
Balancing geopolitics with Green Deal recovery: in search of a comprehensive Euro-Mediterranean energy script

Gonzalo Escribano & Lara Lázaro | Energy and Climate Programme, Elcano Royal Institute | @g_escribano & @lazarotouza 

Theme

The EU's new Energy Diplomacy Action Plan requires a comprehensive and appealing approach to rapidly shifting Euro-Mediterranean energy geopolitics.

Summary

To be consistent with both its energy and foreign policies, the EU's new Energy Diplomacy Action Plan has to develop a Euro-Mediterranean dimension to the European Green Deal that balances the past focus on oil and gas geopolitics with sustainable energy development (including energy governance) and the regional opportunities offered by the green recovery. The COVID-19 crisis has accelerated the impacts of the EU's energy transition for the Mediterranean neighbourhood. A more comprehensive and attractive energy script is needed from the EU to face the challenges of the low carbon transition and foster its renewable opportunities.

Analysis

Introduction¹

This paper is the Elcano Royal Institute's contribution to a project led by the German think-tank Stiftung Wissenschaft und Politik (SWP) that seeks to update the EU's Energy Diplomacy Action Plan during the German EU Presidency in the second half of 2020.² Focusing on the Mediterranean, this paper argues that the EU's external energy action in the region should be updated to foster cooperation and be broadened to encompass sustainable development goals. In particular, a more comprehensive and appealing Euro-Mediterranean discourse needs to be developed, taking stock of the significant shifts experienced globally in the EU and the region over the past months and years. It also argues that policy consistency requires a Euro-Mediterranean dimension to the European Green Deal and an energy script that balances geopolitics with the opportunities offered by green recovery.

¹ The authors would like to acknowledge Kirsten Westphal's very useful comments on a previous version and the research support of Juan Manuel González García. The usual disclaimer applies.

² For an overview of the project, see the post by Gonzalo Escribano, Lara Lázaro Touza & Esther Lence Tallón (2020), 'A look at the geopolitics of the European Green Deal', *Elcano blog*, 7/VI/2020. See also the project web page at <https://www.swp-berlin.org/en/projects/energy-system-transformation-and-geopolitics/>.

The paper starts by briefly addressing the geopolitical impacts of the European energy transition for the Mediterranean, as well as the external implications of the European Green Deal and (expected) green recovery. The second section identifies the main ongoing energy transformations in the Mediterranean. The third section makes policy-oriented suggestions regarding some elements that could help the EU articulate a new Euro-Mediterranean energy narrative. The last section concludes summarising the main results.

The Mediterranean and the renewal of the EU's energy diplomacy

European energy diplomacy is expected to become more complex. The complexity is brought about by the need to cope with conventional oil and gas geopolitics while simultaneously managing the impact of the energy transition. The latter implies consequences for hydrocarbon producers but also the emergence of a new renewable geopolitical landscape. During the second half of 2020, the German EU Presidency aims to revise the EU's Energy Diplomacy Action Plan, for which SWP researchers have proposed 'prioritising and re-engaging countries in the Afro-Eur-Asian ellipse' through five thematic priorities:³

- 1) Strengthen the EU's position as a norms-and-standards setter on energy transition, promoting transparent cooperation mechanisms for technical-regulatory dialogue.
- 2) Enhance economic opportunities for European businesses, particularly in renewable-energy and low-carbon markets.
- 3) Increase the security and stability of energy supplies and energy systems, from fossil fuels to renewable electricity and hydrogen.
- 4) Support energy transition abroad to ensure affordable, reliable, sustainable and modern energy for all (Sustainable Development Goal on Energy-SDG7).
- 5) Make the Paris Agreement successful, in line with the European Green Deal, and strengthen the multilateral system.

These priorities are closely related to the dynamics of the EU's and member states' policies. Their energy policy pathways are set by the new Commission hallmark project, the European Green Deal, the so-called European Climate Law, the member states' framework Climate Change and Energy Transition Laws, Integrated National Energy and Climate Change Plans (NECPs) and Long-Term Strategies (LTS), the Action Plan on

³ Maria Pastukhova, Jacopo Pepe & Kirsten Westphal (2020), 'Beyond the Green Deal: upgrading the EU's Energy Diplomacy for a new era', *SWP Comment 2020/C 31*, June. Pastukhova, Pepe and Westphal suggest primarily focusing energy relations with four Mediterranean neighbours (Algeria, Egypt, Morocco and Turkey) but adopt a general perspective on the 'Eurasian Ellipse'. In this paper our focus on the Mediterranean allows us to be more context- and region-specific, emphasising the need to go beyond transactional frameworks to include more aspirational drivers such as fighting climate change with no 'bypasses', promoting sustainability and fostering good energy governance, which are arguably differentiated Euro-Mediterranean priorities.

