



EUROPEAN POLICY ANALYSIS

A Green Deal, Open to the World

Mats Engström*

Summary

The European Green Deal is unlikely to succeed without more engagement with partner countries in the Global South. This was already clear before the COVID-19 pandemic and Russia's invasion of Ukraine but has now become even more urgent. This analysis, based on literature and interviews with policymakers and experts, addresses how such engagement can happen.

Many environmental proposals have significant effects on countries outside the EU. Carbon border adjustments (CBAM) have already provoked negative reactions. Other examples are regulations on products linked to deforestation, the circular economy and sustainable finance.

A more systematic analysis of the consequences for other countries of new proposals is needed, as well as of possible areas of cooperation. Co-benefits between different parts of the Green Deal should be highlighted and a more coherent green diplomacy must be developed. The EU and Member States must coordinate better through a stronger 'Team Europe' approach.

Keeping promises on climate financing and scaling up support for low-carbon transitions towards 2025 is key, with a stronger emphasis on energy efficiency and industrial transitions in financing and cooperation programmes. To facilitate the rapid diffusion of low-carbon industrial technologies co-innovation programs need to be developed. These are just some of the ways European decision-makers can rise to the challenge of global co-operation in the field of climate and the environment.

* Mats Engström is Senior Advisor at SIEPS and a former Deputy State Secretary at the Swedish Ministry of the Environment.

The opinions expressed in the publication are those of the author.

1. Introduction

The European Union has for more than twenty years systematically integrated environmental positions into its foreign policy, starting with the conclusions adopted by EU foreign ministers in April 2001.¹ And in recent years the Council has regularly adopted conclusions on climate diplomacy, as well as (to a lesser extent) on other environmental issues.² However, when it comes to ensuring coherence across policy areas, more needs to be done. The European Green Deal is one of the main policy themes for the present Commission and will have extensive external impacts. Thus climate, biodiversity, and other environmental issues are becoming more important for the European Union's role in global politics.

EU external relations and the environment has been the topic of several scholarly publications (Adelle *et al.* 2018 is a good example). Specific areas such as climate and security have also attracted much interest (for example, Youngs 2021). However, peer-reviewed articles on the Green Deal and external relations are so far relatively few, although there have been important studies by think tanks and institutes, and some of them are listed as references at the end of this paper.

The topic is highly relevant for many reasons including the energy situation in Europe following Russia's invasion of Ukraine. It is also relevant for the UN's environmental conference 'Stockholm+50' on 2–3 June this year, and for the Swedish presidency of the Council of the EU in the first half of 2023.

Many countries are affected by EU climate and environment policy, among them important trade partners such as China, the United States, Japan, and the fossil-fuel producing states in the Gulf. In this study, the focus is on developing countries and to some extent on countries in the EU's neighbourhood. There are similarities between the two groups, for example the NDICI instrument applies to both. The analysis is based on scholarly literature, official documents, policy papers and interviews with several experts in different countries. The main question is: *what more can*

the European Union do, through its Green Deal, to bring about mutually beneficial developments for the Union and its partners, in particular in the Global South?

2. Challenges and current policies

The European Union has taken some initiatives to engage with other parts of the world, but this has not prevented negative reactions. At the same time, the war in Ukraine brings new dimensions to the discussion.

2.1 External impacts of the Green Deal

Commission President Ursula von der Leyen presented the European Green Deal in December 2019. It includes over fifty initiatives, many of which have now been put on the table for the European Parliament and the Council of Ministers to negotiate.

The transition towards a net-zero economy and other initiatives that form the Green Deal will change Europe's relations to the world. They represent a structural change that will affect trade and investment patterns.

'The transition towards a net-zero economy and other initiatives that form the Green Deal will change Europe's relations to the world.'

There are many positive effects. Limiting the scale of climate change will be especially positive for the most vulnerable countries. Joint action by the EU and those countries contributed to the steps forward made when Parties to the Climate Convention met in Paris 2015 and in Glasgow 2021. Ambitious EU policies at home will be beneficial for many developing countries, contributing both to the direct reduction of emissions and to momentum in global cooperation. Showing what is possible and creating lead-markets for low-carbon technologies makes progress in other parts of the world easier.

¹ https://ec.europa.eu/commission/presscorner/detail/ga/PRES_01_141

² <https://www.consilium.europa.eu/media/48057/st05263-en21.pdf>

Similar dynamics can be seen when it comes to other parts of the Green Deal. Phasing-out hazardous substances and improving waste management will have benefits in many parts of the Global South. Protecting biodiversity can support the livelihoods of indigenous people and many others. Reducing the use of plastics and replacing them with more environmentally sound, innovative products will help manage waste and pollution problems around the globe. And so on.

There might also be benefits for countries with significant resources of minerals needed for the green transition. The consumption of lithium and cobalt is for example expected to increase manifold, since those metals are needed for renewable energy and electric vehicles. However, the risk of violent conflict over mineral resources and of environmental degradation needs to be managed. Great expectations also surround the production of 'green hydrogen' in regions with much potential for renewable energy production – pilot projects are already under way in countries such as Morocco. As with rare earth metals there are risks, here concerning local energy access and depletion of water resources.

'If implemented without sufficient analysis and dialogue with international partners, the Green Deal could have other negative effects.'

If implemented without sufficient analysis and dialogue with international partners, the Green Deal could have other negative effects. Concerns about these possible effects have already been expressed. The risks are perhaps most evident when it comes to the proposed carbon border adjustment mechanism (CBAM). Designed to set a price on carbon intensive imports and avoid 'carbon leakage' (the displacement of production to jurisdictions with less strict regulation), the proposal would increase costs for import of products such as steel, aluminium, cement, and fertilizers. Neighbouring countries such as Russia, Ukraine, Turkey and Serbia would be significantly

affected, as well as several African countries such as Algeria, Egypt, Ghana, Mozambique, Zambia and others (European Commission 2021, ECFR 2021a, Kardish *et al.* 2021).

CBAM is only one of several EU climate policies which will affect trade. The gradual phase-out of fossil fuels will have a significant impact on exporters of such commodities, from Algeria and Russia to Nigeria and Angola (Augé 2021). Higher emission standards for vehicles will force exporters to the Union to rapidly shift to electric vehicle production, for example. The reform of the emission trading system (ETS) will raise costs for some EU products and affect trade in electricity. However, other major economies are also moving towards net-zero: the United States, Japan, Korea, China. Change is coming and developing countries need to adapt.

