
The energy and climate diplomacy of the new European Commission

Gonzalo Escribano & Lara Lázaro Touza – June 2024

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Real Instituto Elcano - Madrid - España
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C/ Príncipe de Vergara, 51
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www.realinstitutoelcano.org

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Executive summary

This document contributes to the analysis of the energy and climate diplomacy priorities of the EU during the new 2024-29 political cycle, from a Spanish perspective. It contains the following key messages

1 Energy and climate will remain a priority, but in a different context

Energy and climate policy will continue to be one of the EU's main foreign policy areas. The new Commission must ensure the continuity of the packages that were approved by its predecessor in a context that was very different, in terms both internal and external acceptance of its climate policies, and of the radically different geopolitical landscape. The energy crisis provoked by Russia has been overcome but said crisis has changed Europe's strategic orientation. The underlying geopolitical volatility has risen in the Middle East, while rivalry with China continues to play out in industries that are key to the energy transition, such as electric vehicles and renewables. This new geopolitical context must not be allowed to upset the delicate balance between decarbonisation, competitiveness and energy security, but the Commission will have to work hard to advocate for decarbonisation both within the EU and in its relations with the rest of the world. Concerns over energy security have expanded from worries about threats to the supply of gas and oil to the risks associated with renewables and their value chains, opening up a new policy space for the Commission. Although citizens remain very concerned about climate change said concern is lower than in 2019. In this context, the EU must decide on its goals for 2040, taking into consideration scientific recommendations and striving to ensure the acceptance of its climate policies by supporting the most vulnerable sectors and regions with inclusive policies to address the growing concern over economic and social impacts while tackling the risk of polarisation.

2 A significant implementation legacy

The most significant legacies of the outgoing Commission are the launch and development of the European Green Deal (EGD), overcoming the energy crisis triggered by the interruption of Russian gas supplies, the measures adopted in response to the US administration's Inflation Reduction Act (IRA) and to mitigate the EU's vulnerability to China. The wide range of initiatives launched by the Commission means there must now be a focus on implementation, transitioning from goals to plans and legislative initiatives leading to investments. These initiatives include the investments and reforms designed to deliver the digital and green transition, funded by the Next Generation EU's (NGEU) temporary recovery mechanism, the European Climate Law, the Fit for 55 package (which includes the Carbon

Border Adjustment Mechanism or CBAM), the REPowerEU plan to respond to Russia's invasion of Ukraine and the energy crisis, reform of the electricity market, the Net-Zero Industry Act (NZIA), the Critical Raw Materials Act (CRMA) and regulation on deforestation-free forests (EUDR), among others. The EU must also apply the Trade and Sustainable Development (TSD) chapters of existing trade agreements and include them in ongoing trade negotiations. There is a risk that some of these initiatives could be perceived by EU partners as instruments for climate protectionism or even green neocolonialism, requiring active European energy and climate diplomacy to limit said perceptions.

3 *Greenshoring: a template for open, competitive decarbonisation for the EU*

Greenshoring refers to the replacement of suppliers with high emissions or less sustainable resource use by suppliers with lower emissions and better environmental performance. This approach makes it possible to align Spanish and European values and interests, prioritising economic cooperation with countries that want to make progress in energy transition, attract investment in their decarbonised industries, and integrate with new transnational value chains. Many analysts predict an energy policy that will be more focused on competitiveness, particularly in the industrial sphere, and on supply security, but the fight against climate change remains among the key priorities of Spaniards and other Europeans. It is important to avoid a false dichotomy between economic security and strategic autonomy on the one hand, and decarbonisation on the other. While the transition towards suppliers with lower emissions may initially entail higher costs, over the medium and long term the resilience of the supply chain and industrial competitiveness will improve. The challenge of implementation must be addressed to ensure that new alternative suppliers comply with minimum environmental standards and are able to satisfy demand from the EU. Spain has proposed an open competitive decarbonisation approach as the best way to present an energy model that will be attractive both to Europeans and the rest of the world.

4 Addressing the risks of fossil-fuel geopolitics

The new Commission must remain focused on the security of gas and oil supplies, simultaneously addressing decoupling from Russia, the consequences of the crisis in Gaza and the Red Sea, and tensions between Israel and Iran. The G7/EU ceiling on Russian oil prices has not had the expected results, with European imports of liquefied natural gas (LNG) from Russia increasing over the past year, while the EU continues to import Russian strategic minerals and nuclear fuel. Given discrepancies between European countries and sanction fatigue, the new Commission will find it very hard to obtain approval for hard-hitting energy sanctions against Russia, although sanctions have been proposed for some aspects of Russian LNG imports, and if these are successful, they could be expanded by

the new Commission. The crisis in the Red Sea has had a negative impact on the European energy and economic outlooks, raising the geopolitical risk premium for oil and for both oil and LNG transport costs. It has also put pressure on supply chains and increased both greenhouse gas emissions from maritime transport and their related taxes for calls at European ports. Problems with gas production in Egypt and the war in Gaza have reined in European expectations of diversifying gas supplies in the eastern Mediterranean, while escalating tensions between Israel and Iran threaten to disrupt the gas and oil markets (including new US sanctions on Iranian crude oil). A possible moratorium on US LNG projects represents an additional medium-term risk. In this context, the new Commission must continue to develop the EU energy platform (to aggregate demand and jointly purchase gas), although some observers question how effective this will be. The Commission will also have to anticipate the long-term impact of European decarbonisation on the most exposed hydrocarbon producers, some of whom are of major geopolitical importance to the EU. More specifically, the EU must take care to ensure that it provides key suppliers such as Algeria and Libya with opportunities to be included in the energy transition process.

5 Applying the CBAM and managing the new geoeconomics of carbon

The EU's energy and climate diplomacy faces the challenge of presenting the CBAM as a decarbonisation incentive for countries that want to join a climate club whose members apply carbon pricing mechanisms. This means compensating the negative impacts of CBAM, particularly in less developed countries, which would help avoid allegations of climate protectionism. The EU should also strive to align its decarbonisation and industrial policies with those of its commercial partners: the United States' IRA, and China's Belt and Road Initiative (BRI). Finally, it needs to defend green industrialisation, encouraging Member States to adopt the NZIA and the CRMA within the framework of the Green Deal Industrial Plan, addressing the issue of state aid, and continuing to support its trade partners in adapting to new initiatives such as the deforestation regulation (EUDR).

6 Mitigating the geopolitical risks of decarbonisation

The incoming Commission will have to address the challenge of mitigating the geopolitical risks of decarbonisation. After addressing the most pressing aspects of the energy crisis, and taking account of the current context, the Commission must once again focus on the external dimension of the European Green Deal, projecting decarbonisation as a central element of the EU's strategic autonomy which offers opportunities to its energy and trade partners. In particular, the incoming Commission must address the geopolitical risks of a renewable system by investing in grids and interconnections (for electricity and renewable gases), promoting renewables in those partners who are best placed to deploy them,

ensuring access to the strategic minerals required for decarbonisation, and striving for a more realistic hydrogen diplomacy. It also needs to address the shortcomings of the Global Gateway initiative, which has heretofore had limited impact in mobilising investment, particularly when compared to the Chinese Belt and Road Initiative, with which it seeks to compete.

7 Climate diplomacy and social acceptance

The EU also faces a more challenging context in international climate negotiations. To maintain its leadership, it needs to update its climate commitment (Nationally Determined Contribution, NDC), in alignment with the implementation of the European Green Deal and with science. The EU could try to lead the conversation in international climate negotiations for the establishment of a new target for the climate funding which is expected to be applicable from 2025 onwards (the New Collective Quantified Goal, NCQG, to be agreed in Baku at COP29). For this to occur the EU would have to agree to at least maintain its significant contribution to international climate funding during the new institutional cycle. Given the likelihood of reduced ambitions of some of the largest emitters, the EU could strengthen its alliances to forge a more distributed climate leadership model, particularly with Latin America. As an ideational leader, the EU could propose the development of Non-Party Determined Contributions (NPDCs) to support future evaluations of progress towards achieving climate objectives. Internally, the objective of reducing emissions by 2040, and climate governance in general will be reviewed. The just transition mechanism to phase out fossil fuels needs to be complemented by the phase-in of technologies and policies for decarbonisation to achieve net-zero emissions without leaving affected citizens and sectors behind.

8 Implications of EU foreign policy from a Spanish perspective

Spain's preferences as regards EU's foreign policy are influenced by, among others, broad public support for fighting climate change. Although that support has fallen –similarly to the decline in support in the rest of the EU– it remains high, legitimising ambitious climate action.

Concerns about competitiveness can be addressed via economic opportunities offered by the low carbon economy as a country with abundant renewable resources and capacities can attract the new decarbonised and energy-intensive industries. This model of green relocation in Spain has foreign policy implications across a range of dimensions. The development of electricity grids and interconnections is key to promoting investment in renewables and ensuring that Spain can contribute to European decarbonisation and energy security, as it did during the energy crisis, exporting electricity and gas to France. Interconnections have also allowed Morocco to cope with the closure of the Maghreb-Europe Gas Pipeline (MEG), with gas and electricity exported from Spain. The country also has an interest in integrating decarbonised value chains with its main non-European trade partners, particularly in Latin America and the southern Mediterranean. Achieving this involves free trade agreements with chapters on sustainability and access to critical minerals. For Spain, the relative absence of Latin America in European energy and climate considerations is significant: the LAC region boasts important fossil fuels, renewable and mineral resources, and many of its countries have low carbon intensity and are very advanced in the development of renewable markets. They are natural partners of the EU in the transition, and the Commission should offer an integration model which capitalises on these comparative advantages. At the geopolitical level, the situation in Venezuela and its award of licences to European companies are key issues to watch out for. With respect to Russia, Spain supports the energy decoupling measures and, although it is one of the EU's main importers of Russian LNG, the country has shown its willingness to adopt joint measures to reduce these imports to the EU average, as individual measures would fragment the internal market if some Member States applied them, and others did not. Many of Spain's key industries are suffering the effects of logistical disruption due to the Red Sea crisis, while Spain's foreign policy preferences would point to the significant involvement of the EU in the energy reconstruction of Gaza.

