



Transatlantic Energy Futures

Strategic Perspectives on

Energy Security, Climate Change and New Technologies

in Europe and the United States

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LEAD

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. To paraphrase Robert Kagan's famous line, Americans may be from Mars and Europeans from Venus, but we shall all soon need to move to some other planet if we do not adjust course.

Transatlantic Energy Futures endeavors to give you a taste of the intricate and multifaceted energy challenges facing our communities. It aims to do so with a strong conviction in the enduring prominence and necessity of the transatlantic partnership.

The transatlantic community stands at a fork in the road. The undeniable reality of climate change sets us against a highly complex and interconnected set of challenges that are political, economic, technical, social and cultural in nature. The climate crisis sets a very tight deadline for changing policy course and managing a successful transformation to a low-carbon economy. Add to this the ever-increasing demand from emerging and developing countries, the uncertainty of the energy markets in flux, the fierce debates over the sustainability of nuclear energy, natural gas or biofuels, and the geopolitical tensions over energy resources, and one has a recipe for disaster.

Successful conclusion of a comprehensive global climate change deal still seems rather distant after the modest achievements in Durban in 2011 December. Even if the global framework is in place, its implementation, monitoring and sanctioning will be extremely complex and challenging and likely peppered with hiccups and failures. The transformation to a clean energy economy will be long, costly and involve deep and initially unpopular changes in lifestyle in the Western world. Managing the transformation to a low-carbon economy will entail tough policy calls in government and investment decisions in the private sector.



'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 not without some justification. 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.

Energy investments will have to be taken up largely by the private sector, but ultimately public policy choices will need to determine the preferred path by setting forth a stable and predictable regulatory environment and incentives system. The private sector and markets alone cannot trigger the transformation within the limited time available. Therefore strategic vision, policy signals, regulatory incentives and public funding are crucial to trigger technological change and ensure that the benefits of the "green revolution" are shared by everyone. Governments should not enter into micromanagement, pick winners and losers, nor that they should shoulder the bulk of costs. However, policymakers have a special responsibility in two regards: to set a firm policy course towards a low-carbon future by providing regulatory and economic incentives; and to ensure a level playing field for all clean energy resources.

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.

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.

Frictions in transatlantic perceptions on climate change, energy security and divergences over preferred courses of action are real and dangerous. Yet there is hope. As we face common threats and challenges closely linked to climate change and energy issues, such as the proliferation of nuclear weapons, a resurgent Russia, an unstable Middle East or China's insatiable appetite for resources and its repercussions around the globe, 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.

Transatlantic cooperation can contribute to providing secure and affordable energy to our people, foster economic prosperity and create jobs. It picked up after the first oil crisis in 1973-74 and led to the establishment of the International Energy Agency (IEA). 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.

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.

Moreover, 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.

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