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The Global Dimension of the European Green Deal: The EU as a Green Leader?

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KAS-MDPD, the German Development Institute (DIE) and the Finnish Institute of International Affairs have launched a new publication series on the external dimension of the EU's Green Deal, with inputs by experts from the biggest (re-)emerging powers.

How is the Green Deal perceived by (re-)emerging powers across the world? And what does the Green Deal mean for the EU's global power ambitions? The publication series involves perspectives from eight countries/regions: Brazil, China, the EU, India, Indonesia, Mexico, Russia and South Africa.

The core elements of the European Green Deal - a roadmap for the EU's climate neutrality

In December 2019, the new European Commission, under President Ursula von der Leyen, made the energy transition one of its main goals, and announced that it would pursue a 'European Green Deal'. The Green Deal can be considered as a roadmap of key policies for the EU's climate agenda, based on which the Commission has started, and will continue to develop, legislative proposals and strategies from 2020 onwards.

Achieving net zero GHG (greenhouse gas) emissions by 2050 is arguably the central, and most challenging, goal set by the Commission's Communication on the European Green Deal. In order to achieve this, the Commission proposed, during 2020, a draft climate law and a more ambitious GHG reduction target for the year 2030. The draft climate law codifies the climate neutrality objective by 2050. Its Article 2.1 states that 'Union-wide emissions and removals of greenhouse gases regulated in Union law shall be balanced at the latest by 2050, thus reducing emissions to net zero by that date' (European Commission 2020a: 14). Furthermore, the new 2030 target states that emissions should be decreased by 55% compared with 1990 levels.

In order to meet the higher costs of the energy transition for regions and Member States more reliant on coal or other heavily polluting fossil fuels, the Green Deal includes a *Just Transition Mechanism* and a *Just Transition Fund*. In addition, it includes various strategies and operational frameworks, some of which are of vital importance. These include, for instance, the CBAM (Carbon Border Adjustment Mechanism), the Sustainable Europe Investment Plan, an EU industrial strategy, a circular economy action plan, a new EU Biodiversity Strategy to 2030 and a 'Farm to Fork' sustainable agriculture strategy. Ambitious long-standing ideas such as mainstreaming sustainability in all EU policies and turning the European Investment Bank into 'Europe's climate bank' have been reiterated, and reframed as targets with indicative deadlines (see also Siddi, 2020).

The Green Deal & global connections - a more assertive EU external climate policy

The European Green Deal is widely viewed as a decarbonisation strategy for the European continent itself. However, given the size of the EU as a (collective) actor, many European policies have external effects. Furthermore, the EU's new climate strategy includes a considerable global dimension. Section 3 of the Green Deal Communication underscores the relevance of the Green Deal to EU external action, as it focuses on making the EU a global leader in climate policy. Effective leadership requires the ability to set the agenda and mobilise followers in the pursuit of collective goals (Aggestam & Johansson, 2017).

The EU has a range of direct and indirect means available for influencing the behaviour of other actors. Setting the political direction and agreeing on the ambitious targets in the Green Deal can be interpreted as *leadership by example*. This is an important prerequisite for more active forms of leadership. The EU is particularly prone to exerting *leadership by multilateralism* in order to shape global climate governance and create incentives for the green transition (Oberthuer & Roche Kelly, 2008). This is framed in terms of continuing EU support for the Paris Agreement and the use of all diplomatic channels in bilateral and multilateral fora (such as the UN, G7, G20) to this end.

As part of a more direct attempt to advance green policies, the EU's *leadership by assistance* is based on bilateral efforts with global partners. Particular emphasis is placed on supporting the ecological transition in the EU's immediate neighbours, specifically the Western Balkans, the Southern Neighbourhood and the Eastern Partnership countries. The centrality of relations with China and of forging 'green alliances' with Africa and the Global South is also stressed.