In addition to climate policies, other Green Deal initiatives will also have significant effects. The EU biodiversity strategy and the 'Farm-to-Fork' strategy will affect other countries' production and exports of food and forest products. For example, agri-food products make up about 16 percent of total African exports to Europe. Subsidies to European farmers through the Common Agricultural Policy is already a controversial issue, and new food regulations might be seen as a further burden to African farmers (Usman *et al.* 2021). In its 2021 Trade Policy Review, the European Commission stated: 'And for future trade agreements, the Commission will propose a chapter on sustainable food systems.' (European Commission 2021a)

The EU is regarded as one of the world's largest contributors to deforestation and other loss of biological diversity through its imports of agricultural and forestry products (GDI 2021). In December last year, the European Commission proposed restrictions on imports from countries without sufficiently strong protections for forests: 'six commodities – beef, wood, palm oil, soya, coffee and cocoa – and some of their derived products – for example leather, chocolate or furniture – are included in the scope.'³ This will have significant consequences for countries such as Brazil, Indonesia, Malaysia, and many others including in Africa.⁴

³ [New rules for deforestation-free products \(europa.eu\)](https://ec.europa.eu/economy_finance/new-rules-for-deforestation-free-products_en)

⁴ <https://ieep.eu/news/diminishing-the-eu-s-deforestation-footprint-the-where-and-the-how>

The action plan for sustainable finance includes several initiatives with an impact outside the European Union, for example the taxonomy regulation and its delegated acts (Kammourieh & Vallée 2021). Another policy affecting companies in other parts of the world is stricter rules on due diligence. In February this year, the Commission proposed that big companies must take greater responsibility for the social and environmental effects of their supply chains.⁵

'EU efforts to make the economy more circular, for example promoting recycling, can bring both benefits and risks to developing countries.'

EU efforts to make the economy more circular, for example promoting recycling, can bring both benefits and risks to developing countries. If more waste is recycled in Europe, the need for virgin raw materials from other parts of the world will be reduced as well as exports of waste for management in other countries. On the other hand, new economic opportunities may arise in the Global South if countries develop their own circular economy solutions (Usman *et al.* 2021).

Related EU sectorial policies will also have significant consequences in third countries. For example, the new industrial policy emphasis on

green and digital transitions, with, *inter alia*, a more lenient view on state aid than before (Important Projects of Common European Interest etc.). Low-carbon technologies such as hydrogen-based steel production is currently being developed in Europe with substantial state aid, and this will have effects on similar sectors in other parts of the world. The ecosystem approach in the industrial policy area is primarily about internal EU development, and there might be an inherent conflict between promoting domestic industry and contributing to rapid diffusion and further development of green technologies in other parts of the world.⁶ External aspects of energy and transport policies are also important, for example joint infrastructure with neighbouring countries. These are some of the likely impacts of different policy proposals, but it is not easy for observers or third countries themselves to have a full overview of the consequences of the Green Deal, even if some guidance is available.⁷ Changes during the negotiations between the Council and the European Parliament are especially difficult to assess.

2.2 The impacts of Russia's war on Ukraine

The war does not change the fundamentals. International cooperation is necessary to combat climate change and other environmental problems. The EU needed to strengthen the external dimension of the Green Deal before the Russian attack on Ukraine, including through alliances with key countries. Now this is even more important.

⁵ https://ec.europa.eu/info/sites/default/files/1_1_183885_prop_dir_susta_en.pdf

⁶ 'It is unclear how Green Deal diplomacy should interact with the principle of open strategic autonomy and its variants (such as technological sovereignty), which seem to have taken the lead role in shaping sectoral policies (competition/subsidies, research and innovation, industry) in the absence of a clear vision of Green Deal diplomacy. This relates in part to the fact that beyond considerations around the CBAM, there is little official analysis on the external effects (and requirements) of the European Green Deal.' (Tollmann & Pilsner 2021 p.35)

⁷ Some recent papers on this question by various think tanks and agencies:
Confederation of British Industry: <https://www.cbi.eu/market-information/eu-green-deal-how-will-it-impact-my-business#how-does-the-european-green-deal-impact-imports-to-europe>
Trade & Industrial Policy Strategies: <https://www.tips.org.za/policy-briefs/item/4292-sustainable-complexity-managing-export-regulations-in-the-european-green-deal>
European Centre for Development Policy Management <https://ecdpm.org/wp-content/uploads/Green-Deal-EU-Foreign-Development-Policy-ECDDPM-Briefing-Note-131-2021.pdf>
Carnegie: <https://carnegieendowment.org/2021/10/18/what-does-european-green-deal-mean-for-africa-pub-85570>
Kommerskollegium <https://www.kommerskollegium.se/en/open-trade-gate/the-road-to-export/living-up-to-requirements/the-european-green-deal/>

EU leaders are still committed to net-zero carbon emissions and even more motivated to promote renewable energy.

However, security of supply is more of a priority now and a key question is how to reconcile bilateral deals with alternative producers outside of Russia with Europe's climate ambitions. The Commission and individual Member States such as Germany have already been courting gas-producing countries to secure more LNG supplies. How to do such deals in a sustainable way needs to be analysed country by country but it is important also to maintain a broad perspective and to consider, for example, how existing power structures in North Africa and the Middle East might be affected.⁸

Demonstrating the benefits of investments in energy efficiency and well-designed green recovery measures within the EU will be important to influence others to take similar steps. The EU must cooperate internationally on sustainable finance in relation to energy investments, but how can it prevent investors from China and the Gulf States buying the oil and gas assets in Russia that Western companies such as BP and Shell are now disposing of?

Regarding global cooperation on climate policies, several of the countries earlier identified as strategic by the Commission have not joined the G7 sanctions against Russia).⁹ A key issue is what further leverage the EU can find in relation to countries such as Indonesia, South Africa, Vietnam and India under these new circumstances. The conflict in Ukraine might contribute to a changing world order with 'the West' and Russia+China composing two opposing blocks, but with many other countries not taking a clear stand. This must be factored in in green diplomacy strategies.

