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POLSKI INSTYTUT SPRAW MIĘDZYNARODOWYCH  
THE POLISH INSTITUTE OF INTERNATIONAL AFFAIRS

## POLICY PAPER

NO. 4 (190), JANUARY 2021 © PISM

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### Greening the Three Seas Initiative with the U.S.

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After four years of the U.S. administration neglecting climate change, President Joe Biden and Vice President Kamala Harris are making it a main pillar of the state's policy. The ambitious national economic plans aimed at achieving climate neutrality will also affect international partnerships. The Three Seas Initiative countries can become valuable partners in the U.S.-backed global coalition promoting the reduction of harmful greenhouse gas emissions. Without forgetting energy security priorities, countering climate change is a common interest, which is why the TSI states and the U.S. can strengthen the "green" dimension of cooperation.

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Five years after the adoption of the Paris Agreement<sup>1</sup> to reduce emissions of greenhouse gases (GHGs), which contribute to climate change, the concerns about their effects on the Earth's average global temperature are only increasing. The need for remedies to the consequences of the global economic disruption caused by the COVID-19 pandemic is diverting many countries' spending and public opinion away from the climate challenges. Despite a temporary decrease in global GHG emissions due to the economic shutdown in spring of 2020, the levels are now almost back to normal and even rising. Natural disasters such as the fires in California and Australia that drew global attention in 2020 and the Trump administration's withdrawal of the U.S. from the Paris Agreement—made official on 4 November 2020—gave little hope for new impetus in the fight against climate change. It was revived with the election of Biden as president. His executive order on 20 January means the U.S. will be back in the agreement officially on 21 February. Under the Biden administration, climate is expected to become a national priority, along with security, the pandemic, and the economy. The U.S. will promote its climate interests through worldwide partnerships, similar to other policies. If indeed the Americans implement their

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declarations on green leadership and look at their partnerships through a green prism, the Three Seas Initiative (TSI) will also have to put more emphasis on integrating climate policy into its endeavours. It is within the scope of the region's political activity, as climate issues constitute a natural extension of regional energy cooperation.

## TSI and Climate Change Policies

The Initiative is a regional political cooperation format of 12 European Union countries<sup>2</sup> located between the Baltic, Black, and Adriatic seas that pledge to work together to improve connectivity in three key domains of infrastructure: energy, transport, and digital. The implementation of TSI objectives translates into strengthening economic development, improving regional security, increasing cohesion of the TSI countries with the rest of the EU, and more promise of transatlantic cooperation. The idea of the construction of new economic corridors along this generally north-south axis goes beyond traditional dependencies and constitutes a symbol of regional emancipation. A central and fundamental element of the TSI is the Three Seas Initiative Investment Fund (TSIIF), which aims at attracting capital to long overdue infrastructure projects in the region.

Climate protection considerations have appeared within the six TSI objectives but have not been a headline goal. For the countries in the region, years of ensuring the security of energy supplies and thus the functioning of regional economies has been a more acute problem than a focus on resource environmental issues, let alone on common action for climate protection. Nevertheless, compared to the early 1990s, due in large part to the transition from command to free market economies, the countries of the region have made great progress in cutting their GHG emissions,<sup>3</sup> reducing carbon intensity, and increasing the energy efficiency of their economies. Accession to the EU in the 2000s obliged them to look at climate issues through the structured prism of European regulations, pushing them towards coordinated, politically induced action on climate, today formulated as the European Green Deal. Also, each TSI country has individually and as part of the EU become party to the Paris Agreement and is politically and legally bound to meet its ambitious climate targets.

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<sup>1</sup> The Paris Agreement focuses on mitigation of GHG emissions from 2015 under the United Nations Framework Convention on Climate Change (UNFCCC).

<sup>2</sup> Austria, Bulgaria, Croatia, Czechia, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia, and Slovenia.

<sup>3</sup> B. Bielszyczuk, M. Wąsiński, *Energy Transition and Climate Policy between the Three Seas 1988–2018*, PISM Report, 2018, [www.pism.pl](http://www.pism.pl).