In addition to these ideational and regulatory ways of leading, the EU also has the material basis to rally support for its green goals. The EU's *leadership by power* is linked to the access to its single market. International trade is one of the key policy areas where the Green Deal is likely to exert substantial influence on EU external action.

Governance of the Single Market is a core competency of the EU Commission, thus making it its most useful tool. The Green Deal proposes to gear EU trade policy towards the ecological transition, including commitments to support sustainability through international trade agreements. This would include making 'Respect of the Paris Agreement an essential element for all future comprehensive trade agreements' (European Commission 2019: 21). This consequential measure may prove a game changer in the EU's trade relations with those external partners demonstrating less climate ambition on a multilateral level, such as Australia and Brazil.

Furthermore, building on the 'access to market' incentive in the Green Deal, the European Commission has expressed its intention to introduce a border carbon adjustment mechanism. This clearly reflects the EU's willingness to make use of its international market power in the fight against climate change. Following the Paris Agreement, global climate governance is based on bottom-up national contributions with varying levels of ambition. Major economies will act according to different timetables and ambition levels. The EU is one of the most ambitious actors in climate policy, with a relatively stringent timetable for emission reductions compared to other major economies. (1) In order to prevent carbon leakage – i.e. the transfer of GHG-intensive production outside the EU, where such emissions may be covered by less ambitious climate policies – Brussels plans to introduce a CBAM. By putting a tariff on foreign products at the border, the EU would ensure that domestic producers are not faced by a competitive disadvantage due to stricter environmental requirements inside the Union. The European Commission is expected to present a proposal for a carbon border tax during 2021.

The CBAM proposal raises several challenges and criticisms. It risks disadvantaging emerging economies, where industrial processes are often less efficient. It could be viewed as 'green protectionism' and as such incompatible with WTO legislation, potentially putting a burden on a multilateral trading system that is already under considerable pressure. It could also be very difficult to implement, as foreign producers' emissions are harder to calculate and verify (Wolff 2020). Nevertheless, addressing carbon leakage appears to be essential for reconciling the Green Deal with domestic economic interests, as well for demonstrating leadership and ambition in climate policy. The main challenge for the EU in this area will be to devise a carbon border adjustment mechanism that is compatible with WTO law, respects the interests of the Global South and incentivises other major emitters to follow a similar approach, rather than engage in 'tariff wars'. Given the size of the EU market, the mechanism could act as an incentive for improving efficiency and reducing GHG emissions in third countries.

1) For a comparative policy assessment, see for instance *Climate Action Tracker* [link].

Emerging economies for a stronger Green Deal - the need for coordination

With the EU's external climate policy becoming more assertive - particularly in the field of international trade - it is unsurprising that the Green Deal's external dimension has received mixed reactions on the international stage. Russia has threatened to sue the EU at the WTO on the planned CBAM (Euractiv 2020). Brazil and Indonesia have described the Union's attempts to project its climate objectives through trade as a new form of "colonialism" (Financial Times 2020). Others may follow suit, placing a burden on the EU's aspirations to be a legitimate international climate leader (Zachmann & McWilliams, 2020). As such, coordination with third countries will be important for advancing the objectives of the Green Deal on a global scale.

In this context, strong interaction with emerging economies will be particularly relevant for the EU: Global relations have undergone fundamental shifts; the world beyond the OECD has gained economic and political weight. Therefore when Europe is seeking partners, the available array of potential and necessary actors has grown. Emerging economies are important for the success of the European Green Deal in its external dimension for three principal reasons: (1) their growing importance in the international system amidst global power shifts; (2) their relevance for the Green Deal's underlying objectives related to the transformation towards sustainability; and (3) their bi- and multilateral relationships with the EU.

First, all the countries under investigation employ their structural economic power to shape regional or international developments. They account for the bulk of economic activity within their respective regions, and have significant shares in regional and/or global trade and investment. Consequently, their actions will also determine the success - or otherwise - of economic transformation within their region. Furthermore, these countries have increased the global scope of their interactions, with some playing an important role in other regions, often alongside the EU.

