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The European Green Deal: Challenges and Opportunities for Israel

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The European Green Deal (EGD) is the new European Union growth strategy to transform the EU into a modern, resource-efficient, and competitive economy. By 2050, the European Union aims to be free of net greenhouse gas emissions, decouple economic growth from resource use, and "leave no one behind." The significant budget allocated to climate solutions reflects the relevance of the Green Deal in the European agenda. Israel, for its part, should establish broader collaboration in innovating green technologies and use this as a diplomatic channel to promote stability and security in the region. In this context, the EastMed Gas Forum enables multilateral dialogue and engagement where Israel could advance this role.

The European Green Deal (EGD) is the new European Union (EU) growth strategy to transform the Union into a modern, resource-efficient, and competitive economy. By 2050, the EU aims to have no net greenhouse gas emissions, decouple economic growth from resource use, and "leave no one behind." The budget allocated to climate solutions well reflects the relevance of the Green Deal in the European agenda. It in fact accounts for more than a third of a package worth €1.8 trillion, combining the new *EU Multi-annual Financial Framework* and the *NextGenerationEU Pandemic Recovery Fund*, and has been presented by the President of the European Commission Ursula von der Leyen as her flagship project.

Green investments are also intended to support the economies of the Southern Mediterranean partners, such as Egypt, Israel, Jordan, and the Palestinian Authority. In this respect, as stated in the new Agenda for the Mediterranean, the Commission intends to mobilize €7 billion from the EU budget. In partnership with the European Investment Bank (EIB) and the European Bank for Reconstruction and Development (EBRD), this engagement is expected to increase the region's attractiveness among private and public investors and to accelerate the green transition.

Israel is home to over 500 cleantech companies, with expertise in sustainable agriculture technologies, clean energy concepts, and electric vehicles, and could use the EGD as an opportunity to leverage its research and innovation capacity. Israeli innovation is well known to major European companies, and it is no coincidence that over the last ten years the number of their Research and Innovation (R&I) offices based in Israel has mushroomed. Israel, labeled a "start-up nation," has enjoyed increased attention from various European stakeholders, and the number of R&I collaborations is growing accordingly.

The renewed EU interest in accompanying its Southern Neighborhood partners in their efforts to face socio-economic, climate, environmental, and security challenges represents an opportunity for Israel to contribute to regional cooperation. Israel can in fact play an important role toward the development of a triangular nexus of natural gas, electricity, and water, which involves Egypt and Jordan, as well as the West Bank and Gaza. The solar energy potential in Jordan is enormous, as the country lies within the solar belt of the world, with average solar radiation between 4 and 8 KWh/m2, which implies a potential of 1400-2300 GWh per year. Jordan could therefore attract further EU investments to strengthen this sector and become the regional solar-based electricity exporter to Israel and the Palestinian territories. In the long term, Jordan's solar energy exports can support Israel's green transition. On the other hand, Jordan suffers from a lack of water and natural gas, and could therefore benefit from increased imports of Israeli gas and desalinated water. Egypt, for its part, could supply its electricity to the Gaza Strip, while Israel will be the regional supplier of water to the West Bank. Clearly enough, the various players have relative advantages and needs. Regional cooperation that supports the development of sustainable economies could help stabilize the region.

Indeed, the European transition to new and cleaner forms of energy is expected to be accompanied by geopolitical repercussions. Countries whose economies depend mainly on oil and gas exports could be severely affected by the shift to new and cleaner forms of energy, especially if they fail to diversify their economies fast enough to cope with the new energy trend. Reducing global CO2 emissions to zero on a net basis – which is the climate neutrality goal the European Green Deal aims to achieve by 2050 – will imply a significant change in how the different energy sources contribute to the EU energy balance. According to the EU's projections and its 2030 and 2050 climate objectives, gas demand should increase until 2030 but will subsequently decrease – expected to contribute just a tenth of EU energy in 2050. The development of the triangular natural gas-electricity-water nexus would mitigate the expected repercussions in the region, allowing Israel to play an important role.

However, Israel as a gas producer is caught between the desire to benefit as long as possible from gas revenues and the ticking clock of the climate agenda. Thus, the triangular nexus, while representing a promising scenario, does not fully address Israel's concerns about increasing its gas exports, and Europe's green transition compels Israel to rethink its gas strategy. Israel's reserves exceed 1000 billion cubic meters (bcm), distributed over three main fields: Tamar, Leviathan, and a third composed of smaller fields (Karish, Tanin, Noa, Dalit, Dolphin, and Shimshon). While the major part of the extracted gas is used to satisfy its own electricity needs, Israel still possesses a surplus of 40 percent and sees Europe as its biggest potential market for gas exports.

In the framework of the East Med Gas project, in fact, Israel has teamed up with Cyprus and Greece to promote the construction of an undersea pipeline to carry gas from new offshore deposits in the southeastern Mediterranean to continental Europe. The recent agreement between Israeli and Egyptian energy ministers to build an offshore pipeline between the Israeli Leviathan gas field and the Egyptian liquefaction plants is a strategy to align gas exports with a potentially rising European demand, at least during the first decade of the green transition. With a view to strengthening energy cooperation at regional level, the East Mediterranean Gas Forum (EMGF), where Egypt and Israel sit alongside Jordan, the PA, Cyprus, Greece, Italy, and France, has certainly been helpful. The plan to build the new Egyptian-Israeli energy infrastructure is, indeed, not only a way to increase gas exports to Europe but also a major achievement between the two countries since they signed a peace treaty in 1979.

Increasing its gas exports remains a priority for Israel and aligning energy policy to meet climate objectives, as stated in the Paris Agreement, could be difficult and costly. In fact, green transition will require economic and social transformation, with possible repercussions for Israeli gas exploration and drilling activities. In addition, Israel is currently struggling to coordinate the efforts of its different municipalities, to coordinate their climate goals and follow the directives of the different ministries that are not always aligned when it comes to energy and climate/environmental policies. So far, Israeli's mandatory updated targets for cutting greenhouse gas emissions (also known as nationally determined contributions – NDCs), expected by December 31 2020, have not yet been relayed to the United Nations. The upcoming United Nations Climate Change Conference (COP26) summit in Glasgow in November 2021 is expected to be an important checkpoint to align ambitions on new emission targets.

EU support should be met by Israeli long-term strategy adjustment according to the Paris Agreement, placing its NDC into the context of the country's long-term planning and development priorities. A closer collaboration with Europe can help Israel improve its climate governance and strengthen its green finance and renewable sector. All relevant stakeholders should be involved in this respect. Israeli universities, research institutes, start-ups, and SMEs should continue to improve their understanding of the EU regulatory framework; ministries should continue to engage with EU institutions and representatives to advance energy and climate policies; and local authorities and the central government should explore new avenues to work better and more efficiently.

Finally, Israel should establish broader collaboration in innovating green technologies and use this as a diplomatic channel to promote stability and security in the region. In this context, the EastMed Gas Forum is a platform for multilateral dialogue and engagement where Israel could play this role. Egypt's improved collaboration is already part of this effort. Jordan, the PA, and Israel should strengthen their collaboration, developing innovative solutions that benefit all the actors, as could an electricity-water-energy triangular nexus. While the two-state solution remains the strategic choice of the EU, its role in the regional progress on key issues such as economic resilience and sound energy and climate policies, in which the Palestinians take an active role, might enhance the prospects of attaining this objective.

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