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Session 3

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Panel Greening the economy and the role of the energy sector

Selected topics:

- Emerging challenges and opportunities for energy security and diversification
- Building and managing resilient energy networks
- Strategies for resource efficiency and climate neutrality throughout the product cycle
- Ensuring the supply of critical minerals and requisite infrastructure for the green energy transition
- Ways of reducing the environmental footprint by decarbonizing the economy, including transportation and heavy industries

Remarks:

Thank you Chair. Iceland has great cards to play in the energy transition, is already very advanced and can develop many innovative solutions and services. One area will notably be essential going forward: addressing ghost fishing gear pollution of oceans from the fish industry globally, which is a major source of ocean pollution.

Apologies for not being with you in person, by staying in Paris, I have virtually saved 400 kg of CO₂. Would a decent train connection be available, I would have enjoyed the long but lovely trip that would have emitted only 4 kg.

Esteemed colleagues, my first remark will be: in these crises, every single individual decision matters, most citizens and consumers can become resistants of the rise in prices and the looming energy insecurity. What is needed is a toolbox for everyone to understand how he can save, and elites must show the example. Governments have to empower citizens to resist. This requires awareness building campaigns, at all levels of society. And policies that help the most vulnerable but maintain price signals!

My second point is: we need more train connection across the continent, we need more rail cargo, we will want to continue travelling across Europe, within the OSCE area, and this at low carbon at reasonable cost. So it is high time to modernize our infrastructures and to not only interconnect in gas, electricity, but also in rail connections and also, low carbon, comfortable buses. And make this affordable for families and for the most vulnerables.

My third point relates to the electricity sector. We will not manage to massively accelerate the deployment of wind and solar by 2030 as is targeted because of public acceptance, grids, lack of skills and value chain bottlenecks. But three things we can do: Accelerate the permitting; work on developing interconnections and short and longer electricity storage,

especially since gas will be less available and since weather related factors will make supply and demand more volatile; and stop opposing nuclear to renewables. We need both, this crisis shows it clearly. So we need long term contracts for nuclear power, regulated asset based methodologies, preparing for the roll out of new large nuclear power plants and small modular reactors. And we need more interconnections within Europe and within the neighbourhood in the North, East and South.

Germany wants a lot of hydrogen/byproducts and will imports the bulk of it. Industries located close to ports where gas, CO₂ or electricity infrastructure is available from Norway, or in Spain, will be the winners. I think of Antwerp, Rotterdam, Hamburg area. But it will be impossible to have access to competitive supplies outside these clusters except if we agree to do blue and pink hydrogen. Hydrogen should not become a new cause of fragmentation in Europe. Let us keep doors open. And focus on ammonia and sustainable aviation fuels first.

Let us also remind that the future, and priority, is electrification of end-uses. Molecules will remain of course, there is issues related to resilience of energy systems, to flexibility, to use of existing infrastructure, but overall, this is the way forward. So new gas infrastructure, sorry to say, must be limited, temporary or flexible. And we need to fully grasp the consequences of systemic shortages in gas in Europe and globally. Coal is now the answer, but it cannot stay like that. We need to accelerate the phase out of coal in the OSCE area by 2030 in most countries while also helping an accelerated phase out abroad in countries like South Africa, Vietnam, Senegal, Indonesia, India.

A propos molecules: there is large untapped biomethane and biomass potential in many OSCE member countries.

Speaking about biomass, we have a low hanging fruit to pick: managing and sustaining our forests, and adapting them for climate change. Forests are a blind spot in my view, we cannot afford the fires we had this summer, there is too little investment versus the huge benefits, and too much grey, if not criminal, practices related to forestry management. The other blind spot is the agriculture sector. We now have skyrocketing gas prices and ammonia production being shut down. Actually, it is clear that one can use much less fertilizers while keeping production levels constant, in two ways: 1. In using artificial intelligence and data to optimize use, and 2. In diversifying crops types and adapting them to the terrain, and climate.

Which brings me to the digital issues: let us build the masses of ingenieurs, data specialistis, technicians, installers, that will be needed.

We will need to develop responsible mining activities within OSCE countries and build on the experience from OSCE members that already have a sustainable mining industry. We must grow domestic supplies to meet growing needs and build resilience. We also must understand that we cannot simply replace thermal engine cars with the same number of EVs as the drain on resources will be too much. So smaller, lighter cars, mobility as a service, and policies must not support a 3 tonne EV in the same way as a 1 tonne car. Lastly, we will need to mine abroad, and refine in Europe. If tomorrow China attacks Taiwan, not only will the world be plunged into a deep recession, but also, we will not be able to finish any of our renewable projects, or battery cells, not to speak about the new ones!

We will also need much more onshore and offshore wind, solar panels, grids, storage infrastructure, all this will impact landscapes. Climate change has shown how it impacts landscapes too, hence the former is better... This requires having a greater share of domestic equipment production. How do you do that ? Through industrial policy: clear & predictable targets, carbon norms, ESG norms, recycling norms, tax policy, competitive electricity, subsidies, such as through carbon contracts for difference. A lot is going on. A lot more must happen.

The energy transition will cost much more than what has been assumed. Massive investment are needed, and price signals. Now we have the price signals. But with the inflation and recession, we may not have the investments. So we need governments to put their forces together, ease budget spending rules, and the Central banks to reward green lending strategies. And industries must be protected and supported. This should happen now! Now is not the time to save, but to borrow and spend. Massively. The crises have shown: we are just at the beginning of our journey out of fossil fuels and are super vulnerable both to the fossils, and to the clean technologies.

All in all, these crises create climate setback and extreme hardships for consumers. Energy has been weaponized by Russia. Europe faces an existential threat to its security and well-being. Ukraine is fighting for its survival. I am confident we have all the resources and technologies to stand up if we remove our ideologies and populist approaches, and stay united.

Due to the war, Ukraine has not emitted hundred thousand tonnes of CO₂. Let us propose a deal to Ukraine to buy some of these and use them progressively in our carbon systems, in the EU, UK, Switzerland notably. And let us put all efforts into its secure and swift integration in the European electricity community.

Thank you for your attention.