

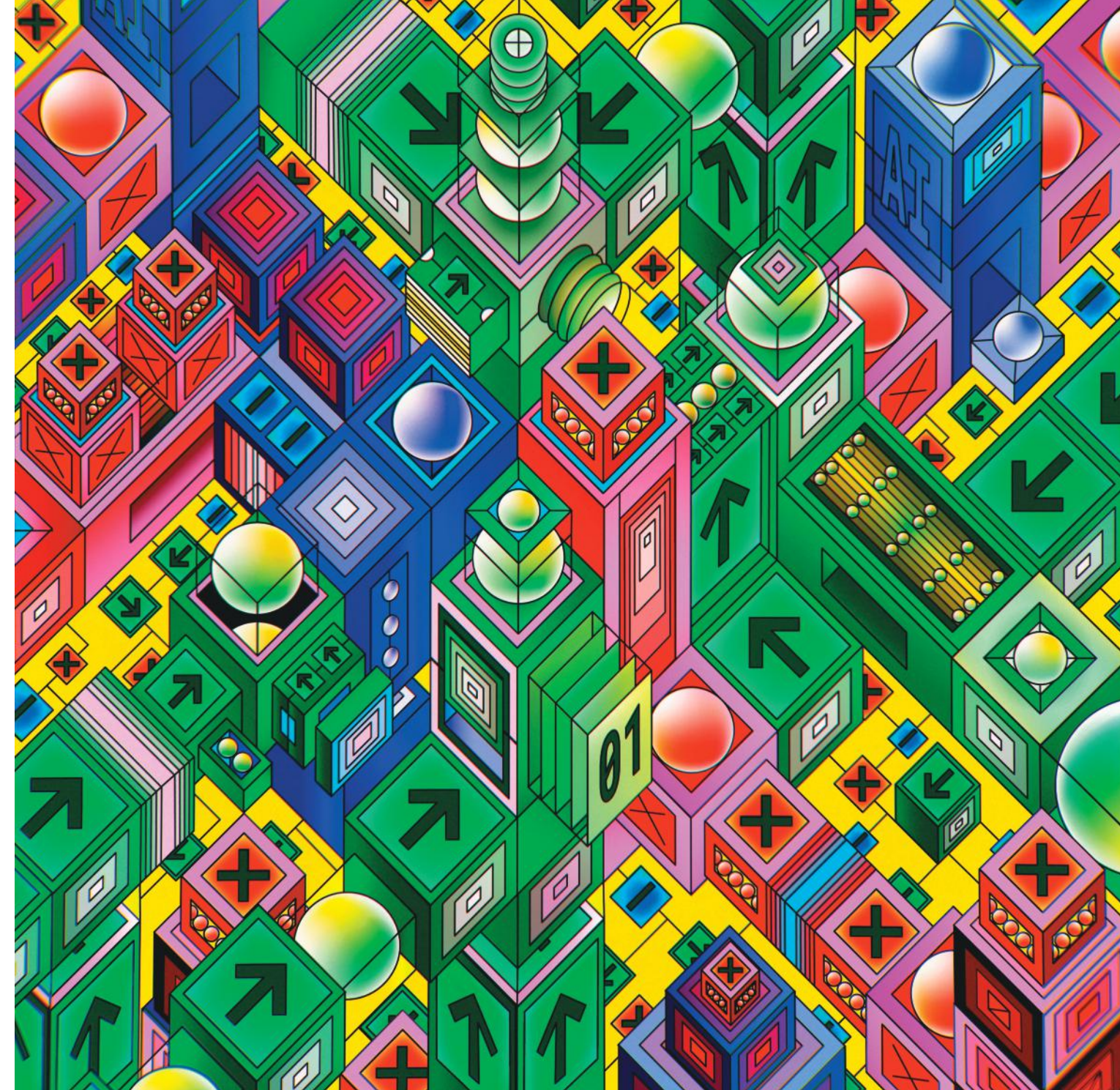


NEW EQUILIBRIA



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THE SHIFTING GEOPOLITICAL LANDSCAPE

by Rita Lofano

2024 WAS A YEAR FILLED WITH POLITICAL CHANGES, THE LAST OF WHICH, IN THE UNITED STATES, OPENED A NEW ADVENTURE. HOW WILL THESE POLITICAL CHANGES AFFECT THE ENERGY SCENE? DESTINY IS A ROLL OF THE DICE, THE HAND OF A LEADER



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IN BUSINESS, the future is never an abstraction: it's a concrete horizon of goals and rapid transformations calling for immediate decisions. The future is built today as we anticipate trends, redefine business models and plan strategic investments. What will be the energy of the next 30 years? Who will have more resources? Which will outweigh which, the raw materials of the old economy or the power of computing and software? The structure or the superstructure? Which will outweigh which, the ships that carry goods or the cables that carry data? Demography or technology? How will national leaders behave? Which will outweigh which, winning at the polls or the success in governing?

With elections in more than 60 countries, 2024 resolved demo-

cratic challenges in the European Union and the United States. However, France and Germany remain two great unknowns. The beating heart of the European Union, the axis that has held up the destiny of the Old Continent, the Franco-German engine, has jammed. Germany will vote in February, while in France it will be impossible to vote before July, maybe, and while the Macron epic slides into its twilight, the game grows ever more intricate.

One fact above all sheds light on the mutability of our scenarios: the only Economy minister still in office following the Stresa summit (held just this last May) is Giancarlo Giorgetti, from Italy, a country that has long considered unstable that has now become Europe's the most reliable. How will this reversal

affect the European equilibria in political terms? We will soon find out, and the outcome will shine especially bright in the energy sector.

The same holds for the United States, where a new administration, with an old acquaintance—Donald Trump—at the helm, is beginning a new adventure in a scene completely transformed since 2016. All sorts of plans are being made and all kinds of scenarios outlined, but we inevitably underestimate the unpredictability of history, which proceeds not in a straight line but in leaps and bounds. In the words of one of the great thinkers of modern Western philosophy, Arthur Schopenhauer, “the most suitable simile [of life] would be that of a game of chess, where the plan we determined to follow is condi-

tioned by the play of our rival,—in life, by the caprice of fate.” Nowhere is this truer than when it comes to technology, invention and discovery. Eni, for one, has many investments across a range of sectors, including research in the frontier of star energy, otherwise known as magnetic confinement fusion. One can make many assumptions, calculate probabilities, but in the end, destiny is a roll of the dice, a stroke of individual genius, the steady hand of a leader. We are entering an era where elves stand on the shoulders of giants and can change a script many thought had already been written.

we

THE FUTURE OF ENERGY

TRENDS THAT WILL SHAPE THE GLOBAL LANDSCAPE IN THE COMING YEARS, AS TOLD BY DANIEL YERGIN, ONE OF THE WORLD'S MOST ESTEEMED ANALYSTS IN THE SECTOR AND AUTHOR OF THE PULITZER PRIZE-WINNING BOOK "THE PRIZE: EPIC QUEST FOR OIL, MONEY, AND POWER"

by Moisés Naim

DANIEL YERGIN, the Vice Chairman of S&P Global, is one of the world's most respected analysts of the politics and economics of the energy industry. He is the Chair of the famous CER-AWeek conference, which convenes every year in Houston business leaders, policy makers, analysts, and media influencers. Yergin is a prolific writer and his newest book – *The New Map: Energy, Climate, and the Clash of Nations*, has been described as “a master class on how the world works”. He is also the author of the Pulitzer winning book *The Prize: Epic Quest for Oil, Money and Power* now just out in a new edition and a new epilogue on the enduring lessons of *The Prize* – and for the first time as an audiobook.

What do you expect to be the main differences in energy policy between the second Trump administration and Biden's energy policy?

The differences are substantial. Oil and natural gas production grew under the Biden Administration, as did LNG exports, especially to Europe. The invasion of Ukraine meant renewed attention to energy security. But the central focus of the Biden administration was on climate and that was an “all of government” mandate, whether on energy or transportation. The Trump administration will be focused on strengthening conventional energy production and advancing nuclear, as well as reducing regulations, which have grown a lot in the last four years. The incoming Trump administration has put a lot of attention on that. And it will focus on energy as an important part of America's position in the world.

What are the main trends shaping the global energy landscape in the next decade?

I would say, among others, the rapid pace of growth in demand in the global south, growing role for LNG, increased role for renewables in the energy mix, renewed interest in nuclear power, and the struggle to find the balance between energy needs and climate policies. And we will see the impact of AI. Two big questions are what happens to energy demand and energy mix in China and India. China will play a dominant role in electric vehicles in much of the world.

Today, about 2 percent of the world's total primary energy supply is accounted for by wind, solar and geothermal — what do you estimate this number to be in 2035?

Expect them to be more substantial. The cost reduction in solar has been very dramatic, driven down by the scale of Chinese manufacturing, and wind technologies have advanced a great deal.



What role do you believe nuclear energy will play in the future energy mix?

It's very striking to see the turn-around on attitudes on nuclear power and the growing conviction that it has an important role to play—whether conventional power plants, small modular reactors, or at some point, fusion. This shift is reflected in the fact that 28 countries have called for nuclear to triple by 2050.

Google, Microsoft, and Facebook are all exploring nuclear avenues: do you have a view on the never-ending Large Reactor vs. Small Reactor wars?

Conventional reactors are a long-established technology and industry. There's a lot of focus on the potential for small nuclear reactors, whether with similar design to today's light water reactors or different approaches, but the impact of SMRs will only become apparent in the next decade.

We used to imagine that any middle east war would send the oil market into chaos. A year on from the start of this latest war, conflict is spreading but energy market chaos hasn't. Why?

Never say never. Things could change overnight. But it is still notable that the markets have not reacted so far in terms of spiking prices as would have been expected in the past. I see three reasons. One is the shale revolution that I write about in my book *The New Map*. The United States is now, by far, the largest producer of oil in the world, and that is a stabilizer. The second is the existence of substantial spare capacity, at least at this time, on the Arab side of the Arabian Gulf. And third, is the weakness in the Chinese economy and the uncertainty about the future course of oil demand in China—which in previous decades was responsible for half the annual growth in oil demand. For, at least now, we are in over-supplied markets. But keep in mind that the supply-demand balance is not static. It can change for many reasons.

In which ways could this conflict still reshape global energy markets in the coming years?

The Middle East was headed toward an historic geopolitical rebalancing on October 6, 2023. Hamas' attack on October 7 was aimed, among other things, at preventing that rebalancing. Whatever happens, the Middle East will still be crucial for world energy for many decades to come. And now Saudi Arabia and the UAE have a new competitive advantage—low-cost electricity.

The broad and fast adoption of Artificial intelligence has created a massive and unprecedented surge in energy demand. One AI query consumes up to ten times the energy of a standard Google search. Will the world produce enough energy to respond adequately to this booming demand?

At our CERAWEEK conference in Houston in March 2024,



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WE SHOULD DEFINITELY EXPECT TO SEE A RISE IN RENEWABLES IN THE GLOBAL ENERGY MIX. THANKS TO THE SCALE OF CHINESE PRODUCTION, SOLAR ENERGY COSTS HAVE FALLEN DRAMATICALLY. WIND TECHNOLOGIES HAVE ALSO MADE GREAT STRIDES.

AI seemed to come from almost nowhere to dominate the agenda. S&P Global estimates that data centers could be responsible for 7 to 10 percent of total U.S. electricity demand by 2030. That's just five years away. That reality is one of the factors that has led to this revitalized focus on nuclear energy—led by the big tech companies. How this new energy demand will be met is a big question. At this point, it will be some mixture of natural gas, wind and solar, batteries, nuclear—and a new drive for technological solutions to reduce the call on electricity.

Many countries and companies, from Japan to big technology companies, pledged to reach net-zero emissions by 2050. Do you think they are regretting making the pledge?

I can't speak as to how they feel! But please note that half a dozen countries that represent 45 percent of emissions do not have net 2050 goals, but rather 2060 and 2070 goals. We have just written a new article in *Foreign Affairs* on the theme as to why the whole idea of "energy transition" needs to be rethought. It's not proving to be linear, as some scenarios propound, but multidimensional, with different countries at different rates, with different mixes of technology, and with different priorities. I think that there is a general realization that transforming what is currently a \$115 trillion world economy in a quarter century



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is extremely ambitious. Extremely so—and estimates of costs are all over the place. The direction may well be clear, but not the timing.

How do you envision the future of major oil and gas companies? A generation from now, what will the major energy companies be known for? I think that a generation from now they will certainly still be in the business of providing oil and gas because the world will still be using substantial amounts of oil and gas. But these companies are at heart tech companies, engineering companies, and I think that they will have broader roles in delivering energy that the world will need a generation from now. I'm always struck by the

fact that so many people don't recognize that these are technology companies. They have scale and they have talent. But the road to the future is never straight.

How do you see the balance between energy security and environmental concerns playing out? Is pressure for decarbonization making Germany, South Korea, Japan and Taiwan weaker in the face of Russia and China? Energy security fell off the table during COVID-19. Prices collapsed and so did demand. But it's back on the table. Energy security is an enduring concern. Clearly governments have had to adjust their climate objectives in the face of energy security risks, and they will have to find a new balance. Japan has been



THE RECOVERY IN ELECTRIC VEHICLES HAS BEEN VERY UNEVEN – AT LEAST SO FAR, ACCORDING TO S&P'S NEW PULSE OF CHANGE, WHICH TRACKS THEIR UPTAKE. CHINA IS WAY AHEAD, WITH MORE THAN 50 PERCENT OF NEW CAR SALES BEING ELECTRIC VEHICLES. EUROPE SETTLES AT ABOUT 20 PERCENT AND THE UNITED STATES AT 10 PERCENT.

How do you see impact of the prohibitive tariffs on Chinese EVs in Europe and North America?

Both the US and Europe are worried about a flood of inexpensive Chinese EVs capturing market share and damaging the domestic industries. That's a particular problem for a country like Germany where the auto industry is so important. But Europe also has to worry about retaliation by China, which would affect the ability of European manufacturers to sell cars in China.

What do you consider to be the most significant misconceptions about the energy industry that persist in public discourse.

There are, no doubt, many. But let me mention three. First, not realizing how foundational energy is to overall economies and not just in transportation. Secondly, not understanding the mix of energies—that hydrocarbons are still over 80 percent of total world energy. And third, underestimating the complexities and timeline of the energy transition, as well as the difference in priorities between developed and developing countries.

We

MOISÉS NAÍM

He is a Distinguished Fellow at the Carnegie Endowment for International Peace in Washington, D.C. and a founding member of WE's editorial board. His most recent book is *The Revenge of Power: How Autocrats are Reinventing Politics for the 21st Century*.

the clearest nation in enunciating that need, but it's an essential concern for Europe if it is to avoid deindustrializing.

How might the rapid growth of electric vehicles impact the oil industry and global energy dynamics?

So far at least the pick-up in EVs has been very uneven. According to S&P's newest Pulse of Change, which tracks deployment of EVs. China is way ahead with over 50 percent of new car sales being EVs. Europe is at about 20 percent, and the U.S. at 10 percent. So, the biggest impact so far has been on the growth of Chinese oil demand, which is such a key factor in the global market.



by Lapo Pistelli

GLOBAL CRISES, UNCERTAIN MARKETS, AND GEOPOLITICAL CHALLENGES ARE RESHAPING RULES AND STRATEGIES. IN AN INCREASINGLY 'TUNA' WORLD—TURBULENT, UNCERTAIN, NOVEL, AND AMBIGUOUS—GEOPOLITICS IS BECOMING CENTRAL, EVEN FOR COMPANIES AND MULTINATIONALS

THE NEUTRALITY of an observer in a scientific laboratory experiment does not apply to the affairs of politics and international politics. The fundamental issues at play—war and peace, order and chaos, democracy and autocracy, human rights—demand that anyone writing on the subject respect the facts without concealing the underlying stakes. As this year comes to a close, we face the consolidation of certain trends, along with new unknowns that must be considered in the equation of global chaos.

CONSOLIDATED TRENDS...

Beijing remains steadfast in its quest to establish itself as the next global hegemon. The liberal order does not need to be destroyed; it simply requires the patience to replace it. Supported by favorable demographics, an ordered and hierarchical social model, and a politically stable system, China has consistently achieved its strategic development milestones ahead of schedule over the past thirty years, thanks to its meticulous planning. Moscow no longer has the strength to present itself as an alternative model, but it continues to sabotage the liberal order wherever it sees advantage and cracks to exploit. Putin promotes a nostalgic narrative about the old empire, but aside from its nuclear arsenal, Russia lacks the demographic support or industrial system to compete with today's standards. Meanwhile, in Africa and the Gulf, the ranks of "free riders"—those benefiting from open relations with China for trade, Russia for energy, and the United States for defense and security—are steadily growing. When the U.S. is distracted by other matters, Russia, Turkey, and other regional powers are quick to step in. The Global South remains an incoherent mix of demands for more space and recognition, but in 2024, the BRICS opened its doors to Egypt, Ethiopia, Iran, Saudi Arabia, the UAE, and others.

The West—not strictly in a geographical sense—comprising Europe, the United States, and the G7 (including Canada and Japan) is effectively under siege. Is it democracies against autocracies? Multilateralism versus sovereignty and à la carte alliances? In our analyses, we have exhausted every term—per-



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macrisis, policrisis, G0, effective multilateralism—but we have been too generous with our own responsibilities: double standards on human rights in Ukraine and the Middle East, the unavailability of Covid vaccines for Africa and Asia (sent instead by Russia and China), and climate imperialism toward those who have not yet had access to energy and development as we have. As a result, the multilateral institutions of our order have become ineffective, if not hostile.

...AND NEW DEVELOPMENTS

There are, however, new developments. 2024 saw the return of Donald Trump to the White House, following an election year

marked by such bitter divisions and a society so fractured that it is now harder than ever to lecture others on the unassailable value of democracy and its checks and balances. In Europe—our second “homeland”—the new European Commission begins with the narrowest political margin in its history. It faces a Green Deal under siege, caught between ambitious climate plans and discontent from industrial sectors and certain member states. The Union, which had naively, if not arrogantly, embraced the idea of a post-industrial strategy in a globalized, cooperative world, is waking up to a fiercely competitive reality that offers no concessions to “old Europe.” After five external crises over the past 20 years (Lehman Brothers, migra-

tion, Brexit, Covid, Ukraine), managed with increasing effectiveness and speed, the Union now faces a dual internal crisis: the visible fatigue of the Franco-German engine and the erosion of decision-making capacity, as member states, no longer wanting to leave like the UK, oppose any further integration. Reports from Letta and Draghi risk becoming little more than sermons in the wilderness. What is surprising—and concerning—is that in public discourse, faced with this “me first” mentality elevated to a way of life (where no one is willing to be “second”), rules are seen as bureaucratic nuisances by default, and collaboration is dismissed as the tedious practice of political correctness. Mean-

while, the growing fires around us are met with an almost sleepwalking complacency. The writer’s perspective is clear: there are dangerous parallels to other periods in 20th-century history. The poisonous fruits of that era—totalitarian ideologies and unchecked sovereignties—ultimately led to the creation of post-war rules as an antidote to prevent such excesses from recurring. Yet history seems poised to repeat itself. We can only hope this is wrong. Whether Taiwan becomes this decade’s Sarajevo or other sparks ignite potential global crises is less important. What matters is that the temperature of the planet—both physical and political—continues to rise.