The motivation to translate economic, geographic or demographic factors into political influence at regional and global levels finds expression *inter alia* in increasing inter- and transnational activities, such as Asian actors in Africa or Latin America. Furthermore, they engage in global governance bodies, including clubs such as the G20, BRICS, MIKTA as well as security and financial institutions such as the SCO (Shanghai Cooperation Organisation) or the NDB (New Development Bank; the BRICS bank). Their action has the highest multiplier potential beyond their own borders when it comes to promoting the green transition globally and for the wider political acceptance and international embeddedness of the Green Deal. In short, these countries have both the capacity and the willingness to be global actors and to be taken seriously by all other actors - including the EU.

Second, the distinct profiles of the countries make them key actors for delivering the sustainability objectives of the European Green Deal. All countries have high potential for renewable energy and are particularly rich in raw materials and natural resources, belonging either to the group of mega-biodiverse or forest-rich countries, or both. At the same time, they face high levels of environmental degradation, pollution and carbon emissions. EU action on climate change is futile unless these actors meet the demand for green energy and cut their emissions at the same time. By way of illustration, the state-owned fossil fuel companies of Russia (Gazprom), India (Coal India), Mexico (Pemex), China (PetroChina) and Brazil (Petrobras) belong to the top 20 companies that together contribute 35% of all energy-related carbon dioxide and methane worldwide (The Guardian, 2019). The emerging economies' internal challenges and responsibilities for global public goods (climate protection, natural resources, biodiversity conservation) have strong links to core elements of the Green Deal, such as the greening of trade, the green energy transition, resource efficiency, circular economy or global value chains. Based on their resources, these countries clearly yield (structural) power for a green transformation.

Third, the EU maintains bilateral relations with these countries that contribute to their particular importance for the Green Deal. The EU has identified the relevance of emerging economies in the European Green Deal by various references to the G20 (Chapter 3) and current and future large emitters of GHGs. China is one of the few countries that is individually addressed in the Commission's communication. At a political level, the EU has developed strategic partnerships with China, India, Brazil, Mexico and South Africa (2) and holds bilateral, high-level meetings with each on a regular basis, most recently with India (July 2020, May 2021 planned) and China (September 2020). Trade is important in all relationships (see Table 1), as illustrated by both the EU's key position as an export destination and in the ongoing discussions on the expansion of relations.

2) While the EU no longer considers Russia a strategic partner following the Ukraine crisis, it maintains a de facto strategic partnership with Indonesia.

Table 1: European Union trade with (re)emerging powers in 2019

	BRAZIL	CHINA	INDIA	INDONESIA	MEXICO	S. AFRICA	RUSSIA
Position as EU trading partner	Total trade: # 13 Imports to EU: # 13	Total trade: # 2 Imports to EU: # 1	Total trade: # 10 Imports to EU: # 10	Total trade: # 32 Imports to EU: # 29	Total trade: # 11 Imports to EU: # 15	Total trade: # 19 Imports to EU: # 21	Total trade: # 5 Imports to EU: # 4
Share of imports to the EU of main product sections (Standard International Trade Classification – SITC)	Crude materials, inedible, except fuels (31.2%) Food and live animals (30.8%) Manufactured goods classified chiefly by material (9.8%)	Machinery and transport equipment (54.4%) Miscellaneous manufactured articles (25.2%) Manufactured goods classified chiefly by material (12.2%)	Manufactured goods classified chiefly by material (24.8%) Miscellaneous manufactured articles (20.1%) Chemicals and related products (18.9%)	Miscellaneous manufactured articles (27.3%) Machinery and transport equipment (15.3%) Animal and vegetable oils, fats and waxes (14.9%)	Machinery and transport equipment (51%) Miscellaneous manufactured articles (15%) Mineral fuels, lubricants and related materials (13.5%)	Machinery and transport equipment (38.3%) Manufactured goods classified chiefly by material (16.9%) Crude materials, inedible, except fuels (16.3%)	Mineral fuels, lubricants and related materials (68.6%) Manufactured goods classified chiefly by material (10.9%) Others (8.7%)

