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The EU's flip-flop on gas

To decouple from Russian energy, the EU has embarked on a shopping tour for African gas. This not just bad news for the climate, but for Africans too

The European Union's position on gas has been schizophrenic for some time now, seemingly driven more by Europe's geopolitical and geo-economic considerations than concerns about the climate. It has swung from an evangelist stance that gas 'has no viable future' to 'pragmatic exceptions' allowing for gas as a transition fuel. In fact, since the war in Ukraine, the EU has even backtracked on its hard line on coal.

The war in Ukraine has not only further exposed the fault lines of the EU's climate commitments but has also laid bare its hypocrisy in foreign policy. While African leaders unsuccessfully plead for leniency on sanctions that exclude Russian banks from international payment systems (SWIFT), which allow for the payment for grain and fertiliser imports, the EU made a notable exception for gas imports. In particular, it allowed for flexibility on imports of Russian oil by EU member states, primarily in Eastern Europe, to enable them to reduce the shock of a sudden suspension of imports.

Since the start of Russia's invasion, the EU has accounted for 70 per cent of the €58bn worth of fossil fuel exports from Russia. Put crudely, this creates the impression that Europe's energy security is more important than the lives of the millions of Africans facing food insecurity because of a war they have played no part in. In addition, the instability in the gas market has had a significant impact on two-thirds of the African continent as most countries are importers of gas, hitting both the economic forecast and the wallets of consumers directly.

The EU's flip-flop on energy policy

As they expand their policy space to allow EU countries to sequence their decoupling from Russian gas, European leaders have been on a shopping tour for African gas. With the rising costs of US liquefied natural gas (LNG), which now dominates EU gas imports, European countries are

looking for cheaper options, notably from North Africa (pipeline and LNG) and West Africa (LNG). Discussions to scale up supplies from Algeria, Egypt, Nigeria, Senegal, Angola, and the Republic of the Congo have been announced. It is worth remembering that, just a few months ago, some European countries enthusiastically announced that they will ensure that its financial institutions will divest from gas as early as 2022.

The EU's flip-flop on its energy policy creates uncertainty – for everyone involved.

The current rush for gas has raised eyebrows among several African observers, especially in countries with high levels of domestic consumption of locally-produced gas. Some fear that gas export deals could result in a diversion of gas from local consumption to exports, plunging local populations into energy poverty in the short-term to secure the EU's consumption.

But there are long-term questions as well. While some of the announced deals have been presented as green hydrogen-ready infrastructure, which some view as a pathway to decarbonisation, many questions remain regarding the longevity of the EU's interest in gas and the risks this might present for African economies. This question is subject to passionate debates in African gas-exporting countries, as the EU has sent mixed signals in the recent past.

Indeed, the EU's flip-flop on its energy policy creates uncertainty – for everyone involved. The recently announced REPowerEU – the EU's plan to reduce dependence on Russian fossil fuels and accelerate the green transition – has been praised by optimists as a commitment to scale up renewables. But there are open questions about the financial resources underpinning the investments of REPowerEU, putting into doubt its viability – and the real intention behind it. Arguably, the plan is clearer about the strategy to secure other sources of gas supply – building on efforts conducted by individual EU member states and their respective multinationals – than on how the EU will finance its renewable energy ventures.

Locked-in fossil fuel infrastructure

There is a bit of a déjà vu in Europe's current behavior. It is worth noting that Europe has found itself in a similar situation following the oil crisis in the late 1970s. Back then, the G7 1979 Tokyo declaration commitment to coal as an alternative to oil led to a lock-in of coal in many economies for years to come, a major contributing factor to the current climate crisis. Whether Europe reignited appetite for gas will

result in the same situation, for itself and the countries from which it sources its resources, is yet to be determined.

EU countries seem to be stalling efforts to secure decisions on the continent's energy transition.

Furthermore, EU countries seem to be stalling efforts to secure decisions on the continent's energy transition. While this preceded the war in Ukraine, as exemplified by the classification of gas as a green investment under the EU taxonomy, the trend seems to be accelerating. Germany, the EU's largest economy, has just rejected the EU plan to ban new fossil-fuel cars from 2035. This is yet another example of reticence to decarbonise at the pace the continent initially committed to.

What does this mean for African countries currently engaged in negotiations on gas exports to the EU?

The lessons for Africa

The emergency measures in the 'anything but Russia' approach might have changed the dynamics in the short term. The current context may reconfigure gas markets to more long-term contracts and ensure lock-in for longer periods. Longer-term contracts will likely unlock the necessary capital to develop the infrastructure that enables increased exports in producing countries.

However, for producing countries, it will be important to pay attention to the terms of the production sharing contracts that shall accompany these investments: if shorter cost recovery times are factored in by investing multinationals, the countries may take a while to accrue benefits from the current boom in demand or, in the worst-case scenario, actually not benefit at all. This would then create major fiscal risks. Such lock-in may be even riskier for African countries that will not have the resources to transition quickly to new energy models.

There is, indeed, a case to be made for the need to use the current window of opportunity to promote investments in Africa's own clean infrastructure.

For all African countries, the current crisis in the EU also holds important lessons, as the wind of change can come very quickly and increase the vulnerabilities of African economies. There is, indeed, a case to be made for the need to use the current window of opportunity to promote investments in Africa's own clean infrastructure to increase the future competitiveness of African economies.

For example, EU legislation due to enter into force in the next years, such as the Carbon Border Adjustment Mechanism, will penalise imports from fossil fuel-dependent industries. A small window of opportunity, therefore, exists for African countries to build their own renewable energy capabilities and leverage the beneficiation potential of their rare earth resources before international partners go back to business as usual. In any case, it's clear that building an economic model based on what the EU – one of the continent's main partners – says today is simply a risky strategy.



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