

Geopolitics of the Energy Transition: Potentials for EU-LAC Partnerships

Policy Brief



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Summary

This Policy Brief will analyze relations between the European Union (EU) and Latin America and the Caribbean (LAC) in terms of the geopolitical dimension of the energy transition amidst the COVID-19 crisis, the consequences of the Russian invasion of Ukraine, and the increase in disasters linked to climate change. It will analyze the challenges, opportunities, and inherent contradictions found in both bloc's narratives and tools to confront the energy transition which — faced with Europe's "war ecology" — has given new intensity to the theater of strategic rivalry between the United States and China. After examining LAC's position

towards the European approach vis-à-vis China, as well as its non-alignment with the Washington-Beijing axis, the paper will look at the potential for bi-regional partnerships around the energy transition as a driver of democratic renewal with greater social inclusivity, strengthened strategic autonomy, and the decarbonization necessary to meet climate change goals. It will conclude with a series of recommendations that are able to respond to these new challenges, opportunities, and contradictions in order to harness the potential of these partnerships.

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Introduction

At the global level, attempts at an energy transition that liberates us from hydrocarbons are not only shaking up the energy landscape, but the economic, social, political, and geopolitical landscapes as well. To the constant appearance of new challenges that contribute to deepening the fault lines between the different actors in this transition, we must now add the consequences of the Russian invasion of Ukraine.

Whether presented from a more radical perspective or in terms of the opportunities presented by green growth, the predominate discourse around the energy transition in both the European Union (EU) as well as Latin America and the Caribbean (LAC) is based on a conception of the energy transition as a driver of democratic renewal, with greater social inclusivity, strengthened strategic autonomy, and the decarbonization necessary to meet climate change goals. While the potential of a transition viewed in these terms is real, as are the possibilities it holds for new positioning of EU-LAC relations, the landscape of the post-carbon world is one of strategic rivalries.

The deeply contentious process of disengaging, disarming and dismantling fossil fuel infrastructure — which is now shaped by “war ecology” in Europe — means a shift in extractive pressures and conflict zones, and thus a shift in power relations between strategic actors, notably between the EU and LAC.

The goal of this Policy Brief is to integrate the geopolitical dimension in the analysis of UE-LAC relations in terms of the energy transition: how is the geopolitical dimension of the energy transition expressed, and what are its concrete impacts on the bi-regional partnership? How can this dimension be integrated to maximize its potential in terms of social justice, strengthened strategic autonomy, and respecting climate change goals? Besides better alignment of Paris Agreement goals, what do EU partnerships offer LAC compared to other strategies such as China’s Belt and Road Initiative? What internal and external contradictions can be seen on both sides of the Atlantic concerning the energy transition and its geopolitical dimension??

The energy transition: from the Sino-American fight to Europe's war ecology

As Pierre Charbonnier (2021, 2021b) shows, even before the Russian invasion of Ukraine, the post-carbon world that seems to be beginning to take shape is distinguished by its geopolitical dimension. Therefore, it is necessary to take into account the “realistic turn of political ecology”, not only in Europe, as he states, but also when thinking about EU-LAC partnerships related to the energy transition.

The surprising announcement on September 22, 2020, by President Xi Jinping of the Republic of China, that his country will achieve carbon neutrality by 2060 puts an end to two decades of “incantatory politics” whose primary legacy, the Paris Agreement, fails to articulate a meaningful response to the worsening climate crisis, despite its historical importance in terms of affirming normative principles. By announcing the possibility, if not the necessity, of implementing an energy policy that moves away from fossil fuels, just a few weeks before the American elections, China is attempting to position itself at the forefront of the energy transition by making a display of its political power, something that was previously unthinkable.

This display is framed in a view of development in which the integration of ecological norms into the productive regime is seen as indispensable. During Biden's virtual climate summit of leaders on April 22-23, 2021, Xi Jinping reaffirmed China's commitment to carbon neutrality by 2060, presented the concept of ecological civilization that is included in the Constitution of the People's Republic of China, welcomed the United States' return to global climate governance, and defended the principle of shared but differentiated responsibilities. More specifi-

cally, China's direct overseas investment in renewable energy (solar, wind, and hydro) is significantly growing as part of the Belt and Road Initiative.

Joe Biden's victory is reflected in the expression and manifestation of the American commitment to the energy transition, with a historical reference to the 20th century, based on the New Deal and the war effort. This energy transition, which must also be understood in the context of a confrontation with the fossil fuel coalition represented by the Trumpist powers, is linked to a discourse of national unity and is presented in terms of its benefits for investors and hard-working people. Certain elements of the Green New Deal have become central to the renewal of American economic diplomacy, and are essential vehicles for the renewed legitimacy of responsible and sustainable capitalism (Charbonnier, 2021b).