GEOPOLITICS IN THE BOARDROOM

Disorder has become background noise. The energy markets are a striking example. In another era, even half of the events we’ve witnessed in 2024 would have sent commodity prices into wild swings, driven by both market fears and the political manipulation of resource holders. That has not happened. Producer countries and multinationals—already navigating sanctions, logistical bottlenecks, and infrastructure sabotage—have shown an incredible sense of responsibility in their efforts to stabilize supply and prices. After all, long-term investments require planning in a stable environment. However, the world we have described—one that competes through tariffs and duties, weaponizes energy via sanctions, and shortens global supply chains—fails to generate sufficient growth and discourages demand. This is a significant indirect consequence of the unstable world awaiting us in 2025. This publication has frequently explored the new “elephants in the room” of energy: critical minerals for the transition and the role of artificial intelligence, to name just two. These “animals” do not disappear in a disordered world; they add two more variables to the trilemma equation. The new world, described as TUNA (we are talking about animals, after all): “turbulent, uncertain, novel, ambiguous,” increasingly forces CEOs to assume the role of Chief Geopolitical Executive Officer. The old year and the new year deliver this key message together: geopolitics now has a permanent seat at the boardroom table.

we

LAPO PISTELLI
Since July 1, 2020 he is Director of Public Affairs at Eni. Deputy Minister of Foreign Affairs and International Cooperation from 2013 to 2015, he resigned from his position in the government and in Parliament, joining Eni in July 2015.

AI & VOTING

INCREASINGLY CONNECTED

by Alessandro Aresu

MUCH HAS BEEN SAID ABOUT THE IMPACT OF AI IN TERMS OF MISINFORMATION AND MANIPULATION. IN REALITY, BEHIND IT, THERE IS ABOVE ALL TECHNOLOGICAL, ENERGY AND INFRASTRUCTURE COMPETITION, WHICH IS ALSO REFLECTED ON THE POLITICAL LEVEL

2024 MARKED the biggest election year in human history, coinciding with an explosive global debate on artificial intelligence. But what links these two phenomena? Early 2024 saw intense focus on AI's role in election misinformation and manipulation. While significant, this perspective risks overlooking AI's broader impact—as a contest of technology, energy, and infrastructure, with political implications tied to U.S.-China rivalry and other global power dynamics. From this angle, 2024 offers a revealing scenario centered on the implementation and operation of data centers—the “nervous system” of AI. Insights can be drawn from three major democracies that held elections that year: the United States, India, and Mexico.

THE WEIGHT OF THE TECHNOLOGY COMPETITION

Trump's return to the White House is set to provide a major boost to the U.S. energy sector, with direct implications for artificial intelligence. Throughout his campaign, Trump framed the tech rivalry with China as a contest rooted in energy and infrastructure. His vision includes an “all-of-the-above” energy mix that keeps fossil fuels in play and streamlines permitting processes. Central to this strategy is the creation of a new National Energy Council, led by Doug Burgum, tasked with expanding energy production to lower electricity costs, ensure grid reliability, and, crucially, “win the battle for superiority over artificial intelligence.”

This intensified focus on energy and infrastructure, driven by competition with China, is already shaping decisions by major tech firms. Companies like Amazon and Microsoft have backed a resurgence of traditional nuclear power in the U.S., alongside growing investment in next-generation nuclear technology. Elon Musk is also poised to play a key role in this strategy. The SpaceX and Tesla founder is racing to position his xAI as the world's most advanced AI firm. His investment in Memphis, Tennessee, has demonstrated his ability to launch new data centers at record speed. With plans to leverage his manufacturing prowess and political influence, Musk aims to develop AI models more powerful than those of his competitors. His



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sway in the Trump administration is already evident in the appointment of David Sacks—a tech investor and former PayPal executive—as “AI and Crypto Czar.”

Despite weaker-than-expected electoral support for Prime Minister Narendra Modi, 2024 marked a continuation of India’s drive to strengthen its political and technological standing. Modi has championed a vision of “Indian chips in every global product,” backing investments from firms like Micron and Foxconn.

NVIDIA CEO Jensen Huang, a frequent visitor to India, has highlighted the country’s vast potential, citing its large pool of skilled software engineers, ongoing economic digitization, and strong government resolve. But he has also flagged key challenges, particularly in infrastructure and the development of local language AI models.

India’s main hurdle lies in upskilling and retraining its workforce to meet the demands of the digital economy. The 2024 election underscores India’s potential to play a pivotal role in Southeast Asia’s shift away from reliance on China, while also revealing the persistent challenges of infrastructure development and human capital readiness.

NVIDIA’s influence extends to Mexico, which in 2024 elected energy engineer Claudia Sheinbaum as president. Shortly after she took office, NVIDIA announced a major supply chain shift: a mega server assembly plant in Guadalajara, operated by Taiwanese tech giant Foxconn. Set to be the world’s largest server assembly facility, the plant underscores Mexico’s rising role in new manufacturing routes.

Foxconn’s decision reflects Mexico’s strategic advantages, including an available workforce, an established electronics ecosystem, and policy moves aimed at diversifying away from China. It also aligns with the broader trend of surging infrastructure investment in Mexico, further cementing its position as a key player in the evolving global supply chain.

Mexico finds itself in a delicate position. The Trump administration is targeting foreign investment projects in Mexico, aiming to disrupt its growing industrial ties with China and push companies to invest directly in the U.S. Protectionist measures, like tariffs on Mexican exports, could further erode Mexico’s appeal as a destination for tech investment.

Amid these uncertainties, the 2024 elections in the U.S., India, and Mexico reveal a broader trend: the race for artificial intelligence is increasingly tied to energy and infrastructure—not just today, but for the future as well.

We

ALESSANDRO ARESU

Author and editor of several books on global scenarios and technology, including *I cancelli del cielo* (The Gates to Heaven; with Raffaele Mauro, 2022), *Il dominio del XXI secolo* (The Dominion of the 21st Century; 2022), *Le potenze del capitalismo politico* (The Powers of Political Capitalism; 2020). He is a scientific advisor to the magazine *Limes*. His next book, on artificial intelligence, has been published in 2024 by Feltrinelli.



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COUNTRY DATA

In 2024, 76 countries, representing nearly half the world's population and around 60 percent of global GDP, will have major elections. Here, we present an overview of key macroeconomic and energy indicators for some of the most relevant countries in the global geopolitical and energy scene, including data on GDP, population, CO₂ emissions and, on the following pages, production and consumption of oil, gas and renewables.

Source: Eni World Energy Review 2024



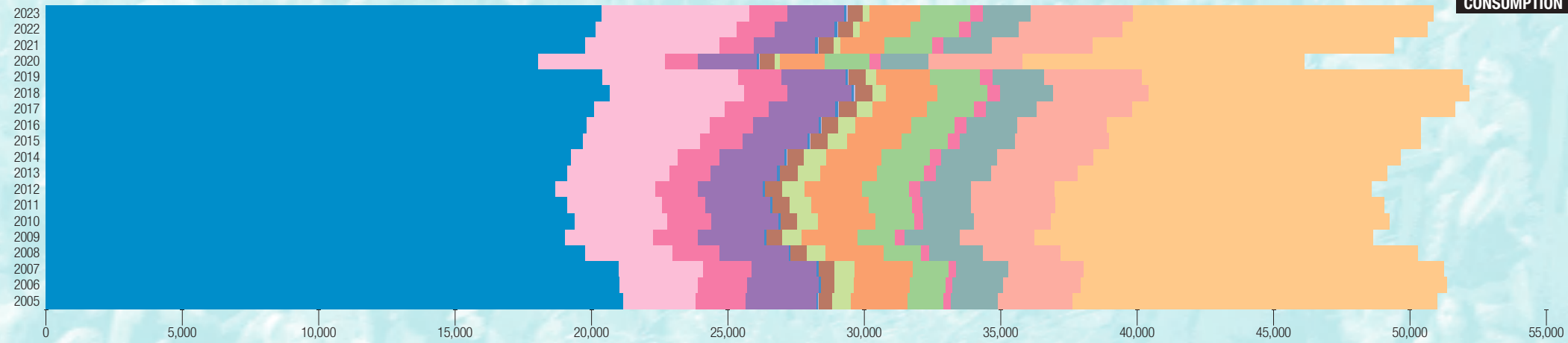
PRODUCTION



OIL
(thousand barrels/day)



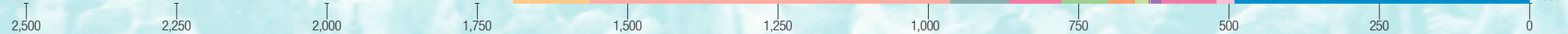
CONSUMPTION



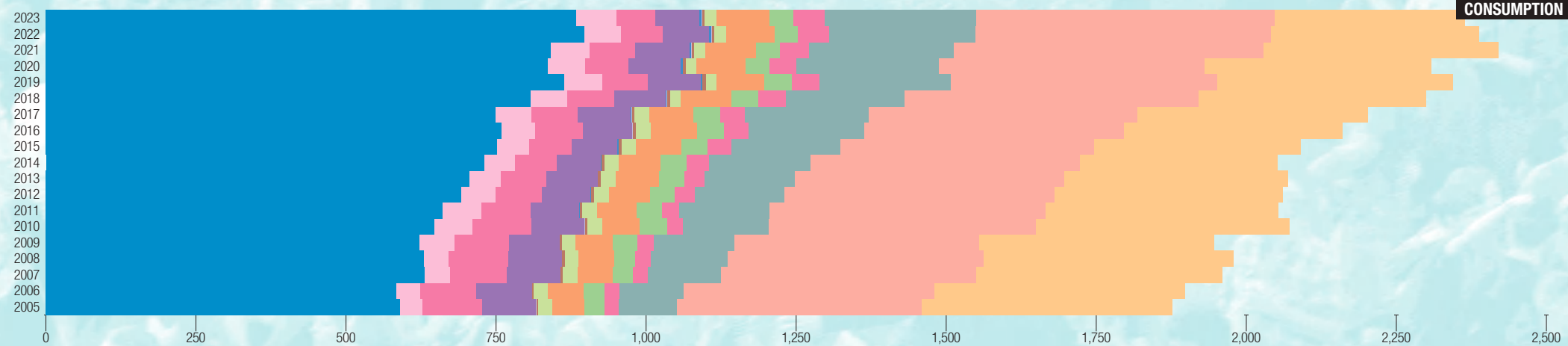
PRODUCTION



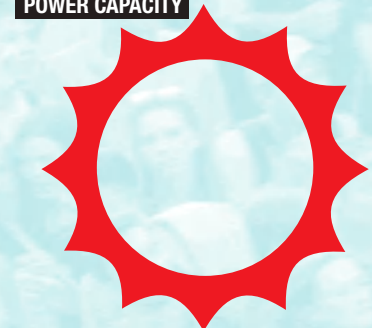
NATURAL GAS
(billion cubic metres)



CONSUMPTION



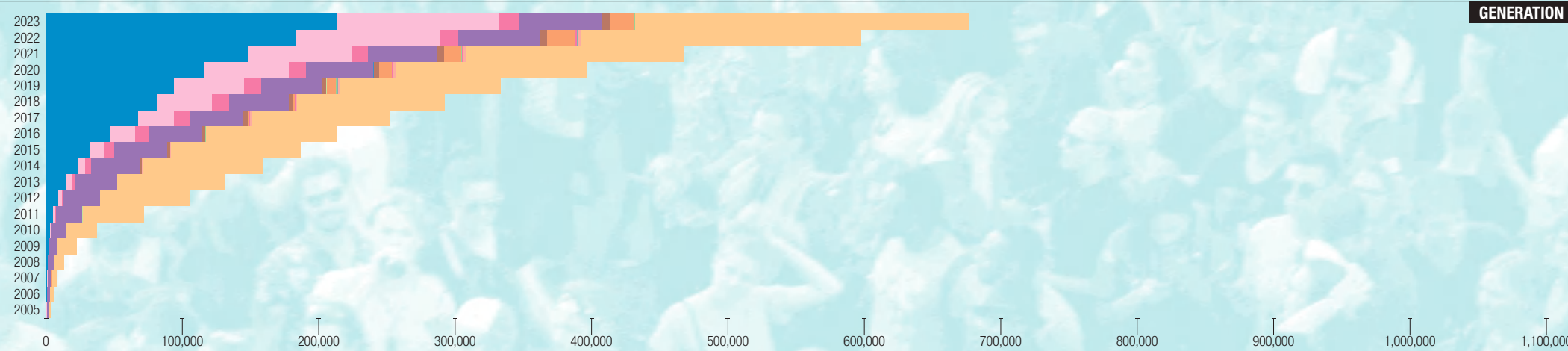
POWER CAPACITY



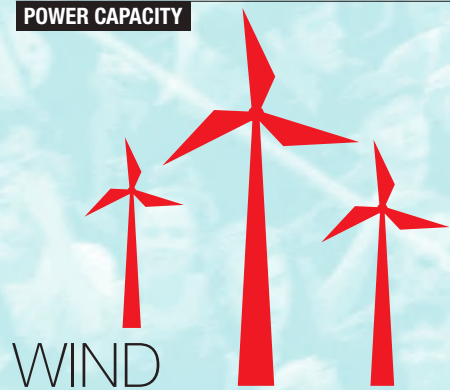
SOLAR
(MW)



GENERATION



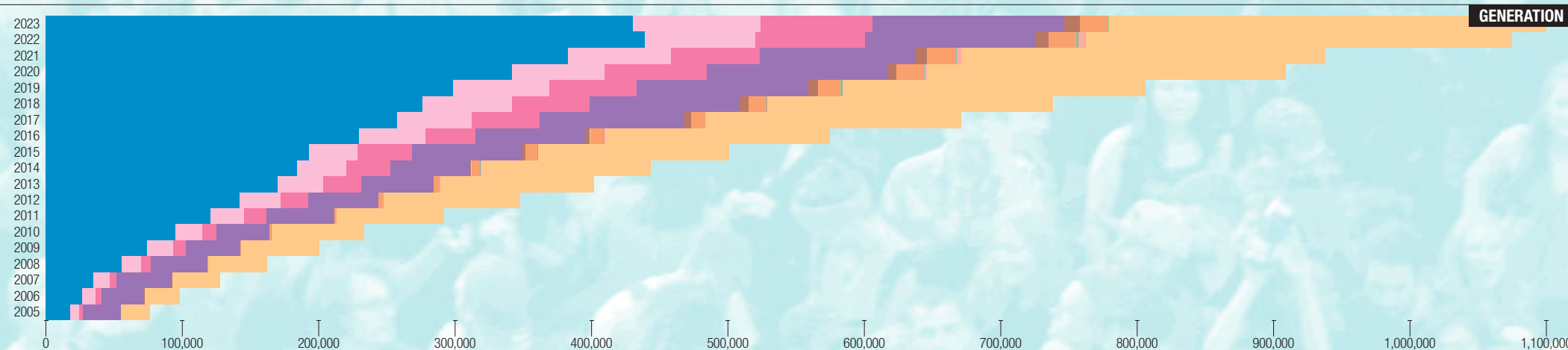
POWER CAPACITY



WIND
(MW)



GENERATION



EU27 RUSSIA IRAN ALGERIA INDONESIA MEXICO VENEZUELA SOUTH AFRICA MOZAMBIQUE GHANA GERMANY UNITED KINGDOM INDIA UNITED STATES



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TRUMP'S SECOND TERM PROMISES PLENTY OF FIREWORKS, DRIVEN BY A VISION OF AMERICA AS A BUSINESS. WITH 'ANIMAL SPIRITS' RUNNING THROUGH THE GOVERNMENT, HIS ADMINISTRATION PROMISES TO EMBODY AN ENTREPRENEURIAL CHARACTER. THE FINAL OUTCOME, HOWEVER, REMAINS TO BE SEEN

WITH HIS VICTORY in the U.S. election, Donald Trump returns to center stage with a “Colbert-Keynes” economic playbook—a potent mix of protectionism, geopolitical brinkmanship, and domestic stimulus. His administration’s push for more industry, abundant energy, and a strong dollar promises to upend the (previously cautious) American policy framework, clearing major obstacles in its path.

MAXIMIZING AMERICA

The new president’s style is no mystery: a disdain for political equilibrium and a penchant for frequent turnover in key roles. In his last term, 90 percent of government positions changed at

least once—often in chaotic fashion. His new administration resembles a corporate boardroom more than a political cabinet. Elon Musk leads the Department of Government Efficiency (DOGE—yes, like the meme and cryptocurrency). Scott Bessent, the legendary hedge fund manager known for his role in the 1992 attack on Sterling, will serve as Treasury Secretary. Vivek Ramaswamy, a vocal critic of ‘woke capitalism,’ rounds out a team that doubles as the highest-earning governing body in history. Trump’s economic strategy is simple: maximize America. It centers on boosting domestic manufacturing, ramping up energy production, maintaining a strong dollar to curb imported infla-

tion, and enforcing a trade policy that leaves both rivals and allies on edge. Energy is central to his strategy. During Trump’s first term, oil production rose by 39 percent (from 9 to over 12 million barrels per day in just four years, an unmatched growth record in the industry), while gas production grew by a more modest 27 percent—also unprecedented. A Texas wildcatter plan that embraced the tight oil and shale gas boom inherited from the Obama administration, but with surprisingly positive spillover effects on emissions. Despite expectations that withdrawal from the Paris Agreement would spell the end for climate progress, U.S. emissions decreased from



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MAGA's big driver of growth is domestic industrial development, reshoring, and trade deficit reduction. Therefore, much of Donald II's government's attention will be focused on reshaping the country's trade flows, imposing or threatening to impose tariffs even on allies and potential competitors. In the photo, an aerial view of containers in the port of Long Beach, California.