Sustainable Finance and the recently published taxonomy, among other elements.⁴ Together, they provide a robust and impressive energy and climate *acquis*, reducing the policy space to reverse course and requiring the consistency of the EU's external energy policy.

The above priorities are also aligned with the principled pragmatism that inspired the 2016 EU Global Strategy (EUGS),⁵ which included the concept of 'energy and environmental resilience' and aimed to 'encourage energy liberalisation, the development of renewables, better regulation and technical transfers, alongside climate change adaptation and mitigation'. The EUGS explicitly included the possibility to broaden the Energy Community to Mediterranean neighbours ready to converge towards the EU's energy *acquis*. Furthermore, these priorities are consistent with the new Commission's geopolitical ambitions, its unwavering support for multilateralism and sustainable development in an important region for the EU. They are also aligned with the need to foster economic recovery from the COVID-19 crisis by offering new opportunities to EU companies in the low-carbon economy, where the Mediterranean has a significant potential. The European Commission's recovery instrument, Next Generation EU, has a €750 billion budget to support green transitions, the resilience of national economies and strategic sectors, and fund research in the green economy, including renewables and hydrogen, part of which could be allocated to cooperation with the EU's neighbours. While the bulk of the stimulus would be spent within the EU, the Communication 'Europe's moment: repair and prepare for the next generation' includes addressing the needs of its neighbourhood under the heading 'A stronger EU in the world'.⁶

Unfortunately, the above-mentioned priorities cannot be addressed solely through the dominant Euro-Mediterranean energy script, which became obsolete long ago. Some of its original and most ambitious goals had to be abandoned because of their lack of realism or inadequacy to the region's dynamics, like the Euro-Mediterranean energy ring, the Mediterranean Solar Plan (the EU version of the DESERTEC project) and extending the Energy Community to the region. These mega-projects and grand (normative) strategies were replaced by weak institutions, like the so-called gas, electricity and renewables platforms supported by the Union for the Mediterranean (UfM), the MEDREG, a collaborative platform for energy regulators, and MED-TSO, a technical platform of the Mediterranean Transmission System Operators.⁷

⁴ Lara Lázaro Touza & Gonzalo Escribano Francés (2020), 'The COVID-19 exit strategy: fast-tracking and mainstreaming Net Zero amidst wicked geopolitics?', *Oxford Energy Forum*, July (forthcoming).

⁵ Lara Lázaro Touza & Ángel Gómez de Ágreda (2020), 'Integrating climate change action into EU security policy', in E. Conde, V. Zhakin & M. Scopelliti, *The Routledge Handbook of European Security and Law*, Routledge, Oxford.

⁶ See section 7 in the European Commission Communication (2020), 'Europe's moment: Repair and Prepare for the Next Generation', Brussels, 27/V/2020; see also within its Accompanying Document point 3.4 in Commission Staff Working Document (2020), 'Identifying Europe's recovery needs', Brussels, 27/V/2020.

⁷ For a detailed analysis of Euro-Mediterranean energy cooperation see, for instance, Alessandro Rubino, Ilhan Ozturk, Veronica Lenzi & Maria Teresa Costa (Eds.) (2015), 'Regulation and Investments in Energy Markets. Solutions for the Mediterranean', *Academic Press, Elsevier*, p. 117-130.

As some analysts warned years ago, there are too many platforms and no Mediterranean energy policy, as well as a very short-sighted and simplistic vision of the complexities involved in the region's energy interdependencies.⁸ For instance, it is difficult to envisage how the UfM could have managed an agenda that, according to the EUGS, would include the liberalisation of the Mediterranean neighbours' energy sector, the convergence of their regulations with European norms, energy transition and climate change adaptation and mitigation.⁹ Energy in the Mediterranean entails far more elements than technical cooperation, building big infrastructures and achieving a reductionist version of energy security based upon reducing the EU's energy dependency. The existing Euro-Mediterranean energy policy and its institutions simply do not measure up to its complexity. Even less so in the last decade, when new issues like climate change, the energy transition and renewables' deployment in the region superseded geopolitical transformations like the increasing EU-Russia rivalry, the US shale revolution and increased geopolitical volatility after the Arab Spring.

The network of Mediterranean energy interdependencies is more complex than the simplistic image of an EU dependent on the resources and transit routes of its southern and eastern shores. The Mediterranean connects consumers and producers of different energy sources and technologies through various energy corridors and investment, human and trade flows. By way of illustration, the main Spanish import from Algeria is natural gas, but the first exporting chapter from Spain to Morocco is that of fuels and lubricants, and Morocco and Spain conduct a significant electricity trade whose flow can quickly reverse depending on market conditions. The mobilisation of its resources is a clear opportunity for Euro-Mediterranean energy cooperation and the development of the southern neighbourhood.

