Center for Strategic and International Studies

TRANSCRIPT

Energy 360°

“U.S.–EU Energy Cooperation”

DATE

Wednesday, March 20, 2024

FEATURING

Ditte Juul Jørgensen

Director-General, Directorate-General for Energy, European Commission

Ambassador Geoffrey Pyatt

Assistant Secretary for Energy Resources at the U.S. State Department

CSIS EXPERTS

Joseph Majkut

Director, Energy Security and Climate Change Program, CSIS

Lisa Hyland

Assistant Director, Energy Security and Climate Change Program, CSIS

Transcript By
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Ditte Juul Jørgensen: When we first said we are going to cut dependence on Russian fuels. Nobody thought it would be possible within the timeframe we set ourselves and we actually overshot those targets.

Lisa Hyland: Welcome to a special episode of Energy 360. I'm your host, Lisa Hyland. Last week, Ditte Juul Jørgensen, Director General of DG Energy at the European Commission and Amb. Geoffrey Pyatt, Assistant Secretary of State for Energy Resources at the State Department stopped by CSIS to talk with energy program director Joseph Majkut about the U.S.-EU Energy Council and its agenda for jointly addressing energy security and climate change, and increasing clean energy collaboration, including on renewables, hydrogen, and critical minerals.
I'll turn it over to Joseph to lead the discussion.

Joseph Majkut: Thank you both for joining us today. Very excited to hear a little bit more about how you're both looking at the transatlantic challenges and opportunities for collaboration in energy security and addressing climate change. We're recording just before the U.S.-EU Energy Council meeting here in March of 2024, and I think it'd be great to start at the top level. What are each of you hoping to discuss with your counterparts at the meeting here in Washington? Mrs. Jørgenson, maybe you could start.

Ditte Juul Jørgensen: Thank you very much and thank you for the invitation. It's great to participate and to talk to Geoff here. We have a very, very close cooperation. So I think the first discussion or the first kind of framing of the Energy Council tomorrow really is that it's another expression of the strong partnership, the strong transatlantic partnership, both in terms of our energy security, but also the energy security of Ukraine and Maldova, the entire neighborhood that is impacted by the Russian War in Ukraine and by the energy crisis that we have been going through over the last few years. What we hope is to continue our discussion on that, how do we best continue to help Ukraine? How do we best continue to work together for energy security? And then how do we take that forward into an energy security concept that is aligned with the global energy reality now?

So obviously we have very, very close cooperation and a significant trade of LNG. U.S. is our largest supplier of liquid natural gas. We are your largest markets for liquid natural gas, but we are also in an energy system that is changing, becoming more renewable, more energy efficiency, green hydrogen, and so there's a lot of technological development that we should pick up together and where we have an interest in working closely together to build that common security concept and build a close partnership to make it happen. Critical minerals is another example where we have close cooperation and that's really part of the energy transition. So those are some of the issues that we will hopefully be talking about tomorrow.

Joseph Majkut: Brilliant. Mr. Ambassador.

Geoffrey Pyatt: So Joseph, first of all, what she said, and I think what you heard from Director General Jørgensen reflects just the very high degree of convergence in our transatlantic conversation around these issues. But I would also build on Ditte's points to highlight something that Secretary Blinken flagged yesterday in his discussion with high representative bore the EU senior foreign policy representative, which is the central role that energy plays in our overall transatlantic relationship, that this is really another aspect of the Transatlantic alliance and it's reflected in a lot of the things that Ditte alluded to the way in which the United States surged LNG to Europe after Putin's weaponization of Russia's oil and gas resources in 2022. In that regard, I think part of the American priority for this year's Energy Council is to really applaud and to highlight the extraordinary progress that Europe has made in decoupling itself from Russian energy and eliminating and basically ending Vladimir Putin's ability to use energy as a weapon against Russia's neighbors in Europe.