4.84 (2016) to 4.74 billion (excluding the Covid 19 year). However, emissions intensity per unit of GDP decreased from 0.28 tons per 1,000 dollars to 0.26 (-7.1 percent). Not bad for a president often seen as green-averse (excluding, of course, greens of the golfing variety). With LNG production already increasing tenfold under his leadership, Trump aims to solidify U.S. energy dominance, free from the restrictions recently imposed by President Biden. Alongside the U.S. boom, there will be cautious dialogue with Gulf states (and a few threatening tweets before OPEC summits), along with increased pressure on Iranian oil production. In recent years, this has included expanding the trade embargo imposed on Tehran during Trump's first term. MAGA's other major growth driver is domestic industrial development, reshoring, and reducing the trade deficit—a true obsession. Much of Donald II's government will focus on reshaping the

country's trade flows, imposing or threatening tariffs even on allies and potential competitors, while reaffirming the dollar's central role in global trade. During his first term, a trade war with China became the hallmark of foreign policy—a real-world application of Thucydides' Trap in commerce, in stark contrast to European policy. With tariffs on hundreds of billions of dollars in goods, Trump aimed to reduce the trade deficit with Beijing. The plan succeeded to some extent, with the trade deficit, which had reached USD 419 billion in 2018 (2 percent of GDP), falling to 1.6 percent in 2019. Today, the gap is even smaller, with a USD 279 billion deficit, nearing 1 percent—a level not seen since the early 2000s. In fact, there is little real criticism of this issue. However, the new president's early announcements signal a fresh set of measures with greater geopolitical significance, along

with continued pressure on reshoring—from 10 percent tariffs on all goods to the potential removal of China's Most Favored Nation status.

COLBERTIAN POLICY AND KEYNESIAN LEVERAGE

Even allies aren't spared from Colbert's policies. In his last term, Trump imposed tariffs on steel and aluminum from Europe, prompting a retaliation that underscored the pressure the Old Continent could apply: a counter-tax on jeans and peanut butter. Nonetheless, the measure was effective in keeping the trade deficit with Europe steady at around 0.8 percent of GDP. Finally, the most powerful lever: a Keynesian fiscal policy aimed at stimulating domestic growth. In the previous round, tax reform—cutting corporate taxes from 35 percent to 21 percent in 2017—was one of the administration's most popular tools and triggered an economic boom. Between 2016 and 2019, GDP

surged to over USD 21 trillion, growing at an annual rate of 4.6 percent. Unemployment dropped to full employment levels (from 5 percent to 3.5 percent), and the S&P 500 and Nasdaq indices soared by 50 percent and 90 percent, respectively. But the balance between success and disaster is precarious: 'You have to bet big to win big,' and the budget deficit ballooned from USD 600 billion to over USD 1 trillion, eventually reaching astronomical levels during the pandemic. Today, the trend continues to rise, though at a slower pace than during the Covid-19 period.

we

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by Marta Dassù

DONALD TRUMP'S RETURN TO THE WHITE HOUSE MARKS A TURNING POINT FOR THE U.S., A TURN TOWARDS DEREGULATION, TRADE PROTECTIONISM, AND AN "AMERICA-FIRST" AGENDA THAT REVIVES FOSSIL FUELS AND DISRUPTS THE GLOBAL ORDER. UNSTABLE ALLIANCES AND RISING TENSIONS WITH EUROPE DRIVE A NEW GEOPOLITICAL REALITY

growing share of minority groups, particularly Hispanics. His coalition cuts across traditional divides, forming a broad, horizontal base. Education has emerged as the new political fault line, challenging the notion that Democrats hold a guaranteed demographic majority. Trump's return signals not just a change in power, but a shift in how it is wielded. His goal is to expand presidential authority while drastically reducing the role of the federal government. Central to this plan is the new Department of Government Efficiency (DOGE), led by Elon Musk and Vivek Ramaswamy, tasked with overseeing sweeping budget cuts. The result, at least in theory, will be a 'hyper-presidency,' a weakened legislature, and greater autonomy for states. This is not Reagan-style 'small government,' but something closer to a quasi-confederal model, tempered by the expanded powers of the presidency. A deliberate clash with the so-called deep state is also on the horizon, with friction expected at the Pentagon, National Intelligence, and the Department of Justice.

DONALD TRUMP'S election reinforces the golden rule of this election year: incumbents have it tough. Voters want change. In the U.S., surging living costs played to the challenger's advantage, especially in a 'winner takes it all' system. This time, Trump's mandate is even stronger than in 2016, with a popular vote win and control of both houses of Congress. How well his presidency meets expectations will be tested as early as the 2026 midterms.

THE RULING COALITION

Trump's coalition rests on an unprecedented alliance—or perhaps a marriage of convenience—between new tech capitalism and politics, with Elon Musk as its emblematic figure. How long this union will last remains uncertain. The coalition also includes a slice of Silicon Valley (which had been far more cautious in 2016), a segment of the financial sector drawn by tax cuts, the traditional oil and shale gas establishment dominating energy policy, and parts of the old manufacturing industry, which favors reindustrialization through tariffs rather than subsidies. At the grassroots level, Trump has managed to win over the underprivileged working class—not just white voters, but also a

The real question is whether key institutions—the Senate, which aims to preserve its role in appointment confirmations, and the Fed, where Jay Powell remains in office until May 2026—will act as a counterbalance. Added to this is a segment of the business community wary of excessive U.S. commercial isolation. Regardless, significant internal turmoil is expected. America will remain deeply divided.

FROM EMPIRE TO REPUBLIC

Turning to the international picture, Trump seems more a symptom than a cause of a broader paradigm shift. While global trade has held up in volume—thanks in part to 'connector' countries like Vietnam and Mexico—tariffs and duties have been steadily rising for years. Trump's America makes this trajectory clearer, which is linked—in geopolitical terms—to the competition between China and the United States, which plays primarily on tech supremacy. The new U.S. president explicitly rejects the burdens of the old liberal order—an empire reverting to a republic. He has announced a wave of tariffs, targeting China but also imports more broadly. While it remains to be seen how rigorously these measures will be enforced, the impact on Europe is inevitable. Far more reliant on global trade than the U.S., Europe risks emerging as a potential loser in the technological contest unfolding across the Pacific. In foreign policy, Trump's vision is that America can assert dominance through its comparative strengths in energy, military, and technology—without relying on direct military intervention. Instead, power

will be projected through the logic of 'peace through strength.' This approach also involves leveraging the threat of 'withdrawal' from international agreements, as seen in the confirmed exit from the Paris Climate Agreement and the looming crisis at the WTO. In this sense, America becomes an 'intermittent great power,' exerting influence selectively rather than consistently. This is a hard nationalist, not isolationist, stance. It recognizes the limits of U.S. resources and sets clear priorities—chief among them, containing China. This strategy includes an effort to pull Russia away from China's orbit. Unlike Joe Biden, who sought to weaken Russia through attrition and framed global politics as a clash between democracies and autocracies, Trump will aim to fracture alliances between autocracies. This means ending the conflict in Ukraine and, with support from Israel and Gulf states, settling scores with Iran. The primary focus will then shift to the Indo-Pacific front. The appointments of Marco Rubio as Secretary of State and Mike Waltz as National Security Advisor underscore this approach, signaling a shift away from Europe's centrality in U.S.

foreign policy. This will be paired with renewed U.S. pressure—longstanding but now intensified under Trump—for a NATO more dependent on European military spending. The result is a ‘NATO 3.0’ with less America and more European responsibility.

The White House will lean heavily on unpredictability as a tactic—intentionally unsettling both allies and rivals. But there’s no guarantee this approach will succeed.

Trump 2.0 will reshape political balances with a mix of strong internal deregulation—potentially boosting the U.S. economy—and heightened external protectionism, which risks creating new challenges, including inflationary pressures.

Trump’s ‘America-first’ vision also embraces ‘energy dominance.’ He has appointed Chris Wright as Secretary of Energy and Doug Burgum—arguably the more influential figure—to lead the Energy Council, signaling a revival of fossil fuels. The strategy centers on boosting oil production and issuing new LNG licenses, with significant implications for energy prices and global markets.

It’s unclear how much this shift will affect the U.S. renewables sector. Some argue that Trump is unlikely to revoke the infrastructure investment subsidies provided under the Inflation Reduction Act, especially since they have benefited red states like Texas.

EUROPE, THE POTENTIAL LOSER

Tariffs, China’s role, regulatory divergence, and energy costs will strain U.S.-Europe relations, further complicating Europe’s efforts to close the technological gap. Trump isn’t the cause of Europe’s lag—he merely makes it more obvious.

TRUMP’S COALITION

is based on an unprecedented alliance between politics and new technological capitalism, symbolized by Elon Musk. To this are added a chunk of Silicon Valley, a segment of the financial sector (attracted by tax cuts), the traditional oil and shale gas establishment and part of the old manufacturing industry, which hopes for re-industrialization with tariffs rather than subsidies.



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Two competing theories have emerged. One holds that Trump’s approach will push Europeans to unite, negotiate as a bloc, and increase their clout within NATO. The other foresees division, with individual countries pursuing bilateral deals with Washington, weakening Europe’s collective leverage.

Italy may seek to leverage political affinity and internal stability, but it faces two hurdles: low military spending (1.5 percent of GDP) and a \$40 billion trade surplus with the U.S. Meanwhile, some argue that internal crises in France and Germany weaken the European Commission, while others believe this could grant the new Commission greater room for action.

What’s clear is that Europe was unprepared for a shift that was,

in hindsight, predictable—the end of the old transatlantic era and the start of a more cutthroat global order, where trade and security are intertwined. It’s a game for carnivores, and Europe remains too much of a herbivore.

we

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MUSK

IS THE LAST HOPE

by Massimo Basile

TRUMP HAS DISMISSED CLIMATE CHANGE AS A MEDIA HOAX, SEEKS TO WITHDRAW THE U.S. FROM THE PARIS AGREEMENT, AND PROMISED TO FOCUS ON FOSSIL FUELS. THE ONLY PERSON WHO COULD SWAY HIM IS TESLA'S FOUNDER AND CEO, WHO ENVISIONS A FUTURE WHERE ELECTRIC CARS DOMINATE THE STREETS OF AMERICA

Americans proudly proclaim that everyone has the right to express their opinion. But what happens when a presidential candidate announces plans to erase environmental policies and revive fossil fuels? We're about to find out, as Americans have voted for the person who promised just that: Donald Trump. Five months ago, 78 percent of Americans surveyed by the University of Chicago recognized climate change as a real issue. Of these, 62 percent were Republicans. Eight out of ten people reported having personally experienced extreme weather, and 68 percent considered environmental issues critical in the elections. Yet, all these concerns have been overshadowed, overtaken by issues like the immigration crisis, inflation, and a general decline in quality of life. Trump called climate change a 'hoax,' dismissed scientists as 'alarmists,' and accused meteorologists of being 'doomsayers' simply for continuing to report on hurricanes and cyclones.

THE FIRST STEPS SET THE TONE

The first appointments signaled the direction the new American administration would take. Trump appointed climate change denier Lee Zeldin to lead the EPA (Environmental Protection Agency), and Doug Burgum, governor of North Dakota and a close ally of oil companies, was named head of the National Energy Council. Chris Wright, a fracking magnate, was appointed Secretary of Energy. Trump also announced plans to immediately cancel the Inflation Reduction Act, which contains the largest clean energy investment in American history, and to withdraw the United States from the Paris Climate Agreement, just as he did during his first term. The oil giant ExxonMobil opposed the move. A spokesperson made it clear in a conversation with CNN: "A second exit from the Paris Agreement would have profound implications on the United States' efforts to reduce its emissions and on international efforts to combat climate change." The company called for "policies that consider security, sustainability, reliability, and environmental management, not drastic changes that could hinder the progress made so far."

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OIL COMPANIES, BUT ALSO SUPPORTERS OF RENEWABLES

Texas, America's oil capital, is also leading the new challenge in renewable energy. Renewables now provide 65 percent of the power consumed in Iowa, more than half in Kansas and South Dakota, and over a third in Oklahoma, New Mexico, Nebraska, Nevada, Maine, and North Dakota. An analysis by the Washington Post revealed that districts Trump won in 2020 received three times the clean energy investments compared to those that went to Joe Biden. With the Inflation Reduction Act, nineteen out of twenty Republican-majority districts received substantial funding to combat climate change. This



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RENEWABLES HAVE a significant role in many U.S. states, as they provide 65 percent of the power consumed in Iowa, more than half of the power produced in Kansas and South Dakota, and over a third of the energy generated in Oklahoma, New Mexico, Nebraska, Nevada, Maine, and North Dakota.

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ELON MUSK is not just an entrepreneur but a visionary. The billionaire owns the social network X, the electric vehicle corporation Tesla and the aerospace company Space X. And he has taken the environmental emergency so seriously that he has invested in the race to Mars.



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funding is expected to create 110,000 new jobs and attract USD 126 billion in private investments across forty states. Another study, published in Energy Policy, suggests that the decarbonization of the U.S. economy could create nearly nine million jobs by 2050.

Solar and wind are already more cost-effective than fossil fuels, but these indicators haven't swayed Trump, who continues to support traditional energy sources in line with the 'Drill, Baby, Drill' slogan from his campaign. The risk, according to analysts, is that the United States may relinquish the 'green gold' to others—a mistake that has been made before: it was an American who invented the first silicon photovoltaic solar cell in 1885. Yet today, China controls 80 percent of the global solar supply chain. Once a global leader in wind energy, the U.S. now finds China dominating the turbine production market.

THE POWER OF THE VISIONARY BILLIONAIRE

If there is one place within the Trump administration where the climate issue might find some traction, it's with Elon Musk. The billionaire owner of the social media platform X, electric

vehicle company Tesla, and aerospace company SpaceX has taken the environmental emergency so seriously that he has invested in the race to reach Mars. While Trump aims to slow the green energy race, Musk dreams of seeing his electric cars flood America's roads. Given Musk's significant influence at Mar-a-Lago, Trump's headquarters in Florida, environmentalists are hopeful that he can plant the 'green doubt' in the president's mind—the kind of doubt on which the fate and health of the planet depend.

we

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THE UNPREDICTABILITY OF THE DONALD

by Mario De Pizzo

TRUMP'S SECOND TERM WILL REDEFINE AMERICA'S ROLE ON THE WORLD STAGE, WITH FEWER INTERNATIONAL CONSTRAINTS AND A SHARPER FOCUS ON NATIONAL INTERESTS. AMID GLOBAL TENSIONS AND SHIFTING ALLIANCES, QUESTIONS LOOM OVER THE FUTURE OF INTERNATIONAL BALANCE AND THE U.S.-EU RELATIONSHIP

"UNPREDICTABLE." That's the word analysts around the world most often use to describe the profile and agenda of America's 47th president: Donald Trump. His vice-president, J.D. Vance, called it 'the greatest political comeback in the history of the United States' on the night of the win.

To grasp the significance of Trump's victory, we must start with the data. On the evening of November 5, in addition to securing the Electoral College, Trump also won the popular vote, with about 5 million more votes than his opponent, Kamala Harris.

The Republican candidate swept all seven swing states. From Michigan to Pennsylvania, the Democratic frontrunner drew fewer votes than Joe Biden did in 2020. Among minority groups, Harris secured support from six in ten Hispanic voters and eight in ten African American voters—still fewer than Biden.

Trump's victory was a decisive statement, built on two core issues: the fight against illegal immigration and the fight against inflation. Despite strong economic fundamentals (with 2024 GDP growth at 2.8 percent), the rising cost of living remained an unresolved burden. Even the Biden administration's massive efforts, like the Inflation Reduction Act, failed to ease it. This sense of social insecurity drove voters toward a proposal distinct from the outgoing administration.

On election night, Donald Trump delivered a surprisingly 'institutional' speech, as several commentators noted. One of the most striking moments was his warm tribute to Elon Musk: 'A star is born,' declared the President-elect.

In the days that followed, the transition team announced that Musk would join the administration as head of government efficiency. Another key appointment was Senator Marco Rubio as Secretary of State.

THE END OF AMERICAN EXCEPTIONALISM?

Unpredictability may well become the hallmark of Donald Trump's foreign policy. Many observers believe his approach will follow a transactional logic, driven by a single principle: U.S. national interest above all else.



This shift is not entirely new. Since the Obama administration, the U.S. has been retreating from its role as the world's ‘police-man,’ a trend symbolized by the dramatic withdrawal from Afghanistan—initiated by Trump and executed by Biden in August 2021.

Despite this retreat, the U.S. remains the anchor of the liberal order that has upheld global stability since World War II. But that order is under threat from the so-called ‘Axis of Aggressors’—China, Russia, Iran, and North Korea—whose shared goal is to dismantle Western hegemony.

As Daniel W. Drezner wrote in *Foreign Affairs*, Trump’s presidency could mark the end of American exceptionalism—the idea that began with Harry Truman’s presidency, where the U.S. pursued not only its national interests but also the global promotion of democracy and freedom.

During his campaign, Donald Trump called tariffs ‘one of the most beautiful terms in the dictionary.’ His plan includes a 100 percent tariff on Chinese goods and a 10 percent tariff on imports from the rest of the world, including the European Union. In his first term, Trump—like several Democratic presidents before him—urged NATO partners to raise defense spending to at least 2 percent of GDP. Simply agitating on these issues could yield results. The U.S. might restore its trade balance with the EU without fully imposing tariffs or by applying them only partially.

In foreign policy, Trump may lean on the principle of ‘Peace through Strength’—projecting force to secure peace. This strategy has guided several U.S. presidents, most notably Ronald Reagan during the final stages of the Cold War with the USSR. Under Trump, this approach could shape U.S. policy in the Middle East and its response to Russia’s aggression against Ukraine.

THE NEW ADMINISTRATION’S STANCE ON RUSSIA

Days after the U.S. elections, The Wall Street Journal reported rumors of a possible armistice between Russia and Ukraine. The proposal would freeze the current territorial status, recognizing Russia’s control of areas it has occupied since February 2022, along with Crimea. A European peacekeeping force would act as a deterrent against further aggression, while Ukraine would agree to delay NATO membership for 20 years in exchange for a steady supply of weapons to defend against potential attacks. It’s hard to predict if this will be the course taken by the new administration. The key indicator to watch is the actual, immediate interest of the United States. Would Washington back a ceasefire that alienates Europe and Ukraine while allowing Putin—militarily backed by China (via dual-use technology), Iran (through ballistic missile supplies), and North Korea (with troops on the ground)—to emerge as the apparent victor?

On energy, the new administration has already signaled its intention to withdraw from the Paris Climate Agreement.



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Trump’s campaign slogan ‘Drill, baby, drill’ made clear his commitment to promoting fossil fuel extraction. Even Kamala Harris, during her campaign, affirmed she had no intention of banning fracking. A sharp break from Joe Biden’s Green New Deal is all but certain. Climate change policy will become a key battleground in Trump’s relationship with international bodies.

Defense, industry and competitiveness, technological innovation, and the environment will be the key benchmarks for assessing the quality of relations between Washington and Brussels.

We



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DONALD TRUMP’S VICTORY in the November 5 presidential election was clear-cut: in addition to securing the Electoral College, the tycoon also won the popular vote, with about 5 million more votes than his opponent, Kamala Harris. Under the slogan Make America Great Again (MAGA), the Republican candidate won all seven swing states.