The German Presidency's original agenda was to respond to the recent shifts in the global, regional and European energy landscapes, offering an opportunity to update and complete Euro-Mediterranean energy cooperation. The COVID-19 crisis, far from altering these priorities, implies a significant acceleration for many of these shifts. As IEA's Executive Director Fatih Birol has written, the corona-crisis implies fast-forwarding the energy sector into the future.¹⁰ While he was referring to the increase of the renewables' share in the power mix, it can also be applied to Mediterranean energy prospects, sending a 'postcard from the future'¹¹ that shows how Euro-Mediterranean energy geopolitics may look like by 2050, when the EU reaches net zero emissions. If the COVID-19 crisis has accelerated ongoing energy trends, coping with the geopolitical consequences of the energy transition in the Mediterranean has become a more urgent task for the EU's new Energy Diplomacy Action Plan.

⁸ Alessandro Rubino (2015), 'Three Platforms for no Mediterranean (Energy) Policy', *ISPI Energy comments*, 4/IV/2015; and Gonzalo Escribano (2015), 'Toward a Mediterranean Energy Community: No roadmap without a narrative', in Rubino, Ozturk, Lenzi and Costa (Eds.), 'Regulation and Investments in Energy Markets: Solutions for the Mediterranean', p. 117-130.

⁹ Gonzalo Escribano (2017), 'The shrinking Euro-Mediterranean policy space', ARI, nr 69/2017, Elcano Royal Institute.

¹⁰ Fatih Birol (2020), 'The coronavirus crisis reminds us that electricity is more indispensable than ever', *IEA Commentary*, 22/III/2020.

¹¹ Michael Liebreich (2020), 'Covid-19 – The Low-Carbon Crisis', *Bloomberg NEF*, 26/III/2020.

A rapidly shifting Euro-Mediterranean energy landscape

The Mediterranean is involved in the double transition –geopolitical and energy sources– that characterises the global energy landscape. The Paris Agreement provides the global framework for a decarbonised energy future, even though the implementation rulebook (especially as regards transparency and market mechanism) is yet to be finalised and scientists and civil society consider that the level of ambition is insufficient to achieve its goals. The fight against climate change also determines the regional context, since the Mediterranean is one of the regions where its impacts are expected to be more severe, with increases in temperatures well above the global 2°C target, longer heat waves (potentially exceeding 100 days a year), a greater decrease in rainfall and an advance in desertification, along with more floods and other extreme weather events. It is no longer about economic impacts: the greatest impact of climate change in the region will be on the health of its citizens, including the emergence of tropical diseases. Entire areas of the Mediterranean, especially on the southern shore, could become uninhabitable between the middle and the end of the century, especially under high emission scenarios.¹²

Addressing this challenge means moving towards carbon-neutrality, which the EU is committed to achieve by 2050 through increasingly ambitious measures and objectives. Mediterranean countries also have emission and renewable commitments, although they are less ambitious (with the exception of Morocco)¹³ and differ greatly from each other. Morocco committed to unconditionally reducing its emissions by 17% by 2030, and up to 42% if it has external technical and financial support. Tunisia's respective commitments are 13% and 42%, Lebanon's 15% and 30%, Algeria's 7% and 22%, and Jordan's 1.5% and 14%, while a large emitter like Egypt has not signed any commitment. Morocco also has a renewable target of 52% of installed electricity capacity by 2030, which Tunisia sets at 30% of power generation, Algeria at 27% and Lebanon between 15% and 20%. Egypt and Jordan did not set targets for renewables in Paris, but their energy strategies set them at 20% (in 2022) and 10% (2020) of their energy matrix, respectively. What all these countries have in common is that they make more ambitious commitments conditioned on external financial and technical support.

Parallel to the energy transition, another geopolitical transformation is unfolding in the region. The fracking revolution has involved a transfer of energy power from traditional hydrocarbon producers to the US, now leading world crude oil and gas production. Mediterranean gas producers like Algeria, and potential exporters in the Eastern Mediterranean, like Israel, Cyprus and Egypt, are facing increased competition from US and Russian liquefied natural gas (LNG) in the Euro-Mediterranean markets, pressing Algeria to change its contracts and putting the exploitation of Eastern Mediterranean gas at risk. However, the paralysis afflicting the Algerian regime since Bouteflika's retirement has prevented the adoption of upstream reforms and more flexible contractual terms. When the country finally adopted a long-awaited Hydrocarbon Law in 2020 to attract foreign investments and modify its contractual terms, the corona crisis broke out, eroding

¹² J. Lelieveld, Y. Proestos, P. Hadjinicolaou *et al.* (2016), 'Strongly increasing heat extremes in the Middle East and North Africa (MENA) in the 21st century', *Climatic Change*, nr 137, 23/IV/2016, p. 245-260.