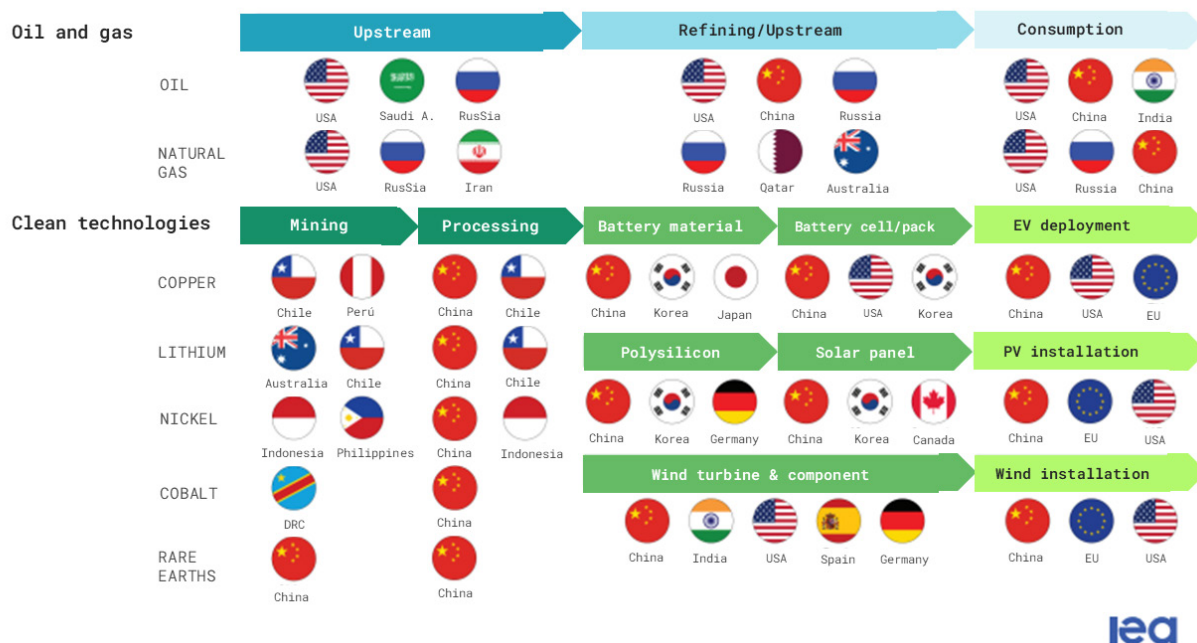
The energy transition is one of the main theaters of strategic rivalry between China and the United States, which is shaping a global military, technology, and trade competition in which, for the time being, the former seems to have a clear advantage over the latter. Although their plans have several similarities — such as industrial restructuring plans that do not necessarily involve redefining the ideological and practical shape of productivity and consumption — there seem to be greater uncertainties about the energy transition for the United States. In addition to the considerable differences within the Democratic coalition in terms of how it perceives the opportunities presented by the energy transition, with a progressive wing pinning its hopes on greater social and racial justice, there is the risk that the fossil fuel coalition will

reemerge. On the other hand, though China already occupies a privileged and dominant position in the production, extraction, and supply chains of metals, for example being responsible for refining 68% of nickel, 40%

of copper, 59% of lithium, and 73% of cobalt (Castillo and Purdy, 2022), its articulation of the different elements expressed in international forums shows its concern for embodying an anti-imperialist universalism.

The Energy Transition: A Theater of Strategic Rivalries, Shifting Areas of Conflict, and Changing Power Relations

Selected clean energy technologies and illustrative oil and gas value chains



Major producers and consumers are included in each example to provide an indication rather than an exhaustive examination. DRC = Democratic Republic of Congo; EV = Electric Vehicle; PV: Photovoltaic System.

Author: Felipe Bosch, from International Energy Agency
Sources: IEA, 2022

But what about Europe? Historically structured around the possibility of a renewed emancipatory movement capable of reinventing the meaning of progress and the social value of production, along with a reconciliation between human beings, as well as between human beings and nature, European ecology has been limited to a red-green left that, according to Charbonnier, has tended to invoke peaceful ideas and higher values. As Tubiana (2021) points out, the European Green Deal — a political project

created within the European institutions — must be viewed in the context of citizen mobilization, especially among young people, and the strong electoral results of this red-green left in various elections, whether local, national, or European.

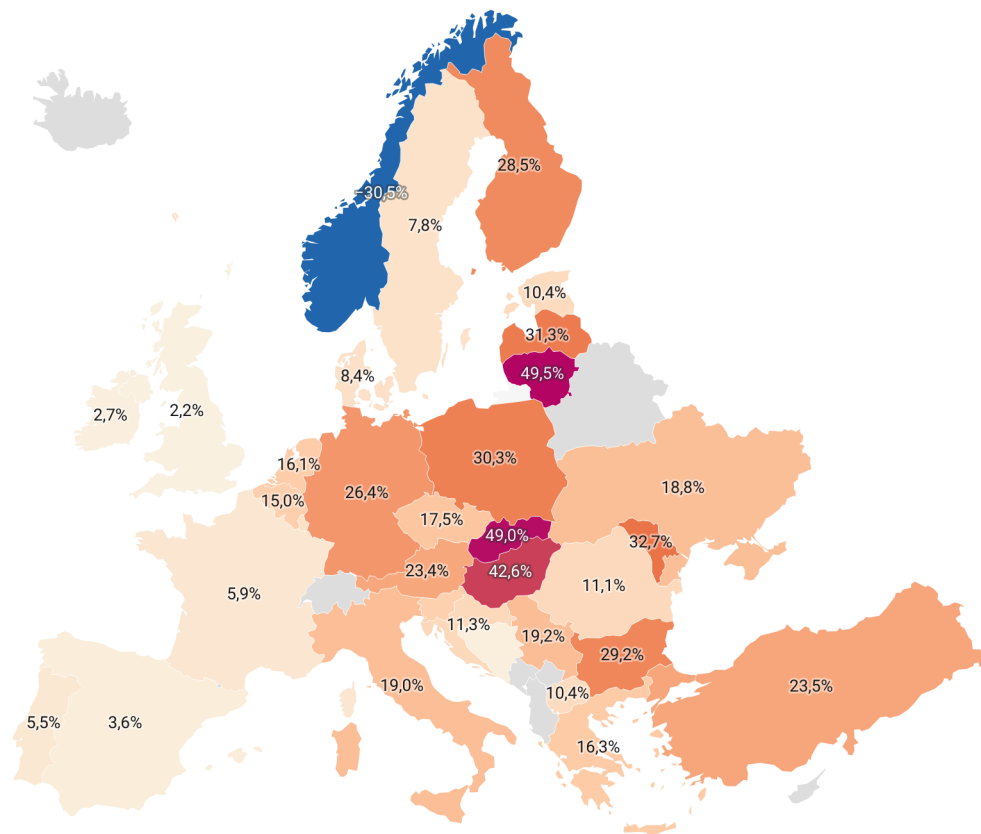
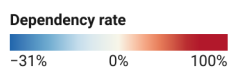
The European Green Deal sets a goal of aligning all EU actions and policies to achieve carbon neutrality by 2050 along with an intermediate reduction in emissions of 55% by 2030 compared to 1990. It expresses the desire