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THE POLITICAL BALANCE WITHIN THE EUROPEAN PARLIAMENT REMAINS LARGELY UNCHANGED FOLLOWING LAST MAY'S ELECTIONS. THE NEW COMMISSION WILL NEED TO IMPLEMENT POLICIES THAT RECONCILE DECARBONIZATION WITH MEASURES TO ENHANCE COMPETITIVENESS AND SOCIAL COHESION

THE EU STAYS THE COURSE

by Simone Tagliapietra

IN THE RUN UP to the 2024 elections for the European Parliament, there was much speculation about the future of the Green Deal, the European Union (EU)'s overall plan for net-zero emissions by 2050. There were fears it could be dismantled in a scenario case of a far-right electoral surge. But the surge never materialized. The pro-European centre kept its majority, and Europe is not going to reverse course on the green transition.

However, swings to the far-right in several European countries also suggest, among other things, unease among voters about climate policy that must be taken seriously.

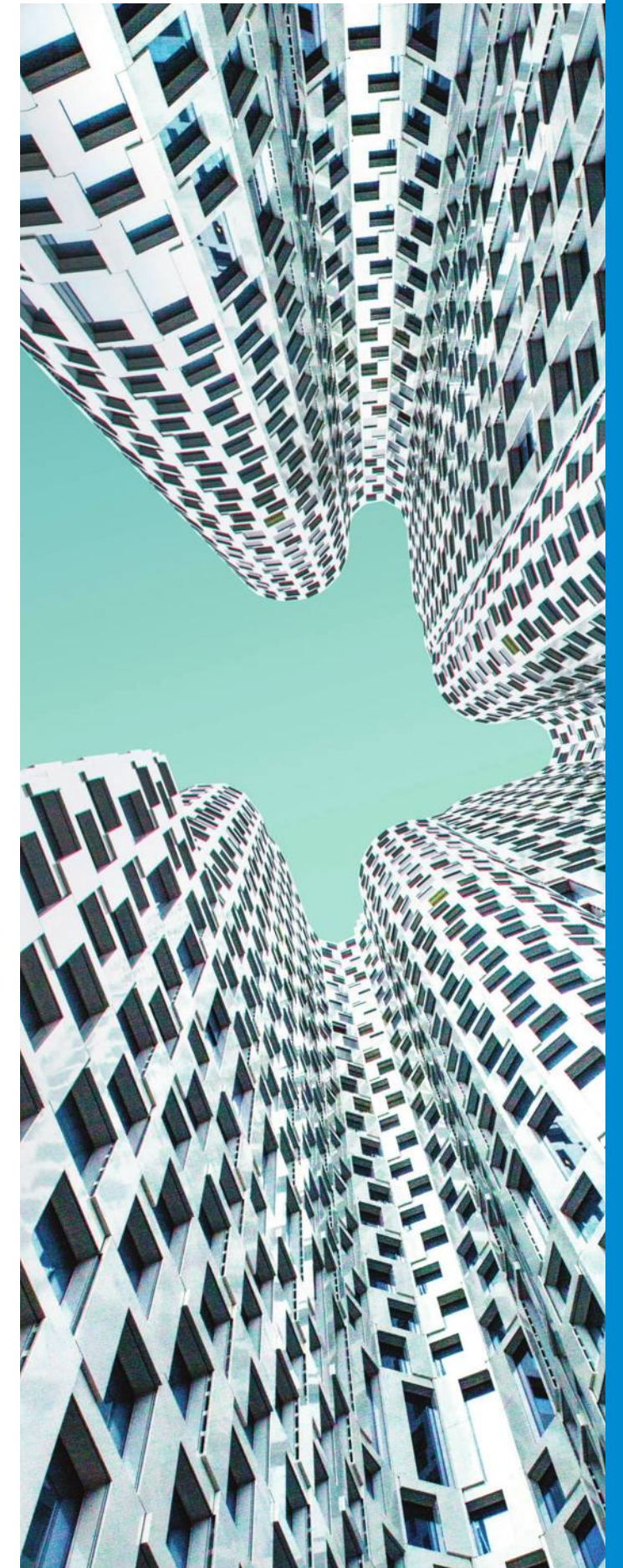
THE RISKS FOR THE EU GREEN DEAL

The European Green Deal faces two big risks. The first is procrastination within the new European Parliament. With growing pressure from the right, the mainstream centre-right European People's Party (EPP) may push to delay or dilute some of the Green Deal's more contentious measures. Early votes at the start of the 2024 legislative session, such as those related to the Deforestation Regulation, reflect this trend. The risk may intensify as key review clauses in Green Deal laws, like the 2026 reassessment of the ban on new internal combustion engine car sales from 2035, come into play.

This temptation must be resisted. Reopening agreements reached after years of negotiation would undermine confidence in Europe's green agenda, disrupt European industry, and delay

green investments. It would also increase costs for early adopters of the transition — companies that have already invested in clean technologies, from energy-efficient industrial processes to electric vehicles — leaving them feeling betrayed. In short, a stable and credible climate policy framework is essential to sustain private-sector green investment in the years ahead.

The second risk is inaction by national governments. After five years of policy design and lawmaking, the Green Deal is now in its implementation phase — and success will hinge on action at the national level. Over the next five years, decarbonization must accelerate sharply for the EU to meet its climate goals. This requires stronger efforts from member states to decarbonize key sectors like buildings and transport, where climate policy directly affects citizens' daily lives. While Germany, France, Italy, and other large countries are expected to lead, the question





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IN THE NEXT FIVE YEARS, the EU will need a clear acceleration in decarbonization efforts to meet its climate targets. On a national level, more must be done to decarbonize sectors like construction and transport—areas where climate policy directly impacts citizens' daily lives.
Left: A hydroelectric dam in Italy.
Above: A power plant in Germany.

remains: what happens if their governments fall short? The EU has limited tools to compel national action, making this a critical vulnerability in Europe's green transition. To mitigate this critical risk, the EU should urgently launch a green investment strategy. This strategy could include several measures, such as better leveraging the EU budget, enhancing the European Investment Bank's capacity to finance the green transition, and creating a new EU Green Fund financed through joint EU debt. The case for joint debt is strong, as it would support a one-time investment in an extraordinary, temporary transition that delivers lasting benefits for future generations.

JUST TRANSITION AND INDUSTRIAL DEVELOPMENT

The radical transformation envisioned by the Green Deal raises difficult questions about who will bear the costs. If these costs disproportionately fall on ordinary workers — especially the poorest and most vulnerable communities — the transition risks deepening inequality and becoming socially and politically unsustainable. That outcome must be avoided. Fortunately, well-designed climate policies can avoid this outcome and even promote greater social equality. The European Green Deal already includes the Just Transition Fund and the new Social Climate Fund, providing a strong foundation for a green social contract. To build on this, the EU should streamline and simplify funding instruments to deliver more effective support for vulnerable communities and the middle class. This support is essential to help households adopt green alternatives, such as electric vehicles and sustainable home-heating systems. The EU must also transform decarbonization into a genuine economic and industrial opportunity. This calls for a robust Clean Industrial Deal to drive decarbonization alongside sustainable growth and industrial development. European Commission President Ursula von der Leyen has pledged to advance such a policy package within the first 100 days of her second term. By aligning climate action with economic opportunity, this approach could build public support and make the green transition politically viable. A European industrial strategy must create favorable conditions for investment. This starts with making renewables more affordable and accelerating their deployment through tax credits, commodity market reforms, and other measures. Reducing bureaucratic red tape is also essential — not by weakening climate policy, but by streamlining permitting processes and improving access to funding and markets. These steps will mobilize the resources needed for clean-tech manufacturers to scale up and for energy-intensive industries to modernize. Fortunately, there are several ways to boost green investment. One option is to introduce a public investment rule within the new EU fiscal framework. Increasing funding for the European Investment Bank would also enable it to better de-risk clean-energy investments. The EU could further maximize its com-



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THE EUROPEAN GREEN DEAL, launched in 2019, is a package of strategic initiatives that set the EU on the path to a green transition, with the ultimate goal of achieving climate neutrality by 2050. It is the EU's contribution to the Paris Agreement, ratified by all its member states, which set the goal of keeping global warming within 1.5°C of pre-industrial levels. Above, an electric bus stops at a charging station in Barcelona, Spain. In the opposite page, modern waterfront apartment buildings in the Ørsted district in Copenhagen (Denmark), built under the banner of sustainability and the circular economy.

mon budget by creating a European Competitiveness Fund—a proposal already backed by von der Leyen—to drive innovation. Linking disbursements to the implementation of member states' national energy and climate plans would ensure accountability. Finally, a savings and investment union could strengthen Europe's financial markets, supporting long-term green investment. Such a strategy could leverage public procurement to create a domestic market for innovative clean technologies and products made in Europe. Equally important is the inclusion of circular-economy and environmental-protection measures, especially as resource management—including water—becomes increasingly critical. It's also essential to address the interplay between the clean-energy and digital transitions, as well as the trade-offs they create. For instance, while data centers consume significant energy, digital technologies will be crucial for efficiently managing the future power system. Integrating these transitions will require smart planning and targeted innovation.

Lastly, workers must be equipped with the skills needed for future jobs to ease the social impact of the energy transition, particularly in regions reliant on carbon-intensive industries, through training.

TOOLS FOR FINANCING

A Clean Industrial Deal should address sector-specific challenges by subsidizing strategic supply chains in technological areas where the EU holds a comparative advantage. This approach must balance the trade-offs between decarbonization, competitiveness, and security. Achieving this will require “Europeanizing” supply chains to reduce dependency on external actors and strengthen the EU's industrial base. Following the recommendations in Mario Draghi's recent report on European competitiveness, it will be essential to channel public funding toward Important Projects of Common European Interest (IPCEIs) and expand the use of instruments like the Innovation Fund. The Hydrogen Bank's pioneering initiatives—including “auctions-as-a-service” that allow member



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states to supplement EU Innovation Fund allocations, and “carbon contracts for difference” to help businesses hedge against future price fluctuations—could serve as a model for broader adoption. To ensure that scarce resources are directed toward IPCEIs, the European Competitiveness Fund should merge new and existing financial instruments. The new EU fiscal framework should also grant preferential treatment to national support for these projects. Funding could be sourced from revenues generated by the EU's Emissions Trading System and member states' carbon contracts for difference. Any large-scale industrial decarbonization plan will only be credible if it includes concrete measures to lower the cost of capital and ensure sufficient financial resources. The Clean Industrial Deal, like the EU's Carbon Border Adjustment Mechanism and deforestation law, will have global ripple effects. To ease geopolitical tensions and diversify sources of critical raw materials and components, the EU should forge clean trade and investment partnerships with strategic third countries. Collaborating with non-EU governments on green-

energy goals would strengthen European competitiveness and enhance security. Clean trade and investment partnerships can succeed only if two key conditions are met. First, the “Team Europe approach”—where member states coordinate their external actions—must be scaled up to boost the EU's leverage in third countries. Second, these partnerships must be coordinated at the executive vice-president level to ensure policy coherence and maximize impact. The political viability of the European Green Deal will hinge on the EU's ability to implement a policy package that links decarbonization with measures to enhance competitiveness and social cohesion. A strong Clean Industrial Deal—aligned with the recommendations of the Draghi report—should be a top priority for the new European Commission in this effort.

We

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WHAT IS THE FUTURE OF THE

GREEN DEAL?

by Brahim Maarad

THE EUROPEAN PLAN FOR THE GREEN TRANSITION, ONCE A CORNERSTONE OF THE VON DER LEYEN COMMISSION, IS NOW AT THE CENTER OF POLITICAL TENSIONS AND SKEPTICISM. WE ASKED ALBERTO ALEMANNO TO REFLECT ON WHAT REMAINS OF THE PROJECT AND THE CHALLENGES FACING THE NEW LEGISLATURE

FIVE YEARS AGO, the President of the European Commission, Ursula von der Leyen, unveiled her Green New Deal to set the European Union on the path toward energy neutrality, positioning it as a global pioneer and leader. Just a few months later, the Covid-19 pandemic struck, unleashing an economic crisis unparalleled in recent history. As if that were not enough, Europe faced the resurgence of war on its doorstep, accompanied by an ensuing energy crisis. We asked Alberto Alemanno, a professor of European Law at HEC Paris, to analyze the trajectory of the European Green Deal. Amid global crises, political pressures and shifting balances of power, the initiative appears to have lost prominence, raising questions about its future impact and Europe's ability to lead the green transition. Alemanno adopts an optimistic view. "I believe much remains," he explains regarding the European plan for the transition, "because the Green New Deal was nonetheless the flagship legislative program of von der Leyen's first mandate. During this period, the Commission outlined a macro-objective—climate neutrality by 2050—as the guiding star for two other goals: zero pollution and ecological resilience. We are talking about 160 legislative acts proposed and largely adopted, integrated into various existing European policies that remain in force today: from energy to industry, foreign trade, transport, agriculture, and environmental policy. All of this is now a given. The brilliance of the Green Deal framework lies precisely in how it integrates these three objectives—climate neutrality, zero pollution and ecological resilience—into the dynamics of the internal market and existing policies. This framework was established in December 2019. Then, in 2021, with the Fit for 55 package, we saw an effort to further rationalize these objectives—particularly regarding emissions reduction—across various policies. The empirical question now is the extent to which the adopted legislative acts, which will need to be implemented going forward (a central goal for von der Leyen's second Commission), will bring about a paradigm shift in European policies or merely result in marginal adjustments without real impact."

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A NEW POLITICAL WILL

The Green Deal is no longer perceived as it was initially intended. It is often viewed with skepticism, even by those who once championed it. Ursula von der Leyen herself, along with the European People's Party (EPP) that backs her, has almost distanced themselves from it during the campaign for the European elections in June.

“Between the end of 2023 and the beginning of 2024,” Alemanno explains, “a political shift occurred, primarily driven by external circumstances beyond Brussels. On one side were the farmers’ protests, sparked by concerns about the potential extension of environmental obligations to agriculture, even though such measures had yet to be implemented. On the other side was the call for a pause in adopting certain measures, advocated by liberal leaders such as Belgian Prime Minister Alexander De Croo and French President Emmanuel Macron. Additionally, pressures from the EPP—whose support was pivotal for von der Leyen’s appointment as Commission President—prompted her to distance herself from certain policies. This led the new Commission not only to slow the pace of future legislative proposals on environmental matters but also, in an unprecedented move, to revisit previously approved files, such as those on combustion engines, dilute regulations like the anti-deforestation law and delay the implementation of several legislative acts.”

Thus, there is “a tension between the significant legislative legacy of the outgoing Commission and a new political will that leans toward slowing down the enforcement and implementation of these acts,” Alemanno observes. “The question,” he adds, “is to what extent there will be political will on the part of the Member States and the Commission itself to implement this grand project. We are talking about over a hundred interlinked and complementary legislative acts, often pursuing different objectives. At times, they reinforce each other, while at others, they conflict. So, regardless of the political will—or lack thereof—implementing these acts will be inherently challenging. Drafting and adopting them during the first legislature was much easier.”

THE NEXT CHALLENGES

In short, the progress made over the past five years has been the easier part of the task. The responsibility for completing it now lies, in particular, with Teresa Ribera of Spain, who has been entrusted with the role of Executive Vice President in the new Commission, overseeing a fair, clean and competitive transition. “Her portfolio is somewhat tense,” comments Alemanno. “On the one hand, she must consider how to use competition law to create a level playing field within the internal market, while simultaneously employing it as an industrial strategy to fund green technologies.”

One of the first crises Europe will have to confront is in the au-



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tomotive sector. President von der Leyen has announced that she will personally address this issue through a strategic dialog involving manufacturers and unions. According to Alemanno, one of the major vulnerabilities lies in the fact that the energy transition depends on technologies—such as batteries for electric vehicles—for which the European Union lacks its own raw materials. “The EU must fight to retain the resources it has,” he says, “but in this new geopolitical landscape, it cannot assert itself alone. Unlike other sectors, it cannot rely on the circular economy, as the circular economy does not provide a direct so-

lution here as it might in other production cycles. This creates a real deadlock.”

Manufacturers, as well as a significant portion of politicians, accuse European legislators of favoring one technology at the expense of others. “I see no reason not to experiment with alternative solutions, even if they are neither definitive nor entirely effective, as they are nonetheless useful as transitional measures. Ignoring these opportunities is, in a sense, self-sabotage,” the professor emphasizes. What is certain is that the current composition of the European Parliament offers the

Commission less room for maneuver. “This is the first European Parliament in history without a clearly defined majority. It is also the first time since 1979 that we are witnessing a European Commission that, on the one hand, can rely on the traditional centrist majority of center-right and center-left, but on the other, has a potential alternative right-wing majority. The latter, more skeptical of costly short-term measures deemed essential according current scientific perspectives and the scientific method, could significantly hinder progress on the Green Deal and, more broadly, on climate, environmental and biodiversity policies.”

This duality in parliamentary majority poses a tangible challenge: the Commission could face a kind of oppositional majority whenever progressive legislative packages are brought before Parliament. There have already been several instances of this phenomenon: on at least four or five occasions, the EPP has voted in unison with the three parliamentary groups to its right. “This scenario, which I identified as a risk last June, is now becoming a reality,” Alemanno observes. “Although far-right forces are not aligned on fundamental issues such as NATO or the war in Ukraine, they demonstrate strong cultural cohesion in opposing any form of progressive policy promoted by the Commission.”

THE TRUMP FACTOR

Another key external factor influencing Brussels has a familiar name: Donald Trump. “In two years, the United States will face midterm elections, which could lead to very different outcomes from the current ones. However, I do not think Trump will be able to dismantle everything within two years,” Alemanno says. “He has already confirmed the Inflation Reduction Act introduced by the Biden administration, which was not particularly favorable to Europe, as it excluded the possibility for parts of the European industry to benefit from it. I do not foresee a true rupture. My argument, as early as November 5, was that there is much more convergence than divergence between the incoming and outgoing United States administrations on issues like deregulation, migration and climate. I do not anticipate a disruptive impact from this administration. Instead, I expect further support for the countertrend aimed at slowing down climate ambitions and the decarbonization process. These topics will be used as rhetorical points, but Trump will not rewrite the rules of the game, regardless of his decision to remain in or withdraw from the Paris Agreement”.

we

BRAHIM MAARAD

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EUROPE



EU-UK RELATIONS, A NEW CHAPTER?

by Luca Cinciripini

AFTER THE LABOUR VICTORY, THE UNITED KINGDOM AND THE EUROPEAN UNION ARE AIMING FOR A RESET OF THEIR BILATERAL RELATIONS. ENERGY AND CLIMATE EMERGE AS STRATEGIC SECTORS FOR DEEPER COLLABORATION, BUT SUCCESS WILL DEPEND ON THE ABILITY TO OVERCOME REGULATORY CONSTRAINTS AND COORDINATE COMMON POLICIES



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JULY THE 4TH MARKED a pivotal moment in recent United Kingdom (UK) politics. After 14 years of Conservative rule, Keir Starmer's Labour Party secured a decisive parliamentary majority, returning to power at Downing Street. However, the victory was more complex than it initially appeared. Record levels of abstention underscored growing public disillusionment with representative institutions. Meanwhile, Reform UK, led by Nigel Farage, captured an unexpected 14 percent of the vote. Despite winning few seats due to the first-past-the-post system, the party's performance revealed the enduring appeal of a radical, populist message and posed a serious threat to the Conservative Party's electoral base. Labour's return to power also came with the lowest vote share for a winning party in UK history, suggesting that discontent with the Tories—fueled by scandal and fatigue—played a larger role in their defeat than active support for Labour's platform.