One way of doing this is to show understanding and do more in relation to developing countries who are now being hit hard by the rising price of food, energy, and other commodities, after the trust

gap created by conflicts over covid vaccines and the debt crisis. The proposal to channel income from IMF special drawing rights (SDRs) to the Global South is an example of such action. There is on the other hand a risk that European countries now increasing defence spending and having to manage refugee flows and economic fallout at home will instead reduce development aid¹⁰ and not be especially keen on more climate financing, which is key for progress in the follow-up to commitments made at COP26. Such a development would weaken the European Union's leverage on environmental topics and make conflicts over the Green Deal more likely.

'Multilateral negotiations will be more difficult than before.'

Multilateral negotiations will be more difficult than before. Is it realistic to find agreement with Russia at COP27 in Sharm el-Sheikh this November and in the coming years, or will there have been a derailment of the climate convention process by the time of the global stocktake foreseen for 2023–2025? Are there historical examples of delinking multilateral negotiations from wars that might be useful? How much is the EU prepared to engage in bilateral meetings with Russia if there is a truce in Ukraine but no more permanent solution? In the long run it is important to keep thinking about climate cooperation with a more progressive Russia, but this is, of course, very difficult now.

2.3 Reactions so far to the Green Deal proposals

Several developing countries have criticised the CBAM proposal, regarding it as protectionist. This perception has contributed negatively on the reception of the Green Deal as a whole (Teevan *et al.* 2021). There are also critical comments from non-EU OECD countries wary of earlier EU trade related measures such as restrictions on GMOs and hormone-treated beef.

⁸ See for example <https://thenafrican.com/ukraine-the-north-africa-effect/> and <https://ecfr.eu/article/balance-of-power-gulf-states-russia-and-european-energy-security/>

⁹ The following are the countries identified as strategic: Argentina, Australia, Brazil, Canada, China, Colombia, Egypt, India, Indonesia, Iran, Japan, Republic of Korea, Mexico, Morocco, Russia, Saudi Arabia, South Africa, Turkey, Ukraine, USA and Vietnam.

¹⁰ <https://www.devex.com/news/sweden-pulls-1b-in-foreign-aid-for-ukrainian-refugees-at-home-103164>

In April 2021 ministers from the BASIC countries (Brazil, South Africa, India and China) ‘expressed grave concern regarding the proposal for introducing trade barriers, such as unilateral carbon border adjustment’, calling them ‘discriminatory’ and arguing that CBAM was against the principles of equity and common but differentiated responsibilities.

The President of Senegal urged the EU not to target Africa with the new instrument.¹¹ Similar views were expressed by several other countries in the Global South.

‘The challenge for the EU is to propose a positive and clear offer based on the Green Deal’s principles, enabling its partners to make progress towards achieving the Sustainable Development Goals (SDGs) of the 2030 Agenda’, said the French IDDRI institute, but warned: ‘All the more so as, for the time being, the external perception of the Green Deal often boils down to a willingness to implement green protectionism, as illustrated by the CBAM.’¹²

‘The relationship between the EU and the African Union has become increasingly fractious’ noted think tank E3G, continuing: ‘and initial dialogues between them have shown the risk of approaches led by the EU and centred on the European Green Deal being perceived as ‘green colonialism’, or the European transition coming at the expense of third countries.’ (Tollmann & Pilsner 2021, 34).

The German Development Institute (GDI) called for an integrated approach instead of what it called ‘a predominantly sectoral logic’ with different measures for different areas. Such an integrated approach should include promoting the Green Deal in bilateral and regional cooperation, ensuring coherence and addressing spill-overs, and asserting the EU’s global leadership in multilateral fora, according to the GDI. In bilateral relationships, the EU ‘needs to strike a “deal” in the true sense of the word: together formulating

and “owning” cooperation agendas that are clear in terms of what is in it for the EU’s partners and how the EU will cushion the potential negative adjustment costs of partners’, the institute states (GDI 2021).

2.4 EU external politics

EU institutions have recognised the need for engagement with partner countries on the Green Deal.

‘EU institutions have recognised the need for engagement with partner countries on the Green Deal.’

The Council conclusions on climate and energy diplomacy in 2021 and on climate diplomacy in 2022 highlighted several areas for cooperation with third countries.¹³ For example, the Council noted the African Union-EU Green Energy Initiative which supports universal sustainable energy access, as well as the NaturAfrica initiative to protect biodiversity. A new strategy on international energy engagement is being prepared. The Council invited the High Representative and the Commission to reinforce the external dimension of the Green Deal and to make appropriate capacity available. The Just Energy Transition Partnership with South Africa was welcomed and similar initiatives with other countries encouraged.

The Council also noted the lack of sufficient finance to green transitions in middle and low-income countries, emphasising the role of the Global Gateway initiative in this perspective.¹⁴ The need to increase climate financing was recognised, including through contributing to the upcoming New Collective Quantified Goal post 2025.

When the European Commission launched its Trade Policy Review in February 2021, it said, *inter alia*: ‘Trade policy must play its full role [...] in the

¹¹ <https://www.euractiv.com/section/africa/news/africa-must-not-be-targeted-by-eu-carbon-levy-warns-senegals-president/>

¹² <https://www.iddri.org/en/publications-and-events/blog-post/french-presidency-european-union-six-crucial-months-green-deal>

¹³ 2021: <https://www.consilium.europa.eu/media/48057/st05263-en21.pdf>, 2022: <https://data.consilium.europa.eu/doc/document/ST-6120-2022-INIT/en/pdf>

¹⁴ https://ec.europa.eu/commission/presscorner/detail/en/ip_21_6433

green and digital transformations of the economy’, and that ‘[i]t should unequivocally support the Green Deal in all its dimensions, including the ambition to achieve climate neutrality by 2050.’¹⁵ Regarding relations with the Global South, the Commission noted the importance of greening Aid-for-Trade. It also emphasised the need to integrate sustainability aspects in trade and investment agreements.

Climate and other environmental issues are already present in several EU regional strategies, for example regarding the Western Balkans, the Southern Neighbourhood (i.e. the Middle East and North Africa), the Eastern Partnership (the six former Soviet states of Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine) and Africa. The Economic and Investment Plan for the Western Balkans, with a total budget of up to €9 billion, is linked to a ‘Green Agenda’ for the region.

Policy dialogue is a key component of this engagement. The European Commission and the EEAS are engaged in a multitude of meetings and joint working groups with partner countries and regional organisations. Climate – and to some extent other environmental issues – are regularly included in joint declarations from bilateral meetings. This dialogue concerns ratcheting up commitments, such as the nationally determined contributions (NDCs) under the climate convention and sharing information on policy developments. In many countries, EU policies are seen as examples of what is possible to do. Of course, Europe can also learn from others.