1 Introduction

This Policy Paper sets out to identify the priorities for the energy and climate diplomacy of the incoming Commission from a Spanish perspective. Energy and climate will continue to play a central role in European policy, and its international dimension means it will also become an increasingly important element of the EU's external action. The new Commission must apply the impressive energy and climate legacy of its predecessor, but it will have to do so in a much different European and international context. Internally, public acceptance of European climate policy has fallen in many Member States, while concerns about competitiveness and energy security have grown. The EU continues to face a challenging geopolitical landscape, which combines the need to maintain efforts to diversify away from reliance on Russia with the need to manage the challenges of decarbonisation and the international repercussions of its policies. The incoming Commission must ensure that this new context does not upset the balance that European policies have struck between decarbonisation, competitiveness and energy security, legitimating it to both Europeans and the rest of the world.

European climate policy also faces both external and internal threats. Internationally, phasing out fossil fuels must be reflected in more ambitious climate plans (Nationally Determined Contributions, NDCs) to be presented before COP30 in Brazil, with the support of the EU. This transition depends on a New Collective Quantified Goal, for which negotiations will be concluded at COP29 in Baku.¹ Moreover, global climate policy faces a busy electoral year in some of the largest emitters, such as the USA, India and the EU, with results that are potentially less favourable to ambitious action. Internally, the EU must establish its climate objectives for 2040, aligning them with the scientific evidence (which requires the EU to reduce its emissions of greenhouse gases by between 90% and 95% compared to 1990 levels) in a less favourable context. The EU will also have to address reform of regulation 2018/199 on the Governance of the Energy Union and Climate Action, which provides an opportunity to strengthen the requirements for the convergence of objectives and instruments for climate action in the 27 Member States. If the European Green Deal is to be socially accepted, then the just transition must be strengthened and expanded to encompass the phase-in of renewable energies, protecting those sectors most affected by decarbonisation.

The document starts by setting out the extensive energy and climate legacy of the outgoing Commission, which must be applied in the coming years, moving from the design of plans and objectives to their implementation in the form of investment and reforms. It goes on to argue for a European energy diplomacy which aligns its values and interests, while remaining sensitive to the preferences of its principal energy and trade partners, both current and potential. In particular, it argues for an open competitive decarbonisation model based on greenshoring, consolidating cooperation with countries that wish to advance their energy transition and attract decarbonised industries. The fourth section tackles the

1 Lázaro Touza *et al.* (2024a); Lázaro Touza (2023).

need to manage the geopolitical risks of the fossil regime in the short and medium term: decoupling from Russia, the risk that the Gaza crisis will further spill over into the Red Sea, possible confrontation between Israel and Iran, the situation in Venezuela and a possible US moratorium on liquefied natural gas (LNG) projects, among others. It also points to the need to anticipate the long-term impact of European decarbonisation on those hydrocarbon mono-producers of the greatest geopolitical importance to the EU.

The fifth section considers how to manage the geoeconomics of carbon implicit in the CBAM, the NZIA, the CRMA and the EUDR, in order to counter the accusations of climate protectionism and injustice that have been levelled at the EU. The sixth section addresses the need for the incoming Commission to mitigate the geopolitical risks of decarbonisation, analysing drivers such as networks and interconnections, promotion of renewables outside the EU, strategic minerals and hydrogen diplomacy. The seventh section considers the EU's climate diplomacy, analysing elements of European external action such as international climate funding, updating NDCs, and potential proposals in international climate negotiations, reflecting on how to increase acceptance of the European Green Deal. The final section summarises the main implications of energy and climate foreign policy for the new Commission as well as Spanish preferences.

2 The legacy of the outgoing Commission

The outgoing European Commission can present an impressive list of achievements in the energy and climate spheres. The EU has overcome the massive energy crisis caused by the interruption of Russian gas supplies, whose impact was comparable to the oil crises of the 1970s. There will inevitably have been mistakes and some expectations may have been disappointed, but when it came to the crunch the Commission and Member States responded to the biggest energy crisis in its history by developing shared solutions at breakneck speed. Within the framework of the European Green Deal and prior to developing the REPowerEU plan in response to the crisis, it presented multiple initiatives to raise the bar of the EU's decarbonisation ambitions, such as Fit for 55. Despite the crisis, the EU aims to continue increasing its emissions reduction targets to 90% by 2040 compared to 1990 levels, with the deployment of renewables to complement gas diversification.

European energy and climate diplomacy had to reconcile the development of the external dimension of the European Green Deal that marked the start of the Commission's mandate with the search for alternatives to Russian gas. Implementing the preliminary phase of the Carbon Border Adjustment Mechanism (CBA) was one of its achievements. This is designed to prevent carbon leakage (loss of emissions-intensive investment, particularly industrial, to other jurisdictions), and also to incentivise the adoption of carbon pricing systems by other countries and to benefit more decarbonised economies.

The Commission has introduced chapters on Trade and Sustainable Development (TSD) into EU trade agreements, with provisions on compliance with the Paris Agreement commitments, the fight against deforestation, employment rights and biodiversity, establishing forums to oversee implementation and resolve potential disputes. For example, in response to the accusations of Member States such as France regarding problems of the sustainability of the agreement with Mercosur, the Commission prepared an additional binding instrument on sustainability which clarified and reaffirmed commitments in the struggle against deforestation, and on biodiversity, employment standards, compliance with the Paris Agreement, climate change, protection of forests, human rights (with particular mention of indigenous peoples), and measures to work with and support civil society.

In response to the United States' Inflation Reduction Act (IRA), the Commission proposed the Net Zero Industry Act (NZIA) and the European Critical Raw Materials Act (CRMA), which establish targets for local content to increase the EU's strategic autonomy. It has also approved a new regulation to prevent imported deforestation in third-party countries and forest degradation worldwide (EUDR). The priorities of the new Commission include supporting Member States in applying all these new schemes and a shift from establishing objectives to promoting and supervising their implementation,² and this calls for a complex external action agenda too.

2 Meeus *et al.* (2023).

The urgency with which gas diversification was pursued undermined the short-term consistency of European external energy and climate action. For example, an EU that had promoted the energy transition and the fight against climate change was forced at short notice to buy hydrocarbons from the very same countries it had, only a few months before, warned of the imminent reduction of its demand. Sometimes to the detriment of other consumers who the EU is otherwise encouraging to make progress towards energy transition, such as Bangladesh, Vietnam or Thailand. The diversification of fossil fuel suppliers in the short and medium term cannot be allowed to postpone Europe's long-term decarbonisation objectives, and there is an ongoing need to address the risks of destabilisation that this represents for producer countries and to offer them alternatives.

In addition, there is the risk that instruments such as the CBAM, TSD chapters, the NZIA, the CRMA and the EUDR will be perceived as protectionist measures dressed up with environmental values. European hydrogen and critical mineral diplomacies are also subject to accusations that they constitute a new 'green colonialism', with the EU seeking to perpetuate the pattern of interdependence bequeathed by the fossil fuel regime, ensuring its access to the resources required for the emerging renewable energy system. The new Commission must take care when implementing these packages and must design support measures to prevent such accusations from eroding the potential of the European Green Deal.

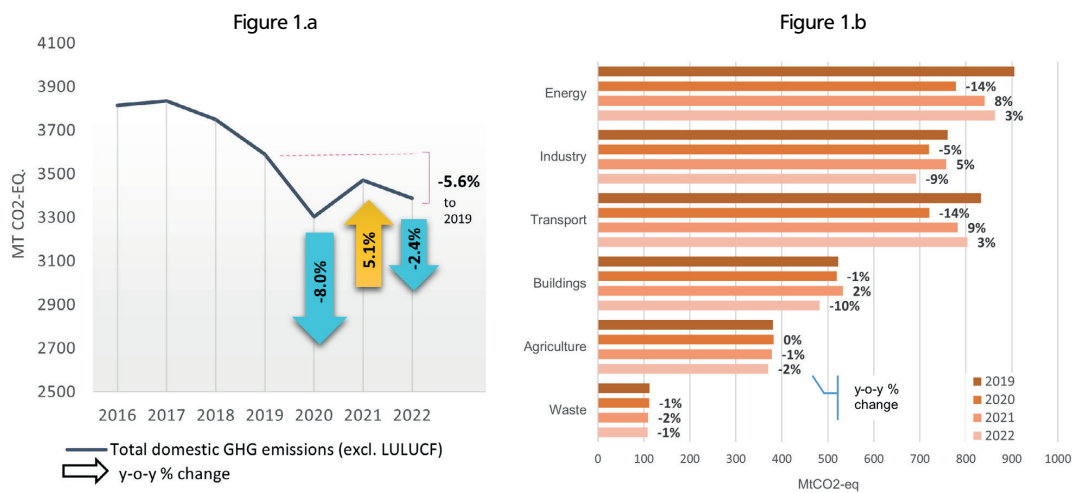
With respect to the climate legacy of the outgoing Commission, emissions of greenhouse gases had fallen by 5.6% by the end of 2022, compared with 2019 (European Commission, 2023a) (see Figure 1a).³ As Figure 1b shows, all the sectors analysed (energy, industry, transport, construction, agriculture and waste) reduced their emissions between 2019 and 2022, with a sharp fall during the first year of COVID, and a subsequent upturn which did not, however, take emission levels back to those of 2019. The fall in emissions between 2019 and 2022 was particularly marked in the industrial and construction sectors and was more moderate in the transport sector.

Despite this, in 2023 the European Scientific Advisory Board on Climate Change (ESABCC) indicated that greater efforts are required to achieve the EU's climate objectives.⁴ In other words, more ambition is required just when the context seems less favourable to them.

³ Total EU greenhouse gas emissions fell by 32.5% between 1990 and 2022, while GDP rose by 66%. In 2023 there was a 15.5% reduction in emissions for sectors subject to the European emissions market in comparison to 2022. Emissions for the ETS sectors were 47% lower than for 2005, a far greater reduction than for other sectors (transport, residential and commercial), and this would appear to justify extending the European emissions market not only to the transport and construction sectors (ETS2) but also to agriculture (ETS3), as proposed by Pisani-Ferry, Tagliapietra and Zachmann (2023). Current and future extensions of the ETS will require measures to support vulnerable sectors, regions and groups, with the aim of limiting the development of 'geographies of discontent' (see Rodríguez Posé & Bartalucci, 2023).

⁴ ESABCC (2024).

Figure 1. EU greenhouse gas emissions (excluding land and forestry use (Figure 1a) and by sector (Figure 1b) between 2019 and 2022



Source: European Commission (2023a), p. 6.

The main instruments of climate action that will mark the future of the EU are the European Green Deal, with its European Climate Law (including the legally binding targets to reduce emissions by at least 55% by 2030 and to make the EU the world's first climate-neutral region by 2050), the more than 500 billion euros allocated to or earmarked for climate action since 2019,⁵ and the Fit for 55 normative package presented in July 2021. Table 1 briefly summarises some of the key initiatives of the European Green Deal and the Fit for 55 package.