This lukewarm backing could test the new government's resilience, especially as it faces difficult decisions in a fraught economic context. Years of austerity have strained the UK's social and productive fabric, leaving the economy vulnerable. The first major economic package introduced by the new government has already drawn criticism for its sharp tax increases, amounting to around GBP 40 billion—one of the largest percentage hikes in recent memory. Compounding these domestic challenges are international crises, notably in Gaza and Ukraine, which further restrict the new government's room for manoeuvre. Global inflationary pressures driven by the war in Ukraine have fueled price increases at home, pushing inflation to its highest level since the 1980s. The lingering effects of Brexit and the Covid-19 pandemic have only deepened the economic strain. Meanwhile, the UK's steadfast support for Ukraine requires additional financial



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St. Paul's Cathedral, nestled among the skyscrapers in the City of London.



Wind turbines in the North Sea, at the London Array offshore wind farm, in the Thames Estuary, UK. The London Array has 175 Siemens turbines and a capacity of 630 MW.

and logistical commitments, stretching already limited resources.

Labour's early months in power have been marked by inconsistency and missteps. Minor controversies and scandals have chipped away at Starmer's personal popularity and cast a shadow over his government's early tenure. As the administration grapples with domestic and international pressures, its ability to maintain public trust and deliver on key promises will be crucial to its long-term stability.

RESET OR RESTRAINT?

One recurring theme in Labour's electoral campaign was the promise to inaugurate a new chapter in UK-European Union (EU) relations following the tensions sparked by the Brexit referendum and subsequent negotiations over an agreement acceptable to London and Brussels. Currently, relations are

governed primarily by two instruments: the Trade and Cooperation Agreement (TCA) and the Brexit Withdrawal Agreement, later supplemented by the Windsor Framework, which amended the Northern Ireland Protocol. The TCA, whose first implementation review is scheduled for 2026, excludes key areas such as foreign and security policy. Despite this, London and Brussels have managed to develop informal cooperation in these fields, particularly following Russia's invasion of Ukraine, achieving reasonably positive outcomes. However, the growing complexity of international conflicts underscores the need to remove these critical areas from the influence of short-term political contingencies.

During the campaign, David Lammy, the incumbent Foreign Secretary, outlined the principles of Labour's foreign policy under the label of "Progressive Realism," defined as using realist means to pursue progressive ends. This necessarily entails shift-

ing away from the confrontational approach of recent years towards strategic dialogue with Brussels, which London hopes will lead to joint decisions on shared issues. So far, however, the results have been modest. Starmer has retained the same red lines established by his predecessors—no customs union, no free movement, no Single Market—effectively limiting significant progress on key issues. The few and narrow proposals advanced by the UK, coupled with the refusal of Brussels' major requests, have produced limited outcomes, creating the impression that this reset is more in style than in substance.

STRATEGIC COOPERATION IN ENERGY AND CLIMATE: UNLOCKING POTENTIAL

As previously noted, there are strategic common interests that should encourage the EU and the UK to pursue deeper cooperation, particularly in energy and climate—key areas whose importance has often been underestimated. A stronger partnership in these domains could serve as the cornerstone of an effective and fruitful reset in their relations. In these fields, the objectives of London and Brussels appear well-aligned. Labour's ambition to transform the UK into a "clean energy superpower," including its goals of decarbonising the electricity grid by 2030 and establishing Great British Energy (GBE), a state-owned clean energy company, aligns with the EU's climate and energy priorities. GBE aims to end the UK's dependence on fossil fuels and ensure energy security by investing in clean energy technologies and local energy projects. According to Labour's goals, the company will focus on offshore wind (including a partnership with the Crown Estate), tidal power, carbon capture and storage, hydrogen, and other emerging technologies—despite the initial funding allocation of £125 million for the next two years being considerably lower than anticipated.

These shared goals could foster a virtuous collaboration, especially in areas less prone to competition between London and Brussels, as decarbonising energy systems will inevitably require cooperation on shared infrastructure. Moreover, both actors are global leaders in climate diplomacy and have opportunities to coordinate in multilateral forums such as COP summits and the G20. Joint initiatives, such as strengthening supply chain partnerships or reforming international financial institutions, could amplify their influence and impact on global climate action. The Trade and Cooperation Agreement establishes mechanisms for collaboration on electricity, gas, and renewable energy. The TCA also addresses critical issues like infrastructure interoperability, energy trade, and offshore renewable development, especially in the North Seas. Its overarching goal is to promote energy trade and investment while ensuring supply security. To this end, the agreement includes commitments to fair competition, non-discrimination in energy markets, efficient use of interconnectors, and coordination between system operators. While these provisions have maintained cross-border energy

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flows—enabled by ten shared gas and electricity interconnectors—the arrangement is not without challenges. The temporary nature of the TCA’s trading arrangements has discouraged UK and European companies from making long-term clean energy investments. Political roadblocks have further stalled progress on binding agreements. UK policymakers are reluctant to align with EU legislation, while EU officials aim to avoid granting preferential treatment to a non-member state. Another key obstacle is the UK’s inability to use EU Single Market mechanisms like Market Coupling, which has led to higher costs and inefficiencies. Regulatory divergence and the absence of a comprehensive framework for energy security, including mechanisms to handle gas supply crises, present further risks. The situation in Northern Ireland is especially fraught. Northern Ireland remains part of the single electricity market shared with Ireland, raising the possibility of regulatory disputes over whose rules should apply if EU and UK energy policies diverge. This regulatory limbo poses a significant challenge for the island’s energy stability and security.

The EU and UK share a commitment to achieving net-zero emissions by 2050 and upholding the Paris Agreement goals. While the TCA guarantees non-regression in environmental standards, it stops short of providing mechanisms for deeper climate policy coordination. So far, collaboration has been constructive but limited, centering on shared ambitions rather than aligning policies or regulations. Key issues, such as renewable energy expansion and supply chain resilience, remain unaddressed.

A prime example is the development of separate carbon border adjustment mechanisms (CBAMs), with the EU’s already in place and the UK’s set to launch in 2027. These mechanisms impose a carbon price on imports that aren’t subject to comparable domestic carbon pricing. One potential solution would be linking the UK and EU emissions trading systems (ETS), which could exempt each side from each other’s CBAMs. Such a move would lower costs, reduce trade frictions, and prevent the imposition of new tariffs.

THE LIMITS OF THE TRADE AND COOPERATION AGREEMENT

Cooperation between the EU and UK on energy and climate issues could be significantly strengthened, both within and beyond the framework of the Trade and Cooperation Agreement. The upcoming 2026 review of the TCA presents a key opportunity to address existing gaps and enhance collaboration in three critical areas: energy security, energy trade, and climate diplomacy. Given the TCA’s current limitations in these fields, there is substantial room for improvement.

The TCA falls short of comprehensively addressing energy security and green transition technologies, leaving gaps in regulatory alignment and supply chain coordination. Greater



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Aerial view of Gasholder Park, Coal Drops Yard, and the surrounding buildings in King’s Cross, London.

could reduce costs by an estimated €13 billion, driven by more efficient energy trading and better integration of renewable energy sources.

On climate policy, the EU and UK should collaborate on the global stage to address key diplomatic challenges. This includes advancing climate action plans ahead of COP30, pushing for reforms of international financial institutions, and strengthening international alliances. Effective cooperation requires leveraging multilateral platforms like the COP and newer initiatives such as the European Political Community (EPC), which could serve as strategic forums for climate diplomacy and the energy transition.

While there have been no major policy shifts in EU-UK relations so far—beyond a notable improvement in diplomatic

tone—energy and climate offer a promising starting point for strategic cooperation. Success will hinge on the political will to create structured frameworks and capitalize on shared interests, fostering a more resilient partnership.

The UK Labour Party’s ambitions align closely with the EU’s goals, opening opportunities for joint efforts on energy security and climate diplomacy. New forums, such as a proposed UK-EU security pact, could incorporate energy and climate dimensions, enabling strategic dialogue and joint initiatives to maximize the potential of their collaboration.

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GERMANY'S HIGHLY AMBITIOUS ENERGY TRANSITION GOALS, FACES HIGH COSTS AND THE ANTI-GREEN OPPOSITION, SLOWING PROCESSES AND OUTCOMES. FROM STATE ELECTIONS TO FEDERAL ONES, WHAT'S NEXT?

The ENERGIEWENDE

IN TIMES OF GREEN BACKLASH

by Alessio Sangiorgio

GERMANY is pursuing one of Europe's most ambitious climate policies, pledging to reach net-zero by 2045, five years earlier than the EU's target. The country embarked on a massive Energiewende—an energy transformation—focused on increasing clean energy while simultaneously phasing out coal and nuclear power. Support for the Energiewende has been shared between the two main parties, the Christian Democratic Union (CDU) and the Social Democratic Party (SPD). It was championed by CDU Chancellor Angela Merkel since 2010 and became a cornerstone of cooperation in the Große Koalition formed by conservatives and socialists between 2013 and 2021. Since 2021, when the SPD formed a coalition with the Greens and Free Democratic Party (FDP), led by Chancellor Olaf Scholz, several legislations have promoted the transition, including the Building Energy Act, the Onshore Wind Act, and the Green Hydrogen Import Strategy. However, concerns over the Energiewende's economic and social costs are growing. Voters' fears are further exacerbated by weak economic performance, even in traditionally strong sectors

like the automotive industry. This is fueling support for anti-green parties, particularly the far-right Alternative für Deutschland (AfD) and the left-wing Bündnis Sahra Wagenknecht (BSW), which have achieved electoral successes at both the state and European levels in 2024. Their gains are now pushing mainstream parties to re-evaluate how to balance climate efforts with economic competitiveness, aiming to address voters' disaffection with climate policies.

MOVING TOWARD EARLY ELECTIONS

Attracting these voters is now more important than ever, as the country heads toward early federal elections. Internal disputes over budget issues culminated in Chancellor Scholz's dismissal of FDP Finance Minister Christian Lindner, triggering the collapse of the coalition and setting in motion the process that will lead to early elections on February 23, 2025. Discontent with climate policies will play a significant role in this election, particularly for the CDU, favored in the polls, and its leader Friedrich Merz, who is expected to become the next



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Germany has embarked on a massive *Energiewende*, an energy transformation characterized by the increase in clean energy and the simultaneous phasing out coal and nuclear power. In the photo, Berlin.

chancellor. Under Merz, the party has adopted a more conservative stance on energy policy, criticizing excessive subsidies for renewable energy and the nuclear phase-out. Merz had advocated for extending the operational lifespan of existing reactors during the energy crisis and proposed building new ones. He referred to the 2023 shutdown of Germany's last three nuclear reactors as a "black day for Germany." While these positions may appeal to voters disillusioned with climate policies, it remains unclear how a CDU-led government would shape energy policy after the elections. The direction taken by the new government will largely depend on which party the CDU will ally with, as it is unlikely to secure a majority on its own. However, the two main drivers of the *Energiewende* and potential coalition partners, the Greens and the SPD, are increasingly struggling to keep climate action as one of Germany's priorities. Their roles in the next legislative cycle are

highly uncertain, as both parties face declining popularity and challenges in countering the rise of anti-green parties.

GREEN BACKLASH IN THE EASTERN STATES

While preparing for a federal confrontation, parties are reflecting on the recent state elections in Thuringia, Brandenburg, and Saxony. The AfD became the largest party in Thuringia and a close second in both Saxony and Brandenburg. The party campaigned on a platform advocating rollbacks of climate measures, including exiting the Paris Agreement and reversing the country's coal phase-out. At the same time, the BSW blamed the country's clean energy push for deindustrialization, ranking third in Thuringia, Saxony, and Brandenburg. Both parties have also highlighted the negative impact that decoupling from Russian gas has had on the country's economy.

This anti-green rhetoric resonated particularly with voters in the mining regions of the three states, where many communities' socio-economic conditions are heavily reliant on coal. As mines close and coal-fired power plants phase out, workers feel they are bearing the cost of the transition with little benefit. This has led to a backlash against green policies and fuelled the rise of both the AfD and the BSW. A similar backlash was seen even in Brandenburg, a stronghold of the SPD since reunification, where the SPD narrowly retained power. The Socialists secured first place with 30.9 percent of the vote, but were closely followed by the AfD at 29.2 percent. Victory is largely credited to the personal popularity of Dietmar Woidke, the SPD's incumbent Minister-President since 2013. Significantly, Woidke chose not to campaign alongside Scholz, reinforcing perceptions that the SPD's unpopularity is directly tied to its Chancellor. The election in Brandenburg also demonstrated potential for

cooperation between the CDU and the SPD, which could have significance at the federal level. In the lead-up to the vote, while polls showed the SPD and AfD locked in a tight race for first place, Saxony's Minister-President, Michael Kretschmer, from the CDU, called on center-right voters to back the socialists instead of the conservatives, aiming to prevent the AfD from gaining control of the state.

RETURN OF THE GROSSE KOALITION?

Similarly, at the federal level, as polls indicate the SPD and AfD are closely matched for second place, discussions are growing about the possibility—or necessity—of a new *Große Koalition* between conservatives and socialists. This is hardly a welcomed partnership for either Merz or Scholz, but options may be limited after the elections. While the AfD continues to grow, none of the other parties are willing to form a coalition with them, see-



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Since 2021, when the SPD formed a coalition with the Greens and Free Democratic Party (FDP), led by current Chancellor Olaf Scholz, several legislations have promoted the transition. These laws also include the Onshore Wind Act. In the photo, wind turbines in Germany.



Solar panels on the roofs of houses in a residential neighborhood in Baden Württemberg, Germany.

ing it as a threat to German democracy. A Brandmauer, an informal agreement among all mainstream parties, excludes the far-right party from entering coalition governments. By excluding the AfD, the remaining candidate for a two-party coalition is the SPD, which is, however, burdened by Scholz's unpopularity and a negative economic record. Nonetheless, Große Koalitionen have been formed even after one of the two parties emerged from elections severely weakened, as seen with the Fourth Merkel Government. As the election campaign gains momentum, the platforms of the two parties align on several general Energiewende goals, including the 2045 net-zero target and expanding the country's hydrogen sector. However, disagreements are growing regarding the reliance on blue versus green hydrogen, the decarbonization of the automotive sector, and the role of nuclear energy.

On automotive decarbonization, Scholz has proposed that Germany's car-manufacturing future 'lies in electric mobility' and has advocated for purchase premiums for electric cars. In contrast, Merz has opposed the European phase-out of internal combustion engine cars by 2035 and announced that, if elected, he will call for its reversal. Finally, disagreement remains over the role of nuclear power. The CDU has long shown interest in restarting the country's nuclear power plants, while the SPD calls this idea expensive and impractical, expressing in its manifesto a commitment to reaching climate neutrality without using nuclear power. As these disagreements would require continuous compromises, many voters believe that a CDU-SPD coalition would lack the ability to implement effective reforms. However, few other options may secure a majority. Furthermore, a Große Koalition

may become more appealing if, after the elections, the Social Democrats are led by the more popular Defence Minister Boris Pistorius instead of Scholz. Pistorius has gained popularity for his strong stance on the Russia-Ukraine conflict, placing him in an ideal position to engage with Merz, who has also taken a notably hawkish stance on increasing German support for Ukraine.

IS THERE STILL ROOM FOR THE GREENS?

Meanwhile, the possibility of a new Große Koalition has been criticized by Greens leader and Economic Affairs Minister Robert Habeck, who has declared his intention to run for chancellor. While this move has attracted scepticism due to his party currently polling in fourth place, it highlights the Greens' interest in retaining a position in a CDU-led govern-

ment—an unlikely but not impossible option. The Greens, once an anti-establishment and left-leaning political force, have now shifted under Habeck towards more moderated positions on the Energiewende, attracting a segment of the electorate previously aligned with moderate Merkel voters. Still, Greens' participation in a CDU-led government remains improbable due to Merz's criticisms of their migration and climate policies. Additionally, a CDU-Green coalition is unlikely to secure a comfortable majority, and finding a third coalition partner would be complex. The FDP has traditionally been the CDU's junior partner but is currently polling below the 5 percent threshold required to enter parliament. Even if the party secures some seats, a three-way CDU-Green-FDP coalition risks mirroring the struggles of the current government, with only the SPD being replaced as its central player.

WHAT NEXT FOR THE ENERGIEWENDE?

Amid the political crisis and prolonged negotiations following the elections, the issue that triggered the coalition collapse—budget discussions—will remain unresolved. As a result, resources available for the Energiewende will be limited. The new auction for the Carbon Contracts for Differences, which are designed to subsidize climate-friendly production methods, and an aid package containing tax breaks for electric cars to support the struggling automotive sector have already been delayed and now risk being halted, depending on the nature of the 2025 budget. The Bundesverband der Deutschen Industrie (BDI)—or Federation of German Industries—has also called for increased investment in the energy sector over the next five years. They estimate that current public sector investments are approximately 41 billion euros short of what is needed to meet the announced Energiewende targets at both the state and federal levels. This shortfall would impede efforts to finance the energy-efficient modernization of buildings, grid expansion, hydrogen infrastructure, and the production and storage of renewable energy. Investment necessities are sparking debate over a possible reform of the Schuldenbremse—the constitutional limit restricting the deficit to under 0.35 percent of GDP. The rule already prevented the allocation of a 60-billion-euro fund in the 2024 budget intended to facilitate the transition. While Merz has hinted at his willingness to reform it, and the SPD has similarly announced its intention to design new debt rules, the debate is likely to take time. Additionally, due to the rise of the AfD, even a Große Koalition may struggle to secure the necessary super-majority for constitutional changes.

Budget delays, the difficulty of debt reforms, and a general shift to the right raise uncertainty over how to finance the transition and whether the political conditions for its implementation are fading. The rise of anti-green parties at the state level offers a partial preview of the federal level, highlighting voters' doubts: Was it the right decision to phase out coal and nuclear power? Are climate efforts burdening German industries? Has access to Russian gas been permanently halted, and what effect will this have on the economy?

While some believe there is no turning back on these issues, others are increasingly questioning them, posing challenges for the future of the Energiewende. Electoral outcomes will determine how, and if, the next government will be able to address these concerns without sacrificing climate ambitions.

