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The Green Deal in EU foreign and development policy

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With the European Green Deal, the EU plans to make Europe climate neutral by 2050 and to become a global leader in tackling climate change. The Green Deal is slowly taking shape through a series of policy documents, action plans and laws, and has become one of the 'policy fundamentals' of the EU's own post-COVID recovery. Yet, while the EU hopes to be a global leader on climate, the external dimension of the Green Deal is currently a little hazy.

This note lays out some aspects of the external dimension of the Green Deal, arguing that the EU is simultaneously taking a collaborative, a coercive and a diplomatic approach in its foreign and development policy. The collaborative approach can be seen in EU regional strategies for the Western Balkans, the Neighbourhood and Africa, and some of the development initiatives and investments that accompany them. The more coercive approach is more apparent in the EU's desire to promote green transition elsewhere – or at least prevent carbon leakage – through the strength of its market. Finally, the diplomatic approach amounts to more traditional climate diplomacy vis-à-vis its partners – big and small. The note focuses particularly on how the EU might mitigate some of the potentially destabilising impacts of its own transition on partner countries and how to ensure that a global green recovery is accessible and beneficial to all.

Introduction[1]

The EU Green Deal (EGD) is first and foremost a domestic growth strategy and policy framework that the EU is gradually adapting into a major branch of its foreign, trade and development policy. There is a keen awareness that combating climate change will require a similar level of ambition across the world. Even before taking office, Ursula von der Leyen emphasised that for her 'geopolitical commission', domestic and foreign policy are two sides of the same coin and must be integrated. Yet, it is clear that this approach requires quite a bit of muddling through when even the domestic policy framework is a moving target. Although the initial Green Deal communication, the many follow-up policy documents and the listed legislative priorities do give something of a roadmap on the domestic front, many points remain to be negotiated and clarified. On the foreign and development policy front, the sense of this being a work in progress is even clearer.

There is no one external strategy integrating trade, foreign and development policy, and what exists – e.g. Council Conclusions on climate diplomacy – is only partial in its coverage of how the Green Deal will impact the EU's partners. For many within the EU institutions, one external strategy is neither possible, nor necessarily desirable, as the current situation allows for catering to different geographical situations and to different political discourses in different settings. Some even feel that a single external EGD communication would be in contradiction with the cross-sectoral or 'whole of EU' approach that is at the core of the EGD, as well as the flexible and tailored approach that the EU is adopting in the external dimension of the EGD.

Yet the external dimension is beginning to emerge little by little. At its core is a strong sense of 'leading by example', whereby the EU hopes that its ambitious targets – including net-zero greenhouse gas emissions by 2030 and a 55% reduction on 1990 levels by 2030 (Taylor 2021a) – will lead others to follow its lead and adopt similarly ambitious plans. The external dimension is also gradually being developed in different policy areas as the EU elaborates further communications and laws that seek to implement the Green Deal. Three approaches to the external dimension of the EGD can be seen: a more collaborative approach, a coercive approach and a diplomatic approach. Firstly, many policy ambitions are being elaborated in regional communications and through the programming of the EU's external resources, and build on the priorities and needs of different partner countries and regions. Secondly, but intertwined with this, is a more coercive approach, whereby the EU's domestic actions will by necessity have a strong impact on many of the EU's trading partners, pushing them towards more ambitious climate targets. Thirdly, the EU intends to use its own ambitious transition to persuade and pressure others via climate diplomacy, building alliances and putting pressure on large emitters.

This note[2] will broadly trace what the EU is already doing to externalise the Green Deal through these three approaches. It will particularly focus on how the EU might mitigate some of the potentially destabilising impacts of the EU's own transition on partner countries and how to ensure that a global green recovery is accessible and beneficial to all.

Externalising EGD policy goals

As already stated, the Green Deal is first and foremost a domestic strategy, which has been communicated as a growth strategy for the EU. The initial Communication on the Green Deal (EC 2019) is the overarching roadmap for the coordination of these various policy areas, which include biodiversity; food, fisheries and agriculture; clean energy; sustainable industry; eliminating pollution; and climate action. Additional communications have been released covering many of these areas, while a whole host of laws are also on the agenda for the coming years, including a legislative package of 12 laws to be presented to the European Parliament in June 2021.

The external dimension is something of an afterthought in the initial 2019 Green Deal Communication, detailing a number of initiatives, but with little by way of prioritisation or overarching strategy. In the many policy documents that have followed, the level of detail on the external dimension varies significantly. For example, the communication on **biodiversity** includes a relatively short discussion of the external dimension, mentioning continued financial support, policy coherence for sustainable development, and briefly referencing two initiatives; the NaturAfrica initiative to protect wildlife and key ecosystems; and the Global Biodiversity Coalition to help raise awareness about biodiversity protection (EC 2020a). The Farm-to-Fork Strategy, which is the EU's **sustainable food** strategy, is more detailed. It lists a number of priority areas for development cooperation, but also focuses on how the size of the EU market gives it the potential to influence food standards globally, thereby avoiding the externalisation of unsustainable practices (EC 2020b). On the **clean energy** front, the external dimension is largely to be found in regional policy documents and in bilateral programming (more on this below). However, the EU's hydrogen strategy includes a strong focus on the Neighbourhood, along with once more a desire to influence global standards and definitions (EC 2020c).

