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Putin vs Monnet: European Resilience, Energy and the Ukraine War

by Nathalie Tocci

ABSTRACT

As the Ukraine war escalates with no end in sight, Europe's resilience is put to test. Nowhere is this clearer than in the energy sphere, where the crisis first created the perfect timing for Russia's invasion and then became weaponised against Europe in the broader confrontation with the West. In this confrontation, two interpretations of resilience come to the fore: Vladimir Putin and Jean Monnet's, with the former emphasising pain endurance and the latter transformation through crisis. The jury is out on whether Putin or Monnet will win the day, and whether and how the European Union will prove and strengthen its resilience. But at the height of this crisis, my bet today is squarely on Jean Monnet.

European Union | *Energy security* | *Russia*

keywords

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Putin vs Monnet: European Resilience, Energy and the Ukraine War

by Nathalie Tocci*

Introduction

As the Ukraine war escalates with no end in sight, Europe's resilience is put to test. Nowhere is this clearer than in the energy sphere, where the crisis first created the perfect timing for Russia's invasion and then became weaponised in the broader confrontation with the West. In fact, whereas the war is being fought militarily on Ukrainian soil, it unfolds also across different policy spheres in different regions. As far as energy is concerned, while the implications are global, the principal protagonists are the EU and Russia. In this confrontation, two interpretations of resilience come to the fore: pain endurance and transformation through crisis. Which one will prevail will shape the outcome of the war and the future of Europe.

1. Two sides of the resilience coin

There are two meanings of resilience: Vladimir Putin's and Jean Monnet's. Putin believes that resilience is about pain endurance and liberal democracies, first and foremost weak European ones, are simply not made of that stuff. Putin sees Europeans, or more accurately European leaders and governments, as weak, spoiled and morally corrupt. They are drugged by years of peace and prosperity, and have lost their religious and moral compass, giving into heretical ideas masked as civil rights. Back in 2019, this was the leitmotif of an interview the Russian president gave to the Financial Times, in which he proclaimed himself leader of the illiberal world and the nationalist and socially conservative values it embodies.[1] Having

[1] Lionel Barber, Henry Foy and Alex Barker, "Vladimir Putin Says Liberalism Has 'Become Obsolete'", in *Financial Times*, 28 June 2019, https://www.ft.com/content/670039ec-98f3-11e9-9573-

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forgotten hardship and lacking the collective grit of a cohesive, patriotic and morally upright society, Europe's pain threshold is low, certainly much lower than Russia's, whose people are willing to sacrifice themselves for their motherland.[2] Russia is resilient; Europe is not.

This contrasts with the quintessential European understanding of resilience. In his memoirs, Jean Monnet wrote: "Europe [will] be built through crises, and [will] be the sum of their solutions".[3] Embedded in this idea is Europe's understanding of resilience. Resilience is about reacting, adapting and lifting up after a fall. In light of the perennially undefined end-state of European integration, it is not just about bouncing back after a crisis, fitting into an old mould, but about bouncing forward into a new steady state, that will be broken and then found once again when the next crisis erupts.

These two interpretations are both true and incomplete. It is true that liberal democratic societies in Europe have a low – or lower – level of pain endurance compared to authoritarian Russia, but not because they are less patriotic and more morally corrupt and politically flaccid than it. It is also true that west European societies have gone through less hardship than Russians over the last decades – although this cannot be said of east Europeans until the end of the Cold War. It is also true that liberal democracies allow citizens to express their discontent in ways that are off limits in an authoritarian country like Russia. Putin, like any dictator, cannot entirely ignore his public, but he is not accountable to it like other European leaders, while having at his disposal means of social control, coercion and manipulation that are unavailable to democratic governments. Hence, the political significance of discontent takes very different forms in Europe compared to Russia. In the former, discontent bursts out on the surface. It is loud, at times raucous, and triggers governments to fall, constantly feeding lively and deeply contested public debates. In the latter, discontent flows in the deep undercurrents of society, and when it does emerge it is promptly marginalised, repressed or eliminated altogether. Political stability is seemingly intact, the domestic debate is internally monolithic – while virulent towards the West –, and, when change does happen, it is often sudden and almost impossible to predict.

