



TRANSATLANTIC ENERGY FUTURES



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

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

Herman van Rompuy, President of the European Council.

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

Caroline Wunnerlich, Fleishman-Hillard

Climate change and energy cooperation will be the litmus test of the transatlantic relationship in the 21st century. Our ability to bridge our differences and align our interests in this are will be essential to the protection of our shared geopolitical outlook in the future. Transatlantic Energy Futures endeavours to give you a taste of the intricate and multifaceted energy challenges facing the transatlantic community. It aims to do so with a strong conviction of the enduring prominence and necessity of a true partnership.

Transatlantic Energy Community – Where are we now?

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

The realisation of a comprehensive global climate change deal still seems rather distant after the modest achievements of Durban late last year. Even if the global framework is in place, challenges can be expected with regard to acceptance, implementation and monitoring of any such deal. In the Western world the transformation to a clean energy economy will be long, costly and involve deep and initially unpopular changes in lifestyle for citizens. This, in turn, will test the resolve of

governments to mandate it, and the will of the private sector to invest in it and innovate new products and services.

Given the state of the transatlantic economy, the bulk of investment in the energy space will be taken up by the private sector, but public policy will need to set a stable and predictable regulatory environment and provide incentives for private action. Markets alone cannot trigger the transformation within the limited time available. Yet governments will need to avoid the temptation to micro-manage or pick winners and losers.

‘Bridges’ are needed to a low-carbon future. Natural gas from conventional and unconventional sources can play an important role in the global energy mix—gas could decrease energy dependence in the US and in Europe and become a bridge fuel to a low-carbon future. However, some have voiced anxieties about a lock-in effect. Moreover, though gas emits roughly 50% less than coal, it is still a fossil fuel, and this in itself is enough to cause objections in some quarters. On the other hand, particularly after the Fukushima incident in March 2011, zero-emission nuclear energy struggles with financing and public acceptance issues in many markets.

Bridging the Transatlantic Gap

There is a clear risk of a widening transatlantic rift. Differing climate change perceptions and the perceived lack of US commitment and action alienates Europe, both in policy-making circles and amongst the public. US and European energy markets could largely decouple in



coming years thanks to diverging geopolitical and domestic energy development trends. The US has edged closer to self-sufficiency with respect to fossil fuels, with the extensive development of its vast unconventional gas resources, which could lead to a more isolationist stance in US policy. Meanwhile fossil fuels and unconventional resources face mixed reactions, and in many cases scepticism, in Europe. If no effort is made to bridge these gaps, it could drive a wedge between partners, undermine trust, create a value gap and hinder cooperation—not only in climate change and energy issues but in many other respects as well.

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

Challenges & Opportunities

Transatlantic cooperation can contribute to providing secure and affordable energy to our people, foster economic prosperity and create jobs. The transatlantic partners share strategic interests in maintaining and improving the effectiveness of a global governance system that is norm-based, rule-based, and inclusive, and that ensures the security of the US and the EU. We are well-positioned to develop technology, leverage financing, and develop legislative and regulatory best practices aimed at advancing technologies that can lead to cleaner and more efficient energy delivery and use.

As pluralist democracies, the EU and the US are best-positioned to profit from the 'democratization' of energy. Skills that will be required in this new era, such as innovation, initiative, decentralized decision-making, managed interconnectivity, subsidiarity and self-governance, and market integration, are deeply ingrained in our societies.

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

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

The EU and the US have an exceptionally strong incentive to reinforce existing cooperation and to share burdens by pooling resources. In times of austerity and shrinking budgets, identifying and exploiting synergies and avoiding duplications is a must. Joint efforts to address climate change and innovation and investment into new, cleaner and more efficient energy technologies must become the cornerstones of a renewed transatlantic energy and climate change alliance, incorporating joint RD&D, harmonised energy diplomacy and risk-sharing and cost reduction.

A transatlantic energy alliance is desirable and feasible, but not immediately self-evident to all parties. Positive effort will be needed to ensure that our partnership remains strong into the future.

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