The European Union, considered a leader in climate policy, negotiates in UN climate talks as one entity, but this masks an internal division. Prior to the COP21 in Paris, the EU member states had to agree on a common negotiating position which was determined in large part by talks in October 2014. These talks revealed the depth of the disagreements on climate change and energy policies between, generally, the northern and western members and the eastern members. They produced the same result as most contentious EU debates: a compromise just vague enough that most members could sell it as a victory at home. The agreed-upon targets for 2030 sound bold, calling for a 40% reduction in emissions compared to 1990, a 27% increase in energy efficiency, and for renewables to make up 27% of energy consumption. However, they are binding at the EU level, not at the national level, and will be revisited following the COP21 climate talks in Paris. While northern and western member states see this as an opportunity to boost the emissions target, eastern member states want to pursue lower emissions targets in line with non-EU countries’ commitments.1 This policy brief explains some of the most important aspects of this dispute. It lays out the internal concerns about costs, competition, and EU competency and the external concerns about energy security and global competitiveness. The final sections describe the situation going forward and discuss some possible recommendations.

INTERNAL CONCERNS

In many ways the northwest versus southeast nature of the climate and energy debates reflects divisions that are apparent in other topics like migration and austerity. The underlying concerns are also the same: economics and finances. Countries like the Czech Republic, Slovakia, Hungary, Bulgaria, and Romania worry about the costs of implementing ambitious energy and climate policies, like grid and infrastructure improvements and investment in or support for renewable energies. Poland leads this opposition out of a desire to protect its extensive domestic coal sector. Many of these countries have national, state-owned energy companies whose monopolies are threatened by the competition policies that have passed in the EU Energy

Packages. Increased grid interconnections would allow access to renewable energy produced in more affluent countries with better technologies but decrease these companies’ market control. Protectionism therefore leads these countries (alongside the United Kingdom) to resist increases in the EU’s competency to direct energy and climate policy.

The eastern members are not alone in presenting obstacles to a better electricity grid. In the run-up to the October 2014 negotiations, Spain and Portugal were also in disagreement with France. The Iberian Peninsula countries wanted better connections to the rest of Europe for their wind and solar energy, but France did not want to be the transit country, fearing competition with its nuclear energy. Nuclear energy, of course, has been contentious since the Fukushima disaster, with Germany vowing to close all nuclear power plants by 2022, even though it is a low-emitting, stable power source. Considering these various hurdles, it is impressive that any agreement was reached at all.

**EXTERNAL CONCERNS**

Economic concerns affect countries’ opinions about the EU’s external relations, as well. The eastern European countries fear that forging ahead as a leader on climate change will make Europe less competitive in the global economy. Germany’s relatively strong export position and public support for its energy transition allow it to pursue ambitious policies, but the opposing countries see unilateral EU action as dangerous to their already fragile economies that are still recovering from the euro crisis. They believe that their production and living costs will increase relative to high-emitting countries outside the EU. Their doubts are valid, considering that the voluntary approach taken in the current climate summit negotiations allows other countries to prioritize economic growth over emissions targets.

Separately, Russia’s standoff with Ukraine continues to cast a shadow over EU debates because of Russia’s dominance as a natural gas supplier. Natural gas can be considered a “bridge” fuel towards renewables because it emits significantly fewer greenhouse gases compared to coal and oil but is also inexpensive. Many countries, though, are wary of increasing their use of gas as a primary energy supply source because Russian gas supply cutoffs via Ukraine have left them stranded during cold winter months. Russia’s determination to build alternative gas pipelines is only partially reassuring in the context of its ongoing diplomatic disputes with the EU over Ukraine and now Syria and Turkey. In these conditions, dirtier but more accessible coal and oil are a security buffer—a buffer that Poland, in particular, will be very hesitant to abandon—in addition to providing cheap fuel for their weak economies.

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GOING FORWARD

The COP21 talks are taking place in Paris as this paper is being written; the outcome will significantly impact EU climate policy in the coming years. If the negotiations result in a legally binding instrument with ambitious emissions targets, then the western European states will be in a strong position to uphold the internal targets established in October 2014. On the other hand, a weaker or less cohesive outcome will open the door for the eastern European states to push for lower EU targets in line with other countries’ commitments. Though neither scenario bodes well for European unity, the second one would be a major setback both politically and for the fight against climate change. It would require another set of contentious negotiations at a time when climate change takes a back seat to the crises of migration, refugees, Syrian civil war, and terrorist attacks, as well as the ongoing standoff between Russia and Ukraine and the continuing economic fallout from the euro crisis.

The current agreement with targets for 2030 includes several tools to try to redistribute some of the costs and alleviate the concerns of the eastern member states. Among them are modernization and innovation funds and proposed reforms of the EU emissions trading scheme. The modernization and innovation funds may not be enough to force change in poorer states, and extra allocations for these states under the ETS may actually be problematic in the long run. Extra allocations can disincentivize renewable energy adoption and infrastructure modernization by allowing existing polluters to continue emitting and by offsetting any increasing costs with revenue from auctioning permits. If the modernization and innovation funds are not extremely effective, this will contribute to widening the gap between the northern and western states and the southern and eastern states: those states who lag in modern, clean energy infrastructure will fall further behind even though they will be financially compensated in the short term. Essentially, while the 2030 targets allow the EU to put on a good face in the COP21 talks, they represent a messy compromise that may not lead to the desired emissions and energy goals.

RECOMMENDATIONS

In light of the arduous negotiations that have already taken place, it is difficult to suggest new, realistic recommendations. A cynical response might be to adjust European Council decision-making away from consensus so that individual players cannot block climate policy with a veto threat, but doing so would not contribute to unity. Instead, the northern and western countries need to recognize the legitimate economic concerns of eastern European members and focus on capacity-building and lowering costs, whether through the modernization and innovation funds or other programs. Enforcing competition rules for energy markets and increasing grid connections can also lower energy costs, and here the northern and western countries must ensure that they

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play by the same rules. Also, while competition is desirable, building local capacity will be more successful in the long run: competition alone could drive national companies out of business, increasing unemployment in already poor economies. In short, the EU should pursue climate and energy policies that tackle not only climate change but economic inequalities between its member countries.