And I think the United States played some role in helping to make that possible, but also a lot of work by officials in Brussels and in European capitals. But the flip side of that also, which again illustrates the huge self-harm that Putin has inflicted on himself, has been the tremendous acceleration that we've seen in Europe's energy transition that ironically Putin has helped to catalyze an even faster growth of renewable energy supplies in Europe, and that's something we want to celebrate. It also illustrates the importance of the transatlantic cooperation, not just in the fossil energy area, but also on all of the issues around clean tech supply chains around the critical minerals that Ditte alluded to, making sure that we don't trade an era of European dependence on Russian fossil fuel for an era of collective dependence on Chinese process critical minerals. So we'll be talking about how we build partnerships and the nice thing about this is it comes in the context of a transatlantic trade and investment relationship that sees billions of dollars of goods and capital flowing in both directions. Energy is very much a part of that. If you look at, for instance, the leading role that European wind power companies have played in the United States effort to accelerate our own offshore wind industry, the synergy and the cooperation that takes place in areas like high efficiency turbines, new battery technologies, and there's innovation happening on both sides of the Atlantic. And frankly, if you think about the global energy system, as Ditte and I are paid to do, the leading forces in energy transition are going to be in Europe and in the United

States because we are the first movers. So we have an interest in meeting our own Paris climate targets, but we also have a common interest in helping to accelerate the energy transition globally because this is the quintessential global issue. We have to ensure that energy transition is not just a story in North America and in Europe, but also brings along the developing countries as well. So we've got a very full agenda and welcome to Washington Ditte, and I'm delighted we've got such beautiful weather for you this week.

Joseph Majkut: It truly is the best of Washington Director General. I would love for our audience to hear a little bit of your perspective on how the European transition over the last two years has gone. I mean, I was doing a little prep for our interview today, and in early 2022, Europe was importing 16 billion a month of energy resources from Russia. Two years later, it's less than a billion, right? And a near complete decoupling that has not been exactly smooth, but it does seem like gas prices have come down, Europe's building a lot of renewables. But what do you think the U.S. audience might be missing of the story of the last two years?

Ditte Juul Jørgensen: Well, I think first of all, your short summary is very accurate. So in the period leading up to the Russian invasion of Ukraine in February, 2022, so two years ago we saw Russia already weaponizing energy supplies, really cutting down supplies, making sure that our gas storage that we normally need for our winter months, that that was only half full or close to empty in some cases. So the weaponization of energy was a very clear factor in that time and linked to, linked to the invasion, we were in a situation where we were dependent on Russian supply for 45% of the natural gas we consume. And in Europe, natural gas is used for industry, for heating, for power generation. It really is a significant factor in our energy system and therefore in our economy. And we very, very quickly after the invasion, just a few weeks after the invasion set ourselves the objective of cutting that dependence on Russian fossil fuel or Russian fuels as quickly as possible.

And before 2027, and already one year later we had cut from that 45% to somewhere closer to 10, and that's essentially where we are now. So as you say, the Russian income from energy exports to Europe has been decimated. It's really been cut very, very significantly. And so I think one, my first message also to the audience here is what you have also said, Geoff, this has been in part thanks to very, very good partnership, very good transatlantic partnership. We very quickly met and set a common path in terms of how do we best work together for the European energy security. We established the EU-U.S. energy security task force that has met regularly really to look at security aspects again for the European Union, but also for Ukraine, Moldova and the entire region. The second point is, as you said, it has not always been smooth.

It's been very, very challenging. I think when we first said we are going to cut dependence on Russian fuels. Nobody thought it would be possible within the timeframe we set ourselves and we actually overshot those targets. We've been faster really investing significantly in import infrastructure. LNG import terminals was necessary investing in infrastructure where there was a need for flows to go not east to west, but south to north or west to east. And then it's been possible because of very, very close cooperation within the European Union. So the second key message really is not one single country can do this on their own. This challenge is bigger than any one of us, but working together within the European Union, finding common solutions and working together with our transatlantic partners here in Washington, that has been absolutely critical. The third point I would make, and that links into some of the things you've said as well, is that when we defined, when we identified how do we best reduce the dependence on Russia, what are the means to do that?

