

Green Deal Watch

Issue no.10

Completing
Fit for 55

About the Green Deal Watch

The “Green Deal Watch” was launched in 2020 by the Istituto Affari Internazionali (IAI) with the support of Edison. The aim of the project is to follow the evolution of the ambitious and cross-cutting “European Green Deal” strategy towards climate neutrality launched by the Von der Leyen Commission in December 2019. The “Green Deal Watch” follows the “Energy Union Watch” that IAI has published from 2015 to 2019 to monitor the evolution of the energy and climate policies under the previous legislature. The multiple ramifications of the Green Deal will now be read along four dimensions – ‘driving the green deal’, ‘greening industry’, ‘supporting the transformation’, ‘strengthening security and diplomacy’. IAI will cover the debate among national and European stakeholders and report the key dynamics in order to help the reader better navigate the challenges and opportunities of the implementation of the European Green Deal (EGD). The Watch is produced on a quarterly basis, collecting official documents, public information and open source data, which are processed and analysed by the IAI team.

About IAI

The Istituto Affari Internazionali (IAI) is a private, independent non-profit think tank, founded in 1965 on the initiative of Altiero Spinelli. IAI seeks to promote awareness of international politics and to contribute to the advancement of European integration and multilateral cooperation, focusing on topics such as European integration, security and defence, energy and climate policies, as well as key regions such as the Mediterranean, the Middle East, Asia, Eurasia, Africa and the Americas. The IAI publishes an English-language quarterly (The International Spectator), an online webzine (AffariInternazionali), two book series (Quaderni IAI and IAI Research Studies) and other paper series related to IAI research projects.

<https://www.iai.it/en/>

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This is the 10th issue of the Green Deal Watch, a quarterly report produced by the Istituto Affari Internazionali (IAI) with the support of Edison. This publication aims at monitoring and analysing the initiatives launched by the European Commission and discussed by the EU institutions and Member States under the umbrella of the Green Deal.

We present a general analytical Foreword at the beginning of each publication, followed by the in-depth monitoring of Green Deal activities, divided according to a breakdown revolving around a set of four dimensions, designed to match the guidelines so far expressed by the von der Leyen Commission.

These are:

- **Driving the Green Deal**, which will look at the macro areas of Energy and Transport. It will analyse the technological and policy evolution for renewables, sustainable mobility, and green gases and hydrogen, with a strong focus on the energy market (both for gas and electricity) and energy efficiency.
- **Greening industry**, which will observe and discuss the reconversion of industry and of energy-intensive sectors in

particular, with specific attention to the role of digitalisation, the upscaling of new technologies, R&I&D (Research, Innovation and Deployment) and circularity.

- **Supporting the transformation**, which will focus on energy governance, EU financing and funds, the Just Transition Mechanism and the repositioning of institutions such as the European Investment Bank (EIB).
- **Strengthening security and diplomacy**, which will tackle energy diplomacy aspects with specific attention to the Mediterranean, Africa, Russia, Asia and the US, as well as climate security and diplomacy and the role of the EU as a leader in the fight against global warming.

These four dimensions are followed by an in-depth section, where we will cover different kinds of content in each issue. This time we look at the opinion of Tibor Stelbaczky, Principal Adviser on Energy Diplomacy, European External Action Service, in an interview published after the analysis of the four dimensions. A Timeline of initiatives envisaged under the European Green Deal concludes this report.

This Green Deal Watch aims at providing continuity to the analysis produced in the 16 issues of the Energy Union Watch (available [here](#)), the quarterly publication IAI dedicated to the Juncker Commission, which covered the whole five years of activities.

FORE WORD

COMPLETING FIT FOR 55

It is a complicated time for the Green Deal, and it will be even more so in the months to come. In May, the Swedish presidency announced that EU elections will take place from the 7th to the 9th of June 2024, thus leaving a year for European institutions to address the (several) unfinished elements of the Fit for 55 package. While an acceleration of action had already taken place between the end of 2022 and the beginning of this year (as analysed in our [previous Green Deal Watch](#)), in the last three months the Commission has had to renew its efforts in face of the political obstacles to some of its most important proposals – the new Renewable Directive (so-called RED III), the Electricity Market Reform and the Nature Restoration Law in particular. Discussions in Brussels and in member states over a number of Fit for 55 and other climate and energy files became particularly heated. In Brussels the electoral campaign has now started, with Green Deal legislation being among the most sensitive and most debated topics – to some extent, after the Spanish presidency pursuing further advancements will be a complicated task, so the next six months will be crucial. Climate appears to be subject to increasing politicisation – something that was not the case in past decades – with the green agenda gaining unprecedented attention in the upcoming elections also at the national level. A shift to the right in the axis of the Parliament, brought about by a weakening of the Greens and the more

progressive components of the Liberals, could have an impact on developments around EU climate policies. This final year will thus witness not only von der Leyen’s attempts to finalise the core of the Fit for 55 dossiers, but also to build a framing that goes beyond the political cycle given the uncertainty surrounding next year’s elections.

One of the key achievements of the previous quarter was (and to some extent still is) on hold. The formal approval of the RED III was indeed supposed to promptly follow the 30 March political agreement, which came after very intense negotiations lasting for months. However, France posed a last-minute objection hoping to get further concessions on hydrogen produced from nuclear. In a recent [speech](#), Commissioner Simson stated that the “last outstanding hurdle” on the RED III had been solved. The compromise that has been reached to overcome France’s blockade is to discount the share of renewable hydrogen for ammonia production under certain conditions, creating more space for hydrogen produced from nuclear. France has basically replicated the same scheme [Germany](#) used at the beginning of the year over the phase-out of the internal combustion engine, i.e., a last minute U-turn after a political agreement had been reached, previously unseen in the EU legislative procedure. The French opposition caused a series of delays in other pieces of legislation and has been

criticised. These uncommon methods used by important member states might, in the future, paralyse progress on the most crucial green policies, because the dossiers may need to go back to Parliament in a slowing of normative procedures.

France also triggered an informal discussion on whether to take a break on the delivery of further environmental legislation.