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Still, the TSI countries preserve the national competence over the choice of energy mix and as such are responsible for setting national policies to reach their climate goals. Surprisingly, despite the individual national choices, energy is probably the most intensive area TSI regional cooperation. Remedying commonly observed problems, such as the persistent infrastructure gap vis-à-vis Western European countries, underdeveloped energy and renewable technologies markets, as well as high dependence on energy imports, has unified the TSI countries over geographical divisions (e.g., Estonia and Bulgaria), diverse technological preferences (e.g., nuclear or coal), or relationships with external partners (e.g., Russia and China). Since energy and climate change are closely interlinked, the same pattern of selective regional cooperation could support further greening of TSI countries.

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The TSI format seems to be well tailored to advancing such an agenda among its members. On the one hand, acting alone or in smaller groupings (such as the V4 or Baltic states), the TSI countries have limited ability to put forward their interests and concerns vis-à-vis global climate issues. None of them is now able to excel in clean technologies or close the energy transition gap with the West on their own. On the other hand, the TSI countries represent almost 30% of the European population and land mass, but only about 10% (\$1.7 trillion) of Europe's GDP. The economic delay in relation to the EU15 imposes a perception of the region as the greatest polluter in the bloc, requiring immediate transformation without sufficient regard to the region's industrial and job-related specificities. Of course, the EU is and will remain—even despite its own post-Brexit budgetary limitations—the biggest supporter and donor to regional cohesion initiatives from various funds,<sup>4</sup> all of which require the fulfilment of sustainability criteria through competing projects. The total amount of granted funds to the 12 TSI countries in the last six years for transport, energy, and digital projects comes in at just under €80 billion, which is impressive. However, while the TSI countries are trying to catch up, Western Europe is not waiting and constantly increases its climate ambitions, putting even more pressure on Central and Eastern European countries. This order of things does not help reduce the East-West divide within the EU, rather extends it to climate issues. This division can by no means be remedied with the help of Russian or Chinese initiatives, as either country's intentions are far from transparent or frank. This problem is all the more important since global climate action is about significantly accelerate due to the changes in U.S. policy.

## Biden and American Climate Leadership

Global climate policy has gained at least symbolic new momentum with Biden now the 46<sup>th</sup> president of the United States. On his first day, he officially declared the U.S. return to the Paris Agreement and pledged to restore American climate leadership, undermined by Trump and his administration.<sup>5</sup>

Indeed, the last four years in the U.S. were marked by climate change denial and a strong emphasis on America's energy independence, marked by the U.S. withdrawal from the Paris Agreement, the abolishment of numerous environmental standards and regulations, the impediment of climate-related bodies and expert work, and the supremacy of Trump's interests over global climate goals. Regarding transatlantic cooperation, Trump aimed to [optimise the business environment for American energy companies](#) while excluding Russian and Chinese competitors, rather than directly supporting the development of cleaner technologies in the region. On the other hand, the U.S. emerged as a major backer of TSI energy security infrastructure investment projects, a reliable supplier of LNG, and a strong

<sup>4</sup> Such as the Connecting Europe Facility, the European Regional Development Fund, or the European Fund for Strategic Investments.

<sup>5</sup> S. Zaręba, "Return to Multilateralism: The Biden Administration and the UN System," *PISM Bulletin*, no. 261, 21 December 2020, [www.pism.pl](http://www.pism.pl).

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opponent of Nord Stream 2. These policies contributed positively to the energy transformation of the region, but climate change mitigation could have been perceived under Trump rather as a side effect, not as an aim of the U.S.-TSI cooperation.

Biden's approach to climate issues is radically different since he acknowledges climate change as one of the greatest threats to the world and to national security and states that mitigation requires global economic system changes and a steady commitment to cooperation. His presidential term will most likely be devoted to reversing Trump's climate policies and regaining leadership of the global coalition on climate. Besides the U.S. return to the Paris Agreement, Biden announced a set of ambitious goals, including putting the U.S. on track to achieve 100% clean energy economy and net-zero emissions no later than 2050, developing regional climate resilience plans for different sectors of the American economy, and investing \$2 trillion into a wide range of environmental projects during his term. Nonetheless, resumption of U.S. climate leadership also involves the restoration and extensive use of U.S. soft-power resources—multilateral diplomacy, economic involvement, financial aid, etc. This will require both time and strong political backing for reforms. The latter is made easier thanks to the Democrats' majority in the House and Harris' tie-breaking vote in the Senate.