We

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SIGNS OF CHANGE

IN A PARTIAL VICTORY FOR NARENDRA MODI, HIS BJP LOST ITS ABSOLUTE MAJORITY IN INDIA'S PARLIAMENT. THE COUNTRY RETURNS TO COALITION POLITICS, WITH A STRONGER OPPOSITION AND DEMOCRATIC INSTITUTIONS BEGINNING TO REGAIN SOME INDEPENDENCE

by Diego Maiorano

ON JUNE 4, 2024, the Indian political system was rocked by an earthquake. Prime Minister Narendra Modi's party, the Bharatiya Janata Party (BJP), failed to secure an absolute majority in the lower house, as it had in the previous two elections in 2014 and 2019. When the vote counting concluded, the BJP had 240 seats—32 shy of a majority. Together with its allies in the National Democratic Alliance (NDA), the prime minister fell short of 293 seats, well short of the 400 he had set as a target during the campaign. The 2024 elections were significant because they returned India's party system to 'normalcy,' if by normalcy we mean the 25 years (1989-2014) when the country was governed by coalitions rather than individual parties. In 2014, the BJP defied all expectations and predictions, winning 282 seats and securing the freedom to govern alone. Five years later, again surpassing even the most optimistic forecasts, the party reached 303 seats. In a country with nearly a billion voters, speaking dozens of languages, practicing all major religions, and divided among thousands of caste groups, the BJP's results were extraordinary, reflecting broad consensus and immense popularity, particularly for the prime minister himself.

A BITTER VICTORY

In the spring of 2024, however, something shifted. While the BJP won the election and formed the government, the party



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suffered a significant political setback for several reasons. First, the BJP—and all pre-election polls—had expected a large majority. The campaign had been almost entirely centered on the prime minister's popularity, so the narrow victory took on a personal dimension for Modi. Second, the opposition had been severely constrained. Not only did Modi's party benefit from more electoral contributions than all other parties combined—thanks in part to a government-backed election financing law later ruled unconstitutional—but opposition leaders had been relentlessly targeted by investigative agencies, which opened cases against numerous political figures. During Modi's decade as prime minister, nearly 95 percent of investigations into politicians were directed at opposition members, many of whom saw charges dropped once they switched to the BJP.

Third, India's media system had weakened considerably over the past decade, partly due to the support large business groups (which control most newspapers and TV stations) have given to the BJP, and partly due to government investigations targeting independent journalists and media outlets. Fourth, key institutions like the Supreme Court and the Electoral Commission have repeatedly been accused of losing their independence and protecting the government in critical cases. In other words, Indian democracy has experienced significant erosion over the past decade, pushing the country closer to the

ranks of hybrid regimes—those that blur the lines between democracy and authoritarianism. The Swedish V-Dem Institute, for instance, classified India as an ‘electoral autocracy’ in 2020, a system where free elections exist alongside oppression, control, and the erosion of civil liberties, making it incompatible with the norms of a mature democracy.

The election result, while a bittersweet victory for the BJP, had significant consequences for the policymaking process. For the first time since Modi took office in October 2001 as Chief Minister of Gujarat, the prime minister will no longer have an absolute majority in parliament. He will now have to consider the demands of his allies, particularly the two major parties that secure his government: the Janata Dal (Secular) of Bihar and the Telugu Desam Party of Andhra Pradesh.

What’s more, the BJP will have to contend with a much stronger opposition, energized by an election result that far exceeded expectations. The Indian National Congress, for example, doubled its seat count to 99. With the support of the two dozen parties that make up the Indian National Developmental Inclusive Alliance (INDIA), the opposition—largely focused on an anti-Modi campaign—secured 234 seats.

THE MODERATING INFLUENCE OF THE ALLIES

In the early months of the new government, despite the BJP’s efforts to project continuity in political action—starting with the cabinet members, nearly all of whom were retained from the outgoing administration—there were clear signs of change. In August, for instance, the government—apparently at the request of one of its allies—submitted a controversial bill to regulate Muslim charitable institutions to a bicameral parliamentary committee. This was a notable shift, as in the previous ten years, the BJP had bypassed parliamentary committees, preferring direct approval without consulting other parliamentary groups.

A few weeks later, the government withdrew a controversial bill that critics argued would have further increased government control over digital media. Soon after, the government was forced to backtrack on a civil service reform proposal that failed to protect the interests of the low castes, the core electoral base of the Janata Dal (Secular).

In other words, the necessary confrontation with government allies—who do not share the BJP’s ultranationalist and distinctly pro-Hindu agenda—has, at least temporarily, limited the executive’s legislative discretion. This stands in contrast to previous years, when major reforms were implemented with minimal parliamentary involvement.

Additionally, some key institutions appear to have gained more room to maneuver. For example, the Supreme Court ordered the release of Arvind Kejriwal, the former Chief Minister of Delhi, who had been arrested just weeks before the spring 2024 elections, allowing him to campaign in the capital’s state elec-



THE 2024 ELECTIONS put at the head of India a prime minister who is wounded but still-standing and is firmly at the head of a party that remains the center of the political system. The need to govern in a more collegial manner will force the government to find compromises, especially on the most controversial issues. This is probably good for India as a whole, including from an economic perspective, as domestic and international investors will be able to rely on a more predictable and less sclerotic policy-making process.

THE ALLIANCE led by the Bharatiya Janata Party (BJP), the party of prime minister Narendra Modi, obtained an overwhelming majority in Maharashtra (the state of Mumbai), the third most populous state in India (and the first in terms of contribution to GDP). In the photo, the cable-stayed Bandra-Worli Sea Link (BWSL) bridge, the new icon of Mumbai.



tions scheduled for early 2025. In July, the same court struck down a measure in three BJP-led states that would have required traders to display a sign with their name—essentially identifying Muslim traders and making it easier for Hindu extremist groups to boycott their businesses. Some news media also seem to have gained more space to publish content critical of the government. Although weakened compared to the previous two terms, the BJP remains the dominant party in the political system, and Modi continues to enjoy significant popularity. A recent round of elections in three key states—Haryana, Maharashtra, and

Jharkhand—confirmed this dominance. The BJP performed better than expected in Haryana, where it had underperformed in the spring, and secured a decisive victory in Maharashtra (the state of Mumbai), where the BJP-led alliance won an overwhelming majority. The results demoralized the opposition, starting with Congress. More importantly, however, they weakened another potential source of trouble for the prime minister: the factions within the BJP that had been sidelined during his previous terms. These factions had hoped to regain influence after the party’s disappointing performance in the general election.

A GOOD THING FOR THE COUNTRY

The 2024 national and state elections have placed a wounded but still-standing prime minister at the helm of the country, leading a party that remains central to the political system, both at the center and on much of the periphery. However, the need to govern in a more collegial manner will limit the government’s influence, especially on controversial issues. This is likely beneficial for India as a whole, particularly from an economic standpoint. Domestic and international investors will benefit from a more predictable and less rigid policymaking process. Additionally, the two states where the BJP’s key allies

come from—Bihar and Andhra Pradesh—will receive, as they have in these early months, significant economic benefits, including both public investment and government support in attracting domestic and foreign capital.

we

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THE FOREIGN POLICY OF

MODI 3.0

by Nicola Missaglia

CAUGHT BETWEEN DOMESTIC CHALLENGES AND GLOBAL ECONOMIC OPPORTUNITIES, THE WEAKENED PRIME MINISTER SEEKS TO POSITION INDIA AS AN ALTERNATIVE TO CHINA IN GLOBAL VALUE CHAINS, BALANCING ECONOMIC PRAGMATISM WITH GEOPOLITICAL AMBITIONS

2 024 WAS AN IMPORTANT election year for India. In June, conservative Prime Minister Narendra Modi was re-elected for a third term. However, the result defied expectations that Modi and his Bharatiya Janata Party (BJP) would win a landslide victory and secure an absolute majority in parliament, as they had in the previous elections of 2014 and 2019. With 240 of the 272 seats needed to govern alone, Modi now must rely on the support of the National Democratic Alliance (NDA) and, in particular, two smaller parties whose leaders have often shifted positions and allegiances over the years.

This is an unprecedented situation for the prime minister: he has never before had to navigate the complexities and compromises of a coalition government. Moreover, the unexpected loss of support has exposed him and his party to a sense of political vulnerability and uncertainty that seemed unthinkable in his previous two terms. Can a weakened Modi, now at the head of a coalition, deliver the reforms necessary to sustain economic development in the world's most populous country? And will he be able to maintain the geopolitical momentum that has propelled New Delhi onto the global stage in recent years, or secure meaningful international agreements, including with Western countries?

WILL INDIA BE THE NEW "FACTORY OF THE WORLD"?

The outcome of the 2024 elections will not alter the fact that India stands to benefit significantly in the coming years from the global trend of reducing over-reliance on China. This de-risking dynamic is set to continue, with governments and multinationals shifting parts of their production lines to countries other than China. With its abundant labor force, dynamic economic growth (over 8 percent in 2023 and 7 percent this year), and growing domestic demand driven in part by rapid urbanization, India is poised to be one of the main beneficiaries of these shifts in the international geo-economic landscape. While Modi will need to navigate a coalition government where decision-making may be more cumbersome, he must remain focused on leveraging India's competitive advantages in a geopolitical environment that, on balance, appears favorable to New Delhi. India's advantageous position in the reconfiguration of global value chains should encourage Modi 3.0 and his government allies to focus not only on the country's much-needed infrastructure development, but also on securing new trade agreements that promote and finance India's ambitions to become a key alternative manufacturing powerhouse to China. This strategy would also yield significant

domestic benefits, enabling New Delhi to develop labor-intensive sectors—starting with manufacturing—that are crucial to harnessing and capitalizing on India’s unique demographic dividend (India’s median age is 28.4, compared to more than 38 for China.)

While Modi has worked hard in his first two terms to develop the country’s infrastructure, promote digitization, and streamline bureaucracy, he has been more hesitant to seriously facilitate foreign investment. Reducing inbound tariffs will be a top priority for the next government, especially if India is to attract investment and increase its share of global manufacturing value chains. India’s competitiveness has grown over the past decade, which should encourage the government to look beyond its traditional protectionist stance in favor of greater openness to free trade and competition—aligning more with the economic, scientific, and social vibrancy of 21st-century India. This would represent a complex and not easily achieved paradigm shift for India but given the local benefits that a larger influx of investment could bring, it is not necessarily the case that a coalition government, in which the voice of the Indian states carries more weight, should be an obstacle to this path.

WILL NEW DELHI BE A RELIABLE PARTNER FOR THE WEST?

Even in Modi’s third term, the primary driver of India’s regional strategic vision and security partnerships will remain the same: a China perceived as increasingly assertive and threatening. This perception is shared, with some variations, by other countries, particularly those in the West, led by the United States. The development of strategic partnerships in the Indo-Pacific (including with Italy), the sharing of advanced weapon systems, the expansion of agreements and trade in the defense industry, and the possibility of closer cooperation if tensions with China escalate, all provide a strong foundation for India’s security relationships. These alliances are resilient enough to endure the political shifts the country has experienced in recent months. Furthermore, the coalition partners in Modi’s new government are not fervently anti-Western and are unlikely to seek to undermine the pragmatic, multi-aligned approach to foreign policy that the prime minister has pursued so far. It is possible that the most difficult budget or procurement decisions will become the occasion for tougher political battles—battles Modi was able to avoid in his first two terms due to the BJP’s extensive control of parliament. Today’s greater political uncertainty may make Indian ministers and officials, responsible for approving major deals, more risk-averse. This, in turn, could hinder bolder investments, particularly in defense, energy transition, or the initiation of major trade agreements with other countries.



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India is set to be one of the main winners of the evolution of the international geo-economic scenario, which sees governments and multinationals transfer parts of their production lines to countries alternative to China, in a derisking perspective. In the photo, colored musical fountains at JP Park in Bangalore, India.



The need to govern in coalition may have the effect of bringing the BJP’s economic reformism back to the forefront and dampening the party’s insistence on the Hindu nationalist agenda, along with the rhetoric and policies that have exacerbated religious tensions over the past decade. In the photo, the Golden Temple in Amritsar, India.



Last spring’s vote unexpectedly demonstrated the resilience and vibrancy of Indian democracy, which to many seemed destined for an inexorable illiberal decline. This is sure to be good news for Europe. In the photo, a street in New Delhi.



A trade and investment agreement between Europe and India would open up distinctly positive prospects for both, offering European companies access to a very large and growing market and India the prospect of expanding its manufacturing sector through European investment. In the photo, the Hawa Mahal, known as the Palace of Winds, Jaipur.



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However, foreign policy and national security are unlikely to be top priorities for the BJP's coalition partners, who are far more focused on regional, local, and practical issues that directly affect them. The same applies to the newly revitalized Parliament, which, while more heterogeneous and with a more central role for the opposition, will be a vigilant arbiter of the government's domestic initiatives, but less so on the foreign front. This is particularly true since India's major foreign policy and national security issues are generally managed by the prime minister's office, with minimal need for specific legislative action. In recent years, Modi has also centralized control over foreign-related ministries and agencies, such as the intelligence services, which now report directly to the prime minister through his national security adviser.

WHAT HAS CHANGED IN INDO-EUROPEAN RELATIONS?

Last spring's vote unexpectedly highlighted the resilience and vibrancy of Indian democracy, which many had thought was on an inexorable path toward illiberal decline. This is undoubtedly good news for Europe. On one hand, the prospect of a strong and dynamic Indian economy—where the EU could find new markets for exports and a credible alternative to China for FDI in manufacturing—may now seem more uncertain. On the other hand, India may now be more inclined to fast-track negotiations on the long-awaited trade agreement with the EU, especially in a time of significant global uncertainty and growing competition between the United States and China.

A trade and investment agreement between Europe and India would create distinctly positive prospects for both, offering European companies access to a vast and growing market, while providing India the opportunity to expand its manufacturing sector through European investment. Members of the European Free Trade Association (EFTA) and India have already signed an agreement that includes a USD 100 billion investment commitment from EFTA members. At a time when the Modi government, despite voter expectations, urgently needs to create new jobs—1 million young Indians enter the job market every month—the next step, though not immediate, could be an agreement with the European Union as a whole.

MULTI-ALIGNMENT AND IDEOLOGY

India's international and foreign policy orientations under Narendra Modi will remain largely unchanged: New Delhi will continue to pursue a pragmatic, transactional multi-alignment strategy, cultivating relations with other countries based on its national interests—from Russia to the United States, European nations to the BRICS. The differ-

ence now is that, in the eyes of the world, this year's elections have revived the reputation of Indian democracy. For a country still led by Modi—whose ability to navigate the new and more uncertain political landscape will be key—this could present an opportunity to assert itself with greater authority and legitimacy on the global stage. This is especially true in relations with the Western world, but also with countries of the Global South, where India is positioning itself to take China's place as a leader.

What's more, the election result and the need to govern in coalition may bring the BJP's economic reformism back to the forefront, while tempering the party's emphasis on the Hindu nationalist agenda. This shift could help reduce the rhetoric and policies that have polarized the country and worsened religious tensions over the past decade. In electoral terms, the Hindutva ideology that Modi's party focused on during the campaign did not yield the expected results. Domestically, Modi may therefore opt for a more pragmatic and less ideological political approach.

However, one question mark remains, and it will be important to watch in the coming months: given the need to govern in coalition, it's possible that Modi and the BJP will exert more control over India's foreign policy than domestic issues, which the ruling allies will prioritize to strengthen their political and electoral power. Over time, this situation may push Modi's party to frame its foreign policy ambitions and decisions in increasingly ideological terms, as a concession to the Hindu extremist base, which has been weakened domestically. If this happens, relations with the West could be the first to suffer.

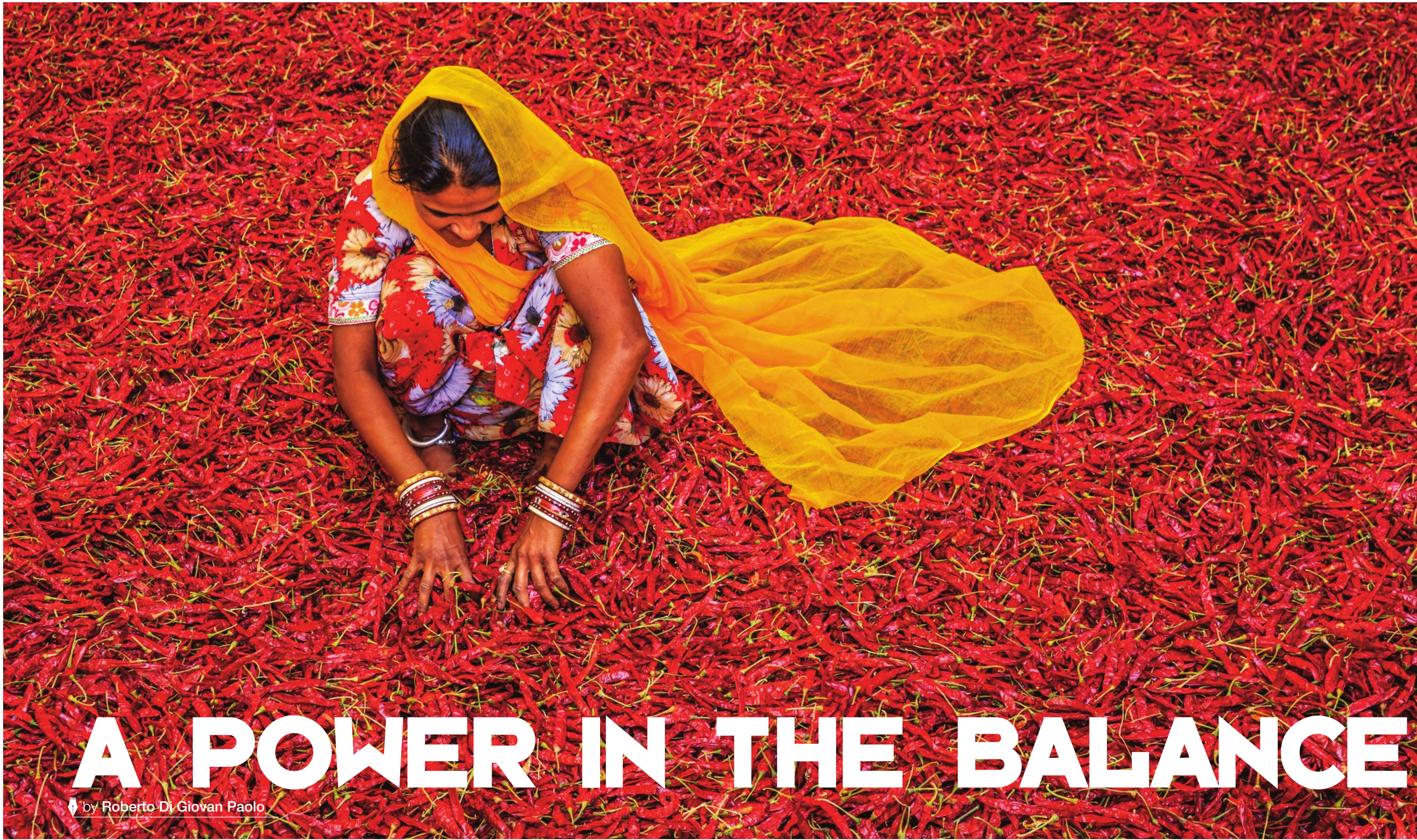
We

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A POWER IN THE BALANCE

by Roberto Di Giovan Paolo

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IF INDIA CAN OVERCOME INTERNAL DIVISIONS AND CRAFT A COHERENT INTERNATIONAL STRATEGY, IT COULD FINALLY CLAIM A LEADING ROLE ON THE WORLD STAGE

2 024 WILL BE REMEMBERED as a year of major global elections, with India playing a pivotal role. Often called ‘the world’s largest democracy,’ India saw Narendra Modi secure a third term as Prime Minister. However, the electoral fortunes of Modi’s BJP declined significantly, capturing only 36.9 percent of the vote, while the Congress Party rose to 21.4 percent. Thanks to India’s first-past-the-post system, Modi retained a parliamentary majority, but with a more fragmented coalition—forcing him to make compromises.