Macron's call for a "European regulatory break" took place during a speech on French industry and triggered mixed reactions; while EPP politicians generally appreciated the remark, it was labelled as "disingenuous" and "clumsy" by many S&P politicians and environmentalists. The comment also inspired reactions from other EU politicians, with Belgian PM De Croo echoing the call for a break on environmental regulations and his Luxembourg counterpart Xavier Bettel opposing it. Even Vice-President Timmermans entered the discussion, with a subtle comment during a conference at the Jacques Delors Institute simply stating that "we do not have the luxury of a break", referring to the urgency of the fight against climate change. Looking ahead, the biggest hurdles for the next Commission are however likely to shift from Green Deal legislation to Green Deal implementation. Great attention will therefore be devoted to putting into effect the many measures approved since the birth of the strategy, and potentially to cushioning the social impacts that the transition might bring, if ill managed. In any case, several files – from the energy taxation directive to gas and hydrogen reform or electricity market reform – remain open and the upcoming Spanish presidency is promising a strong focus on the environment. Madrid will also need to guide the bloc ahead of the COP28. Indeed, as described in Dimension 3 "Supporting the Transformation" of this Watch, the 2040 intermediate target to be agreed after COP28 is something

EU institutions are already working on. Considering however the upcoming Spanish elections, which will take place on 23 July, it is however not clear how much the presidency will manage to achieve and what priorities it will bring forward (also considering that the Popular Party, now in the opposition, proposes a rather different approach, even including a reversal of the national plan for nuclear phase-out).

The debate over the electricity market reform is far from its conclusion.

In June, MS failed to reach a full agreement on the measure, further delaying a process which many (France in particular) would like to complete before the end of the year. The main stumbling block is the design of two-way contracts for difference and their application to existing nuclear capacity (further analysed in the "Greening Industry" section of this report). The debate also concerned how to redistribute the revenues derived from this mechanism with several member states calling for using revenues to support energy-intensive industries. Another important point was that Poland pushed for a derogation allowing Capacity Remuneration Mechanisms to benefit coal plants for a longer period.

As anticipated in the previous Watch, the fiercest discussion surrounded a rather unexpected piece of legislation: the Nature Restoration Law.

The Commission's ambitious plan to stop the decline of European ecosystems encountered opposition from a variety of MS, particularly those believing that renaturalisation processes will clash with agricultural production (the Netherlands and Italy in particular) – indeed, one of the key ecosystems to be restored will be peatlands drained for agriculture in the past. Also, densely forested countries such as the Baltics and Poland expressed concern, fearing the Law will impose further limitations on forestry practices that are often considered unsustainable or destructive. Likely, the

fact that Sweden held the presidency and presided over negotiations has complicated the whole process. It was however mostly a campaign organised by the EPP and other right-wing groups (and largely supported by a vast array of lobbies from the farming, fishing and forestry sectors) that undermined the advancement of the Law. A deal was finally reached thanks to the Swedish presidency efforts to mitigate concerns by including clearer sources of financing in the final text, as well as a higher degree of flexibility on how MS will manage the restoration process. While this approach can increase the chances for success of such a delicate piece of legislation, it could however also undermine its effectiveness, since unsustainable practices are often justified through the same cultural or economic differences that were used to demand more flexibility during these early negotiations. As eight out of ten protected habitats in Europe are in poor health, and many declining, it is key that the Nature Restoration Law comes into effect as a powerful tool; while this is necessary for the protection of biodiversity, it is also vital to increase the CO2 absorption capacity of ecosystems (which has been steadily declining), as well as to further reduce emissions from land use.

While there is still a long way to go before the finalisation of the Nature Restoration Law, another key piece of legislation on forests – the European Union Deforestation Regulation (EUDR) – has been approved. The Regulation expands the previous EU Timber Regulation (EUTR), which only concerns the timber trade, adding several other products that can cause deforestation, such as beef, palm oil and soy. An update on the EUTR was much awaited and the comprehensive approach proposed in the EUDR is a good fit for a complex issue such as the link between global trade and deforestation. Nevertheless, there are still many points of uncertainty

casting a shadow on the success of the Regulation, and that will be clarified only through its implementation; like the EUTR, the EUDR is a complicated piece of legislation that could penalise small farmers, for whom the cost of compliance could be too high. Checks by national authorities have also proved complicated and often ineffective, also because sometimes national legislation is not strong enough to level adequate fines (an issue the EUDR may have at least partly solved). International trading partners of the EU also expressed concerns over the Regulation, stating it would limit trade and impose EU rules on domestic producers – this is the case for instance for Brazil, Malaysia and Indonesia. However, despite all troubles, if properly implemented the EUDR and the Nature Restoration Law could represent a breakthrough in the management of nature resources worldwide. In this sense, together with other policies having a strong external reach, such as the CBAM, these are some of the most ambitious measures the Green Deal is testing in relation to global environmental governance.

Such strong debates show how much the Green Deal has expanded despite the strategy's recency (2019). The Commission clearly understood that only a comprehensive, multisectoral environmental action is truly effective. However, working in this direction won't be easy for the Commission. It is already evident that the Green Deal's future will be one of the key points on the programme of major parties in the upcoming EP elections. The clearest example has likely been the EPP campaign against the Nature Restoration Law, which positioned the group for the first time explicitly against the Green Deal (and against the vision of von der Leyen, herself a member of the EPP), perhaps in a bid to gain votes from farmers. As the Green Deal expands, many pieces of legislation will indeed impact national interests and citizens only marginally or indirectly affected by

EU climate action in the past, and this is triggering intense reactions across the bloc. Poland is even bringing the EU to [court](#) over the 2035 phase-out of the internal combustion engine, even if success is unlikely. This highlights another risk that the next Commission (and perhaps even this one) may run into in the future, i.e., legal challenges that can slow down the whole Green Deal process. Despite such a convoluted situation, the direct [involvement](#) of Vice-President Timmermans and Environment Commissioner Sinkevičius, who also conducted a series of one-to-one meetings with lawmakers to bring them on board on the different files, shows the commitment of the Commission to exerting their utmost efforts before closing the legislature.

