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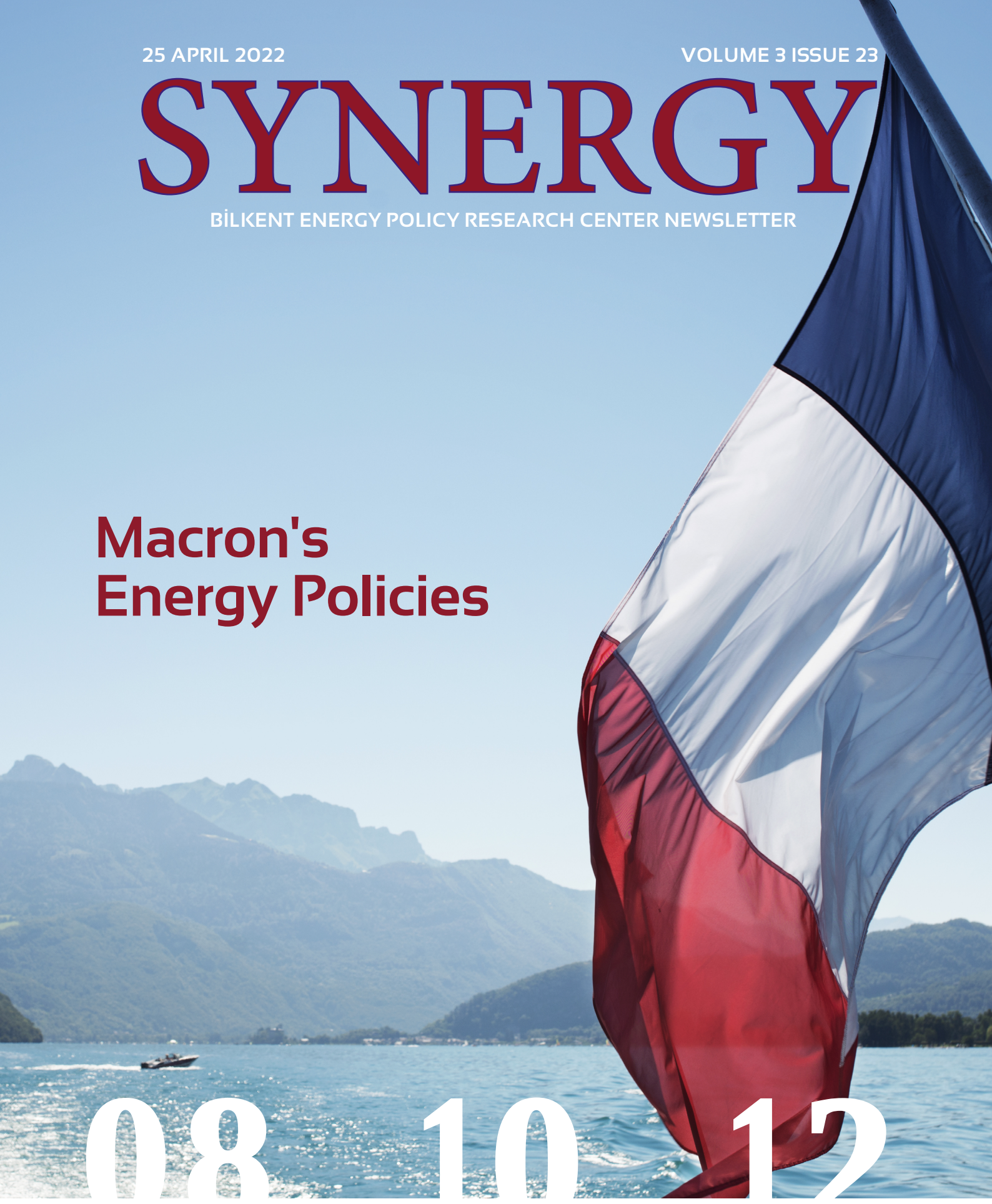

Macron's Energy Policies

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EDITOR:
GÖKBERK BİLGİN
CONTACT: gokberk.bilgin@bilkent.edu.tr