for a plan to rebuild the pacts between labor and capital in Europe (Sanahuja, 2022), both as a comprehensive and long-term strategy capable of redefining the social contract as well as bridging the intergenerational gap. Without being an ecosocialist plan, it distances itself from the spirit of conquest found in the Chinese and American plans. The European Green Deal's diplomacy is based on the objective of promoting multilateralism and the Paris Agreement, which, together with the Katowice package and the Global Climate Action Agenda, formed the normative materialization of the European environmental turn (Guerra Rondón, 2021), with a firm commitment to the international financial system that supports sustainable growth and the use of trade policy as a platform for dialogue on climate action. In the case of mitigation, we can cite the Carbon Border Adjustment Mechanism (CBAM), which aims to stop carbon leakage by taxing imports of goods that have polluting production processes (steel, aluminum, cement, iron, fertilizers) from countries with no emissions measurement, reporting, and certification systems (Fierro, 2022). The EU's normative power would entail, through CBAM, the consolidation of carbon markets in the EU's partner countries.

The Russian invasion of Ukraine accentuates the centrality of these new productive and distributive agreements, broadening the political ambition required for the energy transition. The Green Deal's energy objectives coincide with the need for energy sovereignty in response to Russia's military aggression against one of its neighbors; needs that are made more pronounced by the EU's dependence on Russian fossil fuels. The shift to energy sobriety is becoming a "peaceful weapon of resilience and autonomy," as energy policy engineer Solomon (2022) points out, and in the words of Germany's finance minister, the energy transition is being cemented as the basis for future freedom. With "war ecology", the EU is rediscovering the historical and political basis for its founding, namely the quest for peace and the promotion of democracy through renewed productive and distributive agreements. This would be the manifestation of "Europe's geopolitical awakening", as suggested by the High Representative of the Union for Foreign and Security Policy, Josep Borrell (2022), and would reflect an acceleration of European construction based on a renewed narrative as well as demonstrating the relevance and material and symbolic capacity of the EU.

EU Energy Dependence on Russia

For each country, the share of primary energy demand directly covered by net imports of gas, oil and coal from Russia is provided.



To minimize the impact of the health crisis, the data used for oil and coal exports and imports correspond to those provided by Eurostat for 2019. However, due to gaps in Eurostat data on gas exports and imports and the scarcity of reliable alternative sources, Bruegel data for 2021 on Russian gas import shares were used. This map's illustrative nature is therefore emphasized. The dependency ratio corresponds to the ratio of Russian imports to total imports for the three inputs, weighted by the relative weight of net imports of these inputs in the gross domestic consumption representing the primary domestic energy demand of each country.

Author: Thomas Belaich/Le Grand Continent
Sources: Eurostat (2019), Bruegel (2021)

EU-LAC (dis)agreements and the energy transition

Just as the Russian invasion of Ukraine has resulted in the EU repositioning itself on the international geopolitical stage, the war also exposes a certain fragility in the Union's relations with the countries of LAC, which the partnerships related to the energy transition must avoid exacerbating.

It should be remembered that about a year and a half after Ursula von der Leyen's first speech, in which she affirmed the EU's need to learn "the language of power," the Directorate General for Development and Cooperation (DG DEVCO) has become the Directorate General for International Partnerships (DG

INTPA), thereby formalizing the objective of a paradigm shift from a “donor-recipient relationship” to a “partnership of equals”. According to Commissioner Jutta Urpilainen (2020), the structure and its objectives provide “a solid basis for contributing to this Commission’s geopolitical ambitions”.

However, the EU’s shift in discourse has not meant a repositioning of development partners as peers or an ownership of the new instruments of European cooperation as such. On the contrary, in some cases it has raised questions about what the “partner” category means and the risks it entails in terms of reduced investment flows and development cooperation. The matter of Middle Income Countries (MICs) graduation appears to be unresolved when one considers that partnerships among equals imply similar levels of development, and that LAC continues to contend with the three structural gaps in development (low output growth, inequality, and environmental crisis) described repeatedly by the Economic Commission for Latin America and the Caribbean (ECLAC)³. The North-South vision of cooperation implicit in graduation has undoubtedly undermined the aspiration for a more horizontal platform of relations. Although the Neighbourhood, Development and International Cooperation Instrument (NDICI) - Global Europe to some extent resolves this dilemma and allows for cooperation with all countries, regardless of their development level, the political

and geopolitical component of the EU-LAC relationship is still absent.