5 Pisani-Ferry *et al.* (2023).

Figure 2. Key initiatives and proposals of the European Green Deal and Fit for 55. Legislative or executive initiative

Legislative or executive initiative	Reference	Objectives	Comments
European Climate Law	Regulation (EU) 2021/1119	Make the objectives of the European Green Deal legally binding. Reduce greenhouse gas emissions by at least 55% by 2030 as compared to 1990. Achieve climate neutrality by 2050.	the ESABCC was established to provide independent scientific advice about measures, targets and consistency with the Law.
Review of Energy Taxation Directive	COM (2021) 563 final	Adapt energy taxation so that taxes on fuels are calculated on the basis of their energy content and environmental impact, avoiding exemptions. The purpose is to align energy taxation with decarbonisation goals.	Review included in Fit for 55 package. In November 2023 the positions of Member States were still divergent, and at the time of publication of this document there had not yet been any progress in review of the energy taxation directive.
Review and expansion of the European Trading System (ETS)	Directive (EU) 2023/959 Regulation (EU) 2023/957 Regulation (EU) 2023/955	Review the ETS to adapt it to new decarbonisation goals. Directive (EU) 2023/959 establishes a 62% reduction in emissions by ETS sectors ⁶ by 2030 compared to 2005 emissions (vs. 43% previously). To achieve this, the linear reduction factor (LRF) is increased to 4.3% annually (vs. 2.2% previously) between 2024 and 2027, and to 4.4% with effect from 2028, the year in which urban solid waste is to be included in the ETS. The emissions ceiling is reduced by 90 million tons with effect from 2024 and by a further 27 million with effect from 2026, although excessive variation in the price of CO ₂ would trigger the availability of 75 million tons from the market stability reserve (MSR). Maritime transport is included (Regulation (EU) 2023/957).	The Social Climate Fund (SCF) (Regulation (EU) 2023/955) has been established to limit the impact of the new ETS on vulnerable consumers, with the plan being to use this to improve energy efficiency in buildings and integrate renewables, to support low emissions transport and to help vulnerable consumers. Between 2026 and 2032, the SCF will receive 65 billion from ETS2 income. States are expected to co-fund a further 25%, providing SCF with a total of 80 billion euros. There is a ceiling of 37.5% for direct income support. Member States must present Social Climate Plans (SCP) by the end of June 2025. In addition, there is a proposal to increase the values of the Innovation Fund and the Modernisation Fund to reduce the impact of reform of the ETS.

6 The sectors included in the EU Emissions Trading System (ETS) are as follows: electricity and heat production; energy-intensive industries (oil refineries, steel producers, production of iron, aluminium, metals, cement, lime, glass, ceramics, paper pulp, cardboard and chemical products); and commercial aviation within the European Economic Area.

Legislative or executive initiative	Reference	Objectives	Comments
		An additional Emissions Trading System (ETS2) has been established for the road transport and construction sectors which – while covered by the Effort Sharing Regulation (which requires non-ETS sectors to reduce their emissions by 40% by 2030 compared to 2005 levels ⁷ – are not subject to a Europe-wide CO ₂ price.	
Carbon Border Adjustment Mechanism (CBAM)	Regulation (EU) 2023/956	Providing a level playing field for EU companies through a transformational climate club. ⁸ Preventing carbon leakage. Gradually eliminating free allocation of emission permits in sectors included in the ETS. Encourage other countries to establish CO ₂ pricing. Following a transitional information-gathering period (2023-2025) the CBAM will begin to operate in 2026.	In theory, the CBAM would mean that products regulated by the mechanism (iron, steel, cement, fertilisers, aluminium, electricity, hydrogen, etc. in the first instance, but extending to all sectors included in the ETS from 2030) would be subject to an equivalent CO ₂ price, either because the country of origin of the product applies the same CO ₂ price and importers thus deduct the price from the CBAM, or because importers of products not subject to an equivalent CO ₂ price pay the CBAM. The EU will support least developed countries (LDC) to help them to adapt to the CBAM and decarbonise their manufacturing industries, within the limit set by the pluri-annual budget and international climate funding.
Modification of regulations on emissions of passenger cars and light commercial vehicles	Regulation (EU) 2023/851	The sale of vehicles with internal combustion engines will end in 2035. Moreover, by 2030 vehicle emissions must fall by 55% compared to emission levels in 2021, with a 50% reduction in emissions for vans.	Modification of Regulation (EU) 2019/631. The previous date for the phase-out of internal combustion engine vehicles is brought forward by five years, from 2040 to 2035.

⁷ European Commission (2024b).

⁸ Falkner *et al.* (2022).

Legislative or executive initiative	Reference	Objectives	Comments
Revision of directive on renewable energy sources.	Directive (EU) 2023/2413	The share of final energy consumption accounted for by renewables is proposed to reach 42.5% in 2030 with the possibility of raising that by a further 2.5%, to 45%. (vs. the previous figure of 32%) and sectorial targets are proposed for industry, construction, and heating and cooling systems.	The review of the directive on renewable energy sources was preceded by Directive 2009/28/EC, which set out the objective of achieving a 20% renewable share of energy consumption, with binding targets differentiated by Member State, in addition to which there was 10% for the transport sector for all Member States, which in general was not achieved. It also included additional support mechanisms for cross-border renewables involving statistical transfers, joint projects, joint support mechanisms and guarantees of origin. In 2018, directive 2018/2001 (RED II) updated the renewable penetration target to 32% by 2030, without establishing targets for Member States but obliging them, via the governance regulation (Regulation 2018/1999), to present National Energy and Climate Plans (NECPs) which must reflect the EU's climate targets. ⁹ It also established a 14% target for renewable penetration in the transport sector.

⁹ Wilson (2021).

Legislative or executive initiative	Reference	Objectives	Comments
Energy efficiency	Directive (EU) 2023/1791	Establishes an 11.7% reduction in final energy consumption compared to the efforts set out in the EU's reference scenarios in 2020, which incorporate the first NIECPs. This target restricts final energy consumption to 763 Mtoe and primary energy consumption to 992 Mtoe. This is equivalent to an efficiency target of 40.5% for primary energy consumption and 38% for final energy consumption as compared to the provisions of the EU's 2007 reference hypothesis for 2030.	Previously, in 2012, directive 2012/27/EU established the target of reducing energy consumption by 20% in 2020. In 2018, the fourth energy package – Clean Energy for all Europeans – established the objective of reducing energy consumption in 2030 by 32.5% compared to the estimated consumption for that year (Directive 2018/2002/EU). The forecasts are not promising when it comes to achieving these goals, particularly in the transport and construction sectors.
Review of the regulation on sharing the effort to reduce emissions for sectors not included in the emissions trading system regime.	Regulation (EU) 2023/857	The objective is to reduce emissions of sectors not included in the Emissions Trading System by 40% in 2030 compared to 2005 levels. Member States will contribute with reductions in non-ETS sectors oscillating between 10% and 50%.	Revises Regulation (EC) 2018/842, which establishes that emissions of sectors not included in the Emissions Trading System are to be reduced by 30% in 2030 compared to 2005 levels.

Source: updated and adapted from Lázaro Touza & Escribano (2022), p. 236-237.

The Von der Leyen Commission has been aware that implementation of increasingly ambitious targets requires public acceptance at a time when, although concern over climate change is very high, it is lower than it was in 2021.¹⁰ To reduce the impacts of the transition on the most affected people, sectors and regions, in 2020 a just transition mechanism was developed as part of the Green Deal Investment Plan.¹¹ The Next Generation EU (NGEU) funds and Spain's National Recovery and Resilience Plan also provided for the allocation of funds for a transition that leaves no one behind. Additionally, 2023 saw the publication of Regulation (EU) 2023/955 on the Social Climate Fund, whose objective is to support the implementation of projects included in the social climate plans of Member States.

With respect to the climate diplomacy legacy, the European Green Deal establishes maintaining European leadership by example as a priority.¹² The Fit for 55 package is a fundamental tool for the implementation of the EU's NDCs. The Council's conclusions on climate issues have set out an ambitious European position in international negotiations,¹³ particularly with respect to:

- Mitigation, proposing one of the most ambitious targets among developed countries.
- Funding, with the EU being the largest contributor to international climate funding, with €28.5 billion in 2022.¹⁴
- Just transition, with a growing commitment to a transition based on workers' rights.
- Expansion of the climate agenda, strengthening the links between climate action, peace and security.

10 European Commission (2023b).

11 European Commission (2024e).

12 European Commission (2019).

13 See Council of the European Union (2019; 2021; 2022; 2023a; 2024).

14 Council of the European Union (2023b).

3 Greenshoring: a template for open, competitive decarbonisation for the EU

As already noted, both the internal and external contexts for the new Commission are very different to those encountered by the outgoing one. Internally, the energy crisis has tilted the concerns of European citizens towards energy and economic security, in particular towards industrial competitiveness. Recent protests by European farmers have strengthened predictions of a reduced commitment to climate action by the new Commission, and although the worst of the energy crisis is now behind us, this continues to weigh on public opinion. Externally, there is concern among countries affected by the consequences of the CBAM, the impact of the EUDR, European reluctance to sign free trade agreements with Mercosur and Australia, and the local content measures in the NZIA and the CRMA.

Although this document focuses on the EU's energy and climate diplomacy rather than its internal policies, it is difficult to separate the two spheres. To be consistent, external action must align values and interests if it is to enjoy public support. According to the most recent surveys conducted in Spain and the EU, support for the fight against climate change has been eroded by concerns about energy and economic security, but remains high. The values of Europe's citizens remain consistent with the EU's climate ambitions, as we will see in the section on climate policy.

Regarding interests, the new Commission's energy policy must respond to the shared concern for energy security and the loss of competitiveness of European industry, in particular the most energy-intensive sectors. A study by the European Council on Foreign Relations (ECFR) based on interviews with analysts and those responsible for Europe's energy policy, shows that in several Member States there is a push to slow down the pace of implementation of the European Green Deal in order not to lose competitiveness. The study also points to the need to insist on the benefits of climate action in delivering energy sovereignty and offering economic opportunities, for which there is EU funding, and also to highlight European vulnerability to climate change and the costs of inaction.¹⁵

The new Commission runs the risk of finding itself caught in the alleged (and quite oversimplified) trilemma between decarbonisation, energy security and competitiveness. Relations between objectives are not always linear, and decarbonisation, security and competitiveness are complementary, at least partially, when the right conditions exist. At the same time, these relations are not static, as technological progress and economies of scale have made renewables the cheapest energy sources in history. For example, the rapid development of renewables in Spain means that in conditions of high solar irradiance and wind, during the day supply often outstrips demand and wholesale prices are very low. However, the lack of interconnections, of storage solutions and of flexibility means there is a low price capture rate which disincentivises investment in renewables. There are technical solutions to these intermittency problems, and their development needs to be accelerated.

