetheless, transatlantic cooperation again intensified in the 1990s and 2000s on various issues, such as oil and gas pipelines, energy efficiency, RD&D cooperation, carbon capture and storage projects, smart grids, and energy storage. This culminated in the establishment of the EU-U.S. Energy Council in November 2009, which testified to the recognition of energy as an issue of strategic importance and of great potential in transatlantic cooperation.

It is a delicate task to find the right balance between rivalry and cooperation on the global stage in terms of energy technologies and innovation. A healthy dose of competition and national/regional support schemes must ensure that the private sector keeps up the momentum in developing and deploying technologies eventually with a return on their investments. At the same time synergies must be tapped and major projects with a potentially game-changing effect such as nuclear fusion pursued jointly.

The EU and the U.S. have an exceptionally strong incentive to reinforce existing cooperation and to share burdens by pooling resources. In times of austerity and shrinking budgets, identifying and exploiting synergies and avoiding duplications is a must. Joint efforts in addressing climate change, innovation and investment into clean energy technologies, risk-sharing and cost reduction, joint RD&D and harmonized energy diplomacy must be the cornerstones of a renewed transatlantic climate change and energy alliance. An alliance that is desirable and feasible, but not self-evident.

David Koranyi

Editor of the Transatlantic Energy Futures. Strategic Perspectives on Energy Security, Climate Change and New Technologies in Europe and the United States



To find out more about *EU Energy Policy*, please contact:

Esther Busscher

Esther.Busscher@fleishmaneuropa.com | + 32 2 234 68 97

fleishman-hillard.eu | publicaffairs2point0.eu | @Eurotwittering