



Two years later

## **Description**

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The second anniversary of the Russian invasion of Ukraine is approaching. The energy shock that came with the war has forced a total rethink of energy (and other) dependencies in the European Union. But the end of the war is still not in sight and the conflict in Gaza is adding to global fragmentation. Huge uncertainties remain and the EU is having to prepare for many alternative scenarios.

### **The good news**

The EU has decoupled from Russia. The EU has managed to cut economic ties with Russia even though small quantities of Russian energy are still imported. Nevertheless, these quantities are economically insignificant, and they will end. The need to move away from Russian energy gave a substantial boost to the EU's efforts to switch to green energy. According to an Electricity Review published 7 February by think tank EMBER, for the first time ever, as much as 44% of EU electricity consumed in 2023 was produced from renewables. As investments increase, this will hopefully be sustained and increased further. Power generated from wind also exceeded that generated by gas for the first time. This green energy replaced fossil-generated power, which was reduced by 19% and caused a reduction in CO2 emissions.

The need to reduce electricity demand to deal with high energy prices and uncertain supplies, welcome though it still is, is not as imperative. Since October 2023, electricity

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demand has stopped falling and is now increasing slightly. This is a relief for industry and households alike since electricity prices are now comparable to what they were before the energy crisis started. The EU paid dearly for energy in 2022 and suffered substantial losses in economic activity. But it has escaped a dangerous dependence and has advanced significantly with its green objectives.

Ukraine now has candidate status for EU membership, something that would have been unthinkable before 2022. EU countries and their citizens continue to back giving different types of support to Ukraine, particularly for humanitarian purposes. The EU has just signed off on €50 billion in aid in grants and highly concessional loans to help support Ukraine.

### **But not all is good**

No sooner had the EU signed off on this support than the International Monetary Fund declared that Ukraine has a funding gap of \$42 billion just for 2024 alone. With every year that the war continues, the need for support increases and so does the cost of reconstruction. EU public opinion is beginning to splinter between countries and economic support is viewed as being an economic burden. President Tusk of Poland talked about the rotten compromises the EU already had to make to agree on the €50 billion deal. This is not going to get easier.

But the real bad news is that a new conflict has erupted in Europe's neighbourhood with many more casualties. Oxfam America estimates that the daily death rate in Gaza is, on average, 250 people, mostly women and children, and is the highest of any conflict in the twenty-first century.

Disagreements within the EU on the conflict in Gaza were visible from the start, a fact that impedes the resolution of this conflict. It also undermines the EU's position in the Ukrainian conflict. Not every country in the world agrees that Russia is the enemy and therefore EU disagreements only add to their inability to convince.

### **So much is still unknown**

There will be at least 64 national elections this year around the world. This is the highest number in history, representing an astounding 49% of the world population. Half of the world is changing leadership this year, with unpredictable results.

For the EU – which is also holding elections in June, and which faces its own internal challenges – the most important external electoral outcome this year is that of the US.

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The possibility of a second Trump administration undermines US support for Ukraine, which would leave the EU alone and even threaten its internal cohesion on the issue. Next to that, the US position on China may become more antagonistic and may spark a hostile reaction from China in the Chinese Sea. The possibility of more conflicts is a disastrous prospect. The EU must prepare for many contingencies.

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