ABOUT US

Energy Policy Research Center

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BRENT OIL	101,77 $/BL	GASOLINE	19.11 ₺/LT
USD/TRY	14.76	DIESEL	22.16 ₺/LT
EUR/TRY	15.86	FUEL OIL	14.49

Macron's Energy Policies

Gökberk Bilgin

The second round of the French Presidential Election was held on Sunday, and the French President Emmanuel Macron won a decisive victory against the nationalist candidate Marine Le Pen. Before the elections, the candidates had major differences in handling the issues, yet they were mostly on the same side on continuing to produce energy from the nuclear plants. Both candidates proposed similar plans to expand French nuclear capacity by adding several nuclear plants and had different opinions on expanding renewable energy.

Macron's Promises for the 2017 Elections

Back in 2017, when Macron was elected president for the first time, his major promise was to build a policy framework that aimed to reduce nuclear energy's share of electricity generation from 75% to 50% by 2025. This did not mean stopping investments in nuclear power plants but increasing the share of renewable energy sources. Macron also promised to double France's wind and solar capacity at the end of his term in 2022. For the energy efficiency projects, a government funding of €4 billion for the poorest citizens had been designed to make their houses energy efficient.

For the oil and gas sector, the main aim of the French candidate was to stop all exploring activities in the French territories.

On the coal side, Macron promised to close all of the coal plants by 2021 to set France as an example in the fight against climate change. Despite this seemed like an ambitious policy for the many people since the share of coal in energy production was around 2% in France, it did not mean more than a symbolic gesture.

Macron's First Term: 2017-2022

In 2020, Macron's administration closed the two oldest nuclear power plants that had completed their life cycle. The administration later updated its nuclear energy share goal for 2035. Macron also stated that there would be no reactors closed in his term. At the end of 2020, the share of electricity generation from nuclear energy reduced to 67%.

For the oil and gas trade, France had established a balanced and well-diversified importing policy that helped them not rely on any major oil suppliers, and the amount of fossil fuel imports has a declining trend. On the oil and gas exploration,

the government restricted granting of new licenses and issued a law to prevent renewing existing agreements beyond 2040 in the French territories. However, since the production amount of these commodities was very insignificant, it made a major difference. Many perceived the policy, again, as a symbolic and populist gesture. On the other hand, the French government continued to support Total, a major French oil company, in its drilling activities in the Arctic region aligned with the Russian Federation. Many environmental activists criticized Macron for not intervening in the operations of this policy. When Russia invaded Ukraine, Total was the only major oil company that claimed it had no intention to stop ongoing operations with the Russian Federation.

The oil and gas sector mostly remained important for transportation, industry, and heating purposes, and the French government focused on promoting electric vehicles to accelerate the energy transition. Like many other governments, France also plans to stop the sales of petrol engine cars by 2040.

On the coal side, the operations did not stop as promised, and coal plants continue to operate even today. However, they have been limited to operating only 700 hours per year. One of the reasons for that was the maintenance of the nuclear power plants, and the French government was afraid of facing energy shortages, so it continued to use coal plants. During the cold periods this winter, the permission limits of coal plants extended to 1000 hours.

The development of renewable energy was another problematic area for the French government for the goals they have agreed to reach in 2020. France became the only country in the European Union that missed its target by only producing 19.1% of its energy from renewables. The goal was 23%. In this area, hydropower remains the dominant energy source, and investments in wind and solar energy are not developing as quickly as desired. For wind energy, the main criticisms are the high costs and its negative impact on the environment. On the other hand, French people are skeptical of solar energy since the panels are manufactured in China, g high carbon emissions. When you add the bureaucratic procedures to these discussions, the investment environment remains inefficient in reaching renewable energy goals.

When Macron promised to double its wind and solar energy capacity, France had 13,76 GW wind and 7,4 GW solar energy capacity. As of 2022, while the wind capacity increased to 19 GW, solar increased to 13 GW. Thus, his administration almost managed to reach its solar targets while lagging in wind capacity.