However, it does not necessarily follow that Europeans break down politically and institutionally when faced with pain and crisis. Especially since 2005, the EU has lived in a "perma-crisis".[4] Beginning with the 2005 constitutional crisis, followed by the sovereign debt crisis, the migration crisis, Brexit, the pandemic and now the Russo-Ukrainian war, the EU has teetered on the brink for almost two decades. At

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[2] Naturally this narrative was far more credible before Russia's mobilisation, given the mass fleeing and protests that erupted thereafter.

[3] Jean Monnet, *Memoirs*, London, Collins, 1978, p. 417, https://archive.org/details/memoirs0000monn.

[4] Fabian Zuleeg, Janis A. Emmanouilidis, Ricardo Borges de Castro, "Europe in the Age of Permacrisis", in *EPC Commentaries*, 11 March 2021, https://www.epc.eu/en/Publications/~3c8a0c.

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each juncture, many predicted a fall. Be it those who prophesised the end of the euro, a Union crushed by the weight of populism fuelled by hordes of migrants and refugees, a domino effect unleashed by Brexit, or the end of Schengen and the single market as national instincts prevailed during the pandemic, each crisis had its contingent of doomsayers. None of these catastrophes came to pass. Taking Putin's definition of resilience as a reference, the EU has not broken down.

In fact, the very existence of the Union and its evolution over time proves that Monnet's interpretation of resilience was not just a wish, but a prediction that so far has borne out. At each crisis, European integration, far from breaking, made steps forward, from the single market to monetary union, passing through enlargement, and, more recently, NextGenerationEU. This does not mean that at each crisis the EU has responded equally well. Monnet's statement must be nuanced. The EU muddled through the sovereign debt crisis. It did "whatever it takes" to save the euro, to cite former central bank governor Mario Draghi's unforgettable words, and set the first building blocks of a banking union. But neither did it complete the banking union nor did it make headway towards a fiscal union. For that to happen, we had to wait for the Covid-19 pandemic. Even worse, faced with the migration crisis, the EU established partnerships with countries of transit and origin, the most (in)famous of which with Turkey. But Europeans were paralysed by division over common asylum and migration policies. As said, the reaction to the pandemic has seen the EU find its mojo again, rediscovering Monnet's art of transforming crisis into opportunity.

It remains to be seen whether the war and the multiple crises it has unleashed, from security and asylum to energy and the economy, as well as bringing back to the fore the existential task of enlargement, will see the EU react in ways more akin to the Eurozone and migration crises or the pandemic. In other words, judged according to Monnet's understanding of resilience, how will the EU fare? Will the Union muddle through or will it make a step change as it forges itself through crises? Or will this war instead mark a break from the past, causing the Union to unravel economically, politically and institutionally, thus demonstrating that Putin is right after all?

2. Putin's gamble

With the end of lockdowns and the resumption of economic activity, energy prices started increasing in the second half of 2021. As demand picked up but supply did not – with low wind production and investments in fossil fuels having undergone a sharp downturn due to low prices since 2014 – oil and gas prices shot up. This created a propitious strategic environment for Putin first to manipulate energy markets in the fall of 2021 to further increase prices, and then invade Ukraine. In an interdependent fossil relationship as the one between the EU and Russia, prices are key in determining relative bargaining power. When prices are low, as was the case between 2014 and 2021, buyers have greater leverage. No wonder that

Russia was so virulent in its criticism of the European Green Deal, and especially of initiatives such as the carbon border adjustment mechanism. At the same time, Moscow probably understood that it had to adapt, for instance by making the first timid steps towards carbon pricing in 2020–2021. As prices rose in late 2021, Putin deliberately fed that trend by having Gazprom reduce storage levels in Europe and withholding additional gas volumes on spot markets. This both helped fill Moscow's war coffers and increased Russian leverage on Europe. Putin must have been sure that faced with high prices and gas dependence on Russia, Europe would have barked without biting once again over Ukraine. Not unlike 2014, it would have abandoned Kyiv to its fate and continued trading oil and gas with Russia to the commercial benefit of both sides. After all, Europe was spoiled, weak and corrupt, it would have never chosen to endure pain, let alone for the sake of a country – Ukraine – that was at best a fiction of the imagination according to the Russian president. Coupled with Ukraine's vacuity as nation, Moscow's control of Belarus, and the US's weakness – as demonstrated by its chaotic withdrawal from Afghanistan –, Europe's lack of resilience, interlocking with its energy dependence on Russia, would have made the Kremlin's war a walk in the park. No doubt, this was Putin's bet.