It is therefore not surprising that the EU had to step up its diplomatic efforts *in extremis* to contain the non-alignment position of LAC countries when the UN General Assembly voted on the proposal to suspend Russia from the Human Rights Council (Pezzini, 2022)⁴. In a sign of the limitations of dominant Western narratives in the global South, the vote was also a reflection of the LAC relationship with the EU based on variable geometry⁵ in recent years. The lack of regional LAC leadership, deep intra-bloc political differences, and the need to build a strategic alliance with the EU that does not work within isolated thematic silos, but rather engages with the entire continent, have fostered, among other things, a deeper LAC relationship with China, in which an economic and investment model weighs more heavily than genuine political dialogue.

An inherent contradiction is reflected in this triad due to the emergence of the transpacific dimension, which is increasingly associated with the growing systemic weight of China and, consequently, the intensification of relations between China and LAC⁶. It is within this US/China/EU triad that relations between the latter and LAC must be strengthened and renewed (Guerra Rondón, 2021). Historically, the socio-cultural basis and the common past have been upheld as the basis of the relationship between the

³ For more information, see Gaudin, Y and Pareyón Noguez, R. (2020).

⁴ At the 14th Euro-Latin American Parliamentary Assembly plenary session, held in Buenos Aires, the European delegation failed to pass a condemnation of Russia, even though it was proposed in the same terms as those approved by the United Nations. No LAC country has also applied economic sanctions against Russia.

⁵ This term refers to the EU’s interlocution mainly with subregional forums and organizations based on the different objectives and agendas that have characterized EU-LAC relations in recent years. The signing of strategic partnership agreements tends to take place on a bilateral basis, which has an impact on the type of interregionalism that occurs in practice.

⁶ China has dramatically increased its presence and influence in LAC, overtaking the United States as the main trading partner in many countries. Its trade with the region increased 26-fold between 2000 and 2020 (from \$12 billion to \$315 billion), while the EU has steadily lost market share. Since 2017, China has rolled out its Belt and Road Initiative, which now includes 21 LAC countries. It has built upon a successful comprehensive China-CELAC agenda through active vaccine diplomacy during the COVID-19 crisis, which particularly affected LAC.

EU and LAC. It is precisely this historical relationship and, especially, the colonial past, that could explain why LAC demands much more from the relationship with the EU than with other development partners. With China, pragmatism prevails, as illustrated by the Joint Action Plan for Cooperation in Key Areas CELAC-China (2019-2021), in contrast to the expectations of political dialogue that are placed on the relationship with European countries.

Faced with rivalries in a multipolar context of strong normative competition, LAC's response has been to opt for a diplomacy of active non-alignment that allows for dialogue with all actors in the system without implying a break with the international community of values. Neutrality in the face of the rivalry between Washington and Beijing or the EU's three-phase approach to China (cooperation, competition, systemic rivalry) is legitimate but poses major challenges, especially at the democratic level. Niche diplomacy allows LAC to build suitable coalitions based on national and regional interests and strategies in areas where political leadership and international influence can be exercised while taking into consideration the region's assets.

In any case, EU-LAC agreements have historically sought to expand the room for action of both blocs vis-à-vis other actors. In the 1980s, this was done mainly in the service

of democracy in Central America and, in the 1990s, as a strategic response to the Free Trade Area of the Americas proposed by the United States. Since 2010, the activation of negotiations for the EU-Mercosur agreement has included the Chinese variable as a steadily growing rival in the region. If, in the framework of the energy transition, the proposal of a "partnership of equals" is taken up, the notion of partner makes sense if it does not involve a new cycle of extractivism and enclave economy in LAC based on a North-South approach.

The energy transition is one of those spaces where, by expressing various contradictions, challenges, and opportunities that must undoubtedly be accepted on both sides of the Atlantic, a paradigm shift in relations can materialize that allows for the strengthening of strategic partnerships between the EU and LAC, as indispensable partners in the normative spaces where debates on multilateralism are structured. The capacity to create networks at different levels should be strengthened to share information and experiences and, if possible, as Pezzini (2022) puts it, "acquire a common understanding of economic trends and policies," which would allow dialogue to be structured and a revision of traditional narratives to be undertaken, taking into account the geopolitical dimension of the energy transition and its impacts.

The energy transition and the geopolitical dimension: from both sides of the Atlantic

In order to understand the possibilities of consolidating beneficial partnerships around the energy transition that are capable of maximizing its potential for social justice, greater strategic autonomy, and adherence to climate change mitigation goals, the impact of its geopolitical dimension must be considered, for both the EU, with a “war ecology” — which is not without internal and external contradictions — and for LAC. In the midst of an apparent shift in the political cycle between first- and second-generation progressivism, opportunities and challenges are presenting themselves for the region to take advantage of and overcome in order to address the three gaps (low output growth, inequality, and environmental crisis), with economies that rely heavily on natural resource exports, and in some cases fossil fuels, to sustain growth and redistribution.

“War ecology” implies confirmation of the EU’s effort in favor of renewable energies, with results anticipated in the medium term, but also an acceleration in the realignment of suppliers in the short term, as proposed in the REPowerEU plan⁷, presented by the European Commission to ensure energy sovereignty vis-à-vis Russia by 2027. It is worth noting that in 2021, about half of the gas imported by the EU, which depends almost exclusively on it (90% of the gas consumed), came from that country. This realignment has two major geopolitical implications. On the one hand, it means strengthening the

transatlantic energy relations, which raises questions when discussing Europe’s “strategic autonomy” vis-à-vis its relationship with the United States⁸, and on the other hand, it means establishing partnerships with states of dubious democratic credentials, which risks possible future weaponization of these partnerships by the latter. To this realignment must be added the inclusion of gas and nuclear energy in the green taxonomy as transitional activities aimed at mitigating climate change, after the European Parliament failed to reach an absolute majority in June to veto the Commission’s proposal.

