

Dragoman Digest

China's support for Ethiopian government strains bilateral relationship with Egypt

Foreign Minister Wang Yi's visit to Ethiopia earlier this month was criticised harshly in Cairo

China strives to remain – or at least appear to be – strictly neutral in its dealings in the broader Middle East and African regions. This is consistent with China's policy of avoiding formal alliances and its primary aims in the region, namely ensuring access to energy resources and advancing the Belt and Road Initiative (BRI).

However, the visit of Wang Yi earlier this month in Ethiopia was perceived as provocative to Cairo. Visiting Addis Ababa, Foreign Minister Wang Yi publicly affirmed China's support for the Ethiopian Government and its Prime Minister, **Abiy Ahmed**. Yi restated China's opposition to any external threats to Ethiopia's domestic affairs. This was interpreted in Egypt as tacit support for Ethiopia's unilateral filling of the Grand Ethiopian Renaissance Dam (GERD). Chairman of the Egyptian parliamentary defence committee, Ahmad al-Awadi specifically warned that Wang's visit could tensions over the GERD. Cairo claims that the GERD undermines its water security, with Egypt relying on the Nile for 90 percent of its water needs.

China is in a difficult position. Since 2000, Beijing has invested over US\$13.7 billion in Ethiopia, and will want to protect those investments. It is also likely under pressure from the embattled Abiy Ahmed to demonstrate support as Ethiopia faces an increasingly civil war-like situation. With Egypt-Ethiopia ties strained, Beijing will need to deploy particularly adept diplomacy to keep relations with both key regional partners on an even keel.

Millions of dollars' worth of 'junk carbon credits' issued in Indonesia

Junk credits indicate the importance of a robust regulatory regime to govern voluntary carbon markets

Major companies are increasingly turning to voluntary carbon markets. Though credits from these markets cannot be used as carbon offsets in compulsory markets, they can nonetheless assist in alleviating shareholder pressure.

However, issues have arisen where the purchase of a credit has not eventuated in tangible emission reductions – as is the case in Indonesia's Katingan Mentaya forest which has recently come under scrutiny. Reports have revealed that credits have been granted when the land in question was not realistically threatened with deforestation. Recent reports have alleged that this is a repeated issue – with 70% of forestation projects under the scheme found to have no uniform baseline of assessment with little regulated oversight. This has resulted in the overestimation of project benefits, and the creation of "phantom credits". Similar issues have been reported in other voluntary markets that employ carbon credits including **Brazil** and **Peru**.

Emission limits in compulsory carbon markets like the **EU's** Emissions Trading Scheme (ETS) are becoming tighter every year. Subsequently, the price of carbon credits has increased substantially by 40 percent in the past four years. Following the negotiation of Article 6 of the Paris Agreement at this year's COP26 conference, global demand for carbon credits looks set to increase further still. Under Article 6, states will be able to invest in low carbon opportunities overseas and claim the resulting carbon credits against its Paris Agreement carbon commitments. Whilst this provides a unique incentivisation for investment into developing countries' renewables projects, serious reform and regulation must be implemented to preclude the emergence of more ghost carbon credits.

Russia's new vision for European security revealed in a controversial draft treaty

Calls for security veto powers and an emergency telephone hotline are among several key demands presented by Russia

The Kremlin has made a series of sweeping demands for European security in a new draft treaty released amid growing tensions along the **Ukrainian** and **Russian** border. The treaty includes a demand by Russia that NATO should formally rule out the possibility of any former Soviet state joining the transatlantic alliance. NATO should also explicitly seek permission from Russia before deploying troops in any former Communist countries that joined NATO in 1997 and refrain from "any military activity" in Ukraine, Eastern Europe, the southern Caucasus, or Central Asia. Other less provocative measures include a proposal to establish an emergency telephone hotline to "prevent incidents" in the Baltics and the Black Sea.

Russia's demands have been met with strong disapproval. NATO Secretary-General Jens Stoltenberg, for example, flatly rejected Russia's demands to formally rule out Ukraine ever joining NATO. Though it has refrained from rejecting the draft treaty outright, the **US** nonetheless flagged that many of the proposed terms are unacceptable. NATO member states have also expressed their disdain for the draft, with **Germany's** defense minister warning that NATO allies would not allow Russia to "dictate" the alliance or the actions of its partners.

Though the intent of the US to focus on the Indo-Pacific more than Europe is clear, it would be politically impossible for President **Biden** to agree to these demands. Agreeing to Russia's terms would also risk emboldening states such as **China** and **Iran** to amplify similar demands for veto rights over the security presence of other states in their respective neighbourhoods. Though it is unclear what will resolve the latest bout of Russia and Ukraine's tension, it will not be this security treaty.

Italy pushes forward with wind farm developments despite local opposition

Rhetoric used by Italian Minister engenders frustration from regional landowners

Italy's Minister for Ecological Transition, Robert Cingolani, delivered a frank message to locals opposing his government's renewable energy plans. On Monday, whilst addressing aggrieved rural landowners, Cingolani stated, "there is no plan B... The alternative is you get rid of your car, no air con, no mobile phone, no internet at all".

Italy will receive €200bn from the **EU** following the rollout of Brussel's €800bn pandemic recovery fund. Rome has explicitly pledged to allocate one third of this share to its energy transition. Ten wind farms have been proposed pending approval in four key wine production areas in Southern Italy: Manduria, Salice Salentino, Brindisi, and Squizano. However, local landowners have expressed concerns that the new developments will damage the local tourism industry and heritage landscape.

In his blunt response, Cingolani also emphasised the central government's ability to override regional authorities when implementing new policy. Renewable energy currently accounts for only 17% of Italy's energy mix, with the country still heavily reliant on imported natural gas. Cingolani's confrontational approach risks politicising an already stalled energy transition.

Chile elects its new left-wing leader, Gabriel Boric

The former student protester has become the country's youngest modern president-elect

Running under the leftist "I approve Dignity" coalition, Gabriel **Boric** has been elected as Chile's president, having defeated conservative congressman José Antonio Kast. Despite initially falling behind Kast last month in the country's first round of voting, Boric has emerged

as victor – with official polls giving him 56 percent of the vote compared to Kast's 44 percent. Kast conceded defeat just an hour and a half after polls closed, with around half of the votes counted. He later tweeted that Boric “deserves all our respect and constructive collaboration”.

Boric used his victory speech to call for an end to **Chile's** private pension system, the blocking of a \$2.5 billion iron-copper mine to prevent further environmental destruction, and boosting the country's green investment. At age 35, Boric will be the country's youngest president when he takes office in March, replacing former billionaire President Sebastián Piñera.

Following the results of the election, Chile's stock markets fell by 10 percent with mining stocks taking the largest hit. While Boric's victory and progressive reforms are likely to be tempered by a divided congress, leaders in the region are undoubtedly watching his government closely. With Chile historically being a forerunner of regional trends, Boric's win may yet embolden left-leaning candidates in **Colombia** and **Brazil**, with elections in those countries respectively due in May and October next year. Leftist governments having also been recently elected in **Honduras** and **Peru**, causing some observers to suggest that another “pink tide” is on the way.