However, a complex trade-off is emerging between pursuing decarbonisation, strategic autonomy in green supply chains, and maintaining fiscal discipline – something that will need to be faced by the Commission. A rearticulation of decarbonisation around domestic supply chains – as advocated in the Commission’s Net-Zero Industry Act (NZIA) proposal analysed in the previous Watch and more broadly by the [recent](#) European Economic Security Strategy in response to Chinese quasi-monopolies in green supply chains (described in Dimension 4 of this issue) – would result in increased costs and timeframes for the transition that would be difficult to address without significant public intervention. The [announcement](#) of a new Strategic Technologies for Europe Platform (STEP), formerly known as the EU Sovereignty Fund, was for example not sided by a fresh and ambitious financial plan, so that the EU budget risks looking miserable compared to the hundreds of billions put forward by the US and China. This complex puzzle of challenges could be a tough issue for the Commission to handle, together with the future steps of the Green Deal.

DIMENSION 1

DRIVING THE GREEN DEAL

As anticipated in the Foreword, many open Green Deal files are increasing the pressure on Ursula von der Leyen's team before the end of her mandate. The Swedish Council presidency, which ended in June, tried to achieve formal approval of one of the last mammoths of the Green Deal – the Renewable Energy Directive (RED III) – as a last-minute **French-led** dispute over the role of nuclear energy blocked negotiations for several months. The postponement of a deal on RED III has also **impacted** the vote on ReFuelEU Aviation. This is the second time within months that a large member state has withdrawn its support for a key file despite negotiations being concluded, changing the usual blueprint for EU policymaking and overcoming procedural norms in order to get concessions. Notwithstanding several rejections and political opposition, positive advancements were registered on the Nature Restoration Law. On another front, MEPS also **advanced** on methane emissions, where the bloc **lags behind** many others despite being a promoter of the "Methane Pledge": Canada and the United States, for example, already have frameworks in place.

Disputes over nuclear, again

Nuclear, currently at the centre of several open Green Deal dossiers, is a question of identity in Brussels and as such remains a very divisive and sensitive topic. On RED III, despite an interinstitutional agreement between Parliament and Council that was reached back in March, France sought a greater role for atomic energy in the context of hydrogen production. After two months of gridlock, it now seems the last hurdles have been overcome at the **Coreper** level. However, it remains to be seen whether there will be new **concessions** to France on nuclear hydrogen. Paris is

also **frustrated** with regard to the Net-zero Industry Act (NZIA). While nuclear energy was catalogued among the EU's net-zero industries, it did not make it into the list of "strategic" technologies that are **eligible** for the 40 per cent domestic manufacturing benchmark, for quicker permitting procedures, and for looser EU state aid oversight. Indeed, according to the Commission, only Small Modular Reactors (SMRs) and "advanced technologies" producing nuclear energy "with minimal waste from the fuel cycle" would be eligible for the "strategic" label. As analysed in Dimension 2 of this Watch, nuclear is making some noise within the Electricity

Market Reform [debate](#) as well, with MS diverging on whether and how nuclear could benefit from two-way contracts from difference (CfDs).

Steps forward in restoring nature and conserving biodiversity

Europe's nature and biodiversity, species and habitats are in a [declining](#) state, displaying dramatic data in both environmental and economic terms for the bloc. That's why the Commission wants a Nature Restoration Law to set recovery measures for at least 20 per cent of EU land and 20 per cent of its sea by 2030, and all areas in need of restoration by mid-century. However, a political backlash against this proposal has [mounted](#) in the past months guided by a right-wing campaign. In many aspects, this [backlash](#) had no parallel among Green Deal files, not only from conservatives but from lobby groups representing the farming, forestry and fishery sectors as well. After [rejection](#) in European Parliament Committees, on 20 June EU environment ministers found a general [approach](#) setting out legally binding targets and obligations for nature restoration in specific areas. MS would need to roll out restoration measures for at least 30 per cent of threatened habitats in terrestrial, coastal, freshwater and marine ecosystems by 2030. This will apply to 30 per cent of the total habitat area in need of restoration, and the proportion will increase to 60 per cent by 2040 and 90 per cent by 2050. There are, however, a number of concerns raised by different MS on certain [aspects](#). For example, the draft text sparked concern about clashes with other parts of society and the economy, including food production and housing. In parallel, another step forward was registered on a landmark [deforestation](#) law, approved by the Parliament in April and

aiming to eliminate deforestation from the supply chains of several products sold in Europe, including coffee, palm oil, beef, soy, cocoa, wood and derived products. International reactions were not long in coming. Indonesia, amongst the world's largest palm oil exporters, recently [accused](#) the EU of "regulatory imperialism".

Decarbonising the bloc's building stock

Improving energy efficiency in buildings is [key](#) in economic and energy security terms, as well as in environmental terms. Among the last outstanding pieces of legislation in the bloc's Fit for 55 package, Renovation Wave is part of a plan to decarbonise the EU's building stock by 2050. In several EU MS, however, proposed measures under the plan are facing strong domestic opposition – in particular in [Italy](#) – or are increasingly narrated as measures against individual homes and citizens who would pay the costs, in for instance Poland, Czechia, Germany, Finland and Estonia. Alongside the priority of protecting low-income homeowners who can't afford renovations, another element of the debate regards how to overcome split ownership issues, as the renovation of high-rise buildings can require the consent of many residents. Another negotiating track on the EU's revised construction product regulation has also been somehow linked to the renovation wave debate. Brussels [plans](#) to extend the EU's existing Ecodesign rules to construction products, setting standards for circularity, a move which could help reach the EU's renovation wave vision as well.

DIMENSION 2

GREENING

INDUSTRY

The EU electricity market supply and prices have **changed** considerably from the record high levels last year and the Commission, one year after their entry into force, has confirmed that it will not propose a prolongation of the emergency interventions in the energy market intended to address high prices. Among most recent news, the Commission has proposed a Strategic Platform (**STEP**) that will reinforce and leverage existing EU instruments to quickly deploy financial support to benefit business investments in the Union for development or manufacturing in three sectors deemed critical: deep tech, clean tech and biotech. In this context, the divisions inside the European Union among those MS which can and those which cannot afford costly measures and higher public investments to push forward the transition due to different **fiscal spaces** remains a defining debate. In its effort to reduce strategic vulnerabilities, furthermore, the Commission addressed the bloc's economic exposure in relation to Beijing.