We agreed on three pillars. One is to reduce our demand because we cannot control what is the supply, what is the output, but we can control the demand. So energy efficiency, demand reduction, saving energy wherever we can was the first pillar. The second pillar is renewables. So to replace as much as possible fossil energy with renewable energy by accelerating the deployment of renewable power generation in particular. And we have replaced just in 2023, a very significant amount about the equivalent of 10% of the original import from Russia with renewable energy just in 2023. So very, very significant replacement effect there. And then the third pillar was diversification, really moving away from Russian supplies. We still need molecules in the system. We still need LNG, natural gas and other molecules in the system, and we needed to replace the Russian molecules either with cleaner molecules. Bio methane is an important factor in Europe or with U.S. LNG, as by far the biggest in terms of the supplies to the European Union now. So that goes to show that the best possible answer to our security, both to our energy security, but also to our security in a broader sense, is also to make ourselves independent from those fossil imports that cost the crisis in the first place, and to accelerate the green transition, be better at producing our own energy in a most cost efficient way and in the cleanest way as well.

Joseph Majkut: I'm actually really glad that you touched on security there because the last two years have also seen the expansion of the NATO organization and the continued movement of Ukraine toward Europe and power, and energy has been a part of that story. And I feel like we can't touch on the last two years without talking about what's going on in Ukraine. And Mr. Pyatt, I note you have deep connections there and the state Department has been doing a lot to help Ukraine keep the lights on and also start to green its power system. Can you give us an update on where that stands and how Ukraine is faring in terms of power and integration with Europe at this time?

Geoffrey Pyatt: Well, thanks Joseph. And I would start by noting that when I went to Ukraine as American Ambassador in 2013, and my mandate from day one was to stay as close as I could to my EU counterpart, Jan Tombinski was the EU representative in Kyiv in those days, a fantastically skilled diplomat. But at that time, energy was one of the principal vectors of Russian malign influence on Ukraine and Ukrainian society. Putin had used gas to hold back Ukraine's modernization and reform effort. In fact, I arrived in the middle of the great debate over the EU association agreement, and if we remember that period from 2013, it was actually the threat of a gas cutoff and then the inducement of cheap gas that led then President Yanukovych to pause in what was a widely expected signature of a EU Ukraine association agreement. And that's in many ways, that's where the revolution began. So this issue has very deep roots today. Ukraine does not import a single molecule of Russian gas. And one of the stories of the past two years that I think is really important, and there are a lot of Ukrainian successes, but one of those successes is defeating Putin's efforts to weaponize the winter. And especially what we saw starting in October of 2022, a very deliberate campaign of missile strikes on transformer stations and generation facilities.

Joseph Majkut: I think more than 50% of Ukrainian infrastructure has been damaged or targeted, right?

Geoffrey Pyatt: With the goal of freezing the Ukrainians into submission, it completely failed. Europe has led the charge in helping to ensure that that was the case, both by mobilizing the replacement equipment, which has come from everywhere. But I still remember the day the first big auto transformer was sent into Ukraine as a replacement. It came from Lithuania. It had a big Lithuanian flag, a Ukrainian flag, and an EU flag on it. And I think for all of us who were scrambling, and we all learned a lot about what great equipment supply chains looked like during the winter of 22, 23 and how hard it is to replace some of these things, but that was another strategic failure for Putin. But as you say, Joseph, the other aspect of the story is a really inspiring Ukrainian determination to build back a future energy system, which is cleaner and greener and fully aligned with Ukraine's future membership in the European Union and EU principles.