As for the TSI states, Biden has repeatedly confirmed that his administration will continue to support these countries in their efforts to increase both energy security and economic integration with Western European countries within the EU framework and through the use of existing tools (e.g., the Partnership for Transatlantic Energy Cooperation, or P-TEC). He has also criticised the NS2 pipeline project without, however, using anti-German rhetoric, which characterised Trump's approach. It seems that Biden is following the traditional U.S. diplomatic pattern in which its relationship with Russia may define U.S.-TSI relations and, as a result, the Americans are perceived in the region mainly as a security provider. Nevertheless, with new rivals like China also trying to exert more influence in the region with its aggressive push for investments, newly announced ambitions for climate neutrality by 2050, and Chinese aim to create regional bi- and multilateral cooperation projects—and the EU consistently pushing for new climate targets and the need for green leadership (alone or with the U.S.)—the Biden administration will have to offer nuance to the U.S. approach to the TSI.

On 18 November 2020, the U.S. House of Representatives unanimously passed a resolution expressing support for the TSI. This document, accepted just before the change of administrations, was intended to show that the U.S. is a reliable partner for the TSI by declaring bipartisan support for its activities. This is also reflected in investments: the U.S. decided to put up to \$1 billion in the TSIF, depending on its members' contributions. The first tranche of funding was accepted in December by the U.S. International Development Finance Corporation. Although \$1 billion is a drop in the ocean of the region's needs, estimated at around \$1.2 trillion over the next 10 years just to close the gap in energy, transport, and digital infrastructure, and symbolic compared to EU funds, its significance is as motivation—the U.S. will contribute as TSI countries provide financial input. Also, as a commercial and market-driven initiative, the U.S. backing for the fund is expected to stimulate private business interest in the region, leveraging private sector capital.

## Greening U.S.-TSI Cooperation

Climate change could become an important component of the U.S.-TSI relationship, if not shape it. The quality of this transatlantic cooperation will certainly be measured in terms of political exchanges, deterrence of malign influence, and the symbiosis of economic interests, but adding the climate change variable to geopolitical and security calculations allows for a determination of the added value

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of the possible new U.S.-TSI configuration. In the end, the greatest risks inherent to climate change stem not only from the rising temperatures impacting nature but from the capacity of governments to actively and timely respond to these changes in a way that the security and prosperity of their citizens can be ensured. Even more so, climate change is now highly relevant to investors, as it can have a direct impact on cash flows, investment returns, and the growth of targeted companies, both in the short and long term. In this

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context, the TSIF appears to be a great channel for enhanced U.S.-TSI green cooperation. Within that framework, the TSI countries can define a list of eligible infrastructure projects, which would be later analysed by an independent fund management entity, based on strategic and financial criteria. If climate change mitigation is enumerated among the strategic priorities, the fund could become not only an indispensable tool for attracting capital to finance key infrastructure projects but also a litmus test of investor trust in green policy reprioritisation in the region.

The emphasis in this U.S.-TSI relationship should then be put on investing in projects enabling regional security and diversifying energy supplies within climate change targets, the wise use of transitional or renewable energies, and improvements in network efficiency. It is all the more important that voices calling for banning investments in and funding of fossil fuel infrastructure (including natural gas) are heard on both sides of the Atlantic and might constitute a great obstacle for advancing one of the top U.S.-TSI priorities, namely increased LNG trade. A common commitment to an LNG carbon footprint reduction throughout the whole value chain (among others, reducing flaring and venting in the U.S., carbon capture and storage technology development, etc.) and care for forward thinking when building new gas infrastructure, including its compatibility with hydrogen) could allow for the continuation of blended public-private investments in LNG and natural gas as transition fuels. As long as the intermittency problem with renewables replacing coal is not remedied through other, cleaner and more innovative means (e.g., large-scale battery installations, hydrogen), natural gas will for some time have a role to play in the region in meeting climate targets. Therefore, projects such as LNG terminals (e.g., Świnoujście in Poland, Krk in Croatia, Paldiski in Estonia), densification of gas networks, and construction of interconnectors (e.g., Baltic Pipe, GIPL, or BRUA<sup>6</sup>), or expansions of gas storage facilities (e.g., Chiren in Bulgaria) should temporarily be prioritised.