As well known, things worked out differently. With tensions escalating into a full-blown invasion, alongside providing military and financial support for Ukraine, hosting refugees and recognising Ukraine's EU candidacy, the EU and the US responded with severe sanctions. As regards energy, this included Germany's suspension of Nord Stream II's certification (a de facto cancellation of the controversial pipeline project), a coal embargo, an oil embargo that will kick in early next year and efforts to cap oil and gas prices. The sanctions were probably far more severe than what Putin foresaw, but the Russian president's conviction regarding Europe's lack of resilience likely remained unscathed. It simply required upping the ante and turning off some taps.

Initially Putin did not do much beyond basking in the funds that skyrocketing energy prices brought about. Dizzyingly high oil and especially gas prices meant that Europe paid Russia a whopping 1 billion euro per day in the first half of 2022. When Europeans eventually agreed on an oil embargo, developed plans for energy demand reduction, began filling gas storages with alacrity and signed gas contracts with alternative suppliers, Russian hints at possible supply interruptions to Europe were put in practice, notably by turning the Nord Stream I gas pipeline off and on. This cat-and-mouse game with the Union sent jitters across energy markets and ramped up gas prices to record heights. Whereas TTF price (the trading point for natural gas in Europe, based in the Netherlands) in the first half of 2021 hovered around 25 euro per megawatt hour (MWh), it peaked over 350 euro in early September 2022.

In this period, the Kremlin consolidated and spread the narrative that linked spiralling gas prices to sanctions. Denying any weaponisation of energy, the Kremlin argued that exorbitant prices were a masochistic consequence of sanctions instead. Moscow couldn't argue that spiralling prices were the result of the EU's

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embargo on over 90 per cent of Russian oil imports, given the embargo will kick-in in 2023. Nor could it claim that soaring prices were the product of EU gas sanctions, given these were never seriously contemplated. The Kremlin argued instead that European masochism took the form either of countries refusing to pay gas in roubles – hence, the total cut off of supplies to Bulgaria, Denmark, Finland, Latvia, Poland and the Netherlands – or of Western technology and financial sanctions, which caused "operational problems" to the functioning of energy infrastructure. Hence, the drastically reduced gas supplies to Austria, Germany, Italy, the Czech Republic and Slovakia. Epitomising this is the case of the famed Siemens turbine, which motivated ostensibly Gazprom's sharp drop of gas flows and the eventual closure of Nord Stream I. Sanctions, the argument went, blocked a turbine that Canada was servicing for Siemens. Eventually the turbine reached Germany, but Gazprom claimed preposterously that its documentation was incomplete. Nord Stream I briefly reopened, albeit at 20 per cent of its original capacity. A couple of weeks later it was shut again. Although the spuriousness of Gazprom's arguments was obvious, given its refusal to use the unused capacity of its pipelines via Belarus and Ukraine, by early September Moscow lowered its mask, explicitly declaring that the pipeline would remain shut until sanctions are lifted. Energy warfare was elevated to new heights when, days later, Nord Stream was sabotaged, and concomitantly Moscow moved to halt gas flows also through Ukraine.

European leaders have spoken against Russia's blackmail. Perhaps clearest has been German Foreign Minister Anna-Lena Baerbock, who ruled out easing sanctions even in the event of protests against skyrocketing energy prices: Europe would not give in. Yet this is precisely what Putin banks on. It is probably why, with the Russian army having lost momentum and the Ukrainian armed forces mounting an impressive counteroffensive, Putin played his last energy card in late summer. Once the gas is turned off for good – and with the closure and ensuing sabotage of the Nord Stream pipelines, it is reduced to a trickle reaching only a few countries in central and southern Europe – there is little left for the Kremlin to do in its energy war against Europe. But Moscow needs Europe to break as quickly as possible, before the tide turns irreversibly against Russia's war.