¹³ See Climate Action Tracker (2020), <https://climateactiontracker.org/countries/>.

its attractiveness. The immediate collapse of natural gas prices has aggravated the trend: for instance, Spanish gas imports from Algeria decreased from over 50% in 2018 to under 33% in 2019. By March 2020 the US had become the leading supplier of gas to Spain, followed by Russia, with Algeria accounting for barely 17% of Spanish gas imports.¹⁴

European rivalry with Russia also affects Euro-Mediterranean energy geopolitics. Following Russian supply cuts to Ukraine from 2006 onwards, the EU has tried, with little success, to diversify its gas imports towards less geopolitically-loaded suppliers. The EU's strategy was about reducing Russia's power over the European gas market, to decrease President Putin's influence in Europe and reduce the income needed to finance his strategic adventurism. The first candidates to diversify away from Russian gas were Mediterranean producers, but when Europe turned its attention to the region it hardly found any alternatives. In Algeria, gas production was in decline due to a nationalist turn in its energy policy. Egypt had become a gas importer due to equally suboptimal policies and the discoveries in the Eastern Mediterranean were too immature. Finally, Europe's markets remained too fragmented and disconnected to allow any quick solutions to eventual new gas crises with Russia. Shortly afterwards came the Arab spring and the exclusively geopolitical script of the 'Mediterranean as diversification from Russian gas' was definitively exhausted. More than a decade later, European imports of Russian gas are at record levels, and the contribution of the Mediterranean has not lived up to the opportunities offered to both the EU and its gas producers.

By contrast, Russia has lowered prices and made contracts more flexible to face the US gas bonanza, benefitting from its strategic partnership with Germany to impose the Nord Stream 2 gas pipeline on member states, the European Commission and even the US. Another Russian gas pipeline, the TurkStream, is under construction across the Black Sea and through Turkey towards the EU. Russia is also present in the star discovery of the Eastern Mediterranean, the Zohr gas field, discovered by ENI in Egyptian waters in 2015 and called to help diversify European imports of Russian gas... until Rosneft, the political arm of the Kremlin, bought a 30% stake in 2017. Russia continues to position itself in any possible purchase of Israeli or Cypriot gas, in the exploration of the Syrian coast, supporting Haftar in Libya, in more chimerical projects such as a gas pipeline from Iran through Iraq and Syria, and lately aggressively entering Mediterranean gas markets with LNG supplies. It matters little, nonetheless, because Europe has lost the diversification narrative and, far from diversifying from Russia in the Mediterranean, it is Russia that has diversified the EU in the region. The 'Mediterranean as diversification from Russian gas' storyline is now outdated, and good energy governance together with fighting climate change and supporting the energy transition offer a more attractive and realistic Euro-Mediterranean energy script. It should now be reinforced with the European Green Deal and a green recovery of Euro-Mediterranean dimensions.

¹⁴ CORES (2020), *Boletín Estadístico de Hidrocarburos*, March; in April 2020 Algeria returned to its traditional position as the leading supplier of natural gas to Spain but with much lower percentages amid a huge reduction in Spanish gas demand due to the corona crisis. The CORES Statistical Bulletins are available at <https://www.cores.es/es/publicaciones>.

Shifts are also occurring in political economy balances, with changes being closely related to the mismanagement of oil and gas rents in the region. In Algeria, the population is fed up with the enriched elites, that capture oil and gas rents and are perceived to be corrupt and indifferent to the difficulties of the people. They had been demonstrating every Friday for over a year demanding a new social contract until the pandemic forced them to stop, but protests are restarting. In Libya the challenge is to redirect the current conflict over resources and preserve the country's only two institutions that still stand, the national oil company (NOC) and the Central Bank, both key to maintaining a balanced playing field that allows for a political solution. This normative element of the EU's energy external action should be carefully considered in order to improve fossil energy governance and to prevent rent-seeking extractive practices extending to the renewable sector.

Geopolitical shifts are not exclusive to the oil and gas regime. Electricity is entering the Euro-Mediterranean agenda, despite the fact that only Turkey and North Africa are currently connected with the EU's electricity system. Nevertheless, other bilateral and bi-regional interconnections have either been proposed in the past (Algeria to Spain and a Euro-Mediterranean electricity ring) or are planned (Italy-Tunisia and the Euro-Asian electricity corridor with the Eastern Mediterranean). Under a 100% renewable and electrified energy system, there would be a power shift from oil and gas producers and transit countries towards new players. Potential winners would be Mediterranean countries with renewable resources and installed capacity, know-how, storage and grid management capabilities, and interconnections to be able to balance a pan-Euro-Mediterranean grid community and act as a capacity companion, able to support the region's energy transition.¹⁵

Spanish-Moroccan electricity cooperation shows both the opportunities of this approach and the risks of sticking to the fossil logic, as well as the emergence of what can be called carbon geopolitics. The electricity interconnections between Spain and Morocco made it possible to synchronise the electricity systems of Morocco, Algeria and Tunisia with Europe. In recent years they also allowed the provision of almost 17% of Morocco's electricity demand, mostly with Spanish renewable generation. In 2019 the opening of two coal plants in Morocco temporarily reversed the flow, with Moroccan electricity exports allegedly generated from coal being cheaper because they were not subject to the EU's Emission Trading System (ETS) imposing a price on CO₂. The Spanish government asked for protection from the European Commission, which had no available instruments to deal with such a supposedly unfair carbon competition.