Finally, the French government extended the grants and included all income levels with the promises of subsidizing house innovations for the poor people. The project named MaPrimeRénov helped citizens who wanted to renovate their houses with eco-friendly materials for up to €20,000. In 2021, 800,000 households will benefit from the project, and extensions are planned for the future. According to the French government, 4,5 million houses require renovations, and with the current pace, France can reach this goal before the end of the decade.

Overall, I see from the picture that France had a long-term energy projection plan with its defects, and Macron adapted his policies to fulfill those goals. While setting the goals in 2017, Macron could not have predicted the Covid-19 and Russia-Ukraine crisis, so there were valid reasons even though it did not hit the exact targets. The major decision that created a setback for his presidency was increasing the fuel taxes, which eventually led to the Yellow Jacket movement.

Macron's Promises for 2022 Elections

In 2022, Macron continued to rely on the energy mix led by nuclear energy. This time he stated that the investments in newly developed small modular nuclear reactors would continue to protect energy independence levels while focusing on reducing carbon emissions. According to the plan, 14 new nuclear reactors will be 2050 to generate an additional 25 GW of nuclear energy.

The focus of the renewable energy goals will also target 2050 by working on 40 GW of offshore wind power and raising solar generation capacity to 100 GW. For the energy transition projects, the allocated money will be €10 billion per year, which means €50 billion for the whole term that can be spent on the green energy transition of the French infrastructure. This also includes planting 140 million trees by 2030.

In his second term as the president of France, Macron will face serious challenges in the energy policies due to Russia-Ukraine War and the ongoing energy crisis. Implementation of the new nuclear plants will take time, and if the Russian aggression in the region continues, the instabilities in the energy markets will stay. Under these circumstances, achieving climate goals may become secondary, and we can see further postpones. We can also expect the coal sector to remain active in emergency cases for the same reasons.

The ongoing investments in nuclear energy technologies are a great step toward energy transition. While closing the older nuclear plants that have completed their life cycles, France aims to replace them with novel nuclear reactors that are safer. Even if the renewable energy projects do not succeed as planned, this will keep French carbon emissions lower compared to a country that relies on fossil fuels for the same amount of energy. If Germany insists on giving up nuclear entirely, it will be very interesting to watch how these two countries with diverse approaches have the same climate goals.

Germany's New Gas Storage Law

Erkin Sancarbaba

The current crisis atmosphere, which imposes governments to gravitate toward realist energy policies, requires taking necessary steps for the establishment of the legal infrastructure to protect energy supply security. In addition to the inability to diversify the energy suppliers and energy transmission routes to meet the energy needs, the lack of necessary measures to eliminate the effects of the crisis has caused many countries to be insufficient to meet the demand in the domestic markets. It seems that the European Union countries have started to make regulations, albeit a little late, considering the aforementioned deadlock. In Germany, where the size and consequences of the current energy crisis are being evaluated, legal arrangements have been accelerated to establish supply security in the energy market. Accordingly, the new gas storage law in Germany has been approved by the parliament and will enter into force on May 1. The new law, it is aimed to ensure sufficient gas storage before winter.

In line with the law, it is foreseen that the German government will monitor the gas sector, which was privatized in the past and has so far been able to use initiatives independent of state institutions in decision-making processes. By force of the new legal regulation, gas storage customers are required to store in line with the lower limits specified in the law. Within the scope of the regulation, which will be valid until April 1, 2025, it will be ensured that the gas storage facilities and underground caverns are 80% full by October 1, which is the beginning of the critical period for natural gas supply. The aforementioned required storage rate has been determined as 90% as of November 1 and 40% as of February 1.

The law aims to keep the storage rates high in order to reduce the effects of a potential energy supply security problem, especially in winter, and also to prevent speculation in gas prices in critical periods. In this direction, instructions, prohibitions, and fines have also been determined to ensure that the minimum storage levels determined within the scope of the law are reached.

It is possible to interpret the absence of any provision in the new energy storage law for the expropriation of strategic gas infrastructure and energy investments, as it aims to give confidence to the energy markets. However, on the other hand, the fact that the new law authorizes the government to intervene with the concern of energy supply security has brought along criticisms that the market-oriented approach in the energy sector in Germany has been abandoned. Another point of criticism is the provisions in the law that stipulate the adaptation of existing contracts to the new regime. It is considered that there are difficulties in adapting the existing contracts to the fundamental changes envisaged in the law.