However, what would a break in Europe actually mean and how does the Kremlin expect this to happen? Back to Putin's interpretation of resilience, faced with the pain of rising energy bills, inflation and recession, social discontent in Europe would rise. The International Monetary Fund expects GDP to contract in countries like Hungary, the Czech Republic, Italy and Slovakia by over 5 per cent, Germany by 3 per cent. This would lead to political change, ideally to disruption, which would trigger both policy shifts and political divisions.

Italy represents the textbook case in the Kremlin's playbook. In the summer of 2022, Prime Minister Mario Draghi's national unity government fell. Draghi had been a staunch defender of Ukraine, providing military support for Kyiv, playing a key role in devising sanctions towards Russia, notably those targeting the central bank, and backing decisively Ukraine's EU candidacy. While Draghi is no friend of the Kremlin, the three parties that pulled the plug on his coalition government are

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precisely those with closest ties to Moscow: Giuseppe Conte's 5 Star Movement, Matteo Salvini's League and Silvio Berlusconi's Forza Italia. Coincidence? Perhaps. During the election campaign, especially Salvini parroted the Kremlin's script: sanctions are ineffective and hurt "us" more than "them". Implicit is the idea that sanctions have caused energy prices to rise, which have benefited Moscow, while unleashing untold pain onto European families and business. To solve this self-inflicted hardship, all that Europe should do is lift sanctions and return to the good old days of energy trade with Russia, unscathed by the turmoil of international politics. After all, who cares about Ukraine?

Weak, unpatriotic and morally corrupt countries with a low pain threshold would be expected to do just that. Italy would not be alone, but in good company with countries like Austria and Germany, not to mention Victor Orban's Hungary. Other east European countries like Bulgaria, the Czech Republic or Slovakia could join the crowd, with the pro-Russia protest against rising energy costs in Prague in September 2022 indicating the way. This could take the form either of government changes such as in Italy or Bulgaria, or just policy change by governments subjected to social and political upheaval at home.

Of course, not all European countries would turn against sanctions, with Poland, the Nordic and Baltic countries expected to stick to a hardline. But this would fit perfectly Moscow's playbook, which sees a bitterly divided EU paralysed in its Russia policy. The divisions would stretch across the Atlantic, at least until Joe Biden remains in office. Interestingly, when finger-pointing Italy at the height of its election campaign, the Kremlin not only referred to the country's "economic suicide" caused by a "Euro Atlantic sanction frenzy", but also argued that the Italian economy was being destroyed by its "transatlantic brothers", who revel in selling liquefied natural gas (LNG) to energy-starved Europeans while paying electricity six times less than poor Italians.[5] After 2024, ideally with a Trump(ian) president in office, the US could change tack too.

3. Monnet's response

Monnet would have seen things differently. Truth be said, Europeans were caught off-guard with the war. Despite the massing of Russian troops along Ukrainian borders, Moscow's manipulation of European gas markets, and American and British intelligence about Russia's imminent plans, many European chancelleries and societies sleepwalked into war. At most, some conceded that Putin could have launched a limited military intervention, resembling the 2008 war in Georgia, or indeed against Ukraine in 2014. By early 2022, Europeans acknowledged Putin's aggressiveness, but considered him to be "rational", or, more accurately, to follow

[5] Otto Lanzavecchia, "Zakharova, Gazprom, Medvedev: Russian Trio Attempts to Influence Italian Vote', in *Decode39*, 6 September 2022, https://decode39.com/4194.

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a rationality that puts material interests above ideology. Putin was expected to continue pursuing expansionist aims through *divide et impera* tactics and hybrid warfare, while remaining open to diplomacy and keeping the energy relationship with Europe essentially intact. The 2014 Minsk agreements and the trilateral energy deal between the EU, Russia and Ukraine, as well as Germany's support for the Nord Stream II gas pipeline until the invasion began, reflected this logic.

The 24th February 2022 came to many Europeans as a shock. Russia's invasion not only swept away the scraps of hope left from the post-Cold War era, but also invalidated the model that had been built during the last decades of the Cold War, which saw the pursuit of energy ties across geopolitical divides. Peace through trade, and particularly peace through energy trade, became a relic of history. As German Chancellor Olaf Scholz put it, the war marked a *Zeitenwende*: a watershed moment in history.