The realignment of suppliers and the inclusion of gas and nuclear energy in the green taxonomy send a contradictory signal to the EU’s partners who find in it — either as part of an export line of reasoning and/or with reference to Europe’s regulatory power — logical reasons for justifying investments in fossil and nuclear infrastructure. Large countries such as Argentina, Mexico, and Venezuela, along with smaller ones such as Trinidad and Tobago, for example, continue to rely on fossil fuels in their energy mix and exports due to the size of their reserves. This signal is coupled with the legitimate perception in the region of the low environmental impact of their overall greenhouse gas emissions, which underlies the principle of shared but differentiated responsibilities. The EU will import gas in the short term, but its commitment to renewables

⁷ It is noteworthy that no LAC country is mentioned in the REPowerEU international strategy structured around the EU Energy Platform that will play a key role in pooling demand, coordinating the use of infrastructure, negotiating with international partners and preparing for joint gas and hydrogen purchases.

⁸ The geopolitical effects of Trump’s election in the United States motivated an awareness of the EU of the need to push for strategic autonomy (Verdes-Montenegro, 2022). In his interview with Groupe d’études géopolitiques (2020), the President of the French Republic Emmanuel Macron, who had been promoting such a concept since 2017, stated that “on the geostrategic level, we had forgotten to think because we thought our geopolitical relations through NATO.” Such statements created certain dissonances in the Franco-German couple.

will mean that these imports will cease in the medium term. With regard to nuclear energy, the position of many member states and environmental organizations is pretty clear: nuclear energy cannot be considered “green” because its radioactive waste, regardless of its

treatment, has a limit to the space in which it can be stored. Its inclusion, based on heavy French lobbying, can only be understood in the context of the Russian invasion of Ukraine.

Contextualizing the energy transition in LAC

	Critical minerals	Green hydrogen projects	Carbon tax	Fossil fuel exports/total goods	Debt distress	Long-term strategy for Carbon Neutrality
Antigua y Barbuda			NO	0%		NO
Argentina	LITHIUM	PROJECTS PRESENTED	YES	3%	15,5%	NO
Bahamas			NO	19%		NO
Barbados		PROJECTS PRESENTED	NO	5%		NO
Belice			NO	2%	22,8%	NO
Bolivia	LITHIUM, ZINC		NO	21%	34%	NO
Brazil	GRAPHITE, NIOBIUM, NICKEL, SILICON, MANGANESE	PROJECTS PRESENTED	ONGOING	14%	64,7%	NO
Colombia	COLTAN	PROJECTS PRESENTED	YES	46%	37,7%	YES
Costa Rica		PROJECTS PRESENTED	NO	0%	23,1%	YES
Cuba	COBALT		NO	0%		NO
Chile	LITHIUM, COPPER, BORATES, MOLYBDENUM	PROJECTS PRESENTED	YES	1%		YES
Dominica			NO	0%	50,4%	NO
Ecuador			NO	32%	12,7%	NO
El Salvador			NO	4%	16,8%	NO
Grenada			NO	0%		NO
Guatemala			NO	0%	73,5%	YES
Guyana			NO	73%	45,2%	NO
Honduras			NO		73,9%	NO
Jamaica			NO	19%	21,8%	NO
México	FLUORITE, ZINC, GRAPHITE, MOLYBDENUM, MANGANESE	PROJECTS PRESENTED	YES	6%	42,6%	YES

Panama		NO	0%	8,8%	NO
Paraguay	PROJECTS PRESENTED	NO	15%	46,6%	NO
Peru	COPPER, ZINC, BORATES, MOLYBDENUM	NO	4%	101,7%	NO
Dominican Republic		NO	1%	24,4%	NO
Saint Lucia		NO	4%	31,5%	NO
Trinidad and Tobago	PROJECTS PRESENTED	NO	24%		NO
Uruguay	PROJECTS PRESENTED	NO	1%		NO

Selected LAC countries. In the first column, the minerals for which the country is among the top 10 world producers are indicated

Author: Federico Sibaja

Sources: Latest available data from World Bank, IDB (2021), IEA (2021)

The need of foreign currency, including through fossil fuels, as a pillar of growth essential to any redistributive policy, which is compounded in some countries by external debt pressure and the need to ensure macroeconomic and/or social stability in the short term, involves several risks. First, there is the risk that newly financed infrastructure will become stranded assets in the medium term. Delaying investment in renewable energies (and the associated science and technology ecosystems) entails future opportunity costs and a risk of perpetuating subordination in the international order. Finally, eventually consolidating stability and legitimacy of political systems around a new extractivist cycle, which is unable, as has been shown in recent years, to address precisely these structural gaps in development, carries a risk. LAC has vast energy resources that today appear indispensable to the energy transition: 63% of the world's lithium reserves, 33% of copper reserves, 32% of nickel and silver reserves each (Leañez, 2022; Bárcenas, 2018), and great potential for green hydrogen production. At present, the vast majority of projects are export oriented.

