



A pan-european strategy for the energy emergency

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The workshop focused on the energy transition and discussed the impact of the scarcity of raw materials on the envisaged decarbonization path of the European economy. With the aim of providing actionable recommendations in the context of a pan-European approach, participants underscored the importance of enhancing cooperation with the United States and recalibrating the transition process so as to make it crisis-resilient. The latter, in particular, would entail greater incentives, more funding, and strategic management so as to prevent or mitigate future asymmetric shocks that would jeopardize the pan-European transition.

This policy brief summarizes discussions held on March 16th and 17th, 2023 at a tripartite workshop hosted by the Policy Observatory at the Luiss School of Government in Rome jointly with the Albert Hirschman Centre on Democracy of the Geneva Graduate Institute and the “Reversing the Gaze” Project at the Law School of the University of Edinburgh. The tripartite workshop series aims to deepen the exchange of experiences across European countries on their responses to pan-European challenges.

The organizers acknowledge Gianclaudio Torlizzi for delivering the workshop’s keynote presentation.

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Background and Context

On March 16th and 17th the Policy Observatory at the Luiss School of Government in Rome convened the workshop titled “Towards a pan-European strategy to face the energy emergency” jointly with the Albert Hirschman Centre on Democracy of the Geneva Graduate Institute and the “Reversing the Gaze” Project at the Law School of the University of Edinburgh.

The goal of the ongoing workshop series organized by these institutions is to deepen the exchange of experiences across European countries on their responses to pan-European challenges. The event hosted by the Luiss School of Government focused on the energy transition and discussed the impact of the scarcity of raw materials on the envisaged decarbonization path of the European economy. It concluded by providing actionable recommendations to national governments and the EU with the aim of making the transition just and more resilient, while raising public awareness on the different aspects linked to the energy transition.

Driven by the previous downwards trend in prices and broad uncertainty on the transition, underinvestments have contributed into structurally higher prices for commodities in recent years. Looking forward, energy producers and suppliers may face credit constraints in relation to the uncertainty pertaining to the actual availability and timing of sustainable finance. In turn, the combined effect of these drivers reduces the feasibility and scope of new investments in the production of energy.

Key minerals required for the transition are concentrated in a handful of countries, with many of them not planning to increase their production. This is compounded by the uncertainty and the costs related to the physical transportation of the minerals themselves. To address this issue, we need sustainable and just access to these key minerals, including consideration of the location of the exploration and refining capacities. Indeed, the mining and refining are highly concentrated, exacerbating environmental concerns and externalities.

At the same time, it has been estimated that the transition towards a resilient and decarbonized economy would require some \$10 trillion worth of metals, according to Bloomberg. This must be reconciled with the current scarcity of traded metals as, for instance, shown by the London Metal Exchange data since 2013.

The scarcity of minerals and their prices have been impacting European citizen’s lives significantly as of late. This has resulted into heightened competition among states across the globe and intensified strategic antagonism towards sourcing critical minerals. A combined effect has been to jeopardize a pan-European approach while encouraging individual countries to pursue bilateral negotiations.



Recommendations

We recommend that resilience should be explicitly embedded in the transition towards decarbonization. Building on this key attribute, externalities for households, businesses, and government-provided services should be effectively managed and transparently communicated. The aim should be two-fold: to foster public dialogue on the transition and its implications; and to inform the policies to address the spillovers from the transition. As minerals critical for the transition are also available, to some extent, in Europe, public opinion should consider the economic, social and environmental implications from extending the extraction and refinement capacity.

Against this backdrop, on March 16th 2023 the European Commission presented the proposal for a European Critical Raw Material Act. Based on a preliminary assessment, we welcome the proposed introduction of a joint purchasing scheme, recognizing that it is open, voluntary, and transparent. We equally welcome the proposal of a risk monitoring and stress testing scheme concerning trade flows, demand and supply, concentration of supply, and production capacity at different stages of the value chain. Finally, we welcome the discussion of the need to extend the Union's extractive and refining capacity, as long as it is open, voluntary, and transparent. We recognize that the adoption of the final version of the current proposal will be key and its implementation will warrant special attention in the context of the overall EU strategy on energy and just transition. In fact, the transition is not only an economic question; it is also a societal choice.

Building up on these considerations, we further recommend:

1. Promoting a common pan-European strategy by drawing and implementing existing EU policies, incentives, and coordinating mechanisms, and making them widely open to other European countries.
2. Fostering a common procurement pan-European approach in other countries and regions that are key to secure the transition.
3. Enhancing cooperation with the United States with the aim of fostering mutual benefits towards the transition.
4. Recalibrating the transition process so as to make it crisis-resilient. This would entail more policy innovation with regard to introducing greater incentives, more pan-European-wide funding, and strategic management so as to prevent future asymmetric shocks that would jeopardize the pan-European transition.