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IENE Comment

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Transition Problem for the EU**



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*By Irina Slav**

The recent European Parliament elections drew more attention than usual on expectations of what many called “a far-right wave”. The wave failed to sweep the EU in the end and this alleviated worry about transition plans. That was premature.

The new makeup of the European Parliament will indeed include more legislators to the right of the majority, especially on transition matters. Some parliamentarians have already acknowledged that passing new green laws may become harder than it was during the last parliament’s term.

Yet Brussels has a much bigger problem with its transition plans and that problem is physical reality. Gas demand is one pertinent example. After months of boasting its successful weaning off Russian gas, the news broke that Russian gas exports to Europe had overtaken U.S. LNG imports in May. Russia, in other words, was the biggest gas supplier to Europe after two years of sanction package after sanction package and a massive increase in wind and solar capacity.

Another pertinent example comes from a recent McKinsey survey in 15 countries that found a lot of EV owners would like to switch back to internal combustion engine vehicles. Disappointment ran the highest among Australians and Americans, but the overall number was no small potatoes, either, at 29% for all respondents.

The figures suggest that none of the problems with EVs have been solved despite all the subsidies and all other forms of incentives—the latest being the EU’s introduction of an additional import tariff on China-made EVs... including those made by European carmakers. Drivers are unhappy with range, they are unhappy with public charger availability, and they are unhappy with the cost of owning an EV—contrary to a particularly enduring EV myth that EVs cost less over their lifetime. Part of the reason may be that this lifetime is proving much shorter than advertised on frequent battery troubles.

In other recent revelations about the difference between transition plans and reality, research by Boston Consulting Group and insurance broker Howden showed an \$11-trillion gap in insurance coverage for transition projects. In other words, the shift to net zero needs \$11 trillion more in insurance for such projects if it is to succeed.

Yet insurers are not forthcoming in supplying the necessary—and not insignificant—sum. The reason is higher risk levels in wind and solar projects, and other alternative energy tech. The reason for those higher risk levels: shorter track record and less clarity about all the ways these projects can go wrong and cost the insurers.

This is not a glitch that can be fixed overnight. The only way to accumulate risk-relevant data is over time and the transition is now clearly running out of time, after the Energy Institute reported in its latest Statistical Review of World Energy that global emissions broke another record last year, despite all those wind and solar projects that are coming in faster than regulators can approve them.

In fact, none of the problems that are currently plaguing Europe's energy transition can be fixed quickly, if at all. Take EVs, for example. Bringing costs down would take additional subsidies worth billions. On top of those billions, governments would need to cough up the money for building public chargers because private companies will not do it unless they know it would be profitable and it seems chargers aren't very profitable for now, so companies are not building them.

This is a lot of money for a cash-strapped bloc that has been teetering on the verge of recession for over a year now, with some members actually slipping into negative growth, notably Germany, Europe's former powerhouse. Yet this same cash-strapped bloc this month approved 3 billion euro in German financial aid for the construction of the so-called Hydrogen Core Network whose total cost is estimated at 20 billion euro. That's 20 billion euro for a technology—green hydrogen—that is so energy intensive it costs several times more than the most popular method of hydrogen production, from natural gas.

It seems nobody in Brussels is paying attention to this onslaught of reality on transition plans. These plans appear to have become something of a fixation for euro-bureaucrats and an end unto themselves rather than a means for reducing carbon dioxide emissions. Calling carbon dioxide a pollutant, however, is not going to change facts, including the fact, normally studied in the sixth grade, that CO₂ is an essential condition for life on Earth.

As for reining in allegedly excess output of that essential compound, perhaps the EU would do well to approach China and India about their emissions output, which more than offsets any declines in Europe, made at exorbitant costs, no less. The continued fixation on unrealistic goals and plans will cost everyone in Europe dearly.

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