Second generation progressivism shows that the social pacts that underpin the necessary maintenance of governance levels in LAC political systems are changing, with social actors evolving their perception of their place in these systems. They are no longer mere nexus points between grassroots sectors and state institutions, guardians of the redistribution of resources, but are actively proposing alternatives to historical models of development by participating in the processes of design and implementation of public policies. Decolonization, depatriarchalization, and harmonious relationships with nature, which in most cases are interconnected, are becoming demands that are no longer merely discursive, but on which social actors are beginning to construct, whether at the territorial, national, or regional level, fairly advanced reflections in terms of public policy (Bosch, 2021). Energy megaprojects, even those related to clean energy technologies, thus constitute a possible risk for social license in the medium term.

The new governments of Gabriel Boric in Chile and Gustavo Petro in Colombia are seen as expressions of this second generation progressivism in the region. One of their main distinguishing features is the intersectionality of socio-environmental issues in government programs, rather than their compartmentalization (Svampa and Viale, 2022). In his first speech as president after taking office, Boric explicitly mentioned environmental sacrifice zones (“no more sacrifice zones”) and, in particular, those of Quintero-Puchuncaví and Coronel (El Grand Continent, 2021). These areas, which many activists and NGOs in Chile have singled out, are home to some 200,000 Chileans and suffer from intense polluting industrial activity, including coal-fired power plants. The appointment of Maisa Rojas, a climate scientist and author of the sixth report of the Intergovernmental Panel on Climate Change, as Minister of the Environment indicates Boric’s desire to establish an ecological government capable of achieving a “socially just, ecological transition” through what she calls an intersectional and systemic transformation (Bosch and Sibaja, 2021).

In Colombia, where it should be remembered that Gustavo Petro is coming to power alongside Francia Márquez, an environmental leader who received the Goldman Environmental Prize, the “Green Nobel,” in 2018, the discursive emphasis on such a transition is even more evident and is also tied to a series of claims that seek to position the country as a leader in the climate agenda of developing countries. Although in his victory speech Petro emphasizes the need for a “transition from the old extractivist economy, which kills water and life, to a collaborative economy in harmony with the environment,” in his first speech as president he mentioned the small contribution of a transition to a carbon-free, oil-free economy in a country like Colombia: “we are not the ones emitting greenhouse gases, it is the

world’s wealthy who do so”. While making clear reference to the global North’s inability to meet its climate finance commitments (to mobilize \$100 billion in climate finance per year for developing countries), as well as to the difficulties in securing resources through carbon taxes, Petro gives new momentum to an agenda initially promoted in multilateral forums by Argentina, that of debt-for-climate swaps, the relevance of which is also championed by a considerable number of civil society organizations and, in the Caribbean, by the ECLAC.

On the other hand, it is expected that if Lula da Silva wins the upcoming elections in Brazil, negotiations on the EU-Mercosur agreement will be reopened. This renegotiation should take place, among other things, in the context of the reindustrialization agenda promoted by Lula in response to a CBAM that is often perceived as a protectionist measure for European industry. According to UNCTAD (2021), Brazil is among the 10 EU trading partners potentially most affected by the measure, with a decrease in its exports of energy-intensive products (iron and steel) of between 1.4% and 2.7%. A potential Brazilian push for Mercosur — currently plagued by political disagreements between Brazil and Argentina which have led to a significant reduction in trade since 2019 — would allow for the consolidation of a bi-regional dialogue space on environmental instruments around the agreement. Nevertheless, the debate on the impact assessments of the EU-Mercosur agreement has extended to the actual increase in trade between the two blocks. In 2020, the Ambec report, commissioned by the Macron government, highlighted that its impact will be minimal on the real income of European citizens given that the productive sectors that will benefit are industry and services, to the detriment of agriculture and livestock sectors, where imported products will favor Mercosur countries more. Brazil’s leadership in this area would

make it possible to move towards signing an agreement that includes an additional environmental instrument, with the positive consequences that this would have in terms of net environmental impact. In any case, the Agreement must deepen the impact of its

geopolitical dimension in order to advance in a triple transition: the productive transition, the transition related to the renewal of the social contract, and the ecological transition towards decarbonization and sustainability (Sanahuja and Rodríguez, 2021).

Thinking about real partnerships around the energy transition

LAC's weakened position in international forums and arenas, which has been fueled by the erosion of the regional integration process due to deep political and ideological differences, can be seen in a disjointed regional environmental agenda (OECD *et al.*, forthcoming). According to Chilean Minister for the Environment, Maisa Rojas, "there are several Latin American climate agendas [...] but few countries have presented their strategies. For many Latin American countries, mitigation, meaning the reduction of greenhouse gas emissions, is not a priority. This is a continent that, given its high level of vulnerability, is more interested in and concerned with advancing the adaptation agenda" (Bosch and Sibaja, 2021). The Caribbean is already promoting an agenda focused on loss and damage due to climate change, an agenda that gained international visibility after the catastrophic consequences of the flooding in Pakistan in late August and early September.

While this diversity of agendas is based both on the different material conditions of each country as well as on the political processes they are undergoing, the issue of climate financing, under the pressure of external debt, extends to all of them and is one of the structuring elements of what could be called, for the moment, a timid regional environmental agenda. For a region facing structural gaps in development,

the opportunities offered by the energy transition, whether they are cast in a more radical perspective or based primarily on the possibilities offered by green productive development, require financing to become a reality. A partnership based on sincerity and trust between the EU and LAC assumes that the former actively shows that it is listening to the demands, perceptions, and needs of the latter, even if some of these — such as debt-for-climate swaps — seem difficult to accept. In any case, the EU needs to recognize the environmental costs and the value of environmental services in the region.