¹⁵ Dennison & Engström (2023).

Although the transition towards suppliers with lower emissions may initially entail higher costs due to higher production standards, over the medium and long term the resilience of the supply chain to climatic and regulatory risks will improve. Despite this, for some Spanish stakeholders greenwashing may pose implementation challenges which have to be addressed, in particular the need to identify alternative suppliers who meet minimum environmental standards and are able to satisfy the supply volumes and quality levels demanded by the EU.

The energy transition is also a driver of economic growth, not a drag as some European circles seem to believe. According to the International Energy Agency,¹⁶ the 'clean energy' sector accounted for 10% of global GDP growth in 2023, an added value similar to that of the aerospace industry. And the EU was the biggest contributor to this growth, accounting for one third, against 20% for China and 6% for the US. Investment in the European clean energy sector more than doubled between 2022 and 2023, driven primarily by the manufacture of batteries. A recent study¹⁷ suggests that the benefits of a 90% reduction in emissions by 2040 far outweigh the costs: the associated investments would reindustrialise the EU and create employment in decarbonised industries; and it would strengthen energy security, saving millions of euros on the import of hydrocarbons and significantly reducing domestic energy bills.

Spain advocates an open competitive decarbonisation as a driver of industrial development and modernisation. It hopes that the growing contribution of renewables to its electricity supply will gradually reduce the cost of electricity as compared to those Member States with greater dependence on hydrocarbons. This approach is complemented by a staged model for the deployment of green hydrogen, based on a first phase of developing regional clusters and valleys and the replacement of non-renewable hydrogen. Together, the two factors represent a competitive factor in energy-intensive sectors, including industries that want to replace hydrocarbons with renewable hydrogen. Spain has also set ambitious goals with respect to storage and interconnections with the rest of the EU to increase the flexibility, scale, security and integration of the future European decarbonised energy system.

The recently published Letta Report¹⁸ concludes that one of the main explanations of reduced European competitiveness is the absence of a single market in key sectors such as energy, and proposes a just, green, digital transition as a catalyst of a genuine single European market, emphasising the shortcomings of the Energy Union to deliver progress towards energy integration and capitalise on what the report defines as one of the EU's biggest energy assets: the potential for an energy network that encompasses the whole European continent. Its most innovative proposal in energy and climate is the creation of a clean energy delivery agency by 2027. Its functions would include operating as a one-stop shop for the process of obtaining permits and certification, and funding cross-border infrastructure through a large-scale clean energy deployment fund.

16 Cozzi *et al.* (2024).

17 Kalcher & Makaroff (2024).

18 Letta (2024).

This proposal is linked to the development of wind power in the North Sea (electricity generation and interconnectors) which, while important to the EU's objectives, ignores the needs of peripheral countries or those lacking offshore potential, as is the case of Mediterranean Member States. Any body created along these lines must ensure that it maintains conditions of equality in the European internal market so as not to prioritise developments in the North Sea at the expense of others already planned, such as interconnections between the Iberian Peninsula and France. The Letta Report also proposes regional auctions of renewables to enable cross-border competition between companies and installations, an existing mechanism that is also highly focused on the offshore capacity of the North Sea but which has not been developed due to a lack of interest; some analysts have proposed extending these auctions to storage.¹⁹

The Letta Report has been criticised for proposing funds that the EU may be unable to provide if the new political cycle turns towards restrictive fiscal policies after several years of sustained spending to deal with the pandemic and the energy crisis, particularly if it has to compete with increased defence spending due to the new emphasis on security and the need to increase Europe's strategic autonomy in this field.²⁰ This will be one of the major energy and climate challenges of the next European institutional cycle: the EU is entering the decisive phase of implementing its plans and will have to make the necessary investments in a context of fewer resources and greater competition.

In the field of energy security, it seems likely that the incoming Commission will continue to support decarbonisation as a means of achieving strategic autonomy. The recent energy crisis should have discredited the notion that there is a conflict between energy security and competitiveness: few raw materials have caused higher economic costs and more energy insecurity to the EU and its Member States than the excessive dependence of several of them on 'cheap' Russian gas. It has been argued that the new Commission should start to prioritise decarbonisation over the diversification efforts that preoccupied its predecessor during the energy crisis.²¹

In fact, diversification and decarbonisation are also complementary objectives. The EU should continue with its commitment to energy diversification but this does not only consist in replacing Russia with other gas and oil suppliers. The deployment of renewables within the EU and the long-term replacement of some hydrocarbon imports by renewable electricity or hydrogen simultaneously constitute the diversification of both sources and suppliers. As discussed below, the incoming Commission will have to manage the new interdependencies of the renewable value chain and mitigate its risks, including access to critical raw materials, technology and equipment. There is no fundamental conflict between diversification and decarbonisation, but quite the opposite.

19 McWilliams *et al.* (2024).

20 Mathiesen *et al.* (2024).

21 Van de Graaf (2023).

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To summarise, it is important to avoid setbacks and, instead, to sustain the speed of the energy transition: while there may not be any fundamental conflict between decarbonisation, competitiveness and energy security, reforms and investment will be required if the EU is to benefit from their complementarities.

4 Addressing the risks of fossil-fuel geopolitics

If decarbonisation, competitiveness and sustainability constitute a virtuous if imperfect triangle, then European energy and climate diplomacy must focus on minimising geopolitical risks during the energy transition. The new Commission must remain focused on the security of gas and oil supplies. At the same time, it must anticipate potential medium- and long-term risks for those hydrocarbon producers most exposed to the energy transition, such as Algeria, Azerbaijan, Egypt and Libya, producers in the Persian Gulf and some states in Africa (Nigeria, Angola) and Latin America (Venezuela).

4.1. Oil

The oil market continues to be a source of short- and medium-term risks. The price cap imposed by the G7 on Russian oil has not had the hoped for results, and Russia has managed to survive without western insurance and transport services, relying on the so-called 'shadow fleet'. This has enabled Russia to sell its oil and derivatives at prices far above the US\$60 per barrel established by the G7, forcing the EU to find alternative supplies.²² Not only has this operation successfully circumvented the ceiling on Russian oil prices; it has also made the oil market more opaque and difficult to monitor. Some Russian crude oil is exported to countries which subsequently refine and re-export it, including to Europe. Differences at the heart of the EU and sanctions fatigue in some Member States will make it difficult to revise the exemptions granted to Hungary, Slovakia and the Czech Republic, which continue to import Russian oil via the southern branch of the Druzhba oil pipeline.²³

The crisis in the Red Sea has had a major impact on the European energy landscape, raising the geopolitical risk premium for oil due to Houthi attacks in the vicinity of Bab al-Mandeb.²⁴ Redirecting tankers via the Cape of Good Hope has complicated the logistics of the European oil industry, keeping prices high. This lengthy diversion also increases emissions from maritime transport, giving rise to higher taxes on vessels that stop at European ports following the recent expansion of the EU's Emissions Trading System (ETS) to the maritime sector. It also means that the value chains of many European industries have a larger carbon footprint, affecting their compliance with sustainability criteria.

Attacks in the Red Sea could also undermine the easing of tension with Iran, which has increased its oil production and exports due to the relaxation of US supervision of sanctions. The recent escalation between Iran and Israel, with direct attacks on targets in their respective territories, provoked an initial rise in the prices of oil (and also of gas in Europe), but the perception of markets that the situation was contained subsequently led the prices to fall back. In April the US House of Representatives approved new sanctions on Iranian

²² Ribakova *et al.* (2023).

²³ Heussaff *et al.* (2024).

²⁴ Escribano & Urbasos (2023a); Escribano & Urbasos (2024).

oil exports, which must be approved by the Senate. This will make it possible to sanction all vessels, ports and refineries handling Iranian crude, diverting barrels onto the parallel market, as already occurs with Russian crude. In any case, prices will continue to be affected by geopolitical volatility, and the risk premium will keep prices high so long as there is not a fundamental easing of tensions in the Middle East.

Oil agreements between the US and Venezuela to incentivise the Venezuelan regime to open up are also at risk due to Maduro's non-compliance. The Barbados agreement had provided for a substantial restoration of Venezuela's crude oil production and export, and for this to be handled by formal channels. The return of sanctions would include the non-renewal of authorisations permitting some European companies to buy Venezuelan crude, although recent news points to the possibility of greater US flexibility with respect to individual licences or exemptions. The new Commission must anticipate a more restrictive US attitude to Iran and Venezuela, particularly if there is a second Trump administration. This would not only withdraw oil from the market but would also divert it into shadow networks, which are less transparent and entail greater environmental risks. In this context, the EU must ensure that it looks after key suppliers such as Algeria and Libya, offering them a stable outlook for export of their crude oil, together with opportunities to be included in the energy transition process.

4.2. Natural gas

The new Commission has been urged to strengthen the gas platform, initially proposed by several Member States, including Spain. Such moves should not be limited to restocking a higher proportion of the EU's gas storage capacity during the summer but should build on the fact that greater demand aggregation strengthens the EU's negotiating power and its energy security. Experience to date of the operation of the gas platform and the downward price trend of the European gas market and reconfiguration towards LNG could reduce its attractiveness, although there is a possibility it could be revitalised if it were expanded to include critical minerals. However, the biggest short-term boost would be the closure (whether total or partial) of the Ukrainian route in 2025. European countries without coastal access, such as Austria, Slovakia and the Czech Republic, could use the platform to increase their negotiating power when dealing with other suppliers, as part of their process of diversifying and gaining access to the import terminals of other Member States.

The new Commission should also address the future of European imports of Russian LNG, a significant share of which is accounted for by Spain. In 2022 and 2023, Spain imported more than 3.5 bcm annually, corresponding to long-term contracts, which could only be cancelled on a force majeure basis if some kind of European sanctions were in place. The rest appear to have been acquired on the spot market by trading companies and divisions of European firms who do not have final destination clauses in their contracts and have sold Russian LNG in Spain, either directly or indirectly.²⁵

²⁵ Urbasos (2024a).