The EU, and especially west European countries, had to admit the dramatic failure of a political-diplomatic approach towards Russia – and the economic-energy model that came with it – that had been pursued relentlessly for decades. Despite the trauma of this failure, the shock of the invasion led to an abrupt policy shift. Compared to the typically unimpressive speed of European decision-making, Europeans pulled themselves together remarkably quickly. In a matter of days, Brussels approved the most far-reaching sanctions ever implemented. Europeans stepped up on defence, with Germany announcing a staggering additional 100 billion euro in military spending and the EU facilitating arms transfers to a third state for the first time. The Union gave temporary protection to Ukrainian citizens, with the freedom to move and work across the Union. In June, the European Council recognised Ukraine and Moldova's EU candidate status, as well as Georgia's European perspective.

The EU took longer to move on energy, but considering how intertwined Europe and Russia were in this field – and member states' different energy mixes and vulnerabilities –, it is significant that by summer 2022 the EU had agreed on an embargo on Russian coal and oil. Gas is a different story. Whereas coal and oil could be bought elsewhere, albeit at higher prices, European economies could not withstand an immediate halt of Russian gas. On the eve of the war, 60 per cent of European imports from Russia were energy products and European dependence on Russian energy, notably gas, hovered around 40 per cent, with peaks in some member states reaching almost 100 per cent. Especially for large countries like Italy and Germany, that were highly dependent on Russian gas for power generation, residential heating and industry, a sudden stop to Russian gas meant both energy shortages and a severe industrial and economic downturn. Weaning off Russian gas could not be done painlessly overnight.

This said, Europeans did not stay put. In order to progressively loosen Russia's gas grip on Europe, member states had to find alternative fossil sources, build infrastructure, and develop a more integrated energy union, as well as accelerate the energy transition. This meant expanding gas flows through existing pipelines,

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notably from Norway, Algeria and Azerbaijan; seeking new LNG contracts from the US,[6] Qatar, Egypt, Angola, Mozambique and the Republic of Congo; and building or acquiring new infrastructure, especially floating LNG (FLNG) facilities.

It also meant increasing investments in renewables and, more broadly, accelerating the energy transition. Energy security, achieved through the diversification of fossil sources and routes, climbed back to the top of the European agenda. Whereas it had been a priority in the early 2000s, energy security had progressively lost policy weight as Europeans basked in low prices in the mid-2010s. As prices rose in the run-up to the war and then spiralled out of control against the backdrop of expected shortages, energy security became a priority once again. Unlike the 2000s, however, the EU could not "only" talk about diversifying fossil relationships this time. With a green Europe having become the EU's new identity and mission, the aim became that of reconciling energy security with the transition.[7] The Commission's RepowerEU plan represented an attempt to square the circle.

It has not been easy. RepowerEU represents a medium-term plan constructed on several premises, including access to additional LNG volumes, the idea that Russia will not completely turn off the taps, strong coordination between member states, and highly ambitious green targets. None of these are a given.

The timeframes for additional gas imports vary, with most sources coming online after 2023. Moreover, as European countries scramble to buy more gas, they have often ended up competing with each another and reducing supplies to less developed countries in Africa and Asia, that could no longer afford the ramped up prices. The Commission partly sought to remedy the first problem by promoting coordination and reaching agreements with countries like Azerbaijan, Egypt and Israel, although its competences on member states' energy mixes are close to nil. Ideas to move towards common policies on gas storage and procurement remain embryonic, although the Union did approve a regulation on gas storage and its targets have been met. The second problem vis-à-vis less developed countries has been largely ignored, echoing the unedifying Western vaccine hoarding during the pandemic. Coupled with the food security crisis and the pervasive influence of Russian propaganda, Europe's rush to find alternative energy supplies has aggravated its precarious standing in the Global South.

Another set of challenges revolves around price. Weaning off Russian fossil fuels requires both securing alternatives quantities and containing the price disruption caused by a sudden mismatch between demand and supply. Whereas Europeans moved quickly on quantity, they dragged their feet on prices. This is partly explained by their fear that capping prices might provoke Russia into cutting supplies prematurely. Implicit in this fear is the enduring resistance to accept

[6] Although only limited amounts of additional American LNG that had not been contracted already has actually been delivered.

