

TACKLING THE ENERGY CRISIS

Solutions to Accelerate the Clean Energy Transition Away from Russian Gas

THE CHALLENGE

Russia's Weaponization of Fossil Fuels

In addition to creating the largest humanitarian crisis in Europe since World War II, Russia's invasion of Ukraine has cruelly exposed and magnified the region's risky dependence on fossil fuels. Since the invasion began in February 2022, EU member states have spent more than 122 billion euro to buy Russian fossil fuels, indirectly helping to finance the war.¹ And Russian gas, oil, and coal have been weaponized — creating profound and widespread ramifications for energy and food security, peace, and climate policy — in Europe and beyond.

Gas is at the heart of Europe's energy security crisis. Russia holds the world's largest gas reserves, and before the war, the European Union (EU) imported 155 billion cubic meters of gas from Russia, comprising approximately 45 percent of EU gas imports and close to 40 percent of its total gas consumption.² In response to the situation in Ukraine, European leaders set out an agenda (RePower EU) to gradually wean Europe off Russian fossil fuels through a combination of clean energy acceleration and gas supply diversification. But the unilateral cut-off of Russian pipeline exports to Europe over the last few months has upped the ante and put Europe at an immediate risk of supply shortages going into the winter.

The economic damage inflicted on Europe because of this rapid decoupling has been substantial. Industry, which accounts for a significant share of gas demand, has been affected, threatening jobs.³ The dramatic spikes in fossil fuel prices have fueled high inflation, dampening the region's post-pandemic economic recovery.⁴ Families across the EU — roughly one-quarter of which could not afford to adequately heat, light, and cool their homes even before the war — are reeling from spiraling energy cost increases, and many more are falling into energy poverty with the arrival of cold weather. With household incomes already suffering from dramatic price increases in fuel and food and a recession looming, families are making difficult decisions whether to heat their homes or put food on their tables. This energy crisis threatens to be even more dire in winter 2023.

The impacts of the Russian invasion are not limited to Europe. High prices and increased competition for global supplies of liquefied natural gas (LNG) are causing serious hardship in importing countries in the Global South, such as Pakistan and Bangladesh. It is also creating pressure for investment in new gas fields and LNG export capacity in countries in Africa and elsewhere, threatening to lock them into a high-carbon development pathway, which will have major implications for climate, livelihoods, and health globally. In addition, the agricultural supply chain — already under great stress from climate-related impacts like extreme heat, drought, and flooding — is being further compromised by a few key factors: 1) the shortage of gas, a key input in agricultural processes (such as fertilizer production, transport, etc.); 2) the loss of productive agricultural land in Ukraine and Russia, specifically impacting wheat production; 3) lack of access to the Black Sea, which, in effect, means Ukraine cannot export its agricultural production; and 4) increased food prices arising from high energy input costs. All these factors are exacerbating the threat of food and energy insecurity, and can potentially push millions of people worldwide into hunger.⁵

Russia's war on Ukraine provides an urgent impetus for Europe to address the energy "trilemma"— the struggle to balance decarbonization, energy security, and affordability—and catalyze an unprecedented rapid transition to renewable energy, with global implications.

The Fork in the Road

Today, Europe is confronting the difficult balancing act of securing alternative energy sources for all (potentially prolonging dependence on fossil fuels), while maintaining its investment and strong commitment to renewable energy and becoming the first climate-neutral continent. It is at the fork in the road, facing a stark choice between two paths. Europe can double down on alternative fossil fuel supplies, chasing new gas deals with the Middle East, Africa, and the U.S., which will lock in new gas infrastructure and also stall progress on phasing out coal. *Or* it can massively accelerate the deployment of clean energy and efficiency and phase out the status quo of heating homes and fueling industry with risky fossil fuels, like Russian gas. Only the second path is a viable option if Europe wants to mitigate the climate emergency, bolster energy independence, and ensure the population has reliable and equitable access to energy.

Hamstrung by political and economic pressures — and fear of backlash from a public suffering hardship — European leaders are double-minded in their choice. Government and industry leaders must move beyond rhetorical support for clean energy and ensure that they take strong action to deliver real, serious change on the ground.

The Path Forward

Russia's war on Ukraine has brought Europe to a critical inflection point in tackling an energy, climate, and humanitarian crisis. In response, the European Climate Foundation (ECF) and its partners are leading a comprehensive, multi-country effort to tip Europe decisively onto the clean energy acceleration pathway.

The goal is to put Europe on track to halve gas demand by 2030. This will happen by securing near-term action to rapidly replace Russian gas with clean alternatives and by unlocking the policies, funding, and investment that will ensure ongoing acceleration to 2030.

Operating at the intersection of policy, politics, and people, ECF harnesses the power of philanthropy to shape public debate and forge bold solutions to tackle climate change and ensure a just transition to a net-zero society. The foundation is a galvanizing force in promoting Europe's climate leadership and ideally situated to drive Europe's energy transition. Grantmaking by ECF enables a network of more than 1,000 grantee partners to create political space, shape policy, and deliver action at the national, EU, and international levels.

HOW PHILANTHROPY CAN HELP

This expansive undertaking will require sustained capacity and resources. Philanthropy — with its ability to convene diverse actors, respond at pace, and take risks — plays a critical role in accelerating change and leveraging additional investment, including from the public and private sectors.

ECF seeks to mobilize 210 million euro in new philanthropy over the next three years to help ensure that Europe does not backslide on its commitment to clean energy, and to support a transition to renewables that is rapid, equitable, and just.

ECF will target this philanthropic investment on supporting solutions in two sectors that are central in the drive to get off risky gas and accelerate climate action: power and buildings.