And we've all been helping in that regard. It's a long road as any of Ukraine's Eastern European neighbors know, but it's one that the Ukrainians are making progress on. And the great irony is as we look towards the future, when the war comes to an end, when you Ukraine wins, Ukraine should be able to restore its status as a major energy exporter to Europe. As you note about half the grid has been knocked out by these attacks, but Ukraine has plentiful resources for wind, for solar, for biomass. It has one of Europe's largest nuclear infrastructures, and it's right next door to a European union that is looking to fill a Russia sized hole in its energy supplies, say 140 BCMA year. So there's a natural synergy there. I think both the EU and the U.S. are committed to being very strong partners to Ukraine in that regard, both on the hard path of reform and building those European standards, but also leveraging the expertise of companies in Europe. I was in Prague a few weeks ago and I met with the CEO and the leadership at Cheez leading Czech energy and industrial company, which is very well positioned to play a leading role in helping to rebuild that energy infrastructure. And there are dozens of those kind of examples across the European Union.

Ditte Juul Jørgensen:

And indeed, if I just follow up on that, because I think that cooperation, both EU and the U.S., U.S. and the European Union together with Ukraine, has been absolutely critical in the continued energy security for Ukraine and Ukrainians. And a couple of things that are interesting in that context. The first one is that before the war, Ukraine was actually part of the Russian electricity system. They were synchronized with the Russian electricity system, and just before the invasion, they were doing a test to check could they run it on their own. And so within just a few weeks from that time, we synchronized them with the European electricity system at a pace much, much faster than anyone would've thought. And that really is thanks to good corporation, but of course also thanks to our transmission system operators making the investments that were necessary, really making that happen.

Then more recently we have, and again, thanks to good cooperation with the transmission system operators and between us increased very significantly the capacity for electricity trade between Ukraine and the European Union. And that's important because there are days where Ukraine cannot cover its own electricity needs. So our exports of electricity is an important contribution for their security. And then there are other days where there is significant capacity in Ukraine and they can export electricity, and that can be an economic contribution to their economy. So those are just some very concrete examples of what is it we have done together. The other thing in the field of natural gases, as you have said, Ukraine is no longer importing or using Russian gas, but they have infrastructure. They have significant underground storage facility, and that's not a big issue here. You produce natural gas among other things, but we import most of it, almost all of it.

So we need underground gas storage to keep us safe during the winters. And so we have quite important storage capacity across the European

Union. We have put in place rules to make sure that they are filled at all times and that they're not under enemy control, if you will. But Ukraine also has very significant underground gas storage facilities, and we now work with Ukraine so that European gas is stored there. And again, it really is in the interest of both Ukraine and the European Union, both economically and in terms of energy security on both sides of the border. So a lot of very concrete things have been done in terms of, again, both security but also the economic aspect of limiting the impact of the world.

Joseph Majkut: It really is a triumphant story. It's really amazing to me that the degree to which energy infrastructure, electricity infrastructure in particular has created both this security bridge economic opportunity. And I mean, it's part of a broader political alignment. I mean, if we could get Texas to do the same thing with the rest of the United States, we'd be in a good position. I was reading through the U.S.-EU Energy Council readout from last year, and one of the things it says, I think this is remarkable because it really underlies the story of LNG coming into Europe from the U.S. and global markets. It emphasized that competitive, liquid and transparent global energy markets remain critical to ensuring reliable, sustainable and affordable secure energy supply. And I think we talked already about the sort of diplomatic emergency interventions that we've had to make over the few years, but really it is kind of these broad markets that lead to security and resilience over time. I'd love to hear more from either of you on how you're thinking about the U.S. and EU cooperating in the establishment of good minerals markets. Minerals markets are pretty not transparent. They're subject to a lot of manipulation. So as the transatlantic group is looking at how do we cooperate on critical minerals, what are the key points of progress you hope to see?