Another example is the Euro-Asian electricity corridor project, which aims to interconnect Greece, the island of Crete, Cyprus and Israel. The isolation of Mediterranean islands can be better solved with renewables and batteries, while the electricity interconnection with gas producers can lock-in gas consumption in the Eastern Mediterranean and the

¹⁵ Gonzalo Escribano (2019), 'The geopolitics of renewable and electricity cooperation between Morocco and Spain', *Mediterranean Politics*, vol. 24, nr 5, 28/11/2019, p. 674-681. The concept of *grid community* was first introduced by D. Scholten & R. Bosman (2016), 'The geopolitics of renewables. Exploring the political implications of renewable energy systems', *Technological Forecasting and Social Change*, vol. 103 (c), February, p. 273-283.

export of electricity generated with gas to the EU, some of it from non-ETS neighbours. This brings in the debate on how to implement border carbon adjustments to prevent unfair carbon competition from EU neighbours and how to differentiate the origin of electricity imports according to their carbon content. The Euro-Mediterranean region is a natural grid community,¹⁶ but the EU has to clarify how to promote such a strategic figure while preventing a fossil bias. On the other hand, it is difficult to foresee how to reconcile the soft power of projecting the EU as a companion to its neighbours' energy transition while imposing barriers to their renewable electricity exports and implementing mercantilist measures through unclear border carbon adjustments.

In a similar way, hydrogen is emerging as a complement rather than an alternative to electrification. Germany has just adopted an H₂ strategy, and the EU and other member states (like Spain) are following suit. Some analysts have argued that hydrogen geopolitics are similar to those of gas, therefore merely replicating the current geopolitical Euro-Mediterranean energy landscape of gas corridors with hydrogen ones.¹⁷ This is highly debatable, in general because the similarities of hydrogen and gas are not that clear, for instance in the use of existing gas infrastructures versus the need for dedicated ones, or regarding different cost structures, especially in converting costs; and for the Euro-Mediterranean region, because hydrogen will have to coexist (and compete) with an increasingly renewable-based electricity system. While it will seemingly be part of the solution to the energy transition and a Euro-Mediterranean dimension of any serious EU H₂ strategy is needed, some caveats remain regarding the hard-landing risk of sky-high expectations and the brown-to-green sequencing of the H₂ colour spectrum.¹⁸

Finally, the outbreak of the COVID-19 pandemic has accelerated many of the trends mentioned above. Energy consumption has collapsed, especially of fossil fuels, but electricity markets have also been severely affected by reduced industrial and business consumption. The global impact was a collapse of oil and gas prices and a huge distortion of energy flows and markets. Oil prices have reached historical lows (WTI oil futures went negative for the first time at -US\$36), but also electricity prices reached negative prices for some hours and days in several European countries. In the Mediterranean economic activity has been greatly reduced, with non-essential travel grinding to a near halt and therefore also tourism and related services. Oil and gas producers have been greatly affected and their economic balances and growth prospects have quickly worsened. Investment in the renewable sector has been affected by disruptions in the value-chain and the deterioration of economic expectations. Oil and gas exports sharply decreased in both volume and value, and competition from cheap

¹⁶ We refer to 'natural' in the sense of economic geography when speaking about natural trade partners: those that benefit from geographical proximity.

¹⁷ Fridolin Pflugmann & Nicola De Blasio (2020), 'Geopolitical and market implications of renewable hydrogen new dependencies in a low carbon energy world', *Belfer Center for Science and International Affairs*, March.

¹⁸ H₂ produced from coal is usually referred to as brown hydrogen, when derived from fossil fuels it is called grey hydrogen, except when derived from natural gas with carbon capture, which is referred to as blue hydrogen. Green hydrogen comes exclusively from renewable sources. For a detailed discussion on the geopolitics and sequencing of H₂ strategies from a German (and EU) perspective see Kirsten Westphal, Susanne Dröge & Oliver Geden (2020), 'The international dimensions of Germany's hydrogen policy', SWP Comment 2020/C 32, June.