- In the power sector, which accounts for one-third of the EU's gas use, a major scale-up in wind, solar, storage, and grids is essential. Clean electricity will be the engine of the net-zero economy, and expert analysis confirms that the EU can get to 70 percent renewables by 2030—but a major push is needed now.
- In the buildings sector, an accelerated program of retrofits for efficiency and electrification (through heat pumps) is essential to cut gas use, and also to address the social justice issues arising from the energy price crisis.

In both these sectors, ECF will leverage philanthropy to marshal public support, develop policy and investment frameworks, and dismantle barriers to deployment of clean energy. Because ECF can mobilize a powerful ecosystem — from expert think tanks to campaign groups, from local grassroots movements to smart political and communications strategists — it is uniquely positioned to accelerate energy transition goals in power and buildings by deploying a comprehensive set of levers, including political advocacy, movement and coalition building, policy development, campaigns, and strategic communications. With deep, first-hand understanding of the individual contexts across EU member states, ECF has the know-how to tailor strategies to varying national contexts and facilitate key "wins" on the ground. This strategy of targeted investment to drive impact at the national level in key geographies, amplified by regional and international campaigns, diplomacy, and finance work, is proven in its effectiveness — but we are at a critical juncture and need to redouble our efforts now.

Overcoming Barriers in Italy's Power Sector

Italy is the EU's second-largest user of fossil gas, and in 2021, 40 percent of its gas supply came from Russia. Despite huge potential, wind and solar provide only 16 percent of the country's electricity. Italy has a powerful gas lobby and has been planning a major investment in new gas power plants. Adding to the complexity, in 2022 the country elected a far-right government that is not a natural champion of climate action.

Until recently, the dominant narrative in Italy—and many other countries—has been that gas is an effective “bridge” or transition fuel. The crisis in energy prices and energy security is now exposing that false narrative, creating a major opening to drive forward clean energy solutions.

ECF and its partners are seizing this opportunity to demonstrate to key stakeholders that renewables can be delivered at scale and will benefit the country's economy and people. They are working to ensure that Italy reignites its renewables sector and gets on track for at least 70 percent renewables by 2030.

Actions supported by philanthropy include:

- Establishing a respected energy think tank, ECCO, which is driving the debate to ensure that policies favor renewables over gas.
- Challenging new gas plants and gas infrastructure through campaigning, litigation, and applying pressure on investors.
- Partnering with organizations, such as BirdLife International, a global leader in bird and nature conservation, to develop comprehensive mapping of low- and high-risk areas for renewables deployment, which will help avoid biodiversity conflicts and unblock permitting barriers on the ground.

Getting Gas Out of Buildings

Buildings account for 40 percent of gas use in Europe, but change in the sector is being obstructed by a powerful gas lobby that has been spreading disinformation and resisting change. After several years of campaigning, ECF and its partners are close to securing a ban on fossil fuel heating systems in new buildings across Europe. Now they are focusing on the more difficult challenge of getting gas out of existing buildings and scaling up the implementation of clean heating alternatives.

Actions supported by philanthropy include:

- Winning campaigns to secure gas boiler phase-out for existing buildings in Denmark, Austria, and the Netherlands.
- Building a network of think tanks and industry groups in Germany to push for an exit plan for fossil fuels in heating, based on investments in energy efficiency, heat pumps, and heat networks.
- Developing policies and funding mechanisms to prioritize clean energy assistance for low-income housing and vulnerable communities.

THE IMPACT

This is a unique and urgent moment when philanthropic investment to accelerate climate action can also play a key role in addressing the energy security crisis. The solutions exist; by funding ECF's comprehensive, multi-country efforts, philanthropy can turbocharge the deployment of these solutions at speed and scale across the region.

The impacts of this work will be felt across Europe and the globe. How Europe responds domestically will have major implications for the global response to climate change. A doubling down on new gas supplies and a return to coal would threaten Europe's effectiveness as a climate leader. But a drive for clean energy in Europe can help to spur new international action on clean energy collaboration, finance, supply chains, and standards.

Funders include Children's Investment Fund Foundation, David and Lucile Packard Foundation, Oak Foundation, Sea Change Foundation International, Sequoia Climate Foundation, and William and Flora Hewlett Foundation.

NOTES

¹ beyond-coal.eu/russian-fossil-fuel-tracker/

² [iea.org/news/how-europe-can-cut-natural-gas-imports-from-russia-significantly-within-a-year](https://www.iea.org/news/how-europe-can-cut-natural-gas-imports-from-russia-significantly-within-a-year)

³ [reuters.com/markets/europe/europe-be-hit-hardest-global-slowdown-oecd-2022-11-22/](https://www.reuters.com/markets/europe/europe-be-hit-hardest-global-slowdown-oecd-2022-11-22/)

⁴ [imf.org/en/Blogs/Articles/2022/10/23/europe-must-address-a-toxic-mix-of-high-inflation-and-flagging-growth](https://www.imf.org/en/Blogs/Articles/2022/10/23/europe-must-address-a-toxic-mix-of-high-inflation-and-flagging-growth)

⁵ atlanticcouncil.org/blogs/energysource/obscured-by-the-energy-crisis-a-food-crisis-unfolds/

For more information, please contact:

Emma Hanley, Director of Development
European Climate Foundation
emma.hanley@europeanclimate.org

Ulla Erhardt, Senior Philanthropy Adviser
Climate Leadership Initiative
ulla.erhardt@climatelead.org

Jennifer Kitt, President
Climate Leadership Initiative
jennifer.kitt@climatelead.org