[7] Nathalie Tocci, *A Green and Global Europe*, Cambridge, Polity Press, 2022 (forthcoming).

that the *Zeitenwende* is already here, and that Russia no longer acts "rationally" according to old canons. The delay in decision-making regarding prices is also partly explained by the resistance, especially in northern Europe, to meddle in the market. Prices, the argument goes, should be brought down through a reduction of demand, not through artificial caps. Caps would induce rather than discourage demand, and thus be counterproductive. Moreover, capping prices, notably concerning new LNG contracts, would risk rerouting sought-after supplies to more profitable markets elsewhere. Following this logic, in July 2022, the EU limited itself to indicating a 15 per cent voluntary gas consumption cut, riddled with exemptions for different member states.

When Russia's cat and mouse gas game with Europe reached its climax, sending TTF prices through the roof, Europe's response became embarrassingly inadequate. By this stage, any residue of belief that Moscow would stick to market rationality was gone, and, as Europeans struggled with soaring utility bills and looked over the precipice of an economic crisis, Brussels changed gear. By then, the Union had missed the train on a Russian gas price cap. In the spring, this would have been an ideal substitute for a gas embargo that Europeans were unwilling to contemplate, but by the time the price cap debate matured, Russian supplies had shrivelled. By early fall, capping Russian gas prices made little economic sense and entailed more risks than benefits. To contain prices and address the socioeconomic disparities generated by the crisis, the EU moved in other directions. Both the temporary and the structural measures in the making are unprecedented.

First, it agreed on electricity reduction targets. This foresees a 10 per cent voluntary reduction in gross electricity consumption and a mandatory 5 per cent cut during peak demand hours.

Second, the Council agreed on capping the remuneration of power for infra-marginal technologies – i.e. all those technologies, like renewables, hydropower, nuclear and lignite, that produce electricity through sources other than gas – when the electricity price exceeds 180 euro MWh. The revenues accrued would then be redistributed to families and businesses in need. The Council also proposed a temporary "solidarity contribution" by European oil and gas companies.[8]

Third, the EU is working on capping prices from other sources, beginning with Norway. It is indeed shocking that a partner country like Norway has been making such extraordinary profits – higher gas imports to Europe sold at unprecedented prices – in the midst of a war with Russia in which Brussels and Oslo are squarely on the same side. The hope and expectation is that if an agreement with Norway on a fixed winter price is found – presumably in return for longer term contacts or other benefits –, this would open the way to bilateral deals with other suppliers, de facto leading to a generalised price cap without having unilaterally intervened

[8] Council of the European Union, *Council Agrees on Emergency Measures to Reduce Energy Prices*, 30 September 2022, https://europa.eu/!hjmJY9.

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in the market. All this is taking place alongside the EU and G7 discussion on an oil price cap, aimed at kicking in when the EU oil embargo starts, here too in order to avoid market disruption.

Finally, the EU has set out to work on a structural reform of its energy markets, including a supervision of the TTF gas price market and the decoupling of the electricity and gas markets, given that the structural conditions that had inspired the marginal pricing of electricity – incentivising the formerly more expensive renewables – no longer apply. When it comes to structural market reforms, ideas remain embryonic and complexities abound. The EU will need to ensure that the temporary measures adopted to deal with the energy emergency are functional to longer-term structural reforms. It will need to strike a balance between greater regulation without throwing the market baby out with the bathwater. And it must ensure that future solutions result in greater integration rather than fragmentation of the EU's energy market.

Both temporary measures and structural market reforms must be well designed, and this takes time. However, speed is essential to prevent member states from going it alone. On price caps for instance, Spain and Portugal have proceeded with capping prices on consumers. Given the lack of energy interconnection between the Iberian Peninsula and the rest of the EU, this did not damage the Union. However, were this approach to be extended to other countries in the event a failure to reach an agreement at EU level, this would trigger beggar thy neighbour dynamics to the detriment of all. Given that in an interconnected market gas flows where prices are higher, to shield customers from high prices while assuring physical quantities to them, governments would end up paying an ever growing price differential between the price paid by consumers and that paid to producers. Connected to this, Germany's go-it-alone 200 billion euro gas price defence shield also risks triggering centrifugal forces in the Union, detracting from EU-wide solutions and conveying the message that only those members with significant fiscal space will be able to weather the energy storm this winter.