The question of shared but differentiated responsibilities also raises a consideration in terms of narratives. Drawing a parallel with the question proposed by Treyer (2022) when reflecting on EU-Africa environmental diplomacy, to what extent is there a gap between this European environmental diplomacy, even when related to the social issue, and the more difficult reality of structural inequalities at the global level and within LAC? As Zilla (2022) points out, the "natural partner" rhetoric underlying EU-LAC partnerships and bi-regional environmental diplomacy suggests an identity "that covers up significant asymmetries between the two parties, which condition different views, judgments, and actions." A potential divide between the use by the European Commission or some member

states of certain elements of the Green Deal to consolidate European diplomacy and LAC's expectations for transition can only be bridged through increased policy dialogue. The main objective of such a political dialogue should not be to counter China, but to serve concrete, strategic partnerships based not so much on "shared values" as on mutual interests.

Faced with a China that is strategically positioning itself as the guarantor of climate justice and the right to development, and against a background of misunderstandings that are fueled by mistrust of the Northern countries — who are breaking their promises of financing and mobilizing unthinkable sums that will allow them to reinvest their techno-scientific capital, thereby increasing their advantage and security — the EU must reflect on the way it approaches the restructuring of its partnerships with LAC around the energy transition. How, in the European vision, can these partnerships accommodate — in addition to the EU's future energy and economic sovereignty — different economic and social actors in LAC as drivers of employment, innovation, and industrialization on the one hand, and of reshaping the social fabric and/or new conceptions of development on the other?

There is a need to shift away from an initial short-term, utilitarian vision of the partnership, linked to LAC's position as a supplier of resources to meet Europe's needs in the wake of the war in Ukraine, to a long-term vision that serves to diversify the energy matrix of Latin American economies. This initial push is valuable for engaging new EU member states in partnerships with LAC, but it is not enough to give interregional relations real value. Shifting to a phase of long-term planning of relations based on socio-environmental sustainability would also solidify the European model's vision as a project of peace and integration as opposed

to lines of thinking that have placed purely militaristic conditions on the response to armed conflict.

The EU-CELAC Summit to be held in the second half of 2023 under the Spanish Presidency of the Council of the EU offers the possibility of taking a major step in shaping a high-level political dialogue to address the energy transition as an opportunity for strategic rapprochement, which until now has been absent from bi-regional dialogues. There are a number of challenges to overcome; the energy transition is not part of the current agenda of the pro-tempore Argentine presidency of CELAC, nor has it generally been a structuring element of the mechanisms for regional dialogue or integration in LAC, notably through the Initiative for the Integration of Regional Infrastructure in South America (IIRSA).

There are a number of issues that arise in the policy dialogue: the axis of cooperation, between infrastructure financing and productive investments; technology transfer in sectors such as renewable energy, where European investors have a strong presence, and electromobility, where there is growing interest in energy storage batteries, both on a large scale and in small and medium-sized enterprises; and the awareness of European companies of the social and cultural realities of local communities (Guzmán, 2022). ECLAC's proposal "A Big Push for Sustainability" highlights the interdependence of the three aforementioned deficiencies and seeks to bring about a turning point in the deeply extractive development trajectory of the region's natural resources.

The Global Gateway is the framework for EU-LAC partnerships and the strategy with which the EU seeks to mobilize, through the European Fund for Sustainable Development Plus (EFSD+), European investment in infrastructure projects

that meet high environmental and labor standards and position it competitively with other international players. In addition to hybrid financing (blending) — which has already been used in the region under the Latin America Investment Facility (LAIF) and the Caribbean Investment Facility (CIF) — the EU's previous financial frameworks under the External Investment Plan (EIP), the EFSD+, under the NDICI, allows for these new instruments to be used in the region. These include guarantees, either in partnership with the European Investment Bank (EIB) or — through sectoral windows which include clean energy and electromobility — with other European financial institutions.

Both the structuring of legitimate LAC demands on the question of financing, and an EU cooperation and development policy structured around the premise of a necessary channeling of financial transfers, carry a risk: that of a weak need for political dialogue, policy capacity building, and partnerships for investments (Pezzini, 2021), which are often incompatible with national development strategies. International investments, whether productive or in terms of infrastructure, will not be sufficient, but will also require a transformation of public finance systems in order to achieve the energy transition and unlock its potential in LAC.

The Global Gateway, which also includes within its framework technical assistance as a vehicle to strengthen the quality of projects and contribute to the creation of reforms, offers a space to deepen partnerships around the issue of public finance. It will be necessary to ensure that the region makes good use of these tools, and technical capacity building is essential for this, beyond high-level policy dialogue. Dialogues on public policies, such as the national roundtables promoted by the International and Ibero-American Foundation for Administration and Public Policies (FIIAPP), which include public,

private, and civil society actors that have traditionally been excluded, are indispensable tools for EU-LAC partnerships on the energy transition. These national roundtables can express EU support at the national level for what Pezzini (2021) defines as “negotiated planning” capable of channeling the myriad voices and interests, even conflicting ones, into a common vision and roadmap.

With technical assistance, there are also opportunities to address tensions that may arise around civil society energy projects. Just as the European Parliament adopted the “Resolution on the effects of climate change on human rights” in which it called on the European Commission to implement a support program for the Regional Agreement on Access to Information, Public Participation and Justice in Environmental Matters in LAC — known as the Escazú Agreement —, support may be provided for the various processes of consultation and deliberation related to energy projects, as well as for the institutional framework needed to mitigate social tensions. This issue will particularly require attention in the case of lithium projects.