Given European divisions with respect to the application of new Russian sanctions and their extension to gas, which is currently exempt, it seems unlikely that the new Commission will increase its pressure on Russian gas. However, there are other channels already available that should be utilised. The European Parliament and the Council have agreed to include a voluntary mechanism in the EU Regulation on gas and hydrogen networks that would allow Member States to temporarily block Russian and Belarussian exporters from reserving the infrastructure capacity necessary for gas deliveries, whether by pipeline or as LNG.^{26,27} Such a measure would allow European companies to cancel their contracts, invoking force majeure clauses to protect themselves against possible arbitration proceedings. The application of this clause on a joint EU basis initiated by the Commission (and not nationally) would avoid fragmentation of Member States in the event that some of them were to apply it and others were not. This would sidestep the requirement for unanimity necessary for the adoption of sanctions by the Council of the EU, as it would be a normative energy clause.

With respect to purchases on the spot market, the eleventh round of European sanctions on Russia already included trans-shipments of oil and derivatives that did not comply with the maximum price stipulated by the G7, but omitted the trans-shipment of GNL. Some countries, such as the UK and the Netherlands, have already prohibited trans-shipment services at their ports.²⁸ Spain shares the European desire to decouple from Russian energy and impair its income, and has supported all the European sanctions packages to date. It would also support the new Commission in implementing a mechanism to block deliveries of Russian LNG at the discretion of Member States, the possible expansion of sanctions and the prohibition of gas trans-shipments.²⁹ And it should insist that these measures are implemented on a shared European basis, at EU level, led by the Commission.

An unexpected medium-term risk comes from the Biden Administration's decision to temporarily pause the approval of new LNG export projects with the right to export to countries with which the US does not have free trade agreements. Europe has become the largest importer of US LNG, which in 2023 represented almost half of all LNG supplied to the EU. Although these projects will not come on stream until a few years' time, the new Commission should be vigilant to prevent the moratorium from affecting European gas markets. As is the case with oil, Venezuela will be another focus of gas geopolitics in the Americas due to the opportunity for medium-term exploitation of its offshore reserves and their export via the LNG terminals of Trinidad & Tobago, an Atlantic diversification vector which the Commission should bear in mind.

Another focus of attention will be the tripartite agreement between the EU, Egypt and Israel. The challenging energy situation in Egypt, which had to halt its LNG exports last summer due to its inability to meet its own demand for electricity because of the summer heatwave and is already contracting LNG imports for this summer, raises questions about the country's future capacity to export significant quantities of gas to the EU. The war in

26 Urbasos (2024b). LinkedIn: Gazprom envía un segundo metanero a España desde su terminal de Portovaya.

27 This measure, among others, was finally adopted by the 14th sanctions package approved on 20/VI/2024.

28 *Ibid*

29 Ainger (2024).

Gaza has damaged prospects for gas cooperation in the eastern Mediterranean and has also generated doubts about the EU's hopes to be able to access these resources in the medium and long term. The situation between Cyprus and Turkey has not improved, meaning that megaprojects such as the EastMed gas pipeline would appear to be slipping down the order of priority. With respect to Gaza, which already suffered a structural energy crisis before the Israeli attacks, the Commission must prepare to play an important role in reconstructing the territory's devastated energy sector, a priority in any post-war scenario.

The incoming Commission must also start to think about a medium- and long-term strategy to anticipate the impact of reducing hydrocarbon imports as a result of its decarbonisation objectives. The associated fall in income could have significant economic and social consequences for its traditional energy partners, particularly those located in the neighbourhood and facing greater obstacles to economic diversification. In energy diplomacy with countries such as Algeria, Libya, Egypt, Azerbaijan and Kazakhstan, there is a tension between the goal of increasing short-term supplies as part of a diversification strategy and the aim of reducing them over the medium and long term as the EU progresses towards decarbonisation. As is the case with oil, establishing a predictable outlook for gas exports from key suppliers such as Algeria will be one of the key tasks of the new Commission's gas diplomacy.

In the shorter term, a fall in the prices of oil or gas could be a countershock with very negative consequences for some producer countries. European hopes that renewables or hydrogen might offer them a solution to the problem of a future fall in revenue from the export of hydrocarbons clash with the realities of fossil fuel mono-producers with scant institutional capacity and low political will to transform themselves into renewable energy powers. European energy diplomacy must balance the urgent need to ensure supplies of hydrocarbons in the present with realistic alternatives in the future for these and other fossil fuel producers.

5 Applying the CBAM and manage the new geoeconomics of carbon³⁰

Since it was proposed in 2019, the CBAM has been a constant focus of international debate. European foreign energy and climate policy present it as a tool to balance the fiscal pressure derived from asymmetric climate policy between the EU and other countries, protecting European companies and minimising carbon leakage. The CBAM also arguably provides a decarbonisation incentive for countries that want to join a transformational climate club³¹ whose members apply carbon pricing mechanisms. To avoid the negative impact of the CBAM on the economies of partner countries, the EU has indicated it is willing to compensate those countries most affected, particularly the least developed countries (LDCs).

Paragraph 74 of the final text of the CBAM regulation establishes that the EU has an obligation to support countries, particularly LDCs, in adapting to the requirements of the regulation (which include providing the EU with CBAM relevant information in the transitional phase and presenting CBAM certificates from 2026 onwards) and in decarbonising their industry. Although some initial proposals for the regulation of the CBAM contemplated exemptions for less developed countries, the criterion of environmental integrity (which means that this instrument should apply to all countries, to prevent carbon leakage) prevailed in the negotiations. Against the position of the European Parliament, the CBAM regulation also restricts the EU's compensatory action to a non-binding commitment to support third-party countries through official development assistance, rather than earmarking part of the income from CBAM to compensating LDCs.

At the same time, financial support to affected parties is limited by the multiannual financial framework and international climate funding agreed by Member States.³² Although the CBAM strengthens the EU's global leadership in climate policy,³³ it entails several risks: the increased potential for disputes at the World Trade Organization (WTO), on the basis that it violates the principle of non-discrimination with respect to equal national treatment; trade reprisals by those countries most affected by the CBAM; and reduced cooperation in international climate negotiations, as China already announced in 2019.³⁴ With respect to the compatibility of the CBAM with the WTO, some in Spain argue that the EU should treat US and Chinese non-compliance with respect to local content, subsidies and export restrictions as justification for a more aggressive European strategy regarding the CBAM, for example through export refunds, despite those being clearly incompatible with WTO rules.

30 The authors are grateful to Enrique Feás for his comments on this section, although, of course, they remain responsible for its contents and any errors or omissions.

31 Falkner *et al.* (2022).

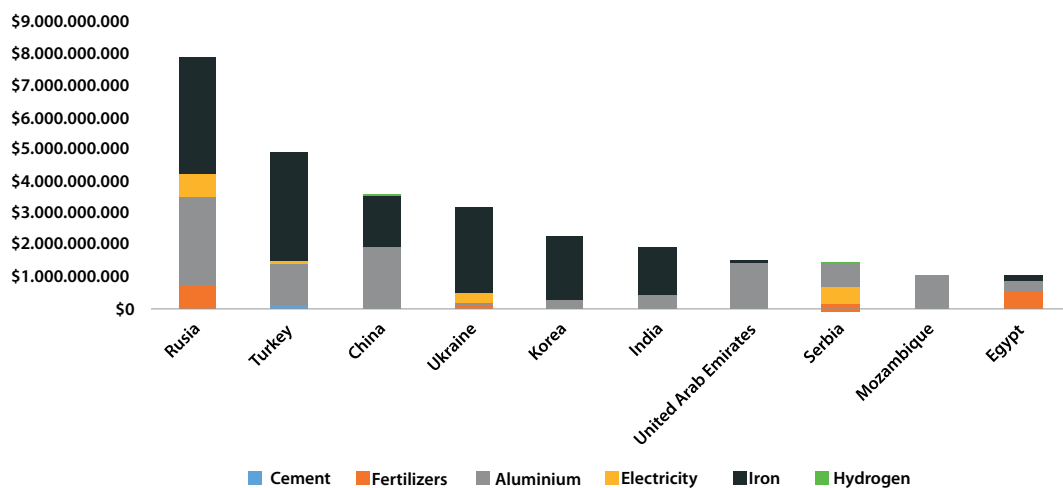
32 75% of the CBAM's income will be allocated to the EU budget to pay for NGEU (European Commission, 2023f).

33 Sabyrbekov & Overland (2024).

34 In the section of the 2019 report referring to global climate action, on Chinese policies to tackle climate change, China's Ministry of the Environment stated that 'Some developed countries have indicated that they are considering a carbon border adjustment tax. These unilateral acts will seriously undermine the international community's willingness and confidence to cope with climate change and will ultimately affect the collective efforts of the global efforts addressing climate change.' MEE (2019, p. 28).

There is a variety of criteria for identifying which countries could pose the greatest problems for the new Commission on account of the CBAM.³⁵ The rest of OECD countries and other countries such as China, Russia or Brazil, could adopt more damaging reprisals. Another group of countries where support is important are those hardest hit because of the nature of their exports to the EU: Russia does not deserve any support measures but partners such as Ukraine, Turkey or Morocco in the EU's neighbourhood do, as do Latin American countries such as Brazil and Mexico, or countries such as China, India and South Korea in Asia. Finally, the Commission must attend through ongoing dialogue to the needs of those LDCs who are hardest hit.

Figure 3. The 10 largest exporters of products subject to CBAM in 2019



Source: Sabyrbekov & Overland (2024).

An incentive for EU's trading partners to accept the CBAM would come from the EU taking into account its impact when allocating international climate funds. Using information on the impact of the CBAM and in dialogue with trade partners, the review of the CBAM planned for 2028 could establish that a percentage of international climate funding (differentiated between recipient countries according to the impact of the CBAM) would be allocated to counteracting its external effects until full or partial convergence of climate policies has been achieved. Other regulations and initiatives, such as EUDR, NZIA and CRMA, could apply a similar scheme for supporting partners to reduce accusations of green protectionism.

The academic literature offers ideas about how to increase the acceptance of the CBAM through alliances with countries that benefit from belonging to a climate club or from

35 Smith *et al.* (2024).

receiving climate funding from the EU. Sabyrbekov and Overland's CBAM support index³⁶ identifies countries which would be potential allies in implementing this mechanism, either due to their capacity for innovation and potential competitiveness improvements, or through their relationship with the EU or because of the official development assistance they receive: Japan, Korea, Singapore, Canada, Colombia, Mexico, Vietnam, Ivory Coast, South Africa, Kazakhstan, Turkey, Costa Rica, Panama and Peru.