Debating over the power market reform

On 5 June the Commission **published** an impact assessment on the emergency intervention measures to address high energy prices introduced in the energy market at the end of 2022 – i.e., electricity demand reduction measures, infra-marginal revenue cap and retail price setting rules. The EU executive **considers** that although these measures have contributed to a calming of European markets, they should not be extended or introduced in currently debated files – such as the Electricity Market Reform. The implementation of the inframarginal revenue cap, for example, has been very heterogeneous,

with respect to the level at which the revenue cap was set but also regarding the temporal scope of the measures. In addition, the Commission has also been made aware that the way in which certain member states have decided to implement the revenue cap may have affected existing power purchase agreements (PPAs) and other long-term contracts, as well as disincentivising the conclusion of new ones. The report comes at a time when **Spain**, among the most interventionist MS when it comes to the Electricity Market Reform, is taking over the rotating Council presidency, casting doubts on whether Madrid can handle these dossiers with due care and mediate across very different positions. On 19 June the Energy Council **failed** to

find an agreement on Electricity Market Reform, due to heated debates on a potential mirroring of the infra-marginal revenue cap and on the design of so-called contracts for difference, or “CfDs”, disagreeing on the scope of inclusion of nuclear and on how to redistribute revenues from this support scheme. Germany is pushing for surplus to be preferably **redistributed** to large industrial consumers of electricity which suffer a competitive disadvantage from high power prices in Europe. The position of Germany on this dossier reflects the priority Berlin is trying to push forward **domestically**, as it plans to subsidise 80 per cent of the electricity cost for energy-intensive companies. A final element of debate sees Poland at centre stage, requesting a **derogation** from the emission standards of capacity remuneration mechanisms in order to extend the possibility for member states to financially support coal power plants.

Strengthening the bloc’s economic and industrial resilience?

During the G7 **summit** in Hiroshima in mid-May, Europeans, Japan, the US and Canada discussed Chinese aggressivity in economic statecraft. Japan, hosting the Summit, has **worked** on its economic security strategy in the past months and years and is aware of China’s power. Over a decade ago China suspended the export of some rare earth minerals to Japan, which consequently managed to reduce its rare earth dependency on China from over 90 per cent to below 60 per cent. Further, in June the EU Commission together with the High Representative **published** a Joint Communication on a

European Economic Security Strategy, aimed at balancing risks arising from certain economic flows in the context of increased geopolitical tensions and accelerated technological shifts, while preserving economic openness and dynamism. The first area of action listed in the proposal concerns risks to the resilience of supply chains, including energy security, while also targeting critical infrastructures, among other priorities. The proposed strategy stresses the need to partner with the broadest possible range of countries to address shared concerns and interests: while the document does not name **China**, it stresses partnering with like-minded countries and uses the phrase “de-risking”, with the aim of reducing its economic vulnerability vis-à-vis Beijing. In parallel the Commission has proposed a Strategic Technologies for Europe Platform (STEP) to support European leadership on critical technologies. Ursula von der Leyen said that the money will be rehashed from already existing funds – such as InvestEU, Innovation Fund, Horizon Europe, EU4Health, Digital Europe Programme, European Defence Fund, Recovery and Resilience Facility and cohesion policy funds – with a €10 billion top-up from member states. This new instrument has sparked an interesting debate over whether the EU industrial policy moves might be overly shy compared to other powers’ plans and instruments thus lacking the scale to compete in the global clean tech race. Budgetary talks, as usual, were not easy among **member states** holding different fiscal positions and interests.

DIMENSION 3

SUPPORTING THE TRANSFORMATION

Member states have been at [work](#) to update their National Energy and Climate Plans (“NECPs” – which should contain detailed and updated pathways to 2030 targets), although, similarly to what happened when their first version was released in 2019, there are delays. 2030 climate targets are not the only ones in the spotlight, as the Commission is working on its intermediate 2040 goal as required by the EU Climate Law. To embrace a bottom-up, inclusive and comprehensive point of view on its proposals, the executive has launched two consultations – one on the EU’s intermediary climate target to 2040 (as analysed below) and [another](#) in view of a new EU strategy for carbon capture, utilisation and storage (CCUS) deployment in the EU that will serve emitters in hard-to-abate sectors who would need to apply carbon capture and storage (CCS), carbon capture and utilisation (CCU) or industrial carbon removal in order to achieve climate neutrality. “Supporting the transformation” at the domestic level is sometimes complicated, as the energy transition requires economic, political and social backing: the recent case of Germany’s [plan](#) to ban the installation of most oil and gas heating systems starting next year has sparked for example a strong wave of opposition, emphasising the growing politicisation around Green Deal measures. “Supporting the transformation” also encounters obstacles beyond EU borders, as emphasised by the increasingly heated debate on CBAM.

2030 and 2040 targets

By 30 June, member states were supposed to submit draft updated national energy and climate plans (NECPs) to the Commission in line with article 14 of the Governance Regulation on the energy union and climate action. At the time of writing, some member states still have not presented their updated plan. In past months the EU executive has published [guidance](#) for

member states on the process and scope of this update. So much has changed since the first draft of national plans, in 2019: the Green Deal has taken shape with progressively higher climate and energy targets, new regulations and directives have been adopted, the COVID-19 pandemic and the Russian war in Ukraine have reshaped (and in many ways reinforced) the EU’s energy and climate policies through new instruments and updated guidance such

as Next Generation EU and REPowerEU. In the meantime, the Commission has launched a consultation on 2040 climate targets. Indeed, the European Climate Law mandates the executive to come forward with an intermediate climate target for 2040 following the first global **stocktake** under the Paris Agreement. All parties are expected to initiate reflections on the next target in the context of the UN process this year, with a view to communicating these ahead of COP29 in 2025. According to a **report** from the European Scientific Advisory Board on Climate Change established under the European Climate Law, the EU will need to reduce its emissions by 90 to 95 per cent relative to 1990 levels by 2040, **requiring** meticulous European, national and local planning.

Joining forces

In April nine north-west European countries and the European Commission met in **Belgium** with the idea of turning the North Sea into a major green powerhouse and collectively attaining 120 GW of offshore wind generation capacity by 2030 and 300 GW by 2050. Several countries involved are global leaders in wind-turbine manufacturing and they believe that joining forces might create an opportunity. Among the challenges, an integrated electricity grid will have to be built in the region. The Netherlands and the United Kingdom are making this a priority, **announcing** a new electricity link, "Lion Link", which can provide almost 2 GW of electricity to both countries. Approximately one month later, a parallel MED9 summit took **place** in La Valletta, hosting Croatia, Cyprus, France, Greece, Malta, Italy, Spain, Portugal and Slovenia, and agreeing to create a common platform on energy, prioritise clean investments and deploy interconnections between the EU and North Africa. The Energy Ministers also invited the EU Commission to conduct a comprehensive report to study the

potential of green energy corridors in the region to the benefit of both shores. Both initiatives are only at a very early stage – the southern one perhaps more so, since it is not pushed by the offshore wind boom currently taking place in Northern Europe – but it is important that these regions recognise the potential of joint initiatives not only for their energy transition and security, but also as industrial opportunities.