THE DEMOGRAPHIC MILESTONE

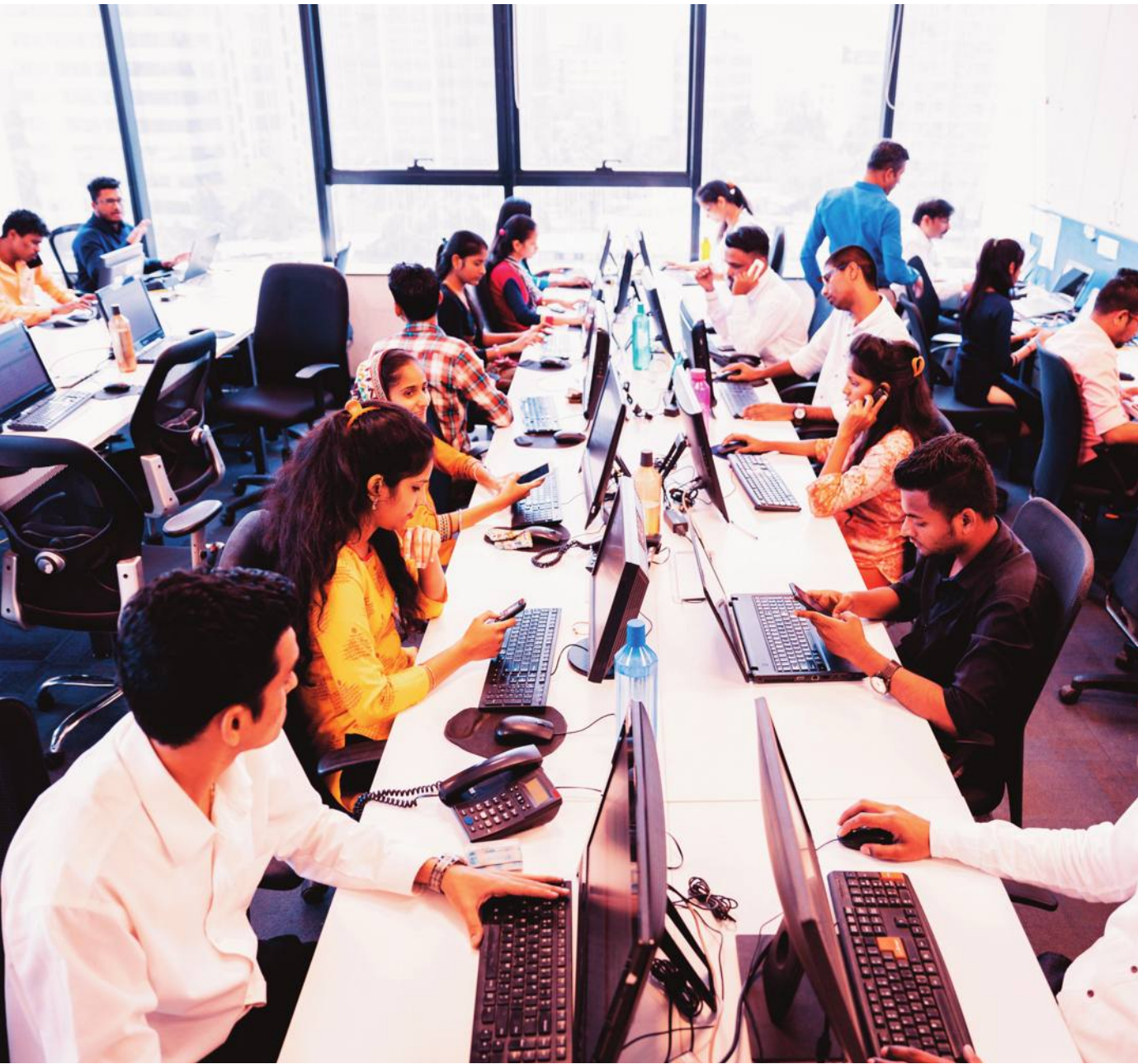
The year marked another historic milestone: it saw India overtake China as the world’s most populous country. Modi has used the occasion to bolster national identity, framing it as an opportunity for India to claim its place among the world’s leading powers. The potential is undeniable, but the challenges are immense. India faces an underperforming education system, deep social inequalities, and an economy still too fragile to match its global ambitions.

THE EDUCATION SYSTEM AND THE CASTE ISSUE

With 67 percent of its population under the age of 35, India is a young nation. But despite pockets of excellence, its education system struggles to produce enough high school and university graduates. The caste system remains a structural barrier. A 2023 survey by the National Statistical Institute found that 98 percent of Indians still identify with a caste, and 69 percent see themselves as part of the ‘lower castes.’ This enduring social divide continues to fuel inequality, limiting the full potential of India’s youth.

THE CONTRADICTIONS OF THE ECONOMY

India is a hub of technological excellence with a thriving start-up ecosystem—ranking third globally, behind only the U.S. and China, in the number of start-ups generating over \$1 billion in revenue. Yet, its broader economic landscape remains uneven. Agriculture employs 45 percent of the workforce but contributes just 16 percent of GDP. Meanwhile, 25 percent of workers are in manufacturing, and 48 percent in services. The



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India boasts technological excellence and a thriving start-up ecosystem (ranking behind only the U.S. and China in the number of start-ups with revenues of over a billion dollars!). Yet, the overall economic landscape remains uneven.



The caste system is a structural obstacle, which continues to condition India, perpetuating inequalities and hindering the full realization of the country's youth potential. In the photo, Benares, the sacred city on the Ganges River.

labor market is marked by high informality, with 80 percent of employment classified as informal—far from the stability expected of a global power.

INTERNATIONAL ALLIANCES AND THE “PENDULUM” POLICY

Modi's India navigates contradictions on the international stage, making its alliances difficult to pin down. As a founding member of BRICS, it maintains ties with the bloc while sustaining strained relations with China. At the same time, it draws closer to the U.S. through the Quad—an anti-China alliance with Japan and Australia. This ‘pendulum’ strategy grants India a measure of autonomy but leaves it in an ambiguous position among the world's major powers.

India is undeniably a major power—not just a nuclear one.

Alongside its 170 declared nuclear warheads, it ranks as the world's top importer of conventional weapons, spending nearly \$87 billion annually—equivalent to 2.4 percent of its GDP.

A "SELF-STANDING" POWER?

Over the years, Modi has countered critiques of India's contradictions by urging the world to see it as a ‘self-standing’ nuclear, economic, and social power. Yet, this positioning is part of the reason why India is often underestimated or approached with ‘diplomatic caution’ by Russia, China, and the U.S., all of whom continue to treat it as a second-tier power.

Ironically, India's strongest ties are with its former colonial adversaries—the EU and the UK. These partners show India greater respect, driven by its demographic and economic clout, reinforced by high levels of trade and the large Indian diaspora in Europe.

THE INEVITABLE COMPARISON WITH CHINA

Despite surpassing China in population, India lags far behind economically, with a per capita GDP just one-fifth that of China. The country has also lost its historical role as a leader of the Third World—a position once anchored in Nehru's non-aligned ideology. In its place, Hindu nationalism has taken root, narrowing India's international ambitions.

India has pursued alternative paths for global engagement. At the COP26 summit in Glasgow in 2021, Modi championed the right of India and other developing nations to a ‘just’ energy transition, stressing the need to balance economic growth with sustainability. This vision positions India as a potential leader in guiding emerging economies toward more inclusive climate policies. Glasgow 2021 may well have marked the high point of power politics for the ‘New’ India.

FIVE YEARS TO DECIDE THE FUTURE

Modi faces critical years ahead to prove that India can truly become a global power. To do so, the country must break free from the ideological shell of self-sufficiency that has shielded it for decades, ensuring that nationalism serves as an accelerator—not a brake—on its ambitions. The risk is that a nation with immense human, social, and economic potential could fall behind in the race for growth and development—a pursuit it has chased since gaining independence in 1947.

We

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GHANA AT THE CROSSROADS

by Benjamin Boakye

FACING DECLINING OIL PRODUCTION AND A CRISIS IN THE POWER SECTOR, GHANA'S NEW GOVERNMENT MUST ATTRACT INVESTMENTS AND REFORM THE ENERGY SYSTEM TO ENSURE SUSTAINABLE GROWTH AND ECONOMIC STABILITY

GHANA HAS CONCLUDED its 2024 general elections, electing a new president and 276 members of parliament, marking a pivotal moment in its history. This milestone reflects more than three decades of democratic governance under the Fourth Republic, established in 1992. While peaceful transfers of power have become a hallmark of Ghana's democracy in West Africa, the violence and loss of life during the 2020 and 2024 elections serve as a stark reminder of the fragility of these gains. The incoming government, scheduled to be inaugurated on January 7, 2025, faces a critical mandate: tackling persistent challenges in the energy sector. Spanning oil, gas, and power, the sector offers both significant opportunities and substantial risks. How effectively the government navigates these complexities will play a key role in shaping Ghana's economic trajectory over the next four years.

THE OIL SECTOR: DECLINING PRODUCTION AND INVESTMENT CHALLENGES

Ghana once aspired to become a major player in the global oil market, but that promise has faded in recent years. The discovery of commercial oil reserves off Ghana's coast in 2007 sparked high expectations, with production steadily rising to a peak of about 170,000 barrels per day by 2019. Since then, however, output has declined, falling short of earlier projections that had positioned Ghana as a potential major oil producer in Africa. Several factors have driven this downturn, chief among them the maturation of existing oil fields and the absence of new field developments. While Ghana's oil reserves remain considerable, much of its production relies on aging fields, where natural depletion has led to a gradual decline. Compounding the issue is a lack of investment in the upstream sector, as international oil companies (IOCs) have shown growing reluctance to commit fresh capital to exploration and production. The challenges can be traced to a few issues that have deterred both existing and potential investors:

- **LOCAL CONTENT IMPLEMENTATION:** Since the passage of Ghana's Local Content Law in 2013, the policy of promoting local business participation in the oil and gas sector has seen

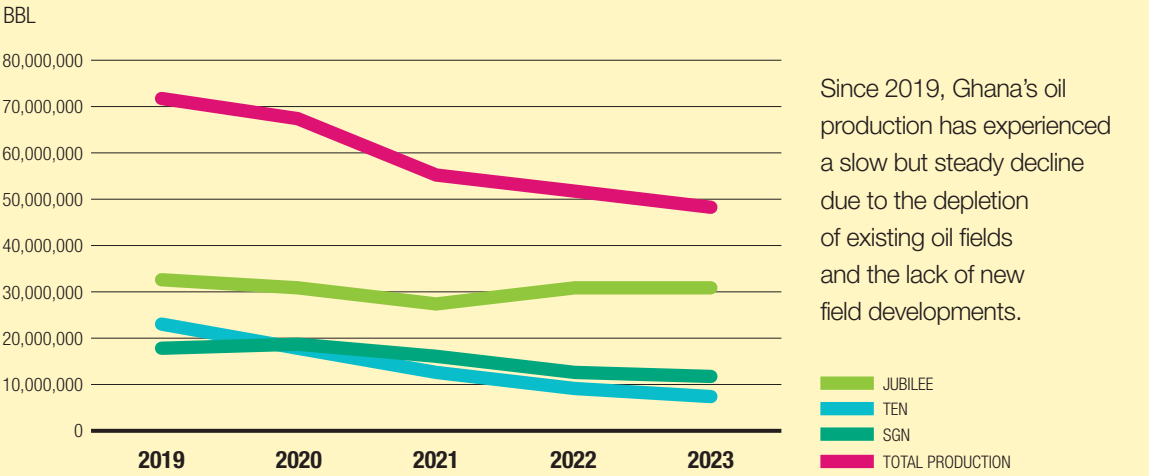


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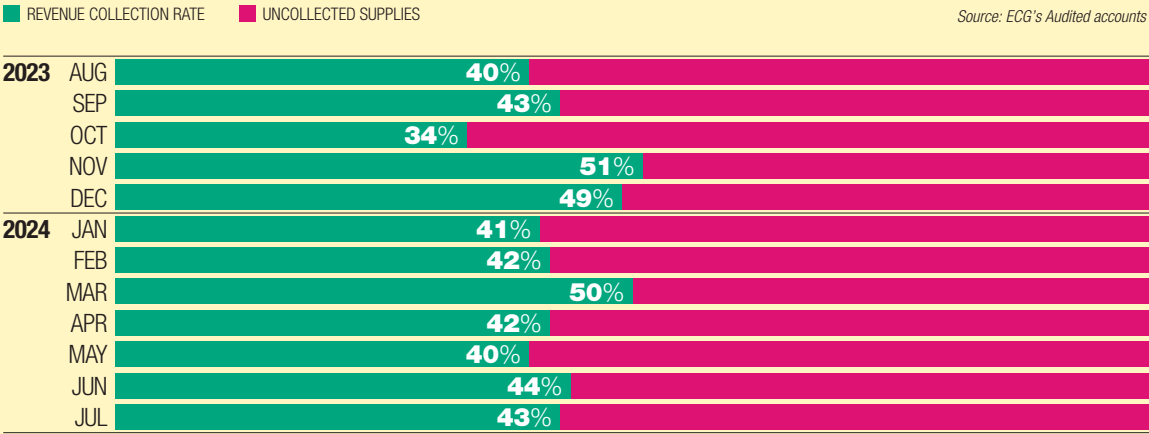
mixed results. Over 600 local companies have entered the industry, with IOCs awarding more than \$4 billion in contracts to local businesses between 2016 and 2023. However, implementation has been problematic. The government's imposition of local content requirements beyond the law's original framework has created friction with IOCs. Pressure on companies to engage specific local partners has delayed projects, complicated decision-making, and raised corruption concerns. For international investors, particularly those listed on foreign stock exchanges, these practices present compliance risks with anti-corruption laws in their home countries. The government's confrontational approach toward companies that resist these demands has further eroded investor confidence.

- **CONTRACTING REGIME AND TRANSPARENCY:** Ghana has faced persistent issues with transparency in its contracting process. In 2018, the government launched a licensing round to award three offshore oil blocks, but the process was abruptly halted after deviations from the advertised criteria. Unforeseen demands were introduced mid-process, causing a three-year delay before the entire round was ultimately cancelled. Since then, progress on awarding new oil blocks has stalled, fueling investor skepticism about the sector's prospects. Recently, two shallow water blocks were awarded to companies with no significant track record in oil exploration or production, echoing a similar situation in 2014 when promising blocks were granted to firms that have yet to develop them.

OIL PRODUCTION DECLINES

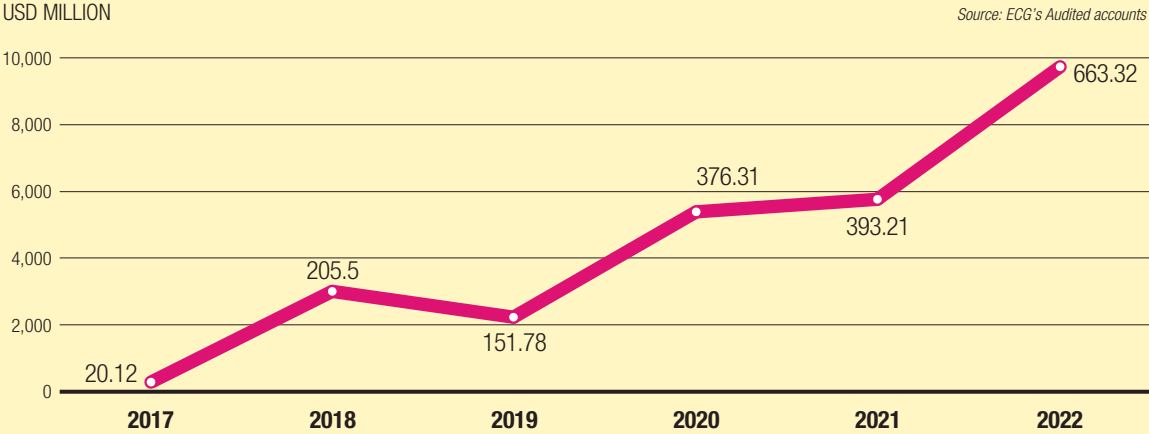


ECG, THE REVENUE SHORTFALL



The Electricity Company of Ghana (ECG), responsible for the country's electricity distribution, faces persistent revenue shortfalls that have exceeded 50% in recent years, forcing the government to step in with financial support.

ECG'S ANNUAL LOSSES



The financial troubles of ECG, which saw losses exceeding USD663 million in 2022, have created a dependency on the government, with the company now relying on state bailouts to stay afloat.

● **REGULATORY CHALLENGES AND POLITICAL INTERFERENCE:** The effectiveness of Ghana's Petroleum Commission, the oil industry regulator, has come under growing scrutiny. Industry players have raised concerns about the Commission's impartiality, suggesting that political considerations may be influencing its decisions. This perception has undermined the regulator's credibility, creating uncertainty that hampers the sector's growth. Compounding the issue, some of the Commission's decisions have led to costly arbitration cases, casting doubt on its ability to mediate disputes effectively. Independent, transparent regulation is critical for attracting investment and ensuring the sector's long-term sustainability.

THE POWER SECTOR: A DRAIN ON RESOURCES

For years, Ghana's electricity sector has been plagued by inefficiencies, underperformance, and mounting debt, draining fiscal resources that could otherwise support economic development. The government allocates more budget funds to subsidize the power sector than it spends on education, roads, and social protection combined.