Member States are also engaging in increased cooperation. For example, Germany has a strong portfolio of such projects, partly through GIZ, and engages extensively in policy dialogues.

3. How to reinforce cooperation

As we have seen, EU policy makers are already aware of the need for an external dimension of the Green Deal. Based on interviews for this study and existing literature, some relevant areas for reinforced cooperation can be highlighted. The list is not exhaustive.

3.1 Horizontal measures

The total effect that the Green Deal will have on third countries must be analysed – not only measure by measure. The EEAS in Brussels and the EU Delegations, in cooperation with the Directorate-Generals, could be tasked with doing this more extensively and could prioritise resources for it. Co-benefits and combined trade effects of environmental measures in different areas need to be assessed. This extends outside traditional ‘environmental’ policy areas. EU policy coherence between areas such as environment, trade policy, financial services and development is key to success.

‘To design proposals well and to engage with the right countries at the right time, it is necessary to analyse external impacts of new proposals well ahead of time.’

Also important are better impact assessments by the Commission. To design proposals well and to engage with the right countries at the right time, it is necessary to analyse external impacts of new proposals well ahead of time. So far, this has been done to varying extent. This also goes for compromises reached in Council and Parliament negotiations. Although such analysis is inherently difficult because of the complicated and sometimes rapid deliberations, the Council Secretariat and Parliament Services could better flag when impacts on third countries change in significant ways because of proposed amendments to the Commission proposals.

The European Union is already a strong supporter of multilateralism. This needs to be taken further with efforts to strengthen the role of institutions such as the UN Environment Programme, the UN Development Programme and the UN Industrial Development Organization. The Climate and Clean Air Coalition is a good example of innovative North-South multilateral cooperation. This brings lessons for the current debate on ‘climate clubs’. The EU should continue its leadership role within environmental

¹⁵ https://trade.ec.europa.eu/doclib/docs/2021/february/tradoc_159438.pdf

conventions and adapt its strategies there to the fallout of the Russian war against Ukraine.

External partners emphasise early dialogue on EU initiatives. When a Commission proposal already has been put on the table, there seems to be little room for manoeuvre for EU representatives, according to a senior civil servant from a key G20 country. The taxonomy of green investments is mentioned as one such area (and an important one) for increased cooperation.

The EU needs to improve its diplomatic strategies and design better communication plans, as stated in a recent ECFR report: ‘The CBAM process shows that there is room for improvement in this. The EU should apply the lessons of that process to areas including car emissions regulations, sustainable finance, certification schemes for green hydrogen, the ETS, and methods for reducing methane emissions.’ (ECFR 2021b)

For other countries, it is often fuzzy what the EU really is. The Commission and the EU Delegations are visible, but so are individual member states and it can be difficult to understand what forms of cooperation ‘Europe’ is really seeking. Recently, there has been an effort to increase EU visibility through what is known as the ‘Team Europe’ approach, but much remains to be done.

The ‘Global Gateway’ initiative for improved connectiveness to address global challenges has a similar approach – it seeks to make Europe’s efforts in this area more visible and coherent. With this new instrument, the EU has increased its ability to counter China’s influence in many parts of the Global South, and offers developing countries an alternative to dependency on only one strong economic partner. However, it remains to be seen either the EU and its Member States can fulfil their promise to mobilise €300 billion in investments between 2021 and 2027.

3.2 Equal partnerships

Especially in relation to countries in the Global South, the EU must show its commitment to equal partnerships. There is great sensitivity from countries that have experienced colonialism to what they see as ‘preaching’ or pressure from Europe. Regarding Africa for example, Hackenesch and others note: ‘In order to make cooperation on

the Green Deal and green transitions fruitful for AU-EU relations, the EU institutions and member states will need to understand African countries’ strategic objectives and interests. They will need to learn from past experiences and reflect an eye-level partnership’ (Hackenesch *et al.* 2021).

‘There is great sensitivity from countries that have experienced colonialism to what they see as “preaching” or pressure from Europe.’

For partnerships to produce sufficient results, both sides need to see them as beneficial. Support for environmental action must therefore be part of broader development strategies.

Delivering on climate financing promises is crucial. European countries stepped up before Glasgow, but further steps need to be taken. This will be more difficult – but also more urgent – because of the Russian war on Ukraine and its effects on global markets for food and energy. Both regarding the total volume, and when it comes to the character of the support, ‘more direct support should be geared towards adaptation and resilience in highly vulnerable least-developed and lower-middle-income countries’, as the European Think Tank Group noted (ETTG 2019). There are also calls for more of the EU’s climate financing to be in the form of grants (Usman *et al.* 2021).

And it is not only about climate finance as strictly defined in the climate agreements. Member States’ Official Development Assistance (ODA) is at very different levels. ‘The EU, despite retaining in 2020 its position as the world’s biggest ODA donor bloc, is very far off-track to meet its target of spending 0.7% GNI on ODA by 2030’, notes the aid umbrella organisation Concord (Concord Aidwatch 2021).

The EU provides development support through NDICI/Global Europe. Programming and implementation of this new instrument will be important. The ambition is that at least 30% of the €79.5 billion 2021–2027 will support climate action, and it seems likely to be increased to 35%. Biodiversity will also be supported,

and no aid should cause significant harm to the environment. Monitoring based on these criteria will be important. EU delegations need better capacity to make these ambitions real (E3G 2021). Multiannual Indicative Programmes form a basis for cooperation with partner countries but are often lacking in sufficient detail. There is also an almost €10 billion ‘flexibility cushion’ of unallocated funds for later distribution that could be used to reward partner countries making progress on climate change and other environmental issues (ECFR 2021).

Financing needs to be seen in the perspective of a growing debt crisis after COVID-19 (and rising energy and food prices because of the Russia-Ukraine war). European countries need to act more coherently in the IMF (for example on Special Drawing Rights) and the World Bank.

Low-carbon investments in the Global South are often expensive because of high interest rates. An important role for the EU is helping ‘de-risk’ investments, for example in solar power. The ESFD+ instrument in NDICI is a tool for accomplishing this. The EIB also has a central role: Member States could increase the bank’s capital to give more weight to this European ‘climate bank’, as it calls itself.

