

# Development, Energy and Climate Change: EU Third Country Programs for Energy Security and Renewable Energy

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# EU Development Policy

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„ EU development policy seeks to eradicate poverty in a context of sustainable development. It is a cornerstone of EU relations with the outside world – alongside foreign, security and trade policy (and international aspects of other policies like environment, agriculture and fisheries).” [EC 2016]

- Within this framework, energy takes a prominent role
- Today, 1.3 bn people have no access to electricity
- 2.6 bn use wood charcoal and traditional biomass for their energy supply with negative impacts on climate change

# ENERGY AS TOP PRIORITY WITHIN EU DEVELOPMENT FRAMEWORK

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#### EU and IOM strengthen strategic dialogue on global migration issues

16 February 2016 EU Commissioner for International Cooperation and Development, Neven Mimica, is today opening a high-level dialogue with the International Organization for Migration (IOM) to exchange views on current and future challenges in the field of migration.

#### Commissioner Mimica visits Burkina Faso to show solidarity and support to the new Government following the terrorist attacks

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**Neven Mimica**  
International Cooperation and Development



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# Argument

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- ❖ EU development policy has traditionally focused on a number of specific sectors of intervention
  - ❖ The AGENDA FOR CHANGE (2011) called for a more diverse and tailored approach, which includes a focus of development cooperation on only three sectors per country
  - ❖ 'Energy' was among the initial focus sectors of third country development programs. How has the new approach to third country development aid affected its stance within the EU Development Agenda?
- Energy maintained a predominant role based on 2 factors:
1. Central role of Energy Security and Climate Change in UN 2030 Sustainable Development Agenda (SDG) and EU Energy Policy
  2. EU industrial policy interests in renewable energy sector (particularly solar and wind technology)

# Research Design

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1. First, I outline the role and structure of early energy initiatives within the EU third party development agenda in the context of the implementation of the MDG Agenda and the European Consensus on Development
2. I analytically reconstruct the 'policy shift' in the context of the Agenda for Change that has in fact lifted energy issues to top priority of EU development cooperation
3. Lastly, I look into the potential of the EU's energy development cooperation initiatives as energy security provider for the EU itself and as an industrial policy tool for European sustainable energy technology

Millenium Declaration, European  
Consensus on Development and  
early energy initiatives

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# Energy as Focus Sector in EU Third Country Development Programs

- ❖ 2000: Reform of EU Development Programs based on Millenium Declaration
  - ❖ Sectoral focus within EU Third Country Development Programs
  - ❖ Priority sectors of intervention (1) Traffic and infrastructure (2) energy, (3) institution building (4) health (5) water & wastewater (6) rural development (including agriculture and forestry), (7) waste management [GTAI 2011]
- ❖ 2005: European Consensus on Development
  - ❖ Establishes ‘federating role’ of EU in development policy



Source: United Nations 2016

# The EUEI as Foundation of EU Energy Development Cooperation

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## **2002: EU Initiative for Poverty Eradication and Sustainable Development [EUEI]**

„Energy is a key component of any poverty eradication and sustainable development strategy and is critical to the achievement of the Millennium Development Goals“

„The EU Energy Initiative is an attempt to create a focus on better access to sustainable energy services for the more than two billion ‚energy poor‘ of our planet“ [EU 2002]

- Focus on energy poor in rural, peri-urban and urban areas
- Funding of national approaches as well as regional activities
- Funds: PPPs, and through existing EU development programs (EDF, ENPI, IPA DCI) and international development banks



# Energy Development Programs - Regional

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## **2004: ACP-EU Energy Facility**

- ❖ Instrument of the EUEI for ACP countries
- ❖ Aims at increasing access to sustainable and affordable energy services for the poor living in rural and peri-urban areas
- ❖ Implementation of an effective energy sector management (nationally and regionally)

## **2004: EU-Central Asia Energy Cooperation**

- ❖ Energy infrastructure projects with Baku Initiative countries
  - ❖ energy market convergence
  - ❖ energy security
  - ❖ sustainable energy development and investment

# Energy Development Programs - Regional

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## **2005: The Africa-EU Energy Partnership (AEEP)**

- ❖ One of the eight partnerships of the Africa-EU Joint Strategy
- ❖ Aims at improving access to reliable, secure, affordable, climate friendly energy services for both continents

## **2007: EU-Africa Infrastructure Trust Fund**

- ❖ Energy infrastructure projects with a regional or transnational dimension in Sub-Saharan Africa
- ❖ Sharing of knowhow and resources and closely linking policies to meet modern energy challenges

# Energy Development Programs - Regional

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## 2010: Africa-EU Renewable Energy Cooperation Programme

- ❖ extension of renewable energies knowledge and capacities in Africa
- ❖ Mobilization of technology expertise and innovation capacity in Europe

## 2010: Asia Investment Facility's (AIF)

- ❖ promotes additional investments and key infrastructure for projects relevant to climate change and in areas of environment and “green” energy
- ❖ National and regional projects where the regular market fails to offer sufficient or affordable financing

# Energy Development Programs - Global

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## **2007: Global Energy Efficiency and Renewable Energy Fund**

- ❖ Catalyzes private sector capital into clean energy projects with low risks in developing countries
- ❖ 6 'sub-funds' in Africa, Asia, Latin America and the Caribbean
- ❖ Directed by the European Investment Bank Group