It is known that the operation of natural gas storage facilities operated by Gazprom Germania was taken over by Germany's energy network regulator (Bundesnetzagentur) on the grounds that energy supply security should be fully ensured in the country. There are questions about how the

aforementioned expropriation will contribute to Germany's energy security. It can be said that such decisions to be taken will cause insecurity in the energy market and will not go beyond deepening the dimensions of the current crisis.

It is important to understand the crisis that the German energy sector is trying to overcome to understand the measures taken by the law and the gains it aims for. The total gas storage capacity of Germany is equivalent to approximately 24 billion cubic meters and this amount corresponds to one-fourth of the country's annual domestic consumption. Last March, it was reported that the country's gas reserves were at the level of 25% compared to the total capacity.

Considering its timing, the law in question focuses on the reinforcement of reserves that are insufficient in terms of gas supply to Germany's domestic market. However, the legislation ignores the root of the main problem, which is that Germany's largest energy supplier is still Russia. In order to reveal the extent of the current inconsistency, it should be reminded that Germany froze the Nord Stream 2 pipeline project. In addition, proposals to stop shipments from the active Nord Stream 1 pipeline started to take place on the agenda of the European Union. In line with these conditions, on the other hand, it is debatable whether it is sustainable to ensure a continuous natural gas purchase by obliging German companies to store large amounts of gas with legal regulations.

Whether the emphasis on LNG routes as an alternative to Russian gas has the potential to provide German consumers with relatively inexpensive gas should be thoroughly evaluated by German policymakers. None of Europe's LNG terminals is located in Germany, and even if European countries import LNG at maximum capacity in line with their existing terminals, they can meet about half of the Russian pipeline gas. In addition, another challenge for LNG to be an alternative to Russian gas is the inadequacy of infrastructural requirements, because, to gasify the LNG reaching Europe and deliver it from terminals to demand centers, significant capacity increase in existing pipelines as well as the construction of new interconnections between countries is required.

All in all, although there is a strong link between the implementation of existing legal regulations and the design of efficient and responsive energy policies, the success of legal regulations is strictly dependent on the consistency of energy strategies. The German gas storage law, which will come into force on May 1, is an example that is useful for policymakers to examine when determining the energy roadmaps of countries. When evaluated in terms of its content, the law, which contains extraordinary provisions that the German energy market is not accustomed to, reveals the dimensions of the energy crisis in Europe. Under the current conditions, it can be foreseen that the implementation of similar legal regulations in the other European countries is inevitable.

Causes of Food Inflation In Turkey

Nur Durmaz

Food inflation, which is one of the problems brought about by the economic decline in our country, unfortunately, affects many people's lives negatively. In these times, when we feel the effect of the Russia-Ukraine War, food prices increase considerably. Considering the import of products such as wheat, barley, and sunflower, this war poses a risk for our country's agricultural sector. According to TURKSTAT, 86% of the wheat import was made from Russia. Again, according to TURKSTAT, the Consumer Price Index (CPI), excluding unprocessed food products, alcoholic beverages, tobacco, and gold, in March 2022, was 4.24% compared to February, 16.38% reached in December 2021, and according to December 2020. An increase of 51.34% was observed. The only reason for these increases is not only the Russia-Ukraine war.

In March 2022, the Domestic producer price index (D-PPI) increased too much. The domestic producer price index is an index that measures the price changes in the domestic trade of products in consumption, intermediate and capital goods, and the energy sector. Domestic production costs increased by 9.19% compared to February, increased by 29.31% compared to December of 2021, and increased by 114.97% compared to December of 2021. Although these numbers are quite high, the annual rate of change in food products Yi -PPI is 92.39%. In other words, the production cost of a fruit, which is assumed to be produced for 1 lira in 2021, has increased to 2 Turkish Lira (TRY) in 2022. At this point, it is quite natural to buy a product that was bought for 5 TRY until it came to the market for 10 TRY today. In terms of price increases, potatoes are at the top of the list with an average annual price increase of 206.8 percent, followed by cucumbers with 193.2 percent. Other food products at the top of the list are eggplant, zucchini, and dill.