Trade policy needs to be more attentive to the needs of developing countries. Access to the European market also needs to be improved, for example when it comes to agricultural products. The EU needs to take a more constructive approach on issues such as intellectual property rights and equal access to vaccines.

The EU is already the world’s largest provider of Aid-for-Trade. The Commission correctly states that the COVID-19 pandemic has made fully implementing the 2017 EU Joint Aid-for-Trade Strategy all the more pressing: ‘the EU has a strategic interest to support enhanced integration in the world economy of vulnerable developing countries, many of which are in the geographical proximity of Europe.’ (European Commission 2021a).

The race for raw materials is becoming more intense in the wake of the war in Ukraine. It is important to avoid creating new dependencies

as a consequence of green transitions, where the Global South is mainly an exporter of raw materials or where renewable energy is used to export, for example, green hydrogen, instead of contributing to more value-shaping domestically.

Usman and others highlight the need for ‘forging genuine partnerships in sourcing raw materials and energy supplies from Africa by building industrial capacity, localizing value chains, and sharing technologies’ (Usman *et al.* 2021, 22). This can include renewable energy, agriculture, biodiversity protection, the circular economy, by upgrading knowledge and skills, localizing value chains, and strengthening industrial capacity.

‘It is important to avoid the narrow promotion of particular sectors or businesses when it comes to global public goods such as the environment.’

Competing commercial interests is often an obstacle to EU coordination in external economic matters. It is important to avoid the narrow promotion of particular sectors or businesses when it comes to global public goods such as the environment. But of course, national economic interest will be there. EU institutions and national governments need to manage the sometimes diverging interests of Member States (for example Germany needs to import hydrogen, whereas Sweden has a significant potential for producing it itself).

Finally, it is crucial to take the situation of countries in the Global South into account when devising rules and standards and contribute to capacity building in the relevant areas. We will discuss this further below.

3.3 Research, development, and commercialisation

Extending the knowledge base and finding innovative solutions are crucial elements to tackle environmental problems. The EU has earmarked about 35 percent of research funding under the new Horizon Europe programming period for climate objectives. EU researchers can within this program receive financial support for projects with

partners in other countries. However, in the results from the recent broad call for projects related to the Green Deal researchers from developing countries were a very small proportion of the total.¹⁶ More proactive efforts could be made to increase the participation of the Global South. Specific measures are needed to support long-term capacity-building cooperation with, for example, African universities and research institutes. External cooperation should also be a more important part of the ‘missions’ within Horizon Europe, for example the one aiming to support the development of smart and sustainable cities.

The steps from promising research to commercial deployment can be difficult. The European Union and its member states are currently investing billions of euros in low-carbon demonstration projects, for example hydrogen-based steelmaking and electrification of transport. To encourage co-innovation with other countries, part of the EU support within the Innovation Fund could be earmarked for cooperation on such projects with partners in the Global South and in the EU neighbourhood. The revenue from the carbon border adjustment mechanism (CBAM), or a corresponding part of the EU budget, could be used to support low-carbon transitions in developing countries (at least partly). Skills development is another important area that needs more attention for example in the cooperation under the NDICI-Global Europe program.

The EU and its member states also need to increase their funding and other support to multilateral initiatives such as the Technology Executive Committee (TEC) under the UN climate convention, the UNIDO’s Climate Technology Centre and Network and the World Bank’s Climate Technology Fund.

3.4 Energy production and use

Current high energy prices are another reason – on top of the many already existing ones – to reduce the use of fossil fuels. This is true both in Europe and in the Global South.

The EU and Member States are already making substantial efforts to support the use of renewable

energy in different parts of the world, building on their own progress and on the decrease in costs of for example solar and wind power. More can be done in this area, including on cooperation with Africa to help develop domestic industries in areas such as solar panels and electric vehicles. The EU can provide financial and technical assistance, for example on how to break down existing structural barriers such as incumbents protecting their economic interests.

‘There is great scope for combining green energy innovation with digital transitions, and the Global Gateway initiative provides new impetus in this field [...]’

In its bilateral partnerships, the EU can also contribute to system-wide solutions for low-carbon transitions, for example renewable electricity and solutions for energy storage. These should be linked to low-carbon industrial processes, grid stability and water efficiency. There is great scope for combining green energy innovation with digital transitions, and the Global Gateway initiative provides new impetus in this field, including on financing through public-private partnerships.

Vehicles for multilateral energy cooperation such as [Mission Innovation](#) and the [International Solar Alliance](#) are also important. The EU and its Member States need to continue their engagement with existing partners, but also try to bring in more countries in particular from the Global South. To do that, more support is needed for organisations such as UNIDO and for bilateral cooperation projects such as the [EU-India Clean Energy and Climate Partnership](#) (see ECFR 2021b).

The EU’s participation in the Just Energy Transition Partnership with South Africa launched at COP 26 is an encouraging step, but questions regarding its implementation remain. It is seen as a method that could also be applied with respect to countries such as India and Indonesia. However, there are also concerns that it raises unrealistic

¹⁶ <https://op.europa.eu/en/web/eu-law-and-publications/publication-detail/-/publication/848bee12-3de9-11ec-89db-01aa75ed71a1>

expectations on EU/G7 financing and about the cumbersomeness of negotiating such agreements one by one.

In addition to renewable energy, energy *efficiency* needs more attention, as ECFR and others have argued.¹⁷ The EU has established an ‘energy efficiency first’ principle in its energy policy, but Member States have so far not fully implemented it in their national energy and climate plans. And although energy efficiency is an explicit part of the EU’s energy diplomacy, and included in cooperation agreements with partner countries, it has not been accorded the priority that is needed. This is now even more clear with the high energy prices linked to the Russian war on Ukraine. The IEA has described immediate actions that could be taken.¹⁸ It is crucial that the EU and its Member States support developing countries in these, and that they support the further development of the IEA Energy efficiency hub and the UNIDO Industrial energy accelerator.

Energy efficiency has been a recurring topic for G7 and G20 ministerial meetings with initiatives such as the G20 Energy Efficiency Leading Programme (EELP) and the G20 energy efficiency investment toolkit.¹⁹ In its conclusions the G20 Energy-Environment Joint Ministerial meeting in July 2021 ‘recognize[d] the key role played by energy efficiency as a key driver [sic] in clean energy transitions and in promoting economic growth while reducing GHG emissions and improving competitiveness.’²⁰ Considering its existing cooperation in this field, the EU could act to scale up this work and other multilateral initiatives. Joint commitments among like-minded countries on energy efficiency standards is another possible path, with relevant support for developing countries. Strict standards for air conditioning products in Japan, for example, have already contributed to lower global emissions and energy costs.