CBAM – as seen by trade partners

Following the **vote** on CBAM in the EP plenary in April and the Council's green **light** that followed thereafter, the European Union has approved the world's first plan to impose a levy on imports of high-carbon goods starting from 2026, targeting imports of steel, cement, fertilisers, aluminium, electricity and hydrogen production. CBAM is designed to function in parallel with the EU's ETS which encourages high-emission industries in the EU to reduce emissions. CBAM mirrors these effects for non-EU producers. The regulation will also **cover** certain precursors and downstream products, and indirect emissions would also be included. Unsurprisingly, the measure continues to fuel the debate at the international level and in bilateral talks with the EU's main trade partners. **India** for example sees the proposed levy as discriminatory and as a trade barrier, and plans to file a complaint to the World Trade Organisation over this initiative. In these months, UK Steel **warned** that 23 million tons of non-EU steel could be diverted from the EU into the UK market if the EU CBAM comes into force before a UK equivalent is in place. That, they warn, would risk flooding the UK market, undercutting costs and devastating the domestic steel sector. One of the aims of the EU's CBAM is indeed to encourage other countries to establish similar or compatible carbon pricing policies.

DIMENSION 4

STRENGTHENING SECURITY AND DIPLOMACY

An instrument that did not exist until a few months ago, the joint purchasing service under the EU energy platform called "[Aggregate EU](#)" has concluded its first round of aggregation and tendering, marking a success for Maroš Šefčovič and the EU Commission. The EU executive has in the meantime opened a new [call](#) for proposals for key cross-border EU energy infrastructure, in line with the REPowerEU plan, and has announced the further integration of Ukraine and Moldova into the EU Single Market through the Connecting Europe Facility. Besides energy security, the Commission [dedicated](#) particular attention to the climate–security nexus, addressing the impact of environmental degradation and climate change on peace, security and defence, and aiming at better mainstreaming climate and integrating a multidimensional approach into EU policymaking.

Matching gas demand and supply

As part of the EU's response to the divorce of Russian energy supplies, in the past months the Commission made gas demand aggregation mandatory, with EU member states required to allocate 15 per cent of their 90 per cent storage targets for the upcoming 2023–24 filling season through the EU Energy Platform. Recently, the first joint EU gas purchasing [tender](#) under the platform was welcomed positively by the market. International suppliers have responded to the aggregated demand of some 11.6 billion cubic metres of gas with bids to supply a total volume of more than 13.4 billion cubic metres. An overall volume of 10.9 billion cubic metres has been matched. Out of this volume,

LNG represents more than 20 per cent and the remaining almost 80 per cent covers pipeline gas. Vice President Šefčovič [declared](#) that matching in the most vulnerable countries is particularly positive – Bulgaria results are fully matched, for example. The [second](#) tender has been launched on the 7th of July, with three more rounds to follow before the end of 2023. Nevertheless, some vulnerabilities remain: Austria in particular is still very [exposed](#) to Russian imports, despite reducing imports from 81 per cent to 57 per cent; and, according to the Commission, many more measures have to be taken to fully insulate the Austrian energy system.

Integrating neighbours into the EU Single Market

The European Commission has announced a further **integration** of Ukraine into the EU Single Market through the Connecting Europe Facility (CEF) for infrastructure funding. Commissioner Adina Vălean and Deputy Prime Minister for Restoration of Ukraine and Minister for Communities, Territories and Infrastructure Development Oleksandr Kubrakov signed an agreement in Lviv, associating Ukraine to the CEF programme, de facto enabling Ukrainian project promoters to directly apply for EU funding for projects of common interest (PCIs) in the transport, energy and digital realms. Another country strongly affected by Russia's war of aggression against Ukraine, **Moldova**, has closed a similar deal with the EU bloc. Beyond deepening the energy partnerships with these countries, these agreements constitute practical moves to support both reconstruction and resilience of these countries in the current circumstances.

Mainstreaming climate change

The EU has identified climate change as the major challenge of our time, embarking on its decarbonisation journey and aiming at leading the way globally. While the vision is there, the

underlying ecosystem of institutions and cooperation mechanisms is still not equipped to support such vision (and changes) adequately. No doubt several first steps to integrate climate action in European foreign policy had been made well before the von der Leyen Commission. However, the EU remains far from extending its climate mainstreaming approach and concrete actions across the entire spectrum of data, policies, missions, defence and cooperation mechanisms with third partners at all levels of external policymaking, planning and operations, as well as communicating an adequate sense of priority outside its borders. In June, a first step was taken in this sense, with the Commission **setting out** the EU's plan for the Union and its partners to become more resilient and secure as the climate crisis intensifies and to improve connections between different policies. For the moment, four main priorities were set: strengthening planning, decision-making and implementation on the climate and security nexus; operationalising the response to climate and security challenges in EU external action; enhancing the climate adaptation and mitigation measures of member states' civilian and military operations and infrastructure; and reinforcing international partnerships through multilateral fora and with partners such as NATO.

IN DEPTH

INTERVIEW

TIBOR

STELBACZKY

PRINCIPAL ADVISER ON ENERGY
DIPLOMACY, EEAS

Energy and climate diplomacy: *As the Principal Advisor on Energy Diplomacy, you play a crucial role in coordinating the Union's foreign reach in these challenging times for our energy policy. Your role is also increasingly intertwined with climate diplomacy efforts, given their complementary nature. How should the EU effectively coordinate these two areas to ensure a coherent approach towards achieving both climate goals and energy security objectives?*

The energy transition is playing a more and more important part of the green climate transition. It is estimated (IEA) that energy accounts for more than two-thirds of total greenhouse gas (GHG) emissions globally. Therefore in order to achieving the climate policy goals agreed in the Paris agreement in 2016, more and more focus should be put on the energy transition. This means phasing out of fossil fuels, accelerating the deployment of renewable energy and significantly improving energy efficiency. The EU internal climate policy attaches great importance to these issues, with a very clear defined target for 2030 with the aim to achieve net zero emission by 2050, as it is stated in the EU's Climate Law.