Generally speaking, it has to be acknowledged that the European Green Deal cannot be seen as a regulatory framework that can be extrapolated to the region, but rather as an important reference for inter-sectionally integrating the green transition. EU support for the energy transition necessarily implies support in terms of rethinking the welfare state in LAC. As the former Minister of Social Development of Argentina, Daniel Arroyo, states, there are three main axes that differentiate the region from the European model in social matters: informality (one in two people employed); structural poverty, which intersects with problems related to infrastructure, housing, work, and education; and the social or “popular” economy, which, although it has its roots in a European

— particularly French — tradition, has consolidated as an analytical category in LAC in the face of self-employment and survival (Bosch, 2021). The structural axes of the region's inequality matrix (income level, gender, ethnic and racial status, age, and territory) pose a series of challenges for the energy transition that, like all processes underlying a new social contract in the region, require renewed strategies for job creation that are consistent and integrated with care programs and the “popular” economy.

Finally, it should be noted that the EU can show its commitment to the region's progress in value chain development. In this regard, the example of the joint governance strategy in the Lithium Triangle (Argentina, Bolivia, and Chile) to develop the lithium value chain

from exploration and mining to small-scale battery and cell production (Lewkowicz, 2022) is noteworthy. The EU Regional Facility for Development in Transition and its bilateral instruments which in Chile have funded, for example, pre-investment studies for green hydrogen projects, is a good tool for this. This fund aims to create forums for strategic dialogue that help generate new modalities of cooperation between the two partners; to select and carry out innovative actions, with a demonstrative effect, following the strategic priorities of bi-regional cooperation and bilaterally with each country; and to systematize the process of management and development of the new agenda for transition development, gathering good practices and experiences.

Policy recommendations

With regard to bi-regional and multilateral political dialogue:

- Avoid focusing the EU-LAC relationship too much on energy issues given the urgency of war ecology. The new round of EU-LAC partnerships should not be structured around the energy issue alone. Structural gaps in development, which have been magnified by the pandemic and the impact of the war in Ukraine, and the coordination of innovative cooperative actions must express different areas of dialogue as opposed to the utilitarian impulse to structure the relationship around future energy supply.
- Support regional green hydrogen production initiatives through various EU cooperation and investment programs. The region still lacks appropriate technologies for green hydrogen production. Therefore, investments in training and infrastructure are crucial to ensure energy security, given the overall value chain involved in this industry.
- Consider exceptions for Latin American and Caribbean countries with strong climate change commitments in the implementation of the EU's CBAM mechanism for imports. This should provide an incentive to achieve carbon neutrality without restricting trade between the two blocs.
- Move beyond the narrow focus on renewing the cooperation agenda through the climate agenda, taking into consideration the shared but differentiated responsibilities and thus accepting the demands, perceptions, and needs of LAC, in a socio-economic context of crisis, even if it may seem difficult to consider some of them, such as the debt-for-climate swaps.
- Structure a high-level political discussion on the strategic nature of the energy transition for the bi-regional partnership. The EU-CELAC summit in the second half of 2023 could be a major step in this structuring, by eventually reinforcing thematic spaces at the summit.
- Promote multilateral discussions on issues such as the green taxonomy in order to foster greater ownership on both sides of the Atlantic of the challenges, contradictions, and opportunities posed by the energy transition, its geopolitical and climate dimension, and its sustainable financing in the public and private sectors.
- Deepen the institutionalization of Latin American and Caribbean regional spaces to ensure greater balance and symmetry in the negotiation processes of environmental agreements: the EU will have to embrace some of the positions it will face should Brazil take the lead in a renegotiation of the association agreement with Mercosur.
- Ensure democratic governance that does not result in a proliferation of spaces, but rather leverages existing tools at the national, regional, and multilateral levels.

- Move beyond the technocratic and incrementalist development approach and avoid new divides and transfer processes with no dialogue: fiscal austerity cannot be carried out *in repetitio* but must be applied as a measure in those sectors that will be less affected by the transition, and the most vulnerable groups must have access to the transfer of funds and to public and private investment mechanisms.

In terms of development cooperation:

- Support existing and underlying energy transition agendas to think about and address various issues around the welfare state from within and for LAC as part of an overall consideration of just transition that links multiple dimensions (green, digital, social) and is promoted from a multi-sector, multi-level, multi-stakeholder approach.
- Accelerate efforts to attract private investment through direct measures supported by the Global Gateway (blending and guarantees), without neglecting the importance of key areas of cooperation to finance a just transition around tax system reforms, with the redirection of savings to productive investment, moving it away from speculative investment, in renewable energy capable of generating employment which, in turn, brings greater social welfare.
- Leverage the multiple instruments offered by the Global Gateway to not only mobilize private investment, but also to address the multiple challenges that the energy transition entails for LAC; technical assistance is an essential tool for solidifying dialogues on public policies at the national level and for addressing potential social conflicts around energy projects at the local level.
- Acknowledge the role that social actors play in Latin American political systems and strengthen the tools that allow them to be included in the various development cooperation actions, both at the national and local levels.
- Continue to promote the “development in transition” narrative through dialogue processes that allow for greater ownership of the EU’s geographic and thematic cooperation instruments in LAC. Such dialogues should focus on addressing structural gaps in development in a context marked by post-COVID-19 recovery and the ongoing conflict in Ukraine. The dialogues should be functional and structured around specific issues that, without placing too much emphasis on the energy agenda, contribute to the transition in a cooperative manner in both regions.
- Leverage the EU Regional Facility for Development in Transition and its bilateral instruments to structure innovative cooperative actions, such as possible support for the regionalization of the lithium value chain.

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