US and Russian gas has further distorted Mediterranean markets and prospects. The grim economic prospects of their EU partners also affected their key export markets.

The corona crisis also has an intra-EU geopolitical and geo-economic dimension directly related with the Mediterranean. Mediterranean member states are expected to be among the most affected, having the highest death tolls and the biggest economic and social costs, which risks heightening populist and nationalist movements and political parties. Within Europe, there is the risk of anti-EU feeling and a North-South political divide re-emerging and intensifying, thus re-opening the wounds of the financial crisis. Providing economic opportunities to Mediterranean member states with renewable resources (wind, solar-PV and CSP) would allow the European countries that have suffered the most from the financial and the COVID-19 crises to benefit from their comparative advantages while contributing to the EU's energy security and its compliance with emission reduction and renewable targets. Nevertheless, it is important to find the way to make such opportunities compatible (and even complementary) with similar ones offered to Mediterranean neighbours.

Articulating a new Euro-Mediterranean energy script

The different Mediterranean energy sectors show high levels of integration and complementarity, presenting a pattern of complex interdependence across countries, sources and technologies. North African oil, due to its proximity and high quality, is essential for refineries in Mediterranean Europe, which also re-export part of their fuels back to their southern neighbourhood. Interdependence is also high for both oil and gas regarding the investments of European majors in exploration and production, with an associated flow of technologies, capital goods and technical experts from EU companies. The latter are also the main customers of Mediterranean neighbours' oil and gas exports. However, oil and gas interdependencies have been subject to the stresses of the geopolitical discourse, which have tended to lead to conflict where economic rationality mainly consists in managing cooperation. As explained below, there is the risk that renewables and hydrogen inherit such a 'fossilised' reference framework.

This geopolitical obsession, focused on energy security understood solely as security of supply, is not limited to energy dependence and vulnerability of EU consumers vis-à-vis their southern neighbours. It also occurs among member states, as illustrated by the competition between Spain and Italy to become the Mediterranean gas hub. Almost all Mediterranean countries aspire to become such a hub, but the best positioned seem to be Italy (a pipeline hub from Algeria, Russia, the Caspian and, eventually, the Eastern Mediterranean) and Spain (an LNG hub with pipelines from Algeria).¹⁹ The proposal to build a €7 billion gas pipeline across more than 2,000 km from the offshore gas fields of Cyprus and Israel to Europe with EU financial backing would distort gas-hub competition and introduce a driver for conflict in the development of Eastern Mediterranean gas.

There are further environmental and economic arguments for not using European taxpayers' money in this type of large fossil infrastructure. Such fossil mega-projects,

¹⁹ See the EFET '2019 Review of Gas Hub Assessment' scores.

while typical of the past, are rapidly becoming strategically obsolete. They threaten to impose a fossil lock-in, making EU finance a stranded asset that is not consistent with the mid-century carbon neutrality goal. In order to be consistent with European energy policy in the short term, the EU should promote both intra-European and Euro-Mediterranean electricity interconnections and renewable exchange mechanisms instead of building new mega-infrastructures for gas imports. Renewables are precisely where cooperation combines best with fighting climate change. The energy transition opens up the possibility of deploying a less geopolitical and more cooperative Euro-Mediterranean energy script, less based on the hard power of coercion and more on the soft power of appealing sustainable energy models, both in socio-economic and environmental terms. Nevertheless, the increasing attention devoted to the geopolitics of renewables, including patents, flows and strategic minerals, shows that path-dependence on the fossil geopolitical landscape can easily turn into the ‘fossilisation’ of renewables.²⁰ As with climate change, it is important to avoid its securitisation, adopting novel strategic frameworks based upon the different conditions under which they operate.

While some of the shifts described above have been in motion for years,²¹ they became more urgent with the new scientific evidence on climate change and the need to find a Euro-Mediterranean fit to the EU’s Green Deal. Facing the (geo)political costs and benefits of the European energy transition implies managing and minimising the impact on transition losers in its neighbourhood, but also maximising the opportunities it offers to other sectors and neighbours.²² Many of these mega-trends have now accelerated due to the COVID-19 crisis and the need to extend green recovery strategies to the European neighbourhood. Among the elements that could make up this new Euro-Mediterranean energy and climate script, the following can be highlighted: interdependence instead of dependency; development rather than rentierism; environmental sustainability in place of its degradation; approaching climate change as a shared risk without securitising it; shifting from energy geopolitics based on ‘grand strategy’ and mega-projects to the micro-geopolitics of human security; and, finally, fast-tracking and mainstreaming green recovery from the corona crisis as the logical consequence of the EU’s Green Deal. These elements, which can help develop the Euro-Mediterranean dimension of the updated EU Energy Action Plan, are described in detail below:

- 1) Managing energy interdependence instead of pursuing independence requires reducing the geopolitical component of energy, stressing that it is interdependence, not dependence, that characterises the Euro-Mediterranean energy complex. The dependency narrative is radically anti-cooperative: it is difficult to build cooperative mechanisms between countries obsessed with energy independence. If energy security strategies aim to reduce dependency,

²⁰ Sujatha Raman (2013), ‘Fossilizing Renewable Energies’, *Science as Culture*, vol. 22, nr 2, 30/V/2013, p. 172-180.