3.5 Industrial transitions

Much cooperation is already underway in the fields of renewable energy generation, distribution and energy efficiency. There is much less when it comes to green industrial transition(s), although sectors such as iron and steel, aluminium, cement, and fertilizers are strongly affected by the Green Deal (especially by CBAM).

Several proposals have been made. For example, the European Parliament rapporteur on CBAM, Mohammed Chahim, proposed in his report on the topic that the EU support green industrial transformation in the least developed countries. However, so far there is no coherent EU policy on how to make joint action on industrial decarbonisation possible. Much emphasis is put on cooperation in the field of hydrogen produced with the help of renewable electricity. Bilateral initiatives such as Germany’s hydrogen diplomacy are also important.²¹

‘Hydrogen cooperation can indeed play an important role [...] but there are also obstacles.’

Hydrogen cooperation can indeed play an important role (see IRENA 2021) but there are also obstacles. Transportation costs are high, making import to Europe most attractive if the origin is neighbouring countries. There are also concerns that earlier extractive relationships might repeat themselves, without enough development in the producing countries.²²

For this reason, some argue that Europe should take a broader approach, not only focussing on imports of green hydrogen, but trying to find partnerships on broader industrial development. There are, for example, encouraging German initiatives in this direction, which include a

¹⁷ <https://ecfr.eu/article/efficient-influence-energy-initiatives-for-a-geopolitical-europe/>

¹⁸ <https://www.iea.org/commentaries/accelerating-energy-efficiency-what-governments-can-do-now-to-deliver-energy-savings>

¹⁹ <https://www.unepfi.org/publications/climate-change-publications/g20-energy-efficiency-investment-toolkit/>

²⁰ <http://www.g20.utoronto.ca/2021/210723-climate-energy.html>

²¹ <https://www.bmz.de/en/development-policy/green-hydrogen>

²² https://www.rosalux.de/fileadmin/rls_uploads/pdfs/sonst_publicationen/Studie_Fair_Hydrogen.pdf

Examples of possible EU support for low-carbon industrial transformation

- Immediate aid to countries vulnerable to high food and energy prices – building trust with coordination between EU Member States ('Team Europe' approach)
- Delivering on climate financing promises, and showing a path towards increases
- Increased financial support to multilateral institutions such as UNIDO (including the Industrial Deep Decarbonisation Secretariat), and the Climate Technology Centre and Network.
- Rapid support for data collection, monitoring and verification of industrial emissions (through existing flexibility reserve in NDICI/Global Europe and national development budgets)
- Standards development, for example safe handling of hydrogen in different environments
- The creation of an EU co-innovation and technology diffusion fund, partly financed through CBAM/ETS and national contributions
- Agreements from companies receiving government support for low-carbon steel etc that they will contribute to technology diffusion and skills development in the developing countries in which they are active (for example Arcelor Mittal in South Africa)
- Mainstreaming industrial transformation in development cooperation programs (as has been done with renewable energy)
- Analysis of and possible agreements on intellectual property issues (for example to prevent unfair practices)
- Capacity building regarding green industrial transitions both in countries receiving EU/Member State support and in the EU and Member State institutions responsible for development and neighbourhood cooperation
- Increased green-industrial Aid-for-Trade
- A 'South Africa-deal' model with stronger industrial component for India, Indonesia and Vietnam – and
- Better opportunities for R&D cooperation with the Global South in the Horizon Europe program (and corresponding national programs)

partnership with Morocco – an interesting case.²³ Another potential partner for the EU would be Côte d'Ivoire: 'With its rich iron ore resources and significant production potential for green hydrogen, Côte d'Ivoire could [...] increase its production of energy and material-intensive goods such as steel' as noted by Usman *et al.* (2021).

Conflicts of interest might arise. If Côte d'Ivoire or Brazil, for example, were successful in reducing iron ore domestically, and perhaps even in producing 'green steel', and if they were to then export it to Europe, German steel manufacturers might lose part of their profits. (Trollip *et al.* 2022). There are, however, several ways of finding a mutually beneficial relationship. 'Partnerships between Africa and Europe could drive down prices just by the sheer size of the combined markets, contributing to an economic global public good – if investments

are carefully made', argue Usman *et al.* (2021). In a longer perspective, economic development in the Global South increases markets for European companies. In addition, if the EU CBAM proposal is delayed because of international criticism, there will a slower phase-out of free allocations within the EU ETS, and thus less incentives for innovative European companies producing for example low-carbon steel. And without progress on environmental sustainability around the world, the costs of adapting to (for example) climate change will also be increased for European countries.

The European Union has several tools at its disposal.

For example, the Multiannual Indicative Programmes within NDICI/Global Europe could address industrial transitions in a more extensive

²³ <https://www.bmz.de/en/development-policy/green-hydrogen>

way, and green industrial transitions could be one of the flagship initiatives in neighbourhood cooperation.

De-risking the financing of breakthrough technology investments is another important area, and one where the EIB can play an important role. EU Member States could more actively promote such initiatives within international financial institutions and development banks, for example by contributing more to the industrial part of the Climate Investment Funds and supporting a specific and well-funded industrial decarbonisation program within the Green Climate Fund established in the context of the UN Climate convention.

An important aspect of support for a global green industrial transition is strengthening institutional capacity and skills development. The EU and its Member States can increase such efforts in bilateral programs and support multilateral institutions such as UNIDO. For example, the UNIDO energy efficiency accelerator program mentioned above could be expanded to industrial decarbonisation and increased in size. Europe could also increase support to the Climate Technology Centre & Network, CTCN. All EU Member States should join UNIDO and the IDDI initiative²⁴.

The EU can also provide support to carbon reporting and carbon pricing. This is especially relevant when it comes to CBAM, as noted by ECFR: ‘the EU’s proposed use of punitive default assumptions – for cases in which it cannot measure the carbon intensity of imports – is likely to punish African exporters that have relatively low-carbon production compared to EU firms but limited reporting infrastructure.’ (ECFR 2021b). African countries and others in the Global South need support to comply with the information requirements in the CBAM proposal and on systems for monitoring and verification of industrial emissions in general. This could start almost immediately through existing instruments such as the NDICI program and its flexibility reserve, giving a signal already before revenue streams from CBAM start to flow.