But the EU alone can not solve the challenges of the climate change. Therefore the climate and energy diplomacy has the clear commitment of the EU "to engage and work with partners worldwide through our Climate and Energy Diplomacy: to implement the Paris Agreement; to limit the global temperature increase to 1.5°C compared to pre-industrial levels; to support the most vulnerable, in particular in least developed countries (LDCs) and Small Island Developing States (SIDSs), in adapting to climate change effects; and to increase collective climate finance" – as it is stated in the Council Conclusions on Climate and Energy Diplomacy adopted by the Council in March 2023.

The main objective of the REPowerEU proposal was not just the diversification of the EU's energy supply, but also to save energy and to promote and support the production of clean energy. By acting together, the EU has reduced its dependency on Russian fossil fuels, saved almost 20% of its

energy consumption, introduced the gas price cap and the global oil price cap and doubled the additional deployment of renewables.

The Russian aggression of war in Ukraine and the weaponisation of energy by Russia caused a challenge for Europe to ensure the energy supply, but in the same time accelerated the green transition. Thus the energy transition is now at higher gear and contribute significantly to achieve the Fit for 55 goals, in a meantime Europe was able to tackle the security of supply challenge as well.

The primary goal of the EU's external energy policy is to support, intensify and accelerate the ongoing global energy transition as a crucial element towards achieving climate neutrality. An accelerated inclusive and just energy transition is also the key solution ensuring energy security and universal access to safe, sustainable and affordable energy in the EU and our partner countries worldwide while reducing greenhouse gas emissions. Achieving these goals will significantly contribute to the climate objectives.

Green Deal: *With the current legislation entering its final stage, what are your thoughts on the external reach of the GD strategy so far and, more importantly, what are the policy areas with an external dimension on which the European Union should focus in the future? For example, can EU policies and regulatory instruments such as the Carbon Border Adjustment Mechanism (CBAM) impact the EU's leverage beyond its borders?*

Indeed the CBAM, together with the deforestation regulation play an important role to encourage and incentivize other countries to pursue policies which are in line with the climate goals. But these instruments are serving more to create a level playing field and indeed offer incentives for third countries to conduct climate aligned policies, like introduction of emission trading systems. These legislations are sometimes criticized by partners, saying that they are protectionist and discriminative. However the real aim of these instruments is to offer an incentive that if partner countries are pursuing policies which are in line with the climate goals, then they will get free access to the impressive and lucrative EU Single Market.

However, beyond these regulatory instruments, there are plenty of other policies and initiatives, which aim to support the green and energy transition of third countries. The EU and its Member States will continue to increase cooperation and work closely with ambitious partners and organisations on the global just transition towards climate neutrality. In its conclusions the Council welcomed the Just Energy Transition Partnerships (JETP) in G7 context with South Africa, Indonesia, Vietnam and recently with Senegal and is committed to their operationalization.

External dimension REPowerEU: *The REPowerEU plan, keystone of the EU's energy strategy, has a strong focus on the external action of the European Union. However, member states fundamentally differ in their energy needs, mix, infrastructure and partnerships. The ability to bridge these gaps is a key enabler for the achievement of energy transition and security within the EU. At a time when the EU has successfully completed its first joint purchase of natural gas, what are the main tools at the Union level that can help in overcoming the colliding national interests of EU member states, eventually achieving a common external energy strategy?*

The security of supply and the affordability of energy are key elements for the success of the green transition. The freedom of the Member States to define their own energy mix is stated in the Treaty, therefore there is no single energy policy fit for all Member States in a same way. Country specific circumstances should be also taken into account. Therefore the EU policy should focus to setup of enablers and incentives for the deployment of renewable energy and measures to improve energy efficiency. In the same time further work is needed to build out missing links in the energy network and complete the interconnection of grids and energy networks.

The Joint Gas Purchase is an important step towards tackling together the challenges of the security of energy supply. The first tender was very successful and there are good expectations that the following tenders will be also up to the needs.

The Council Conclusions from March called the High Representative and the Commission to reinforce, in close cooperation with Member States, outreach, coordination and partnerships with third countries. New energy partnerships should complement existing energy cooperation with key partners while safeguarding the EU's own resilience and competitiveness and domestic resources.

EU energy diplomacy will promote the increasing uptake and system integration of renewable energy conscious of water and environmental stress, and electricity connectivity. It will also promote the deployment of safe and sustainable low-carbon technologies

Mediterranean: *In light of the EU's ambition to achieve energy security and diversify its suppliers, the Mediterranean and North Africa region has become even more relevant than before. Given the region's strategic importance for energy cooperation – in terms of both decarbonisation and supply diversification – how can we forge a win-win partnership with North African and Mediterranean countries and how can strengthening these relationships contribute to the objectives of the European Green Deal?*

The Mediterranean and North Africa is meaning indeed crucial importance to the EU. Due to its geographical proximity, excellent opportunities for

renewable energy the regions is a number one priority to Europe. Algeria and Egypt are playing an instrumental role at the current security of supply challenges, but in medium and longer term the mutually beneficiary and strong partnership could be a key to solve together the energy and climate challenges.

United States: *The United States represents a fundamental ally for the European Union, supporting the bloc's climate policy effort while playing a crucial role in the EU's energy security strategy, thanks to its increasing LNG exports. However, the two have very different approaches on how to reach the decarbonisation targets, as shown by the respective industrial policies, well summarised by the Inflation Reduction Act and the Net Zero Industry Act. In light of this multi-faced relationship, how should the two actors navigate and enhance this partnership to ensure a balanced approach able to strengthen cooperation?*

The United States has been a key ally and partner in addressing EU's energy security and transition concerns, with the transatlantic partnership playing a unique role in strengthening energy security in the EU and neighbouring countries. Since Russia launched its invasion of Ukraine, EU-U.S. energy security cooperation has risen in prominence.

The EU-U.S. Energy Council is the lead transatlantic coordination forum on strategic energy issues for policy exchange and coordination at political and technical levels. Transatlantic energy cooperation continues to contribute to the stability and transparency of global energy markets by promoting energy diversification and security, endorsing energy efficiency measures, developing technologies contributing to the transition towards net zero emissions by 2050, and through research, innovation, aligned policies, and business cooperation.