Agriculture- GFE (Agricultural Input Price Index) has also been seen this year. The agricultural input price index (Agriculture -GFE) is an indicator that monitors the variability of the inputs purchased by agricultural producers for production and investment purposes as a cost element. In February 2022, there was an increase of 16.69% compared to the previous month, 28.50% compared to December of the previous year, 80.99% compared to the same month of the previous year, and 36.85% to the twelve-month averages.

In the main groups, the index of goods and services that contribute to investment in agriculture increased by 9.60% compared to the previous month and by 17.69% compared to the previous year. Compared to 2020, the index of goods and services contributing to agricultural investment increased by 47.24%, and the index of goods and services used in agriculture increased by 86.59% in total. The subgroups

with low annual increases were veterinary expenditures with 23.88% and materials with 27.91%, respectively. On the other hand, the sub-groups with the highest annual increase were 23.88% veterinary expenditures and 27.91% materials with the lowest annual increase, while fertilizer and soil developers with 138.11% and 121.77%, respectively. Energy and oils were the subgroups with the highest annual increase. The price increase in these products and services directly affects the PPI, which in turn affects the pockets of citizens with increasing infections. With the increase in production costs, while there is a decrease in the product, the unemployment rate may increase simultaneously. In this regard, Turkey needs to apply different policies to increase its production.

YD-PPI (Non-Domestic Producer Price Index) is the price index that measures the changes in the producer prices of the products produced in a certain period and subject to sale abroad. In February 2022, the YD-PPI increased by 2.35% compared to the previous month, by 5.68% compared to the previous year, and by 106.13% compared to the same month of the previous year, breaking a new record. This increase had a significant impact on the food sector and took its place in the data of TUIK with a rate of 105.51%. PPI is produced separately for the industrial sector in the country and abroad. This is done according to the Short Term Business Statistics Methodology of the European Union. The Overseas Price Index has been developed to provide a more comprehensive Producer Price Index for policymakers and individuals who want to gather information and provide adequate statistics that are fully compatible and comparable with European Union standards. However, since the industrial sector is intertwined with the food sector at some point, they affect each other's price indices. At the same time, the effects of speculative activities in the first quarter of 2019 and the last quarter of 2020 came to the fore in public, and the government took some measures to eliminate them. This and similar speculative activities increased food prices and caused losses for those who stockpiled to make extra profits.

D-PPI, YD-PPI, and Agri-PPI are not the only causes of food inflation. To this can be added 2020: COVID-19 Pandemic. In 2020, the COVID-19 epidemic caused an increase in food prices by 3.3%. There is a direct relationship between them, as the increase in Dollar and Euro currencies increases FD and D-PPI. To prevent these, Turkey needs to pay attention to the policies of the countries it exports and imports to and take action at the local and international levels to prevent the increasing price increase.

Can Countries Be Cursed?: Resource Curse

Büşra Selin Kartal

In many countries rich in natural resources worldwide, it has been seen that democracy does not have a good place, like in Central Asia, the Middle East, Africa, and Latin American countries. Moreover, in some cases, it has been observed that these countries do not have the economic development to be expected from abundant natural resource reserves. The term "Resource Curse," which is put forward by observing the opposite effect of natural resources and economic development in the literature, can be explained as the negative effects of the abundance of natural resources (especially energy resources such as oil and natural gas) on the economic, social and political conditions of the countries, contrary to what is expected. The Rentier States, where external rents largely provide the states' revenues, constitute the majority of the countries that experience this situation. Countries experiencing Resource Curse do not need to develop a secondary sector as an alternative while generating their revenues mostly with rents from natural resources. For this reason, education and R&D studies that will feed other sectors are not given the necessary importance.