The January 2021 Council conclusions on Climate and Energy Diplomacy was the most comprehensive document to date detailing the external dimension of the Green Deal, mentioning many of the EU's ongoing commitments (albeit generally not in great detail) and calling for further action in numerous areas. This included calling on third countries to go further in their climate ambitions, to develop clear short and medium term goals to match longer-term commitments (a clear message to China) and to phase out fossil fuel subsidies (more on this in section five). It also sees a reiteration of the EU's commitment to adaptation and resilience, to scaling up international climate finance and to supporting elements of the green transition in selected parts of the world. It calls for ambitious conclusions at multilateral fora, including a strong outcome at COP26. There is a strong focus on European interests and wider geopolitical concerns throughout, which fits with the EU's presentation of the Green Deal as a domestic growth strategy for the bloc (Council of the European Union 2021).

The collaborative dimension: Integrating the EGD into regional strategies and development programming

The external dimension of the European Green Deal is perhaps best illustrated in several regional strategies that present the EU's ambitions for its external action in the Western Balkans, the EU Neighbourhood and Africa. These regional strategies, when taken together with the ongoing programming of the Instrument for Pre-Accession Assistance (IPA) and the Neighbourhood, Development and International Cooperation Instrument Global Europe (NDICI), show quite a collaborative approach to building the external dimension of the Green Deal through investment and development programming. These initiatives are often based on local interests and needs, and thus demonstrate a wide variety.

Most ambitious and concrete amongst these initiatives is the €9 billion Economic and Investment Plan for the Western Balkans, which is accompanied by a Green Agenda for the Western Balkans (EC 2020d; EC 2020e). This Green Agenda includes 5 Pillars: climate action, circular economy, biodiversity, fighting air pollution and sustainable food systems. It features some, albeit very general level, initiatives, while the Economic Investment Plan for the Western Balkans includes more concrete flagship investments that the EU Commission aims to complete or advance before the end of its mandate in 2024, including four directly contributing to the Green Agenda.

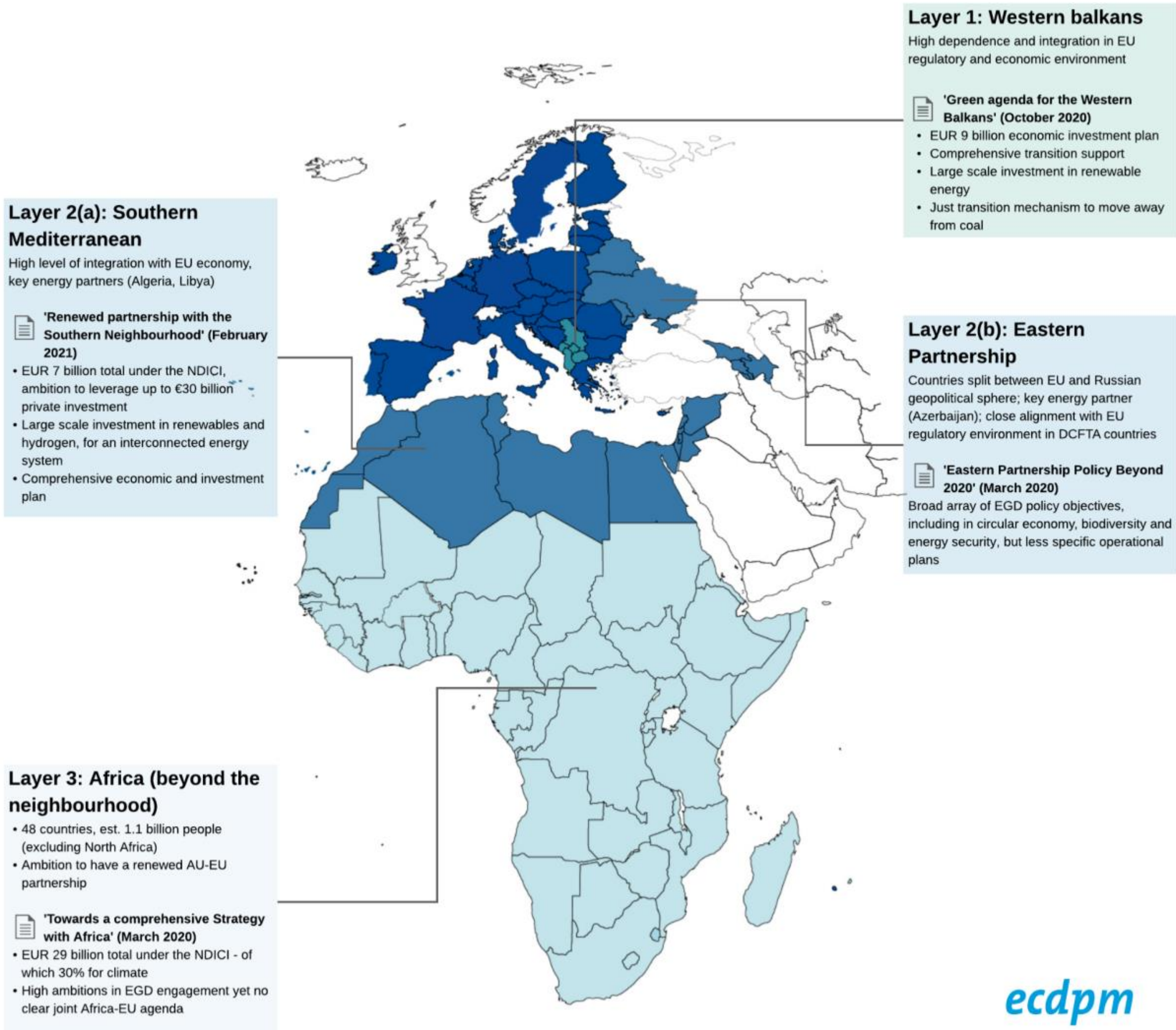
The Strategy for the Southern Neighbourhood has similar ambitions, and negotiations are ongoing to build a Green Deal with Morocco. Published in February 2021, the Communication on Renewed partnership with the Southern Neighbourhood (EC 2020f) includes "Green transition: climate resilience, energy, and environment" as one of five key policy areas. The strategy includes an Economic and Investment Plan for the Southern Neighbours, that identified flagship investments, including in energy transition, resource management, sustainable food systems and "Green Growth and Climate."