Source: European Commission (2020) country statistics: (accessed 3 March 2021). Comext – Statistical regime 4 [\[link\]](#)

The EU-China Strategic Agenda for Cooperation, agreed in 2020, includes a chapter on climate change and environmental protection. The EU-India 'Roadmap to 2025' identifies, *inter alia*, resource efficiency, circular economy biodiversity, and air quality as areas for greater cooperation. Similarly, in EU-Indonesia relations, where both sides are in the middle of negotiating a Comprehensive Economic Partnership Agreement (the 'I-EU CEPA'), economic cooperation and trade agenda are connected to cooperation on the sustainable management of peatlands, sustainable fisheries and forestry as well as countering climate change. The new EU-Mercosur Trade Agreement (2019), which still needs to be ratified, includes an explicit reference to the Paris Agreement as well as a commitment to climate protection and the transition to a sustainable low-carbon economy, as does the new EU-Mexico trade agreement (agreed in principle, 2018). In the Mexico-EU Joint Committee, the Green Deal and its implications for bilateral relations have already been the topic of direct discussions, for example on the progress and specifications of the CBAM or the EU's plans on a 'sustainable products' policy. The EU's relations with South Africa are part of the EU's overall ambitions to develop a comprehensive strategy with Africa (European Commission 2020b), which proposes, amongst other topics, a partnership for green transition and energy access and a more-developed framework for sustainable investments. Despite the existing current political tensions and sanctions, the EU and its Member States maintain a dialogue with Russia on topics of particular relevance to climate change and environmental policy, such as Arctic cooperation. In some policy areas, coordinating with these partners is indispensable for the successful implementation of EU policy.

The EU's Green Deal Diplomacy - climate is becoming geopolitical

Even though the success of the European Green Deal depends on close coordination with (re-) emerging powers, it remains to be seen whether this new climate strategy will accelerate interregional cooperation or act as a new source of conflict on the global stage. In fact, with CBAM in the pipeline and the integration of the Paris Agreement into EU-Free Trade Agreements in place, the Green Deal already goes far beyond the technicalities of enabling a global green transition. More fundamentally, it has the potential to disrupt the EU's economic and diplomatic relations with non-Western powers. The Green Deal lies at the heart of a broader geopolitical issue: it reflects the European Commission's willingness to play hardball in matters of climate politics by applying tough economic measures against less-ambitious international actors. As one high-ranking EU-official put it recently, "the EU cannot be naïve – if others are not committed to climate ambition we need to take action". (3) A revealing statement, characteristic of a new EU external climate policy, one that aims to be more assertive, more interest-driven, or - to remain in "Brussels-speak", more sovereign. As well as transforming the global economy, the Green Deal is thus directed at a further objective: pushing non-EU GHG emitters to take stronger climate action by imposing a firmer "Green Deal Diplomacy".

Therefore, the Green Deal seems likely to play a critical role in the EU's international relations. Its implementation and design will affect the external perception of the EU's global role; is it integrative or is it confrontational, is it resolute or is it toothless? Yet in the long-term, the legitimacy and credibility of the EU's climate leadership can only be ensured by engaging intensively with actors from the Global South and with the various centres of an increasingly multipolar world. It needs to take account of the interests, needs and expectations of developing countries and emerging powers. EU cooperation with these countries can help meet global climate targets. For example, it would be cheaper (even if not necessarily easier) for the EU to achieve drastic emission reductions in those countries with less-efficient and more energy-intensive industrial sectors than its own. To leverage the full potential of its climate policy, the EU will need to craft a Green Deal narrative that is both responsive to Europe's internal ambitions and sensitive to the concerns of key actors of the 21st century.

3) Listen to the following Podcast from 27:15 onwards [\[link\]](#).

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