## **2007: THEMATIC PROGRAMME FOR ENVIRONMENT AND SUSTAINABLE MANAGEMENT OF NATURAL RESOURCES INCLUDING ENERGY**

- ❖ program for external cooperation to promote environmental and sustainable management in the world
- ❖ Includes measures for institution building and innovative financial mechanisms

# The Agenda for Change and implications for development cooperation in the energy sector

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# EU Development Policy Reforms under the Agenda for Change

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## 2011: Introduction of Agenda for Change

- ❖ New framework for EU development initiatives and programs
- ❖ Aims at reducing poverty through a more targeted and concentrated allocation of funding in accordance with MDGs
- ❖ Policy priorities:
  1. Human rights, democracy and other key elements of good governance
  2. Inclusive and sustainable growth for human development (including sustainable energy and natural resource management)
- ❖ Principles:
  1. Differentiation: target resources where they can make most difference
  2. Concentration: avoid sectoral dispersion by focusing on three sectors per country
  3. Coordination: strengthen joint programming between EU and members
  4. Coherence: ensure Policy Coherence for Development
- main differences lie in the underpinning principles rather than in a revised structure [European Commission 2012]

# EU Development Policy Reforms under the Agenda for Change

- ❖ Within the Agenda for Change, energy takes a very prominent role
- ❖ Discussions on post-2015 development agenda emphasize relationship between energy, development and climate change



Source: UN SE4All 2011

"The link between energy and development is fundamental. Without energy access, we simply will not meet the Millennium Development Goals." [José Manuel Barroso at SE4All EU Summit, 04/2012]



Source: UN SE4All 2015

# Agenda for Change Programs and Initiatives - Global

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## 2012: Energising Development Initiative

- ❖ Goal: to provide access to sustainable energy for an additional 500 million people in developing countries by 2030
- ❖ intends to maximize impact of energy access by taking into account energy use and target group demand
  1. Energy for household applications
  2. Energy for cooking
  3. Energy for social infrastructure
  4. Energy for Small- and Medium-sized Enterprises
- ❖ Currently active in 24 low- and middle-income countries in Asia, Latin America and Africa
- ❖ Eligibility for funding is performance-based
  - ❖ allows for flexible reallocation of funds between countries according to performance
  - ❖ Performance measured in terms of the number of people provided with long-term access to sustainable and modern energy services
- ❖ Operates under framework of the UN Sustainable Energy for All Initiative (SE4All) and the MDG/SDG Agenda



# Agenda for Change Programs and Initiatives - Regional

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- ❖ No additional regional initiatives
- ❖ Existing initiatives are aligned with Agenda for All concept and receive additional funding
  - ❖ Overall more than € 4bn between 2012 and 2015 for energy poverty projects
  - ❖ Additional budget of €329 mio. for EU-Africa Infrastructure Trust Fund in 2012 (in addition to the €372 mio. already in place since 2007)
- ❖ Innovating financing schemes
  - ❖ Blending Concept: combines EU grants with public or private non-grant financial instruments (loans and equity)
  - ❖ e.g. ELECTRIFY: combines EU funds with private sector investment

# Energy development cooperation and EU self-interest

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# EU self-interest in energy development cooperation

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- ❖ One of the main drivers for the Agenda for Change was a “rapidly changing global environment” and the “new international aid architecture” [EUROPEAN COUNCIL 2012]

## **Competition over available energy resources that negatively affect the EU's access to energy markets and its energy security**

- ❖ Particularly African energy markets undergo rapid change with double digit growth rates
- ❖ Emerging Markets as new donors with diverging (primarily economic) interests
  - ❖ South-South cooperation (mutual benefit contracts) rather than development cooperation
  - ❖ Brazil's advancement in the African energy sector
  - ❖ China in Africa and Latin America [Stolte 2015]
- ❖ EU reacts with own ,mutual benefit' agreements
  - ❖ In 2010 EU-Africa Energy Partnership members agree on doubling of cross border electricity trade, and African gas exports to EU

# EU self-interest in energy development cooperation

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## Fight over technological supremacy in the renewable energy sector

- ❖ Trade and IPE disputes with China on Solar Panel and Wind Power technology [Van de Graaf 2013]
- ❖ Third country development initiatives as ‘door opener’ for European renewable energy firms
  - ❖ Initiatives provide ‘first mover advantage’ in foreign markets
  - ❖ Majority of projects are ‘technical assistance’ services [GTAI 2015]
- ❖ Financing of technology innovation through energy development cooperation
  - ❖ e.g. EU-Africa Energy Partnership
    - share of knowhow and resources
    - access to rare earth, other important resources for technology innovation
  - ❖ e. g. Africa-EU Renewable Energy Cooperation
    - Enhancement of technology expertise and innovation capacity in Europe

# Concluding Remarks

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- ❖ In the early 2000s, the EUEI has laid a broad framework of energy development cooperation with numerous global and regional initiatives
- ❖ With the implementation of the Agenda for Change, energy has taken an even more prominent role
  - ❖ Key factor for human development and the fight against climate change
- ❖ Signs that increased EU action in this context is, however, not without self interest
  - ❖ Competition with Emerging Markets in terms of market access and energy security
  - ❖ Industrial policy tool for the development of innovative renewable energy technology