Achievement of ambitious climate targets will not be possible without substantial regional investments in the development of clean technologies. Hence, another area for strategic cooperation could be common U.S.-TSI development of new nuclear infrastructure (including small modular reactors, commonly known as SMRs) and support for safe maintenance and running of existing nuclear power plants in the region (e.g., in Romania). This would require an integrated regional approach to increasing flexibility and the resilience of electricity grids. An upgrade of electricity networks is also needed to ensure better absorption of energy coming from renewables, which constitute yet another field for TSI green activities. From both security of supply and climate perspectives, creation of a competitive, transparent, and efficient electricity market in the region is crucial.

It is also possible that greening could spill over to other TSI strategic activities. Transport accounts for over a quarter of emissions in the region, so any improvements in transport efficiency, quality, and accessibility, as well as use of greener technologies in transportation (e.g., electric vehicles or LNG as a fuel in shipping) will largely contribute to climate goals. Digitisation has a role to play since smart connectivity is an inherent element of technological progress, and it is essential for both energy and transportation optimisation and security.

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<sup>6</sup> Baltic Pipe is an offshore pipeline under construction linking Poland with Denmark. GIPL is the first gas interconnector between Poland and Lithuania. BRUA is a gas pipeline project aiming to link Bulgaria, Romania, Hungary, and Austria.

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Making climate a weighty, if not central, element of U.S.-TSI development policies and funding schemes probably would work in practice. The U.S. need to assert itself as a global climate leader must

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find an outlet and confirmation. Stronger involvement in countering climate change in the TSI region would lead to greater synergy with EU goals and guarantee the U.S. attainment of tangible results from this cooperation. Emphasising the green dimension of TSI projects should not be controversial nor difficult to agree at the political level because most of the Initiative's proposed endeavours

coincide or are in line with European aims, which require a project's compliance with EU environmental legislation. Also, TSI countries are already listed in global rankings as among the most attractive destinations for infrastructure investments, as they combine relatively high GDP growth and strong indicators of stability, and hence promise rather safe returns from investors' assets. Therefore, having the backing of the U.S. for "green" TSI projects followed by precise action-oriented next steps would give them a fresh boost, making them more timely, purposeful, and able to attract new investment and opportunities.

### Challenges to Change

The operationalisation of the Biden administration's ambitious climate goals will undoubtedly take place, yet its effects may take time to be seen, especially on the other side of the Atlantic. Much will depend on the political priorities in its first 100 days. Undoing the international legacy of Trump is just one of the many challenges the new American administration must face, along with ending the pandemic, reviving the economy, and fighting political polarisation.

It is already known that the extent of the U.S. support for the Three Seas Initiative will depend on the involvement of the countries concerned. The Americans will invest more in the TSII if the financial contributions of the TSI members confirm their commitment and the credibility of this platform, which is not yet the case. Such conditional reciprocity will most likely hold true for any future climate-related U.S.-TSI activities. Hence, it is important for the TSI countries to proactively invest political capital into solidifying the green face of the Initiative.

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Greening the TSI will likely open new, specific synergies in this transatlantic partnership. The rationale comes from the opportunity in Biden's pro-climate approach as well as the need for enhancing the capital deployment of individual TSI countries. By no means does this idea constitute an alternative to the EU's efforts at climate change mitigation nor its institutional frameworks. Moreover, the new American presidency will seek even closer cooperation with the EU, so such TSI activities are complementary, and not competitive to such an approach.