Geoffrey Pyatt: So thanks for flagging that, Joseph, and I think you've touched on a really important idea as we look to the future. As you would try to imagine the energy world of 2030 or 2040, the is going to be trading a lot less crude oil and a lot more cobalt, lithium, nickel, zinc, copper, the energy minerals that are going to be key to an electrified future. In that regard, both Washington and Brussels have identified a key vulnerability, which we have allowed a situation where China enjoys overwhelming market dominance, and we have seen China begin to manipulate that market dominance. You can see that in the recent export controls on the three Gs, gallium germanium, and graphite. You can see it in the crisis that a lot of companies, non-Chinese companies are facing in the markets for lithium and nickel. This is a challenge, which is a result of having a single overwhelmingly dominant supplier.

So the United States, the European Union, are committed to working together in lockstep to figure out how we diversify those markets. And it's basically the same principle that we applied to fossil energy in the European context, which is diversification of sources and roots. This is not about decoupling from China to use the Brussels nomenclature. It's about building resilience and diversification. We are late to the game, so we're going to have to work a little bit harder, and we have to figure out how do we mobilize our resources, our diplomatic resources, which we're doing, for instance, jointly through the mineral security partnership. And the EU was a founding member as an institution, was a founding member of the MSP. Today, it brings together 15 countries and institutions representing more than half of global GDP. But what we're also really focusing on now is how we reach out.

And this is something that Europe has really led on, and the commission has led on how we reach out to the producer countries and say to them, they don't have only one alternative, and we want to work with you both to uphold the kind of high ESGs that the producer countries want for their citizens, but also to deliver the financing and the upstream capacity building, which the countries endowed with these minerals understandably want to deliver for their citizens. So I'm very bullish on U.S. European cooperation in this area. There was a terrific speech that EU vice President Šefčovič gave before the EIB in February, and of course, vice President Šefčovič has been deeply involved in the struggles around security of fossil energy supply in multiple professional capacities. And he had a little bit of a cautionary message to everybody just explaining how much hard work this is going to take. But just as on gas supplies, the starting point for our success is to make sure that Brussels and Washington are pulling on the same end of the rope, and that's part of what our bosses will be doing in the context of the energy council tomorrow.

Ditte Juul Jørgensen: Indeed, I fully agree with what you have just said, Geoff. I think the mineral security partnership is really an important framework for us to work together also with other partners, and we need to further strengthen that corporation in addition to that strong bilateral transatlantic corporation. We can still do more there and are working on that. And then we can learn a lot from how the fossil crisis, how the energy crisis over the last few years. What are the instruments? How did we address those challenges within very, very short period of time, what are the instruments that we can bring with us into this challenge around access to critical minerals, in particular for the energy transition? One of the other instruments we started applying, and that was indeed Executive Vice President Maroš Šefčovič, who has been leading on that, is the aggregation of demand across the European Union with a view to doing joint purchasing of natural gas, for example, to give better access to the European market for the suppliers and to give better access to the global market for smaller European either countries or buyers that had not previously been operating in the LNG market, for example, because they had had a pipeline supplies.

So this new instrument, aggregate EU has proven very successful, very, very useful in helping to bring supplies to the European Union. And the question is, can we use some of those mechanisms also in the field of critical minerals or other types of supplies? So I think there's a lot to build on in the mineral security partnership. There's more to do bilaterally, transatlantically, and there's more to do in these various instruments. And of course in working, as you've said with partner countries across the world in whatever role they have, whether it's processing or extraction, helping to build the capacity so that it's in the shared interest also of the countries that have the minerals present in one form or another.

Joseph Majkut: Great. Well, unfortunately, we're out of time in this moment and we all have a lot of work to go do to accomplish our joint goals, but I would say if there's any final word from either of you, just please accept my thanks for all the work that you've done and all the work you're doing and for joining us at CSIS today.

Ditte Juul Jørgensen: Thanks, Joseph. Thank you very much, Joseph, for the invitation.

Lisa Hyland: Thanks to Amb. Pyatt and DG Jørgenson for coming to CSIS.

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Thanks for listening.

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