The Electricity Company of Ghana (ECG), the nation's primary electricity distributor, has been at the center of these challenges. Persistent revenue shortfalls — exceeding 50 percent in recent years — have forced the government to intervene with financial support, creating a cycle of dependency. This reliance on state bailouts has strained Ghana's ability to maintain a stable and reliable power supply, leading to frequent outages and growing frustration among consumers and businesses.

One major contributor to the electricity sector's financial woes is the ECG's persistent inability to collect adequate revenues. Inefficient billing systems, widespread power theft, and poor management practices have all worsened the situation. Procurement inefficiencies, particularly for fuel, and currency exchange rate manipulation within ECG have further inflated costs and eroded profitability. Compounding these issues, upstream gas suppliers, who provide fuel for power plants, have faced delayed payments, heightening the risk of supply disruptions and threatening the stability of the entire energy sector. Liquidity issues in the power sector have far-reaching implications for Ghana's oil industry. The power sector's inability to pay its debts jeopardizes the development of upstream oil and gas activities, which play a critical role in both electricity generation and oil field operations. Gas is essential for fuelling power plants, and disruptions in its supply can trigger cascading effects throughout the energy sector. Some gas suppliers have been forced to reduce supply due to liquidity challenges, while pipeline owners have, in some cases, threatened or actually cut supply.

This deteriorating and unreliable supply poses broader risks to the economy, as businesses face higher operational costs and

investor confidence in Ghana's energy sector continues to erode.

THE ROAD AHEAD: POLICY REDRESS AND STRATEGIC ACTION

As Ghana enters a new electoral cycle, the incoming government faces the delicate task of addressing the complex challenges in both the oil and power sectors. Tackling these issues will require bold policy action and strategic reforms in two key areas:

- **UPSTREAM OIL INVESTMENT:** The new government will need to attract substantial investment in the upstream oil sector to reverse declining production trends. This will require improving the investment climate by enhancing transparency in the contracting process, strengthening regulatory oversight, and addressing investor concerns over local content impositions. Establishing a more predictable and stable business environment, free from undue political interference, will be essential to restoring investor confidence and securing the capital needed to develop new oil fields.
- **LIQUIDITY AND GOVERNANCE IN THE POWER SECTOR:** Resolving the liquidity crisis in the power sector will require a combination of financial and operational reforms. The government must strengthen the financial position of the Electricity Company of Ghana (ECG) by improving revenue collection mechanisms and overhauling procurement practices to reduce costs. Addressing challenges in the gas sector will also be essential to ensuring a stable power supply and supporting the growth of both the oil and power industries. At this crossroads, the future of Ghana's energy sector—and its broader economic trajectory—depends on the incoming government's ability to balance risks and opportunities. Effective leadership, transparent governance, and strategic investment will determine whether the energy sector becomes a catalyst for sustainable economic growth or remains a source of financial strain and unrealized potential. Decisions made in the coming years will have lasting consequences, shaping Ghana's future for generations to come.

We

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AFTER ITS 2024 ELECTIONS, SOUTH AFRICA UNVEILED A GOVERNMENT OF NATIONAL UNITY WITH A FOCUS ON INCLUSIVE GROWTH. A DECARBONIZATION STRATEGY THAT ALSO ENSURES ENERGY ACCESS WILL BE CRUCIAL TO PROMOTING ECONOMIC DEVELOPMENT AND CONSOLIDATING VOTER TRUST



SOUTH AFRICA The Challenge of a Just Transition

by Jordan McLean and Luanda Mpungose



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SOUTH AFRICA'S MAY 2024 election was a watershed moment in the country's young democracy, marked by a lower than expected turnout of 58.6 percent and ushering in coalition governance at the national level—a governance model that had been introduced at the local level and had so far left much to be desired. The new Government of National Unity (GNU) has committed to realizing inclusive economic development and national prosperity by working across divisions and putting the country's interests above party lines. The extent to which coalition governance will impact policy across the country's critical sectors, particularly energy, remains to be seen. Competition among the coalition parties to outdo each other for voters ahead of upcoming municipal elections is

likely to drive the implementation of existing policy, as new proposals will need to be thoroughly negotiated. Nowhere is accelerated implementation more needed than in South Africa's struggling electricity sector, where the transition from fossil fuels is still contested socially and many livelihoods depend on it. The African National Congress (ANC), with its uncontested if declining majority, was put to the test and came up short in the May 2024 election. The ANC and its main opposition parties—the Democratic Alliance (DA) and Economic Freedom Fighters (EFF)—had not foreseen the sudden success of the newly formed Umkhonto Wesizwe Party (MK). Founded by former President Jacob Zuma just a few months before the 2024



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THE MAY 2024 South African elections have led to the establishment of a coalition governance, for the first time at the national level. The new Government of National Unity (GNU) has committed itself to realizing inclusive economic development and national prosperity for the country. The extent to which coalition governance will impact policy across the country's critical sectors, particularly energy, remains to be seen.

elections in December 2023, the MK party emerged as one of the top three electoral winners, securing 14.58 percent of the vote and establishing a stronghold in the Kwazulu-Natal province, where Zuma had his base. The birth of the MK, a direct result of the factional politics that have plagued the ANC, made it unsurprising that the ANC lost its majority, with some of the votes it had previously enjoyed shifting to its breakaway opponent. The ANC won only 40.18 percent of the vote, while the DA and EFF secured 21.81 percent and 9.52 percent, respectively. The transition following the election has been hailed as a success of South Africa's democracy. A process that takes several months in some countries of the Global North was achieved in just four weeks in South Africa, without conflict or violence. This is despite the MK Party's allegations of election manipu-

lation, a claim that was vehemently opposed by South Africa's Electoral Commission (IEC), which was willing to defend its position in the Electoral Court.

THE PRIORITIES OF THE GOVERNMENT OF NATIONAL UNITY

Despite South Africans clearly expressing their lack of faith in the leading party, the ANC took the lead in forming a coalition government, which now includes seven political parties. President Ramaphosa outlined the GNU's three priorities: emphasizing inclusive economic growth and job creation, reducing poverty and tackling the cost of living, and building a capable, ethical, and developmental state. However, the ANC emerged the strongest in driving this economic agenda, securing the strategic portfolios necessary to steer development. Despite its

weak performance at the polls, the ANC claimed 20 cabinet posts, including the key ministries of finance, energy, mineral resources, foreign affairs, and trade, along with both the president and deputy president roles. The DA secured six ministerial posts, including agriculture and the environment, while the Inkatha Freedom Party (with a large Zulu voter base) now holds the Ministry of Cooperative Affairs and Traditional Governance, along with the mandate for disaster response. Even in portfolios led by other parties, ANC members occupy several deputy ministerial posts, ensuring the party remains well informed of all activities.

Addressing South Africa's energy crisis will be a key determinant of the GNU's success in its core priority of driving inclusive economic growth. In 2023, the Reserve Bank estimated that loadshedding—up to 10 hours of daily rolling blackouts across the country—had shaved 2 percent off the country's economic growth, driving down annual growth projections to just 0.3 percent. Driving inclusive growth requires a stable electricity supply, making control of the energy portfolio in the government critical. In the seventh administration, President Ramaphosa made the decision to separate the energy portfolio from mineral resources, creating a new Department of Energy and Electricity. The department is headed by the ANC's Kgosiensho Ramakgopa, supported by deputy minister Samantha Graham-Mare, a member of the opposition DA. The DA has been highly critical of the ANC's approach to diversifying South Africa's energy mix, particularly Ramakgopa's interest in nuclear power. While vocal proponents of renewable energy, the DA opposes nuclear power projects, with Graham-Mare accused of purposefully derailing these efforts while in her new office.

The failure of the state-owned entity and electricity monopoly Eskom to 'keep the lights on' has been fatal to the ANC's election prospects since loadshedding first started in late 2007. More than this, loadshedding has exacerbated inequality, poverty and unemployment, further undermining the ANC at the polls. Since coming to office, Ramakgopa has been successful in staving off further loadshedding. As of December 2024, the country has seen a remarkable 250 days without loadshedding and Ramakgopa's maintenance of this loadshedding suspension will be important for the integrity of the ANC's governance going forward.

THE DECARBONIZATION PATHWAY

The split of the department also signals renewed hope for South Africa's decarbonization mission. The former Department of Mineral Resources and Energy was led by Minister Gwede Mantashe, a staunch supporter of continued fossil fuel use and a former trade unionist with lingering ties to the labor movement. During a parliamentary debate in 2022, Mantashe emphasized that South Africa's energy outlook would include all



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While Mantashe's ministry was characterized by support for fossil fuels, especially coal, Ramakgopa, Ramakgopa can drive ambitious policy and investment for expanding renewable energy capabilities. In the photo, a bird's eye view of the Khi Solar One solar power plant in the desert near Keimoes, in Northern Cape, South Africa.

energy sources—coal, gas, and nuclear power—and that the country would not abandon fossil fuels but would work towards lowering carbon emissions. He has also referred to himself as 'King Coal' and rejected calls to accelerate the development of renewable generation capacity. Freed from Mantashe's outspoken commitment to fossil fuels, Ramakgopa now has the opportunity to push ambitious policies and investments to expand South Africa's renewable energy capabilities, even as the country remains unlikely to completely abandon coal. However, the separation of energy legislation earlier this year has left control of key gas laws with Mantashe, raising questions about how ef-

ficiently and holistically Ramakgopa can manage the country's energy resources. Ramakgopa will also play a crucial role in the implementation of the Just Energy Transition Plan and serves as a commissioner to the Presidential Climate Commission, the multi-stakeholder body tasked with overseeing and facilitating the transition. With both an Investment Plan and an Implementation Plan developed, the Commission is set to pursue large projects to support the energy transition and deliver jobs and growth through green industry. On the whole, consistency in energy policy is expected between President Ramaphosa's two administrations, with hopes that

industry and high-income households, while excluding the poor African majority. Since the mid-1990s, the utility has shifted towards democratizing electricity access and has been able to expand coverage to over 80 percent of the population. There has been continued recognition (since the 1998 White Paper on Energy Policy) that further reform of the electricity sector is needed to promote inclusivity, accessibility, and environmental sustainability. However, reform processes often take a back seat to securing the country's fragile electricity supply—a reality that even 250 days without loadshedding cannot ignore. With loadshedding somewhat stabilized and South Africa's commitment to expanding renewable energy capacity secured through its Just Transition Framework and international commitments to the UN Framework on Climate Change, the GNU has a unique opportunity to reshape the country's energy landscape and move towards a low-carbon future through timely and robust implementation of its existing frameworks. Led by an ANC minister in the new Department of Energy and Electricity, there is ample opportunity for the former ruling party to link its effective energy management to both local and future national election campaigns, symbolizing its commitment to voters and its decades-long promise to engineer inclusive economic development. By prioritizing renewable energy, improving Eskom's performance, and ensuring energy security, the government can create a more sustainable and reliable energy future for South Africa, to attract investment and spur much-needed economic growth. The next four years will be crucial in determining the success of these efforts and their impact on the country's economic and social development.

we

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IN THE SIGN OF CONTINUITY

by Raad Alkadiri

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IN MEXICO, INDONESIA, RUSSIA, VENEZUELA, IRAN, AND ALGERIA, ELECTION OUTCOMES FAVORED THE INCUMBENTS. HOWEVER, IT IS THE RESULTS OF ELECTIONS IN OIL-CONSUMING COUNTRIES, RATHER THAN THEIR OWN, THAT ARE POISED TO SHAPE THE ENERGY POLICIES OF OIL-EXPORTING NATIONS

NEARLY HALF OF THE PEOPLE on earth live in countries that held national elections in 2024. Over 100 nations—large and small, rich and poor, from north to south—went to the polls, including the world’s most powerful country, the United States, and its most populous, India. Despite vast differences in size, geography, and economic and political clout, a common pattern emerged: electorates around the world turned against sitting governments, costing incumbents votes and, in many cases, ejecting them from power. Frustrated by high inflation, declining living standards, immigration

concerns, and maladministration, voters signaled a clear desire for new policies and new leadership. The call for change was unmistakable. Only one category of states seemed to buck this trend: major oil exporters. Despite weaker crude prices over the past 18 months and the resulting fiscal pressures, elections in Mexico, Indonesia, Russia, Venezuela, Iran, and Algeria favored incumbent governments or ruling parties—often by wide margins. Several of these countries are weak democracies, if not outright autocracies, which partly explains this contradictory pattern.

In many cases, elections were far from free or fair, with outcomes politically preordained. But even in oil-exporting states with more genuine political contests, voters seemed to prioritize continuity over change. Preserving the benefits of rentierism remains a priority for voting majorities, even at the expense of political freedom. These election results suggest there will be little domestic pressure for shifts in energy and climate policy within oil-exporting states. Maximizing the monetization of oil and gas resources will remain their top priority. For OPEC and OPEC+ members,

short-term market management will stay front and center, especially with signs of weakening fundamentals and projected stock builds in 2025. At the same time, major oil exporters will continue to resist calls for faster energy transitions, stressing the reliability and affordability of hydrocarbons and arguing that energy poverty must take precedence over climate mitigation in the short to medium term.

ELECTIONS ABROAD WILL TEST OPEC+ MARKET MANAGEMENT

But oil-exporting countries must contend with more than just their own elections. Their ability to achieve policy goals will depend heavily on the outcomes of foreign elections, which could create significant obstacles. Of all the national ballots held this year, Donald Trump's return to the U.S. presidency is likely to be a particularly consequential factor.

OPEC+'s short-term oil market strategy is likely to face heightened turbulence under Trump's second term. The group's output policy is already under strain from political and market uncertainties, and these pressures will intensify if the new U.S. president delivers on his foreign and energy policy pledges. Tougher sanctions on Iran and Venezuela, possible sanctions on Iraq, a loosened embargo on Russia, support for greater U.S. upstream investment, and the threat of new tariffs will complicate OPEC+'s efforts to manage the market. All of this will unfold against a backdrop of heightened geopolitical uncertainty, as the U.S. pivots to a more unilateral approach and the rest of the world adjusts.

Ironically, these new measures could have a bullish, rather than bearish, impact on markets—at least in the short term. The effect will hinge on the severity and sequencing of actions. Aggressive enforcement of restrictions on Iranian, Venezuelan, or Iraqi oil exports would hit global supply far faster than any production increases from the U.S. or Russia, which face investment and operational lead times. Likewise, the drag on oil demand from higher U.S. tariffs or a global trade war would take time to materialize. As a result, OPEC+ may find itself managing price spikes rather than defending a price floor—at least through the first half of next year.

Any respite is likely to be short-lived. Beyond 2025, Trump administration policies are expected to exert downward pressure on crude prices, complicating OPEC+'s balancing act between price stability and market share. The group already faces internal strains over compliance with output targets and demands from key members for quota revisions. These pressures will intensify as global stock builds persist, non-OPEC supply rises, and global demand growth weakens. Such conditions are fertile ground for division within OPEC+ ranks, especially as fiscal pressures mount. While OPEC+ has been counted out before, it has managed to stabilize markets during periods of global turmoil. But with Trump's policies in play, short-term market man-



IRAN. On July 5, 2024, Iranian President Massoud Pezeshkian was elected with 17 million votes against his the over 13 million votes of his opponent. The presidential elections, organized after the death of ultra-conservative president Ebrahim Raisi in a helicopter crash on May 19, took place amid popular discontent, in particular over the state of the economy, hit by international sanctions.



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agement is set to become more complex—and likely more costly.

A MURKIER COMPETITIVE ENVIRONMENT AWAITS

Trump’s election is also set to cloud the long-term investment outlook for hydrocarbons, adding uncertainty to the competitive landscape for major oil exporters. His promises to ease restrictions on U.S. oil and gas producers, reopen federal lands for drilling, and pull the U.S. out of the Paris Agreement come at a time when global momentum to confront—and pay for—climate change is already waning. This year’s COP29 summit hinted at a retreat in ambition, with no reference to phasing down fossil fuels in the final communiqué—a notable omission compared to previous COPs. The result could be a boon for hydrocarbon investment in the United States and other non-OPEC+ countries. Whether this translates into higher global spending on crude production will depend on investors’ confidence that this new environment will last beyond the medium term. For investors, the long-term outlook remains uncertain amid geopolitical and energy upheaval. While the direction of energy transitions seems clear, the pace is not, and the path is likely to be uneven. In the U.S., shifts between Republican and Democratic administrations have produced policy flip-flops on energy and climate, a pattern unlikely to change. In Europe, ambitious green policies are under review as countries seek to boost competitiveness and revive industry. In China, energy security and economic growth goals are driving a push toward renewables, even as fossil fuels remain essential. Meanwhile, surging power demand from the AI sector is spurring investment in new energy solutions from large, cash-rich tech firms.

EASY NOW, HARDER LATER

Major oil exporters may view the slowdown in energy transitions and retreat from collective climate action as a win for their hydrocarbon sectors. But any victory could prove pyrrhic. If extreme weather events worsen and 2030 net-zero targets are

INDONESIA. On February 14, 2024, Prabowo Subianto won the general elections as the new president of the Republic of Indonesia. The new president prevailed over former Central Java Province governor Ganjar Pranowo and former Jakarta governor Anies Baswedan, who had broad support in the capital and among the most conservative Islamic sections due to the ticket with Muhaimin Iskandar, leader of the country’s most important Islamic party (the Party for the Awakening of the Nation).

MEXICO. The elections of June 2, 2024 were a historic milestone for Mexico. On October 1, Claudia Sheinbaum became the first female president in the country’s history, taking office for a six-year term, in which she will have to address, among other things, the scourge of violence linked to drug trafficking. Sheinbaum replaced her party colleague Andrés Manuel López Obrador, who left office with a popularity rating of over 70 percent.



missed—as seems likely—more radical climate policies may follow, posing a serious threat to hydrocarbon demand. Consumption won't drop overnight. But rising investment in alternative energy could drive faster-than-expected shifts in the energy mix. Oil and gas firms, including state-owned enterprises, will face growing pressure to cut Scope 1 and Scope 2 emissions. These shifts could significantly reshape the competitive landscape for oil exporters—most of whom are ill-prepared for the challenge. This is the risk for major oil exporters. While domestic elections may reinforce business-as-usual energy policies, longer-term trends do not. Some exporters, like Saudi Arabia and the UAE, are hedging against future challenges by investing in emissions-reduction and carbon-capture technologies, aiming to maintain both the lowest lifting costs and the smallest carbon footprint. But most state-owned oil companies are taking a different path, prioritizing output expansion instead. In the near term, the global policy environment may validate this investment strategy, especially if private-sector firms face constraints on upstream capital allocation. But beyond that, disregarding long-term demand risks will pose growing threats to investment and the revenue streams that major oil exporters rely on. In a world of declining hydrocarbon consumption, not all companies will survive. For some, including certain state-owned firms, business-as-usual today could mean no business at all tomorrow.

we

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