The launch in early 2022 of the EU-U.S. Task Force on Energy Security aims to expand U.S. LNG exports to Europe. 56.4 billion cubic meters of LNG have been delivered from the U.S. to the EU in 2022, exceeding the established targets and expectations. Building on this trend, the aim is to further increase LNG supplies to Europe in 2023. The EU-US Task Force has also been looking into short-term solutions to save more energy overall and promote energy from renewable sources.

Critical minerals: *Critical minerals are key for the energy transition. The EU is currently lagging behind in the critical minerals race, thereby causing a slowdown in its decarbonisation efforts. With fierce competition coming from China, how is it most effective to approach the issue in the context of energy diplomacy, ensuring a secure and sustainable supply chain for these minerals, fostering responsible extraction practices, and promoting international cooperation to address potential bottlenecks and*

dependencies in the global critical minerals market?

No doubt that the current green transition has very significant, even historical geopolitical implications. It is clear that the World is moving from fossil fuel based energy system towards a sustainable use of resources with great emphasis on renewable energy. According to the IEA's estimation, towards 2050 the gas and oil consumption will decrease and the World will need already in 2040 six times more critical minerals as now. The global trade in critical minerals will skyrocket, from around 10% of energy-related trade to roughly 50% by 2050.

The Council Conclusions on Climate and Energy Diplomacy has acknowledge in March 2023 that in order to ensure energy security in the decades ahead, the EU Council "emphasises the need to strengthen and diversify global supply chains of sustainable raw materials needed for the energy transition (...) taking full account of its geopolitical dimensions".

Most probably, the EU will continue to rely on imports for a majority of its consumption. International trade is therefore essential to supporting global production and ensuring diversification of supply. The EU will need to strengthen its global engagement with reliable partners to develop and diversify investment and promote stability in international trade and strengthen legal certainty for investors. The new proposal for a Council Regulation on establishing a framework for ensuring a secure and sustainable supply of critical raw materials aims these goals.

The transatlantic relations are playing a crucial role in this regards, as it was stated in the Joint Statement of US President Biden and Commission President von der Leyen in March envisaging deepening the EU-US cooperation on diversifying critical mineral and battery supply chains. The COP28 will be an important opportunity to take stock of the implementation of these engagements. These should take into account shared value creation with countries rich in critical minerals, by ensuring sustainable investment, capacity building and improving governance.

The EU will further develop Strategic partnerships: it will work with reliable partners to promote their own economic development in a sustainable manner through value chain creation in their own countries, while also promoting secure, resilient, affordable and sufficiently diversified value chains for the EU.

AP -
PEN -
DIX

TIME
LINE

This timeline highlights the main elements proposed by the Commission under the umbrella of the Green Deal since its first presentation in December 2019. The list is not exhaustive, but aims to provide an overview of the Commission's work during these years. The list is an expanded version of the Commission's own timeline, available here:

https://ec.europa.eu/info/strategy/priorities-2019-2024/european-green-deal_en

7 July 2023

EU Energy Platform: Commission launches second [tender](#) for joint gas purchases.

27 June 2023

Amended version of the Nature Restoration Law does not reach the [majority](#) in the Environment Committee; final vote sent to plenary.

26 June 2023

EU Energy Platform: Commission launches second [round](#) of demand pooling for joint gas purchases by EU companies.

20 June 2023

The Commission publishes the two delegated [acts](#) defining the rules for the production of renewable hydrogen.

16 June 2023

EU ambassadors reach political deal to [approve](#) the Renewable Energy Directive (REDIII).

8 June 2023

European Parliament reaches political [agreement](#) to approve the Nature Restoration Law after facing opposition from MEPs of the European People's Party (EPP).

16 May 2023

25 gas supplying companies [respond](#) to EU's joint gas demand, providing more than 13.4 bcm of gas.

After being approved by the European Parliament, the CBAM enters into [force](#).

The EU Deforestation-free Regulation ([EUDR](#)) is adopted by the Council after its adoption by the Parliament and thus enter into force.

15 May 2023

EU Member States [agree](#) to raise renewable target from 32% to 42.5% by 2030.

4 May 2023

First joint gas [purchase](#) attracts demand from more than 65 EU companies.

26 April 2023

The European Parliament and the Council reach a political [agreement](#) on the ReFuelEU Aviation proposal

25 April 2023

EU Energy Platform: Commission launches first [call](#) for companies to jointly buy gas

Council [adopts](#) key pieces of legislation delivering on 2030 climate targets: Revision of the ETS Directive; Amendment of the MRV shipping Regulation; Revision of the ETS Aviation Directive; Regulation establishing a Social Climate Fund; Regulation establishing a Carbon Border Adjustment Mechanism.

21 April 2023

The Commission proposes a [revision](#) to the existing marketing standards of agri-food products

18 April 2023

The European Parliament [approves](#) the Carbon Border Adjustment Mechanism (CBAM).

30 March 2023

European Green Deal: EU agrees [stronger legislation](#) to accelerate the rollout of renewable energy.

28 March 2023

Member states [agree](#) to extend voluntary 15% gas demand reduction target.

28 March 2023

EU ministers sign off on [legislation](#) phasing out sales of new polluting cars and vans by 2035.

16 March 2023

Proposal for a [European Hydrogen Bank](#).

16 March 2023

EU proposes the [Critical Raw Materials Act](#), a comprehensive set of actions to ensure the EU's access to a secure, diversified, affordable and sustainable supply of critical raw materials.

16 March 2023

EU releases [Net Zero Industry Act](#) establishing a framework of measures for strengthening Europe's net-zero technology products manufacturing ecosystem.

14 February 2023

The Commission proposed [new CO2 emissions targets](#) for new heavy-duty vehicles from 2030 onwards. These targets will help to reduce CO2 emissions in the transport sector.

13 February 2023

The Commission proposed [rules](#) to define what constitutes renewable hydrogen in the EU, with the adoption of two Delegated Acts required under the Renewable Energy Directive.

1 February 2023

The Commission presented a [Green Deal Industrial Plan](#) to enhance the competitiveness of Europe's net-zero industry and support the fast transition to climate neutrality.

