

# THE ISPD EASTMED GEOSTRATEGIC OUTLOOK SERIES

The Uncertainties in Global Energy and  
Climate Policy and the challenges for  
Eastern Mediterranean

Dr. Odysseas Christou



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INSTITUTE OF STUDIES FOR POLITICS AND DEMOCRACY

Address: Andrea Zakou 2, Office 301, 2404 Engomi, Nicosia, Cyprus.

 Telephone: +357 22 664470

 Email: [info@ispd.org.cy](mailto:info@ispd.org.cy)

 Website: [ispd.org.cy](http://ispd.org.cy)

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*Cover picture: The 27th United Nations Climate Change Conference (COP27) in Sharm el-Sheikh, Egypt, 2022  
Source: Czech Presidency of the Council of the European Union*

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Author



*Odysseas Christou*  
*Senior Research Fellow, ISPD*

*Dr. Odysseas Christou is the Head of the ISPD Green Transition Observatory. He is an Assistant Professor in Government, International Law and International Relations in the Department of Law at the University of Nicosia. He has previously taught at the University of Texas at Austin, the Texas Lutheran University, and the University of Cyprus.*

# The Uncertainties in Global Energy and Climate Policy and the challenges for Eastern Mediterranean

2022 left several pressing issues unresolved with respect to the global energy and climate policy landscape. Geopolitical developments and their frequently inseparable security impact have created unprecedented conditions that largely shape the parameters of the strategic outlook in this policy area. While the recovery of the global economy from the effects of the Covid-19 pandemic is still ongoing, the Russian invasion of Ukraine has been the largest determinant of the most acute global energy crisis. The effective severance of economic – and increasingly political – ties between Russia, one of the world’s largest if not the premier exporter of fossil fuels, and the largest single import market in the European Union has led to a cascade of global effects. Primary among them was a sharp increase in the price of all fossil fuels. While the shock has abated since the invasion one year ago, with some prices receding from the levels of February 2022, the lingering uncertainty cannot be taken as a sign of optimism for the stability of global markets, especially when taking the ensuing inflationary impact into consideration.

An even more difficult area of impact to assess is the effect of the crisis on the objective of energy transitions at multiple levels with primary focus on the global effort of reaching the primary goal set by the 2015 Paris Agreement of maintaining the rise of the mean global temperature to well below 2 degrees Celsius above pre-industrial levels and preferably below 1.5 degrees. In addition, the efficacy of EU policies – especially in terms of implementing the 2019 European Green Deal – has been called into question. At the extremes, there are two divergent policy trajectories. The optimistic scenario is that the crisis can create the impetus for accelerating the green transition, not only as an end in itself, but also with the aim to transform the global energy system into one that will be more sustainable and more resistant to crises, both in terms of economic as well as political causes. The pessimistic scenario is that the crisis will lead to a backtracking of commitments as national decision-makers put off reforms for a later time, either citing the cost of the transition during an economically volatile period or by reverting to the use of fossil fuels as a stop-gap measure. We have already seen evidence of both trends, especially on the EU front. On the one hand, the acceleration of policies and measures on hydrogen illustrates the momentum of new technologies that can provide alternatives to existing methods of energy production and use. On the other, the inclusion of nuclear and gas-fired plants to the EU taxonomy of sustainable investments up to at least 2030 has been met with skepticism amidst growing fears of “greenwashing.”

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Nowhere has the uncertainty of the future has been more evident than in the outcome of COP27, the latest meeting of the United Nations Climate Change Conference in November 2022. The conference was placed as a renewed attempt to building momentum after the dissatisfaction of the international community with the compromises inherent in the Glasgow Pact which was the resulting agreement of the previous meeting in 2021. Glasgow had illustrated the centrality of the emerging powerhouse economies of China and India to the problem, and therefore the reaching of any solution, of carbon emissions. The Pact included the compromise – primarily in order to placate these two major contributors to global emissions – of a gradual “phase-down” of coal use rather than a more abrupt and immediate “phase-out” process. Ultimately, the methodology was left unspecified and to be addressed during COP 27, as was the vexing question of financing the transition.

The resulting agreement of COP27, the Sharm El Sheik Implementation Plan did not address the fossil fuel phasing plan; instead, it shifted focus to the general term of “low-emission” energy use leading to further questions over the long-term strategies with respect to the contribution of fossil fuels to the global energy mix with a clear emphasis on natural gas as a transitional fuel. While this additional compromise seems like a necessity in the current conditions of the global energy markets, it can also appear as renegeing on past commitments to a fast transition away from fossil fuels. Whether it represents a pragmatic approach to the realities of what is realistically achievable for the transition at this point or a pretext for delaying any meaningful transformation remains to be seen. It will be revisited once again at the next meeting, this time within the context of the just transition working group that will convene during COP28 this coming November in Dubai.