²¹ Gonzalo Escribano (2015), *op. cit.*

²² See, for instance, Gonzalo Escribano (2019), ‘La energía como vector de cooperación y desarrollo sostenible en el Mediterráneo’, *Revista de Occidente*, vol. 461, October, p. 23-33, on which this section relies heavily (although updated with the novel corona crisis implications).

opportunities for cooperation are significantly reduced. Furthermore, it is a contagious discourse: the obsession with reducing dependence on hydrocarbons from geopolitically unstable countries easily mutates into a similar one about dependence on strategic minerals or key technologies for renewables, and from foreign renewables imported either as electricity or hydrogen. The geopolitics of renewables is different from that of oil and gas, so it is important to prevent the 'fossilisation' of the European Green Deal projection towards the Mediterranean and elsewhere. If renewables are exclusively seen as a way to achieve energy independence by substituting oil and gas imports, they can deliver a similar or even more mercantilist approach to Euro-Mediterranean energy cooperation than the fossil regime.

- 2) Promoting development rather than rentierism implies assuming that the political economy balances in the Mediterranean neighbourhood were forever altered after the so-called Arab spring. The citizens of Algeria, Egypt and Libya do not seem willing to continue endorsing the perverse pact of the rentier state: they are no longer content with subsidies for fuel or basic foodstuffs or with poor public services in exchange for closing their eyes to the extractive excesses of their elites. They demand genuine development, not the clientelist and rent-seeking strategies that have led them to the low-level equilibrium trap they suffer. It is of the utmost importance that the EU's external energy action in the Mediterranean is conceived as an economic, industrial and social opportunity, becoming for the first time a truly comprehensive development programme with a sustainable energy base. The EU has to avoid the popular perception among southern Mediterranean citizens that it only wants to extract their energy resources in connivance with their elites, aiming to perpetuate (or even expand) the oil and gas extractive model with renewable resources.
- 3) Ensuring environmental sustainability in place of its degradation is the third dimension of an adequate energy and environmental governance in the region, including for renewables. The degree of environmental degradation in the Mediterranean is worrying and affects all riparian countries. Part of the problem is directly or indirectly related to energy or petrochemical industry derivatives such as plastics, although there are many dimensions, like pollution, water scarcity, deforestation and biodiversity losses, among others. Part of the solution lies in attaining sustainable energy use. Rather than seeing the Mediterranean neighbourhood as a geopolitical space for extracting energy resources aimed at European consumption, the EU should focus on turning energy into a driver for Euro-Mediterranean sustainable development. The greening of the European economy proposed by the Green Deal, alongside the EU's goal of enhancing its global climate stance as a directional leader, must be extended to the Mediterranean with the aim of generating local added value, employment, industries, technological transfers and sustainable energy development, including the modernisation of energy systems, improving access to energy services, and ensuring a fair energy transition.

- 4) Placing the fight against the shared risks arising from climate change at the core of the Euro-Mediterranean energy script without securitising it. The Mediterranean neighbours' emission-reduction commitments in the Paris Agreement are conditional on obtaining external financial and technical support. The EU is the main candidate to provide support, potentially in liaison with China, helping Mediterranean –and other African– countries to deliver their conditional NDC commitments and, if handled well, helping green projects along the Belt and Road. This introduces a new dimension in Euro-Mediterranean energy relations: climate finance and technical and technological cooperation in both climate adaptation and mitigation.²³ Mitigating climate change in a Mediterranean expected to literally become one of its 'hot spots' marks the energy transition as the main driver of the future pattern of Euro-Mediterranean energy interdependence. Hence the importance of extending the European Green Deal to Mediterranean neighbours, overcoming the temptations to perpetuate an outdated and contradictory approach with its goals. In any case, the emerging EU Green Deal diplomacy should not be perceived as a way of merely conducting renewable protectionism through carbon-content geopolitics.

- 5) Shifting from the 'grand strategy' of mega-projects to the micro-geopolitics of human security, avoiding the path-dependent substitution of fossil regime infrastructures (pipelines and terminals) by centralised electricity systems guided by the same logic (HVDC lines and hydrogen corridors). On the contrary, the new Euro-Mediterranean energy action should be based on responding to the social demands of the southern neighbours' citizens: first, to provide solutions to problems of poverty and energy development, including a fair energy transition; secondly, to provide a framework for cooperation that guarantees the good governance of energy, fossil and renewable resources, and the adequate redistribution of their incomes; and, finally, to cooperate in the most immediate aspects of mitigation and adaptation to climate change for the population, starting with health and the prevention of disasters caused by extreme weather events, and continuing with agriculture, coastal activities and the tourist and construction sectors.