Technology transfer is an accepted principle in global environmental law, but how it should happen is subject to much controversy. It might be more fruitful and relevant to frame initiatives as ‘innovation cooperation’, as proposed by Heleen de Coninck and others (Pandey *et al.* 2021). Co-innovation programs can be promoted with EU and national government financing and/or subsidies. For example, part of the Innovation Fund under the EU ETS could be earmarked for European companies participating in industrial cooperation projects with counterparts in the Global South and in the European Neighbourhood. National governments could provide tax incentives for such cooperation.²⁵ EU and national seed funding could be used for matchmaking platforms, assessment of technology gaps and needs, knowledge hubs, and more.

‘Technology transfer is an accepted principle in global environmental law, but how it should happen is subject to much controversy.’

The external dimension of Horizon Europe could be strengthened, as discussed earlier, and opportunities extended to finance large-scale demonstration together with international partners. Bilaterally, the [US Development Innovation Venture](#) and France’s new [Fund for Innovation in Development](#) can provide inspiration for further European initiatives.

The EU and its Member States could more strongly support technology cooperation within the climate convention framework, for example by supporting and contributing to a [donor’s conference for bridging green tech gaps](#), and through a Green Tech Licensing Facility in the Green Climate Fund.

Building on the agreement with South Africa on coal phase-out mentioned above (which includes a section on innovation cooperation) Europe could negotiate deals with other countries such as India, Indonesia, and Vietnam that include green

²⁴ <https://www.unido.org/IDDI>

²⁵ Current [cooperation between Japan and India](#) could provide inspiration for this, as could proposals for a [Global Hydrogen Alliance](#).

industrial transformation. Coordination with other G7 countries would be an advantage in such endeavours. However, horizontal alternatives, for example through international development banks, might also be considered.

To support such initiatives, the EU could create a Co-innovation and Green Tech Diffusion Fund, financed partly through the NDICI/Global Europe programme and partly by ETS and CBAM income.²⁶

Both government initiatives and the private sector are crucial.²⁷ When providing support to European companies for green transitions, for example through the Innovation Fund and IPCEI projects, the EU and Member States should require that those companies support skills development in the developing countries in which they are active and that they refrain from IPR management that prevents green transitions in other parts of the world (Zhuang 2017).

‘Contributing to international standards is another area where Europe can play an important role.’

Contributing to international standards is another area where Europe can play an important role. Today, many different initiatives are competing for the lead on for example definitions of ‘green steel’ or ‘green cement’. EU-US cooperation and G7 coordination are two promising pathways, as well as the German-led work within IDDI. More attention to hydrogen safety is another area, where lessons can be learned from the reporting and follow-up system for nuclear incidents.

The EU could, together with countries such as India, support efforts to develop green technologies suited to the Global South. At home, European states and the EU should prioritise resources for

green innovation networks with key countries. In this context and as mentioned already above, Europe also needs to take a fresh approach to WTO-negotiations on issues such as intellectual property rights. Policies for resilient supply chains need to be built on true partnerships with other countries, and the EU should help enable developing countries to be well integrated in global low-carbon supply chains.

3.6 Other areas

EU policies on *sustainable finance* have a great influence on other parts of the world. Current efforts to promote global cooperation need to be increased, including by giving more resources to bilateral cooperation mechanisms and to the further development of the International Platform on Sustainable Finance. The situation of developing countries with limited institutional capacity needs to be considered, and could be addressed by cooperating with African countries via regional financial hubs. Another promising area for strengthened cooperation is on joint assessments of the climate-related risks of stranded assets.

Sustainable supply chains for food and forest products require close cooperation and trust with producer countries. There is a need for technical capacity building, for supporting legal systems, smallholders, and indigenous people. The form this cooperation and support takes should vary according to the needs of the partners. Already existing EU initiatives against deforestation, such as the FLEGT Action Plan, can provide some inspiration. It encompasses ‘a wide range of measures aimed at bringing together governments and stakeholders to address jointly illegal logging and its associated trade’ and ‘[Voluntary Partnership Agreements](#)’ concluded between the EU and interested Partner countries’ which aim at more ‘transformational’ change.²⁸ The Commission has now proposed strengthening such approaches through the creation of Forest Partnerships.²⁹

²⁶ I have suggested this elsewhere: <https://www.euractiv.com/section/energy-environment/opinion/put-co-innovation-at-the-heart-of-eu-green-external-relations/>

²⁷ See for example LEGO’s plan to build a carbon neutral factory in Vietnam <https://www.globalconstructionreview.com/lego-plans-to-build-a-1bn-carbon-neutral-factory-in-vietnam/>

²⁸ https://ec.europa.eu/international-partnerships/topics/sustainable-forestry_en + <https://www.euflegt.efi.int/home>

²⁹ <https://ec.europa.eu/newsroom/intpa/items/682194>

The EU is also investing significant amount in multilateral programs to support sustainable forestry.³⁰

On sustainable food, more needs to be done, as noted by Hackenesh *et al.*:

The new European sustainability regulations for food could be a difficult-to-reach barrier for African countries, unless the EU provides sufficient support in terms of research, innovation and investment in the agricultural sector [...] while only a few farmers will benefit from concentrated EU programmes. EU member states should help to fill this financial gap and pick up similar initiatives in their bilateral cooperation with African countries, closely coordinated with EU partners. (Hackenesh *et al.* 2021)

Circular economy is another important area for strengthened cooperation. As already mentioned, the EU has taken the GACERE initiative (*Global Alliance on Circular Economy and Resource Efficiency*) but more can be done. And cooperation with the African Circular Economy Alliance could be strengthened (see Usman *et al.* 2021). For example, the EU and Member States could do more to support recycling and re-manufacturing facilities in Africa (Hackenesh *et al.* 2021).

More can also be done on supporting companies in the Global South to be part of sustainable supply chains in general.

Air and water pollution affects millions of people. The European Union has been successful in reducing air and water pollution and strives to achieve further improvements. There are co-benefits with reducing climate change. For example, phasing out coal can reduce both air pollution and carbon dioxide emissions. Showcasing such European examples is seen as useful by environmental policy makers in other parts of the world. However, although DG Environment in the European Commission promotes several areas of international environmental cooperation, there is not enough coordination with EU climate diplomacy. Efforts to achieve co-benefits in partnership programs could also be strengthened,

in particular through EU programming of NDICI/ Global Europe support and by more funding to international initiatives which aim to improve methodology (for example those hosted by the World Bank and the IMF).