There are, however, hopeful signs for the future as well. While questions remain with respect to the implementation of effective measures for carbon pricing and trading in the international system – as well as national and regional frameworks – this is the first time that a meaningful dialogue has been initiated with multilateral institutions for the fulfilment of provisions that date back to the 2015 Paris Agreement. Both the World Bank and the International Monetary Fund appear committed to present pathways for making the necessary funding available, especially to developing countries that disproportionately borne the brunt of the effects of climate change. Moreover, this initiative is linked to the creation of the first loss and damage fund to link financial and technical aid to curbing emissions.

*According to Dr. Odysseas Christou," the resulting agreement of COP27, the Sharm El Sheik Implementation Plan did not address the fossil fuel phasing plan; instead, it shifted focus to the general term of “low-emission” energy use leading to further questions.”*  
*Source: Czech Presidency of the Council of the European Union*



While the outcome falls short of the “reparations fund” that many countries were calling for prior to COP27, it is still a step in the right direction, especially since the inability of the international community to raise the necessary funding has been one of the greatest failures of collective action on climate change mitigation.

Thus, major questions remain moving forward and they now become the agenda-setting parameters for COP28. On the financial side, the fundamental issue is the same: how will the transition be funded? From a technical standpoint, the question becomes: are the objectives feasible within the desired timeframe? The scientific community has been increasingly vocal about the inefficacy of the Paris Agreement targets, especially the preferable target of 1.5 degrees. While the goals have been set for almost a decade now, recent developments illustrate clearly that the means to get there as well as the milestones along the way are always subject to renegotiation. Which brings us to the broader consideration of dealing with uncertainty in a turbulent economic and political environment. There are multiple, overlapping, sometimes reinforcing and sometimes conflicting drivers of change, especially in the establishment and pursuit of global objectives. Policy enactment can be proactive in affecting the conditions of the international system but at times of crisis, where managing the immediacy of its effects may be more important in the short-term can pause, or even nullify, long-term visions. The course-correction for the international system with respect to the energy transition must be the result of a sufficient level of political will, a critical mass of collective action, and a fertile economic environment.

These developments have both direct and indirect consequences on the Eastern Mediterranean. Since the discovery of natural gas reserves in the region, the analytical framing of the regional context has not only focused on the market potential for these resources, but also on their potential to affect regional security dynamics in a geographic area historically plagued by enduring patterns of enmity and the constant threat of regional instability. While broader considerations of whether the discoveries can serve as a catalyst for regional cooperation or as another occurrence of the so-called “resource curse” towards further intensification of the existing volatility in the region have developed on a relatively even keel in the past decade. While regional actors have jockeyed for position in various ways, the exogenous parameters indicated above suggest new possible pathways.

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For the past decade, the narrative of the energy transition on a global has been one of constant acceleration, especially in light of the growing consensus among the scientific community on climate change that the ambition of the existing international objectives may be unattainable in the short-term. This sentiment has also informed EU policymaking as we witnessed a steady ramping up of climate policy ambition throughout the 2010s, culminating in the European Green Deal and the ‘Fit-for-55’ package ushering in new legislative measures in order to implement a framework towards reaching those objectives. The confluence of recent developments have on the one hand exacerbated these doubts over the efficacy of these policies but also paused progress in certain ways. While many aspects of this pause are clearly negative, there is also a silver lining for the region. The transition away from natural gas has been put on hold as the ability of the global energy markets to adapt to the pathways of the transition has slowed. This has led to a recent resurgence in the natural gas market as well as a drop in prices that have converged to the averages of the past five years after an acute price hike since 2021 and especially since the Russian invasion in February 2022.

*European Commission President Ursula von der Leyen speaks during a press conference to unveil the EU’s sweeping new climate legislation in Brussels.  
Source: AP photo by Valeria Mongelli*



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The greatest effect has been on the forecast of the liquid natural gas market (LNG) which is expected to grow at an average annual rate of 20% until the end of the decade. This has been largely driven by increasing demand for a cleaner fuel source that can be readily integrated into the existing energy infrastructure while minimizing the negative impact on carbon footprints in the short-term.

Regional state actors have scrambled to adapt to these changing dynamics. While existing LNG infrastructure in the region is not extensive, with the exception of Egypt, all countries have stepped up their plans to either upgrade their capabilities or to construct installations; by the end of 2023, Cyprus, Greece, and Turkey are all expected to begin operation of new floating storage and regasification units (FSRU) while Jordan and Lebanon aim to reach final investment decisions on new projects. An additional consideration is that a shift towards the LNG market and the use of FLNG vessels more specifically represents a shift away from the reliance on pipeline infrastructure. Much of the tension in the region in the recent past has been directly attributed to the maneuvering of different countries on this issue with the prime example being the proposed East Med gas pipeline that was met with Turkish consternation. While the potential for developments in pipeline infrastructure remains, the turn towards FLNG operations – or a combination of the two approaches – can serve to ease rather than exacerbate tensions in the region.

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