Fast-tracking and mainstreaming the Euro-Mediterranean green deal recovery to make it consistent with EU energy and economic policies. The post-COVID-19 EU energy and climate policy debate revolves around whether the response to the crisis might help align economic recovery plans with energy transition and climate policy.²⁴ If the EU's external action is to be consistent with the Green Deal and green recovery strategies, both need to develop a comprehensive Mediterranean dimension. First, there is the possibility of allocating funds from the Next Generation EU recovery instrument to Mediterranean neighbours to support their energy transition, resilience and green research. Secondly,

²³ Simone Tagliapietra (2018), 'The Euro-mediterranean energy relationship: a fresh perspective', *Bruegel*, Policybrief Issue 4, October; and MEDEC (2019), 'Risks associated to climate and environmental changes in the Mediterranean region', MedECC Network Science-policy interface.

²⁴ Gonzalo Escribano & Lara Lázaro (2020), 'Oil markets, energy transition, climate governance and COVID-19: the short, the medium and the long term', Working Paper, nr 6/2020, Elcano Royal Institute, 22/IV/2020.

Euro-Mediterranean energy integration is a strong enabler for decarbonisation, which requires massive renewable deployment and increased flexibility through storage and interconnection capabilities to cope with higher renewable penetration levels.²⁵ The Mediterranean is suffering the most from the corona crisis, but it also offers opportunities for channelling green recovery measures beneficial to both sides of the basin, given its proximity and vast renewable energy resources. The Mediterranean neighbours' Paris-conditioned commitments are an easy and quick way to implement green recovery through climate and green finance. The promotion of renewable electricity and hydrogen infrastructures and its integration within a Euro-Mediterranean low-carbon space should be included among the priorities of the Next Generation EU recovery instrument and the EU's energy diplomacy action plan.

Conclusions

The renewal of the EU's Energy Diplomacy Action Plan that is Green Deal-compatible needs to reflect the shifts in the Euro-Mediterranean energy landscape. These shifts include, among others: (1) renewables and electricity entering a geopolitical landscape until now dominated by oil and gas; (2) a re-configuration of the Mediterranean oil and gas regime itself, including the emergence of new Mediterranean gas producers and outer exporters; (3) changes in energy political economy balances, increasing the pressure to improve energy governance; (4) a new EU political cycle betting on a more geopolitical stance and the Green Deal; and (5) the COVID-19 pandemic could accelerate the EU's energy transformation, putting green recovery at the forefront of the European agenda.

This paper has argued that the new EU Energy Diplomacy Action Plan for the Mediterranean should consider: (1) constructing an EU narrative (and action) based on energy interdependence instead of dependency; (2) striving for mutually beneficial development gains rather than accepting rent-seeking behaviour and extractive excesses of the elites; (3) supporting the sustainable use of resources that yield high value-added and jobs rather than unsustainable economic models; (4) focusing on fighting the shared climate risks, investing in climate diplomacy, climate finance and technical and technological cooperation; (5) transitioning from 'grand' geopolitics to the micro-geopolitics of human security, avoiding fossil megaprojects and replacing them with renewable infrastructures, where feasible; and (6) fast-tracking and mainstreaming Euro-Mediterranean green deal recovery, using the Next Generation EU recovery instrument to support the Mediterranean energy transition and the conditional nationally determined contribution (NDC) commitments, promoting regional energy integration through mutually optimal decarbonisation pathways.

Including these elements in a comprehensive and more balanced Euro-Mediterranean energy script will be essential to change the perception prevailing on the EU's southern neighbourhood that Europe only wants to secure, if not appropriate, its energy resources –historically oil and gas, and renewables in the future–, and that it does so in collusion

²⁵ Silvia Pariente-David (2020), 'COVID-19: a catalyst for decarbonization and integration of the Mediterranean energy market', *Policy Center for the New South*, 9/VI/2020.

with southern Mediterranean elites, who it supports at the expense of the general welfare of its citizens. And that, in a last twist, Europe, the great historical polluter of the Mediterranean, intends to impose its renewable technologies and companies, transitioning to a green economy in which the Mediterranean neighbourhood will not be able to compete. If so, they will risk being left behind in both the ongoing European energy transition and the green recovery from the corona crisis, feeling marginalised in building the Euro-Mediterranean low-carbon space that this paper advocates. Finally, whether the existing Euro-med energy institutions can fit within such a new script remains an open question that will require further research in order to assess their capacity to adapt to the above-mentioned shifts.