In principle, the academic literature indicates that compensation based on complementary measures to fund energy transition and efficiency in CBAM-affected countries would be the best measure in terms of well-being for recipients, the reduction of carbon leakage and the effectiveness of expenditure. An opposing view is that the CBAM violates the principle of Common but Differentiated Responsibilities and Respective Capabilities (CBDR-RC). According to this view, even if the EU continues to allocate part of its budget for climate funding to developing countries, this would not be enough to compensate them for the climate injustice they have already suffered.³⁷

The EU can develop a wide range of measures to limit the impact of CBAM, both in terms of their design and nature. Those measures could be conditional or unconditional, and they could prioritise specific sectors and countries.³⁸ CBAM supporting measures could be restricted to mitigation, supporting the deployment of renewables and energy efficiency, or could be extended to electrification, sustainable transport or even to industrial decarbonisation projects. The design of supporting measures by the new Commission must consider the diverse priorities and preferences of Member States. From a Spanish perspective, there are key partners who could be affected such as Algeria, Egypt, Morocco and Turkey, and numerous Latin American countries.

Although the exports of several Latin American countries could be affected, the region has low carbon emissions in comparison with other international competitors. Hydropower generation and the penetration of renewables –solar, wind and biofuel– mean that its electricity sector is more decarbonised than that of other EU's partners in Africa or Asia. Many Latin American countries have advanced, democratic institutional frameworks for renewables, and are natural partners of the EU in decarbonisation. The relative absence of Latin America in European energy and climate considerations is significant. Against the argument that the CBAM undermines the industrial competitiveness of the affected countries, in Brazil there is evidence that its application improves the trade balance of energy-intensive Brazilian industries because of their comparatively low carbon content.³⁹

Morocco, another of the affected countries which is of particular significance to Spain, has only very limited dependency on exports initially affected by the CBAM: a mere 3% of its exports to the EU, of which almost 80% is fertilisers.⁴⁰ While it is true that the CBAM

36 Sabyrbekov & Overland (2024).

37 Perdana & Vielle (2022).

38 Ülgen (2023).

39 Perdana *et al.* (2024).

40 Berahab (2023).

influences the future development prospects of Morocco's fertiliser industry, it also offers this country the possibility of exporting renewable electricity and hydrogen, ammonia, green fertilisers and synthetic fuels to the EU. In the longer term, when it extends to other industries, the CBAM could be an obstacle to its increasing integration into specific European value chains, such as automation, textiles or electronics. Morocco is preparing certification mechanisms, but the main obstacle is the high carbon-intensity of its economy.⁴¹ The country has ambitious plans for the deployment of renewables, for which it has great potential, but also hopes to continue making progress in integrating with decarbonised European industrial value chains.

Morocco has large phosphate reserves, which means that exploiting its renewable and hydrogen potential to obtain green ammonia and replace imported ammonia (primarily from Russia) to produce green fertilisers offers an immediate opportunity. Morocco's Green Hydrogen Roadmap aims to make the country a leading exporter of synthetic ammonia and fuels to the EU, which will require it to certify them as decarbonised in accordance with the Delegated Acts on Renewable Hydrogen to avoid the CBAM. At the same time, Morocco plans to update its hydrogen strategy shortly as this has already become somewhat outdated since its publication in 2021. Any support measure in Morocco must include the possibility of funding investments to enable the country to accelerate its decarbonisation to improve its competitiveness.

41 Escribano & Urbasos (2023b); Escribano *et al.* (2023a).

6 Mitigating the geopolitical risks of decarbonisation

The new Commission must address the specific geopolitical and geoeconomic vulnerabilities of the emerging renewable regime, with a particular focus on networks and interconnections, the deployment of renewables, access to strategic minerals, and the competitiveness of the European renewable industries. It should also refine its hydrogen diplomacy, making it more realistic and taking care not to generate unfounded expectations, whether in Europe or in third countries.

6.1. Networks and interconnections

The geopolitics of a decarbonised European energy system depends to a large degree on its networks and interconnections, and developing these at the European level is the Commission's responsibility. Techno-economic analysis conclude that competitive decarbonisation requires greater European electric integration. In the case of Spain, which during the crisis exported record levels of gas and electricity to France, mitigating the latter's nuclear crisis, the scant electricity interconnections with France greatly reduce Spain's potential contribution to European energy security and decarbonisation.⁴²

The development of interconnections will remain a fundamental factor for the integration of European energy markets and the EU's competitiveness, as argued in the recent Letta Report,⁴³ which stresses the need to increase European funding for cross-border projects. Spain supports the development of electricity and green hydrogen connections (H2Med) and does not see a long-term conflict between the competitiveness of its decarbonised sectors and the export of renewable electricity and hydrogen. Constructing interconnections will take several years, during which Spain can continue to make progress towards a competitive decarbonisation, protected by its position as an energy island, which would put it in an advantageous position once those interconnections become operational; in the event of these being delayed or blocked, Spain could maintain a domestic competitive focus, but this would be a strategy forced on it by default.

Although it is hard to advocate for electricity integration abroad without making progress internally, electricity interconnections between and with third countries are also the object of the EU's energy diplomacy. In the Mediterranean region, there are four projects that the Commission should continue to focus on: a third electricity connection between Spain and Morocco; one between Italy and Tunisia; and two interconnections in the eastern Mediterranean –the Eurasian connection with Israel, and the Eurafrican one with Egypt, both via Cyprus–.

42 Escribano (2022).

43 Letta (2024).

The third interconnection with Morocco is already part of Spain grid planning, but the project remains frozen despite the interest of Morocco, which has explored the alternative of building it with Portugal. In the past, when Morocco began to export electricity to Spain following the opening of several coal-fired power stations, the Spanish government was reluctant about the new connection. Since the expiry of the Maghreb-Europe Gas Pipeline (MEG) contract, Morocco has lost the gas it received as a transit duty and has instead had to import LNG via Spain in reverse flow. Since then, Spain has become a net exporter of electricity to Morocco, should the latter in the future once again become an exporter, its exports would be subject to the CBAM.

The Italy-Tunisia interconnection is included among the Global Gateway projects⁴⁴ but, as is the case of Spain and Morocco, it would probably end up exporting Italian electricity to the Tunisian system. The two megaprojects to lay high-capacity cables from the EU via Cyprus to Egypt and Israel face the double obstacle of carbon intensity and CBAM applicability if the exported electricity is generated by natural gas. Both interconnections also face complex political realities, such as the Egyptian energy crisis and the regional geopolitical consequences of Israel's war in Gaza.

6.2. Phasing in renewables in transition partners

The new Commission must readjust the expectations regarding the phase-in of renewables in the neighbourhood. Despite the huge potential of the southern shore of the Mediterranean, renewable energy deployment in the region is being very slow, and renewables make little contribution to most countries' electricity mix. In Egypt, where the phase-in of renewables has been slower than expected (given its solar and wind resources), renewables were unable to complement gas during the country's recent summer electricity crisis, which could become recurrent, combining the role of Algeria and Libya in the European diversification away from Russian hydrocarbons with measures to speed up their own decarbonisation will be a challenging task for European energy diplomacy. The rapid development of a large renewable sector in hydrocarbon mono-producers such as Algeria and Libya presents a bigger challenge than for countries such as Egypt and Morocco. Algeria and Libya have huge gas and oil resources which they struggle to exploit and in fact they are experiencing difficulties to maintain production levels. To date, despite having relatively ambitious plans, the phase-in of renewables in Algeria has been anecdotal. In general, phasing in renewables calls for a more advanced and stable institutional framework than that required by the exploration and production of hydrocarbons. The Climatescope ranking,⁴⁵ which identifies the most attractive emerging markets for investment in energy transition, ranks Algeria 64th and Egypt 40th, out of 110 countries analysed. (Libya is not included).

Morocco is the most advanced of Europe's southern neighbours when it comes to phasing in renewables and, with Tunisia, the most attractive for investment in energy transition. (They rank 27th and 20th, respectively, in Climatescope 2023). However, modern renewables account for just 20% of Moroccan electricity, with coal continuing to account for more

44 European Commission (2023c).

45 Climatescope (2023).

than 60%, and the rest coming from natural gas and hydroelectricity, a source that is very vulnerable to the severe effects of climate change in the Mediterranean. The target for installed renewable capacity is 52% by 2030, a total of an additional 6,000 MW, divided equally between wind, solar and hydroelectricity. While the country's renewable plans are ambitious, project development has been slow. The new Commission must pay special attention to Morocco to help the country accelerate its energy transition, and to accompany it in its objective of positioning itself in the European decarbonised economy.

It has been argued that Latin America is one of the most promising regions for European foreign energy and climate action, both in the sphere of renewables and decarbonisation,⁴⁶ and with respect to a just transition.⁴⁷ Its low relative carbon intensity is in part a result of European investments, which have supported the region's governments in their energy transition plans. During the last decade, foreign direct investment (FDI) in renewable projects in Latin America has systematically exceeded investment in the hydrocarbon sector. European companies –particularly Spanish, Italian and French electricity companies– have driven this trend, accounting for 75% of regional FDI in renewables.

The private investment component is complemented by EU instruments. EU development aid in Latin America has a growing climate and energy component, with Euroclima+ and the European Fund for Sustainable Development Plus (EFSD+). In contrast, the impact of the Global Gateway initiative in the region appears to be limited,⁴⁸ and may need to be reconsidered by the new Commission. Several initiatives could be pursued to strengthen the ties between the EU and Latin America and the Caribbean in the new institutional cycle:⁴⁹ strengthening the diplomacy of the European Green Deal; exchanging experiences regarding the governance of climate change; extending the Just Energy Transition Partnerships (JETPs) considered under the Global Gateway to Latin America and include them in existing aid programmes; and increasing sectorial cooperation in electromobility, energy efficiency, adapting to climate change and protecting biodiversity.

6.3. Strategic minerals and decarbonised competitiveness

The new Commission must also implement the NZIA and the CRMA, both of which have ambitious objectives that are not supported by national commitments. Some proposals consist in creating a specialised European agency to monitor the critical vulnerabilities and progress of Member States, as already occurs with the NECPs.⁵⁰ One concern is that local content requirements for 2030 in the NZIA (40% of renewable technologies produced in the EU) and of the CRMA (10% of annual consumption, 40% of CRMA processing, and increasing recycling to 15% of annual consumption) will lead to the fragmentation of decarbonised value chains.