As well as many reasons that make up the Resource Curse, such as poor resource management of states, corruption, unequal distribution of resources and foreign intervention, this curse can be devastating for a country. The primary result is not being able to develop sufficiently and economically while having a chance of resource excess. Among the OPEC countries, which have almost 80% of the world's oil reserves, there is not a single country among the top 10 countries with the highest GDP. Also, the GDP growth of these countries has not been observed in a ratio that is expected. When the GDP Annual Growth Rate is examined, none of these countries are among the top 10 countries. The situation is even worse when other resource-rich countries are studied, except oil-rich OPEC countries. For example, the economic indicators of Central Asian countries that have developed close relations with Russia and China are far behind (Even though they have shown improvement in economic growth recently). Of course, these data are not enough to indicate that these countries are completely underdeveloped. Perhaps the equality of income distribution in the country may come to mind. In other words, despite the lack of high GDP data, it can be thought that these countries, whose economies are mostly based

on natural resources and related sectors, offer welfare to their people by distributing incomes equally. Looking at the Gini coefficients, which measure income equality, of OPEC countries, it can be said that some of them perform well according to the latest data (Especially SA and UAE).

While income equality may sound good, it can be used by autocratic regimes to maintain the status quo. While public discontent arising from income inequality can be a driving force for democratization movements, the fact that the majority of the people have high and, respectively, equal incomes brings satisfaction to the regime, even if it is autocratic. In addition, the absence of the need for taxes to be collected from the public for government expenditures—more common in cases of expropriation of resources—makes government representation and responsibility unnecessary, and the regime does not feel compelled to take action to ensure legitimacy. As a result of breaking this economic bond between the people and the rulers, democratic institutions can't be established, and even if they are established, they can't function properly. The most important of these institutions, the lack of development or weakness of civil society, is a major factor in the failure of democracy. In support of this claim, none of the North African, Middle East, and Central Asian countries has full-democratic governments (most of them are classified as authoritarian). This situation is the same in Latin American countries. (While Uruguay and Costa Rica are exceptions, the natural resources of these countries do not have a large share in their GDP.) In addition, most underdeveloped resource-rich countries are not classified as free in terms of political rights and civil liberties.

So is this a dead-end, or are there ways to get rid of it? Of course, not all natural resource-rich countries have suffered from this curse. For example, Canada, the US, and Scandinavian countries like Norway are both democratized and show a high economic development. In addition, there are countries such as Russia and China which are developed in the economy but are highly problematic in terms of democracy. When the resource management of these countries and the policies they apply to avoid the curse are examined, some ways can be suggested for countries that want to democratize and develop their economies. First of all, these countries need to change their economic policies drastically. Many international organizations- World

Bank, UN Development Program, Extractive Industries Transparency Initiative, and Kimberley Process Certification Scheme- have started programs to help countries that want to eliminate this situation by creating better resource management. Another way would be to increase sectoral distribution and ensure economic diversity to not collect all economic activities in a single sector and not be dependent on resources. In this way, the country's economy will be less affected by fluctuations in resource prices. At the same time, diversity in the sector will also create an opportunity for democratization (Such as strengthening unions, organizing different occupational groups, diversifying the demands and needs of the government, etc.). Even though they are rich in energy resources, they also need to diversify the energy sector. Another method is to set up funds for natural resource revenues, with the example of Norway. The country established the Government Pension Fund Global, officially named after a large amount of oil discovered in the Norwegian North Sea. This fund, which aims to protect its economy from fluctuations in oil, also aims to benefit future generations from the income by providing long-term savings. In this way, income is evaluated as an investment tool without being used for luxury and excessive spending.

Another important point to overcome the curse is to control the distribution of income to the population. It is important to prevent the income from spreading to a single group. In some cases, it will be a good choice to engage in the capitalist economy instead of nationalizing the resource. This way also allows individuals to have a say in the administration.

There is very rich literature on countries' economic development and democratization, so these paths can be diversified. It is important for their citizens and the entire international community that resource-rich countries provide economic development and, if possible, in democratic ways. In this way, countries will be able to achieve long-term sustainable economies, not short-term economic developments. At the same time, both the citizens and the next generation will benefit from natural resources, which is a chance.

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