Last and most important is the need to reconcile energy security and the energy transition. On paper, it all makes sense and RepowerEU indicates the way, including increasing renewable targets from 40 to 45 per cent of the European energy mix by 2030, and a rapid development of a hydrogen industry that would produce 17.5 gigawatts over the next three years. The latter would be propelled also by a 3-billion-euro European hydrogen bank, announced in Commission President Ursula von der Leyen's 2022 State of the Union address.

Achieving this in practice is no sure thing. In the energy security emergency triggered by the war, Europeans have invested 50 billion euro in new and expanded fossil projects to date. Added to this, between September 2021 and September 2022 European governments – including the UK and Norway – spent half a trillion euro to shield consumers from soaring utility bills, de facto amounting to an indirect

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subsidy to fossil fuels.[9] By way of comparison, NextGenerationEU, the EU's post-pandemic recovery plan, amounts to 750 billion euro over the 7 year budget cycle. Alongside the funds to address soaring gas and electricity bills, are the lock-in effects created by new fossil fuel contracts and investments, as well as the twisted notion of selling more carbon permits to finance RepowerEU, which includes fossil projects.

It is easy to criticise this as squarely contradicting the European Green Deal. Yet the truth is that the war and the energy emergency is real and it is now. Tragic as it is, it is impossible to navigate the storm without fossil fuels. This is not to say that Europe's decarbonisation targets are destined to be trashed. To the contrary. It is in fact realistic to assume that the reduction of energy consumption forced by the crisis will finally lead Europe to take energy efficiency seriously. For too long energy efficiency has been the ugly duckling of decarbonisation strategies, despite the "efficiency first" principle that guided EU energy policy on paper.[10] It is also realistic to assume that renewables will indeed be ramped up beyond what our pre-war plans were. Finally, it is crucial to embed decarbonisation projects – from renewables to hydrogen and carbon capture and storage – within the new energy relationships the EU and European countries are establishing with gas suppliers especially in north and sub-Saharan Africa and the Caucasus, as well as retrofitting gas infrastructure for hydrogen and biomethane.

Conclusions

All this is possible but will cost huge sums of money, alongside laws, regulations and diplomacy; much more that what was planned before the war began, which itself was enormous. To cough up such sums, the economic downturn brought about by the energy crisis must be as brief as possible, resembling more the slowdown caused by the pandemic than that ignited by the global financial crisis and the ensuing sovereign debt crisis. And this, in turn, means spending to address the energy crisis even if it includes acknowledging there will need to be investments temporarily also on fossil fuels. The energy transition requires healthy economies. In fact, decarbonisation is not sustainable without growth, much in the same way that growth can be fuelled by a well-designed decarbonisation process: it is a two-way street. Hence, the energy transition requires European economies to be put back on track, and this in turn depends on addressing rapidly and effectively the energy crisis. This, alas, cannot be done without fossil fuels. In other words, what appears as a contradiction – energy security and energy transition – are actually two sides of the same coin.

[9] Giovanni Sgaravatti, Simone Tagliapietra and Georg Zachmann, "National Policies to Shield Consumers from Rising Energy Prices", in *Bruegel Datasets*, 10 August 2022, https://www.bruegel.org/node/7844.

[10] European Commission website: *Energy Efficiency First Principle*, https://europa.eu/!8rK9wC.

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The elements of change, reform and transformation are all there. They are complex, unpredictable and riddled with obstacles and apparent contradictions. Success is anything but assured, and Russia's energy war against Europe may well reach new heights, with the likely sabotage of gas pipelines indicating the forms of hybrid warfare that could lie in store. Yet there is a widespread recognition across European governments that this – much like the pandemic – is a crisis that can only be navigated by standing together. There are no national solutions to an energy and economic crisis ignited and exacerbated by a war. And there is a chance, arguably a realistic one, that Europe will navigate this crisis too and that the solutions it will find will become yet another building block in its history of integration.

The jury is out on whether Putin or Monnet will win the day, and whether and how the Union will prove and strengthen its resilience. But at the height of this crisis, my bet today is squarely on Jean Monnet.

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