4. Conclusions

The discussion above leads to the conclusion that the European Green Deal is unlikely to succeed without more engagement with partner countries in the Global South. This was clear already before the pandemic and Russia's attack on Ukraine, but has now become even more urgent. The following are some high-level recommendations to remedy this:

- A more systematic analysis of the consequences for other countries, possible areas of cooperation, and better communication strategies.
- Keeping promises on climate financing and scaling up support for low-carbon transitions towards 2025. Stronger emphasis on energy efficiency and industrial transitions in financing and cooperation programmes.
- More focus on co-benefits between different parts of the Green Deal, for example air pollution and climate, or waste-water treatment/ recovery/energy savings, as well as a more coherent green diplomacy ('not only climate').
- Intensified co-innovation, R&D cooperation, and support for green tech diffusion.
- A stronger 'Team Europe' approach – the EU and Member States must coordinate and make positive elements of bilateral cooperation more visible under the EU umbrella.

Although Russia's aggression against Ukraine is, naturally, now the focus of much of our attention, the climate crisis and the loss of biological diversity remain global threats. New initiatives are needed to make the European Green Deal a success, including stronger cooperation with the Global South. European decision-makers need to rise to this challenge.

³⁰ https://ec.europa.eu/international-partnerships/topics/sustainable-forestry_en

References

- Abdenur, Adriana Erthal. 2022. *The Glasgow Leaders' Declaration on Forests. Déjà vu or solid restart?* New York: United Nations University.
- Adelle, Camilla, Biedenkopf, Katja & Torney, Diarmuid (eds). 2018. *European Union External Environmental Policy*. London: Palgrave Macmillan.
- Altenburg, Tilman *et al.* 2021. *Does COVID-19 Change the Long-Term Prospects of Latecomer Industrialisation?* Deutsche Institut für Entwicklungspolitik. Discussion Paper 32/2021.
- Augé, Benjamin. 2021. *The Economic and Political Consequences of Falling Oil Production in Sub-Saharan Africa by 2030*. Etudes d l'Ifri.
- Clark, Alex, Dennison, Susi & Engström, Mats. 2021. *Climate of cooperation: How the EU can help deliver a green grand bargain*. ECFR Policy Brief.
- Dixon-Declève, Sandrine, Grabbe, Heather & Potocnik, Janes. 2022. *International System Change Compass: The Global Implications of Achieving the European Green Deal*. SYSTEMIQ, The Club of Rome, and the Open Society European Policy Institute.
- European Commission. 2021a. *Trade Policy Review – an Open, Sustainable and Assertive Trade Policy*. COM(2021) 66 final.
- European Commission. 2021b. *Impact assessment report accompanying the document 'Proposal for a regulation of the European Parliament and of the Council establishing a carbon border adjustment mechanism'*. SWD(2021) 643 final.
- GDI. 2021. *The External Dimensions of the European Green Deal: the Case for an Integrated Approach*. German Development Institute Briefing Paper 13/2021.
- Hackenesch, Christine *et al.* 2021. *Green Transitions in Africa-Europe relations: What Role for the European Green Deal?* European Think Tanks Group.
- IRENA. 2022. *Geopolitics of the Energy Transformation: The Hydrogen Factor*. International Renewable Energy Agency.
- Kammourieh, Sima & Vallée, Shahin. 2021. 'The Political Economy of Green Regulation'. E3G Briefing Paper.
- Kardish, Chrish *et al.* 2021. 'Which countries are most exposed to the EU's proposed carbon tariffs?' Adelphi.
- Karsenty, Alain. 2021. *Geopolitics of the World's Forests. Strategies for Tackling Deforestation*. Études de l'IFRI.
- Leonard, Mark *et al.* 2021. 'The Geopolitics of the European Green Deal'. ECFR.
- Ministry of National Development Planning/ Bappenas. 2021. *A green economy for a net-zero future: How Indonesia can build back better after COVID-19 with the Low Carbon Development Initiative (LCDI)*.
- Pandey, Nimisha *et al.* 2021. 'Beyond technology transfer: Innovation cooperation to advance sustainable development in developing countries'. *WIREs Energy and Environment* 2021:e422.
- Pastukhova, Maria, Pepe, Jacopo & Westphal, Kirsten. 2020. 'Beyond the Green Deal: Upgrading the EU's Energy Diplomacy for a New Era'. SWP Comment No. 31.
- Tanchum, Michaël. 2022. 'Gateway to growth: How the European Green Deal can strengthen Africa's and Europe's economies'. ECFR Policy Brief.
- Teevan, Chloe, Medinilla, Alfonso & Sergejeff, Katja. 2021. 'The Green Deal in EU foreign and development policy'. ECDPM Briefing note no. 131.
- Tollmann, Jennifer & Pilsner, Léa. 2021. *Paris-aligned EU external action for a climate just world for all*. E3G.
- Trollip, Hilton, McCall, Bryce & Bataille, Chris. 2022. 'How green primary iron production in

- South Africa could help global decarbonization'. *Climate Policy*, 22.2, 236– 47.
- UNCTAD. 2021. 'A European Union Carbon Border Adjustment Mechanism: Implications for developing countries'. United Nations Conference on Trade and Development.
- UNFCCC. 2021. *Compilation of good practices and lessons learned on international collaborative research, development and demonstration initiatives of climate technology*. Report by the Technology Executive Committee of the United Nations Framework Convention on Climate Change.
- Usman, Zainab, Abimbola, Olumide & Ituen, Imeh. 2021. 'What Does the European Green Deal Mean for Africa?' Carnegie Climate Change Notes.
- Vanderborght, Bruno *et al.* 2016. *Low-Carbon Roadmap for the Egyptian Cement Industry*. European Bank for Reconstruction and Development.
- Youngs, Richard. 2021. 'The EU's Indirect and Defensive Approach to Climate Security' in Lazard & Youngs (eds) *The EU and Climate Security: Towards Ecological Diplomacy*. Brussels: Carnegie Europe.
- Zhuang, Wei. 2017. *Intellectual Property Rights and Climate Change. Interpreting the TRIPS Agreement for Environmental Sound Technologies*. Cambridge: Cambridge University Press.