24 January 2023

The European Commission introduces the revision of the [EU Pollinators Initiative](#).

18 December 2022

The European Commission welcomed the [provisional agreement](#) reached with the European Parliament and Council to strengthen the EU Emissions Trading System, apply emissions trading to new sectors for effective economy-wide climate action, and establish a Social Climate Fund.

9 December 2022

The Commission welcomed the deal reached between the European Parliament and the Council to help make the aviation sector 'Fit for 55', setting in law its contribution to our target of reducing net greenhouse gas emissions by at least 55% by 2030.

6 December 2022

EU agrees [law](#) to fight global deforestation and forest degradation driven by EU production and consumption and the a political agreement is reached on the revision of the EU Emission Trading System rules on aviation.

30 November 2022

The Commission proposed new EU-wide [rules](#) on packaging, to tackle this constantly growing source of waste and of consumer frustration.

24 November 2022

During the extraordinary Council for Energy, EU energy ministers agreed on a Council [Regulation](#) “enhancing solidarity through better coordination of gas purchases, exchanges of gas across borders and reliable price benchmarks”, as well as on a Regulation speeding up permits to deploy renewable energies.

27 October 2022

The Council and the European Parliament reach a provisional political agreement on stricter CO2 emission performance standards for new cars and vans.

26 October 2022

Commission proposes stronger [rules](#) for cleaner air and water, including PFAs, several pesticides, bisphenol A and some pharmaceuticals.

15 September 2022

Commission proposes for an [emergency market intervention](#) to reduce energy bills for Europeans, through reduced demand and a revenue cap on some producers (among other measures).

20 July 2022

Commission proposes a “[Save gas for a safe winter](#)” plan to reduce gas consumption until the following spring.

22 June 2022

Commission launches a [Nature protection package](#), focusing on restoring ecosystems and halving pesticide use by 2030.

18 May 2022

Commission launches the [REPowerEU plan](#), a set of measures triggered by the invasion of Ukraine and focusing on energy saving, supply diversification and the promotion of renewables.

5 April 2022

Commission proposes two [Regulations](#) to phase down fluorinated greenhouse gases and ozone depleting substances.

5 April 2022

Commission proposes an [update](#) to the Industrial Emissions Directive, to modernise EU industrial emissions rules to steer large industry in long-term green transition.

30 March 2022

Commission launches [Proposals](#) to make sustainable products the norm in the EU, boost circular business models and empower consumers for the green transition, as part of the Circular Economy Action Plan.

23 March 2022

Following the REPowerEU Communication, Commission publishes [options](#) to mitigate high energy prices through common gas purchases and minimum gas storage obligations.

8 March 2022

As a direct response to the invasion of Ukraine by Russia, the Commission publishes the [REPowerEU Communication](#), focused on energy prices, storage and diversification.

15 December 2021

Commission publishes a set of [proposals](#) for a new EU framework to decarbonise gas markets, promote hydrogen and reduce methane emissions, namely a Directive and a Regulation.

15 December 2021

Commission publishes a [Communication](#) on Sustainable Carbon Cycles, to remove, recycle and sustainably store carbon, which will be followed by a proposal for a regulatory framework by the end of 2022.

14 December 2021

Commission launches a new transport [proposal](#) targeting greater efficiency and more sustainable travel, focusing also on the TEN-T network.

17 November 2021

Commission [proposes](#) two Regulations and a Strategy to stop deforestation, innovate sustainable waste management and make soils healthy.

15 September 2021

Commission publishes a Communication launching the project [New European Bauhaus](#), focusing on initiatives and funding dedicated to energy efficiency in buildings.

14 July 2021

Commission adopts a large [package](#) of proposals to achieve a 55 per cent emissions reduction by 2030. The comprehensive package deals with revision of the EU Emission Trading System (ETS), the Effort Sharing Regulation, the Renewable Energy Directive, the Energy Efficiency Directive, a ReFuelEU Aviation Initiative (on air transport), a Regulation on Land Use, Forestry and Agriculture, a proposal for a Carbon Border Adjustment Mechanism (CBAM) and a revision of the Energy Taxation Directive.

17 May 2021

Commission proposes a [Communication](#) on a new approach for a sustainable blue economy in the EU.

12 May 2021

Commission adopts a [Zero Pollution Action Plan](#) for Air, Water and Soil, to improve quality standards for all three, and reduce the impact

on health, among other goals.

25 March 2021

Commission publishes an [Organic Action Plan](#) as part of its Farm-to-Fork strategy.

24 February 2021

Commission adopts a new [EU strategy on adaptation](#) to climate change.

18 January 2021

Commission first launches the design of the [New European Bauhaus initiative](#), dedicated to energy efficiency in building.

10 December 2020

Commission proposes an upgrade on the legislation on batteries, also trying to boost the [European Battery Alliance](#), launched in 2017.

9 December 2020

Commission launches a [European Climate Pact](#), to spread awareness and increase the involvement of citizens.

19 November 2020

Commission presents an [Offshore Renewable Energy strategy](#), aimed at increasing the current 12 GW capacity to a minimum of 60 GW by 2030 and 300 GW by 2050.

14 October 2020

Commission publishes three significant elements for the Green Deal: a [Renovation Wave](#) initiative on energy efficiency for building, a [Methane Strategy](#) focused on decarbonised gases, and a [Chemicals Strategy for Sustainability](#) to strengthen legislation on hazardous chemicals.

17 September 2020

Commission presents its [2030 Climate Target Plan](#), raising its ambition to reach a 55 per cent emissions reduction by 2030.

8 July 2020

Commission adopts [EU strategies](#) for energy system integration and hydrogen to pave the way towards a fully decarbonised, more efficient and interconnected energy sector.

20 May 2020

Commission presents two key strategies: its [EU Biodiversity Strategy for 2030](#), and its [Farm-to-Fork Strategy](#) to make food systems more sustainable.

11 March 2020

Commission proposes a [Circular Economy Action Plan](#), to expand and integrate previous work on circularity into the Green Deal.

4 March 2020

Commission proposes a [European climate law](#), aimed at reaching

climate neutrality by 2050.

14 January 2020

Commission presents two founding elements of the Green Deal: the [European Green Deal Investment Plan](#) and the [Just Transition Mechanism](#).

11 December 2019

Commission presents the [European Green Deal](#).

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