46 Averchenkova *et al.* (2023); Escribano & Urbasos (2023b).

47 Lara Miranda & Lázaro Touza (2023).

48 Lázaro Touza & Urbasos (2023).

49 Lara Miranda & Lázaro Touza (2023).

50 Meeus *et al.* (2023).

But the main difficulty is achieving European production targets in critical transition minerals, particularly when there are partner countries where mineral resources are more abundant and can be included in trade deals under strict sustainability conditions. Low social acceptance of the exploration and production of resources in Member States is a key barrier to achieving the internal targets of the CRMA.⁵¹

Just like the IRA, to which they are a response, the NZIA and the CRMA seek to mitigate the risk of China coming to dominate decarbonised industries, as it already does with solar technology. The current tensions with China in the electric vehicle, battery and renewable technology sectors may further fragment decarbonised chains and increase the short-term costs of the energy transition. The IRA provides for an exception to local content rules for countries with which the USA has a free trade agreement, and the new Commission must work along similar lines to prevent accusations of green protectionism. The EU has free trade agreements with many countries, and the most recent— such as the one signed with Chile— include a Trade and Sustainable Development (TSD) chapter, in addition to provisions to guarantee European access to Chilean strategic minerals.

The standstill in the Mercosur agreement talks, by contrast, sends a very dangerous signal for European credibility. It has been noted, for example, that the Mercosur countries could replace a significant portion of the critical minerals currently imported from Russia by the EU on which it cannot impose sanctions due to a lack of alternatives.⁵² Several Mercosur countries have received significant Chinese mining investment, and it is therefore important the EU offers a coherent transition minerals' interdependence pattern with them and with the rest of Latin America⁵³ to de-risk from China.⁵⁴

The CRMA includes the creation of a Critical Raw Materials Club, a forum where producer and consumer countries can cooperate on the diversification of value chains, and the Commission should develop the mandate and structure of this club over the coming years.⁵⁵ However, this format seems a poor substitute for free trade agreements, which incorporate commitments to provide access to resources and strict sustainability criteria. Developing an open decarbonised competitiveness strategy requires actual trade partners, not just club members; in reality, free trade agreements and clubs are complementary instruments. It will not be easy for the new Commission to convince countries such as Australia or Mercosur members, with whom it does not want to sign free trade agreements, to make concessions in this type of club.

51 Friends of the Earth Europe (2023).

52 Guinea & Sharma (2023).

53 Escribano & Urbasos (2023b).

54 Escribano & Urbasos (2023).

55 Findeisen (2023).

6.4. Hydrogen diplomacy

The new Commission should recalibrate its hydrogen diplomacy in order to avoid generating unfounded expectations both within the EU itself and among its potential partners, as occurred in the past with initiatives such as the Mediterranean Solar Plan.⁵⁶ After overcoming the energy crisis, which gave rise to a somewhat excessive commitment to green hydrogen in the REPowerEU plan, the new Commission must focus on strengthening the internal dimension before seeking to make further progress on the diplomatic front: reconsidering production and import targets, accelerating the legislative process, strengthening the technological dimension and reformulating industrial strategy.⁵⁷

On this basis, European hydrogen diplomacy must become more realistic and accept the difficulties associated with the international phase-in and transport of hydrogen.⁵⁸ Several EU Member States have signed hydrogen partnerships to import it,⁵⁹ despite the fact that some of the signing partners lack the underlying socioeconomic conditions to become producers of hydrogen, let alone exporters. Germany has been particularly active through its H2diplo activity, both in the European neighbourhood, sub-Saharan Africa and Latin America.⁶⁰

The priority for the new Commission's hydrogen diplomacy should not consist of ensuring contingent imports but, rather, in integrating renewable hydrogen in an increasingly decarbonised industrial trade pattern with Europe's partners: for example, decarbonised fertilizers, steel and copper from Morocco, Brazil and Chile, respectively. Including the development of particular industrial stages in the EU's trade partners would provide a major incentive for producers who wish to escape the re-primarisation⁶¹ of their economies, countering the accusations of green neocolonialism levelled against the EU.

56 Escribano (2021).

57 Escribano & Urbasos (2023c).

58 Urbasos (2023).

59 Quitzow *et al.* (2023).

60 Quitzow *et al.* (2024).

61 Reprimarisation refers to the process of specialising in products with lower technological content and the reorientation of the economy towards agricultural activities (Santana Suárez, 2019).

7 Climate diplomacy and public acceptance

The EU's climate diplomacy faces a vast and complex agenda of international negotiations and formidable governance challenges. Such efforts must be pursued in a context of high but declining social acceptance of climate policies. It is important to maintain the EU's climate leadership, but it is also necessary to respond to public concerns with proposals for a just transition, both in distributional and procedural terms.

7.1. Climate diplomacy

The European Green Deal reiterated the goal of retaining the EU's global leadership in the fight against climate change. This involves leading by example which entails analysing both the internal and external dimensions of the new Commission's climate action. Despite an increasingly challenging context, it is to be expected that the new Commission will seek to maintain its directional leadership, given it has agreed on the goal and has developed the instruments to deliver said goals.

International climate negotiations during the new European institutional cycle will be affected by various issues. Firstly, led by the troika of presidencies –the United Arab Emirates, Azerbaijan and Brazil– updated climate commitments will be presented before COP30 in Belem. It is estimated that fully implementing the European Green Deal would reduce emissions by at least 57% in 2030 compared to 1990. The EU's new NDC could reflect this objective and indicate its intention to achieve a reduction of 90% in 2040, in accordance with its interests, internal policies and scientific recommendations (of the ESABCC).⁶²

As in the past, the climate ambition of less developed countries (LDCs) will be conditioned by international climate funding. The commitment to increase it from 2025 through the New Collective Quantified Goal is an opportunity for the EU to showcase its leadership as the largest contributor to international climate funding, contributing €28.5 billion⁶³ in 2022, more than half of which is allocated to adaptation and to joint mitigation and adaptation actions. The EU could foster an alliance to support a new international climate finance commitment based on the needs of recipient countries and without increasing their debt (that is, by favouring transfers over loans); an international climate finance commitment that could be enshrined in the decisions made at COP29 in Baku, Azerbaijan. Precedents include the EU, together with the US, successfully promoting the Global Methane Pledge in 2021,⁶⁴ and the goal of tripling renewables and doubling the energy efficiency objective in 2023.⁶⁵

62 ESABCC (2023).

63 1 billion = 10⁹

64 European Commission (2021).

65 European Commission (2023d).

Secondly, alignment of climate objectives and financial flows to respond to article 2.1.c of the Paris Agreement will be a key aspect of climate negotiations for the new Commission. The Sustainable Finances Action Plan and use of the EU taxonomy could help other countries to align their financial flows with their climate goals. With respect to carbon markets, the EU is expected to continue to support environmental integrity in article 6 negotiations, drawing on its experience of the ETS to reduce the emissions of sectors covered by this mechanism.

Thirdly, the EU could contribute specific experiences in the working programme meetings on a just transition in 2024 and subsequent years, and work on new (and improved) JETPs, particularly with countries in Latin America and the Caribbean. The EU's experience in this area includes: the just transition fund and mechanism; allocating NGEU recovery funds to just transition; the support of these instruments by EU citizens; and the institutional innovation elements in various Member States (for example, France with its ecological transition contracts, and Spain with its just transition agreements and the Just Transition Institute).

The EU will also have to take a position in the debate on the future of the international climate negotiations process, which is arguably transitioning towards more commitments at a sectorial level, implementation, and the growing inclusion of stakeholders who are not Parties to the negotiations. Moreover, to avoid 'green mirages' (announcements of decarbonisation targets that are not met and which lack regular global evaluation), the EU could forge alliances with ambitious private sector stakeholders such as We Mean Business or the Corporate Leaders Group to develop specific commitments of stakeholders that are not party to the negotiations ((Non-Party Determined Contributions, NPDCs), and could also advocate for future global evaluation exercises (Global Stocktake, GST) to include specific information on NPDCs.

The EU working programme for the new institutional cycle begins⁶⁶ with the simplification and reduction of the information requirements, the wind energy package, and establishing an objective for 2040 (potentially, at least a 90% reduction in emissions compared to 1990). In addition, there are numerous initiatives pending development in the European Green Deal, such as those referring to the transport sector, where decarbonisation must accelerate if the climate objectives are to be met.

The EU's climate governance will also be reviewed during the new institutional cycle. The review could include requirements for all Member States, such as, for example: (a) establishing a legally binding climate neutrality objective –as Spain already has – in the review of the European Climate Law, and incorporating this in the governance regulation; (b) developing independent scientific committees to propose climate objectives, evaluate public policies and progress towards such objectives, potentially limiting backsliding of climate action, as exists in several countries (in Spain, the law allows for their establishment but this has not yet been developed); (c) align the NECP with long-term decarbonisation strategies, e funding for the achievement of objectives after the end of the NGEU recovery fund investment period; and (d) improve public participation processes.⁶⁷

⁶⁶ European Commission (2023e).

⁶⁷ WWF (nd).

7.2. Public acceptance of climate policies

The EU also faces the challenge of securing acceptance for its climate policies in a context of polarisation, disinformation and the gap between concern and action. In the most recent Eurobarometer,⁶⁸ Europeans continued to perceive climate change as the third-greatest threat facing the world, with seven Member States considering it the most important, although this represents a slight fall when compared to Eurobarometer 2021. Both in the EU (77%)⁶⁹ and in Spain (82%),⁷⁰ respondents see climate change as a very serious problem.

Some 84% of those surveyed by the Commission indicated that climate action should be a priority to improve public health. 78% believed that financial support should be provided for transition, even if this meant reducing fossil fuels subsidies. And 75% thought that climate action will improve the competitiveness of European companies, while 73% affirmed that the cost of inaction in the face of climate change was greater than the cost of action. In addition, the majority of those surveyed felt that adapting to the impact of climate change would benefit Europeans, while 88% supported the net-zero emissions objective for 2050.

In Spain, since 2022, access to energy has become the leading priority for foreign policy, according to the Barometer of the Elcano Royal Institute, displacing climate change, which had been the top priority since 2017.⁷¹ In 2023, climate change ranked second as a threat, exceeded only by armed conflicts. Climate denialism continues to be residual (7% of respondents) but has doubled since 2019. 87% of those surveyed agree that Spain should have laws to combat climate change, and there is broad support for renewables (85%). However, 47% believe that measures to fight climate change harm the economy, highlighting the need for better information about the benefits and opportunities of the transition for companies and workers, and the importance of accompanying those sectors, regions and individuals who will bear the brunt of any negative impact.

Despite Spain's support for renewables, conflicts related to their introduction have increased in some communities and there is reduced support for certain climate policies,⁷² such as restricting the use of internal combustion engines and increasing taxes to internalise the externalities of transport. A case of particular interest to Spain is that of intra-European energy interconnections: awareness and understanding of their importance is very limited among European public opinion, but policies based on principles of procedural justice to enable public participation could promote greater acceptance.⁷³

It has been argued that the EU should adopt a different political approach towards the struggle against climate change and for decarbonisation, and that climate policies have neglected public participation and undermined the legitimacy of a new 'green social contract'.⁷⁴ Moreover, traditional public participation processes –citizens' assemblies based

68 European Commission (2023b).

69 *Ibid*

70 Lázaro Touza *et al.* (2024b).

71 Lázaro Touza *et al.* (2023).

72 Lázaro Touza *et al.* (2019).

73 Escribano *et al.* (2023b).

74 Youngs (2024).

on a process of deliberative democracy– have been more useful at guiding policies than at legitimating them. In Spain, for example, only 5% of citizens surveyed by the Elcano Royal Institute were aware of this process before it occurred,⁷⁵ a figure that rose to 26% following the presentation by the Citizens’ Assembly for the Climate of its recommendations to government; however, 81% of those who had heard of this process after its completion could not recall any specific recommendation⁷⁶ of the 172 submitted⁷⁷ in May 2022.

Public acceptance of climate policies does not develop in a linear or independent manner; rather, policies and acceptance coevolve and feed back into one another. A simulation calibrated using data from the first Elcano Royal Institute survey on climate change⁷⁸ shows: (a) that acceptance of the measures to address it grows when just (progressive) and consistent policies are proposed; (b) if there is pressure from those close to the respondents (peer pressure), regardless of whether the measures are progressive or regressive; (c) if climate policies are accompanied by measures which enhance public capacities, increasing the perception of self-efficacy; and (d) when regional specificities are taken into account.⁷⁹

Another element that increases acceptance is the economic opportunities afforded by decarbonisation, in so far as ascending the industrial value chain strengthens public acceptance.⁸⁰ Measures put forward on a consensus basis by the major political parties also generate greater public acceptance.⁸¹ Finally, it is important to continue to analyse climate disinformation campaigns and to consider possible action to counter act them.⁸²

75 Real Instituto Elcano (2022).

76 Enríquez & Martínez (2023).

77 Asamblea Ciudadana para el Clima (2022a; 2022b).

78 Lázaro Touza *et al.* (2019).

79 Lipari *et al.* (2024; 2023).

80 Eicke & Weko (2022).

81 Timoner Salvá & Quiroga (2023).

82 Iberifier (2024).

8 Policy implications and Spanish preferences

The main conclusions and implications of this policy paper for the new Commission's energy and climate foreign policy are as follows:

1. Energy and climate diplomacy will be one of the external priorities of the new Commission, which must develop and implement the numerous existing packages in a challenging internal and external context: European Climate Law, Fit for 55 (with CBAM), REPowerEU, NZIA, CRMA, EUDR, in addition to including and applying TSDs in existing trade agreements and those under negotiation.
2. There is a risk that many of these packages will be perceived outside the EU as a form of climate protectionism and green neocolonialism, and this means that the new Commission must deploy a coherent, well-structured, active energy and climate diplomacy.
3. To maintain a balance between decarbonisation, competitiveness and energy security which reflects European interests and values, the Commission must advocate for an open, competitive decarbonisation that we have named greenshoring: prioritising cooperation with countries interested in advancing their energy transition as an industrial location factor, integrating with EU value chains, and attracting investment. Although this may entail higher short-term costs, resilience and industrial competitiveness will improve over the medium and long term. New suppliers' ability to comply with minimum environmental standards and satisfy demand from the EU must be guaranteed.
4. The new Commission must continue to manage the geopolitics of the fossil-fuel regime: decoupling from Russia, the consequences of the war in Gaza, the crisis in the Red Sea and tensions between Iran and Israel, the deterioration of gas prospects in the eastern Mediterranean, the possible US moratorium on LNG projects, and the development of the European gas purchasing platform. In addition, it must anticipate the effect of decarbonisation on those hydrocarbon producers most exposed to the impact of the energy transition that are of great geopolitical importance to the EU.
5. The implementation of the CBAM is part of the wider process of managing the geoeconomics of carbon, and this will require the design of support measures which counter the accusation of climate protectionism and of undermining the principle of common but differentiated responsibilities embodied in international climate agreements. The incoming Commission must design and apply these support measures setting out instruments, their scope and key objectives to help its partners comply with the new regulations while also transforming their own industries. It will also have to accompany Member States in applying the new regulations on decarbonised industry (NZIA), strategic minerals (CRMA) and imported deforestation (EUDR).

6. The Commission will need to pay attention to the geopolitics of transition, and the foreign dimension of the European Green Deal. To present its decarbonisation efforts as an element of strategic autonomy, the EU must invest in grids and interconnections (electricity and renewable gases), promote renewables abroad, and ensure the supply of transitional minerals. It will also have to reformulate its hydrogen diplomacy and the Global Gateway initiative.
7. The Commission can build on the significant legislative acquis of the European Green Deal and Fit for 55 to continue to lead international climate negotiations by example. To do this, it will have to present an ambitious NDC which reflects the potential emissions reductions of the European Green Deal. It will also have to support those countries most exposed to its regulations, obtaining funding for decarbonisation of the most affected and vulnerable partners. The new Commission could also advocate for the expansion of the JETPs to Latin America and the Caribbean. The EU is the largest contributor to international climate funding and could propose a more ambitious funding commitment (NCQG). It could also support the global low-carbon transition, sharing experiences such as the Emissions Trading System and taxonomy. The EU must reformulate its climate governance to achieve climate neutrality, with requirements and institutions shared between Member States, and to develop a new social contract for the transition. The EU must also continue to support vulnerable sectors and citizens to secure acceptance for its climate policies in a context of polarisation, disinformation and a persistent gap between concern about climate change and action to address it.

With respect to Spanish preferences, these could be summarised as follows:

1. Spain is committed to ambitious climate action and the energy transition as a vector of economic competitiveness and a means of attracting decarbonised industrial activity. The external dimension of this greenshoring strategy entails developing a new pattern of interdependence with those countries that make most progress towards decarbonisation.
2. Developing decarbonised intra-European grids, interconnections and corridors remains a priority if Spain is to make a greater contribution to a competitive and safe energy transition for the EU. There is no medium- and long-term contradiction between constructing interconnections and the competitiveness of decarbonised Spanish industries. Interconnections with France in the medium term, and with Morocco and Algeria in the long term could reduce the costs of the European energy transition.
3. Spain also has an interest in integrating decarbonised value chains with the EU's main non-European partners, such as the US, Latin America and the southern Mediterranean. This involves signing free trade agreements and designing measures to support those countries most affected by the CBAM.

4. Spain shares the European need to decouple from Russian energy and erode its energy revenues. It has supported all the European sanctions packages and would very probably also support the new Commission in this area, including a mechanism to block deliveries of Russian LNG⁸³ at the discretion of Member States, the possible expansion of sanctions and the prohibition of gas trans-shipments. This would have to be implemented on a joint EU basis initiated by the Commission and not by Member States acting on an individual basis, to avoid fragmentation between those countries that apply it and those that choose not to.
5. Spain also shares the new priority accorded to the Mediterranean by the outgoing Commission, given the opportunities offered by European energy and climate diplomacy in the diversification away from Russian gas in the short term, and decarbonisation over the medium and long term. However, the new Commission should take a realistic approach, avoiding generating unrealistic expectations in its southern neighbours. The EU should also pay attention to the impact of its energy transition on suppliers such as Algeria and Libya.
6. Many of Spain's key industries are suffering the effects of logistical disruption due to the Red Sea crisis, and Spain therefore sees the need to avoid an escalation between Israel and Iran as an urgent issue. Spain also expects the EU to play a significant role in the energy reconstruction of Gaza.
7. Spain is sensitive to the need to manage the side effects of CBAM and EUDR on less developed countries and the EU's hardest hit trading partners. Its preferences point to well-defined climate funding with clear sustainability criteria, which considers the impacts of the European Green Deal.
8. With respect to Latin America, Spain finds the region's low salience in the European energy and climate debate inexplicable, given its abundant fossil fuel, renewable and mineral resources, low carbon intensity, advanced industrial framework, and attractiveness for investment in the energy transition. Latin America is a natural partner of the EU in decarbonisation, and from the Spanish perspective the incoming Commission should pay more attention to it and offer a mutually beneficial integration model which capitalises on those comparative advantages. The evolution of Venezuela and of US sanctions on its energy sector are also significant in the context of an increasingly opaque and volatile oil market.
9. Finally, Spain supports the implementation of the European Green Deal without delay. This support is based on several factors: Spain's vulnerability to the impact of climate change, its abundant renewable resources, a solid renewable and decarbonised business sector, public concern over climate change, public support for policies to address it, and the desire that Spain should not be left behind in a low-carbon economy where China and the US are the leading investors.

83 Ainger (2024).

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Acronyms

BRI	Belt and Road Initiative
CBAM	Carbon Border Adjustment Mechanism
CBDR-RC	Common but Differentiated Responsibilities & Respective Capabilities
COP	Conference of the Parties
CRMA	Critical Raw Materials Act
ECFR	European Council on Foreign Relations
EGD	European Green Deal
ESABCC	European Scientific Advisory Board on Climate Change
ETS	Emissions Trading System
EU	European Union
EUDR	EU Deforestation Regulation
FEDS+	European Fund for Sustainable Development Plus
GST	Global Stocktake
IRA	Inflation Reduction Act
JETP	Just Energy Transition Partnerships
LAC	Latin America and the Caribbean
LDC	Less Developed Countries
LNG	Liquefied natural gas
LRF	Linear reduction factor
MEG	Maghreb-Europe Gas Pipeline
MSR	Market Stability Reserve
NCQG	New Collective Quantified Goal
NDC	Nationally Determined Contributions
NECP	National Energy and Climate Plans
NGEU	Next Generation EU
NPDC	Non-Party Determined Contributions
NZIA	Net Zero Industry Act
SCF	Social Climate Fund
SCP	Social Climate Plans
TSD	Trade and Sustainable Development chapters
WTO	World Trade Organisation

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