The EU also promises to support the green transition in the Eastern Partnership countries in its March 2020 Communication on the Eastern Partnership (EC/HRVP 2020a), while in its Strategy with Africa, the EU laid out its hopes for a partnership with the continent on green transition and energy access (EC/HRVP 2020b). In both Communications, the EU emphasises a variety of thematic areas such as circular economy, biodiversity, green governance, energy security and sustainable mobility, although with different levels of emphasis adapted to the different contexts. However, these strategies are less elaborate than those for the later Communications for the Balkans and Southern Neighbourhood. Although the strategies include several important thematic areas, they lack concrete initiatives.[3]

In the period since these earlier two strategies, the €79.5 billion NDICI was agreed on and the programming of this new external instrument began (Di Ciommo and Ahairwe 2021). In April 2020, the Commission also launched Team Europe as a common coordination and branding of EU + Member State global actions. Initially conceived in response to COVID-19, the 'Team Europe' banner is now used to brand EU flagship initiatives programmed at the country, regional and global level (Jones and Teevan 2021). While the Multiannual Indicative Programmes (MIPs) and Team Europe Initiatives for partner countries and regions are not yet publicly available, officials indicate that the green agenda has been strongly integrated almost everywhere. They emphasise that because of the strong focus on geographisation of the NDICI, these Team Europe initiatives have very different focuses depending on the priorities and needs of each country.

Both the new regional strategies and the programming process illustrate a proactive engagement with the priorities of the EGD. They show that in addition to alliance building (see section five) at the global level, the EU is making efforts to associate countries in the Western Balkans, Neighbourhood and Africa with its own transition early on in the process. Unsurprisingly, it is apparent that there are multiple layers of ambition at this early stage. The likely future members of the EU in the Western Balkans are most closely linked with the Green Deal, and a relatively high level of investment is allocated to them relative to their size. There is also a high-level of ambition in the EU's Neighbourhood, particularly for selected 'good neighbours'. Fewer initiatives and big investments have been announced to date in the rest of Africa, although this does not preclude big ambitions going forward (Medinilla 2021). To a certain extent, the early levels of ambition reflect the degree to which these economies are seen to be intimately connected to that of the EU and are likely to be impacted by the EU's own domestic transition. As we will see in the next section, there are multiple spillover effects from the domestic dimension of the EU Green Deal that are likely to have a particularly strong impact on the middle-income countries in the EU's neighbourhood that either export fossil fuels to the EU or export sometimes carbon-heavy industrial produce.

Figure 1: The external dimension of the European Green Deal in regional strategies



Source: ECDPM

Box 1: Climate justice and just transition

Climate change and the actions taken for adaptation and mitigation will reshape economies and societies, raising questions about equality (and inequality) between countries, but also within countries. Vulnerable groups are more susceptible to the effects of climate change, while the costs of climate change adaptation and mitigation may disproportionally fall on vulnerable groups (Islam and Winkel 2017; Tagliapietra 2021). Climate justice recognises the social impact of climate change, and its links to poverty and inequality, for instance in terms of sharing the costs and benefits of adjusting to climate change (UNDP 2020; Islam and Winkel 2017). The concept of just transition is linked to climate justice. It refers to the way climate adaptation and mitigation measures are taken, so as to make up for losses suffered by specific regions, industries and individuals (Atteridge and Strambo 2020). Just transition is a moral imperative to ensure that the green transition does not happen at the expense of the vulnerable (UNDP 2020). It also facilitates the participation of all essential actors and is thus an integral part of effective cooperation (Atteridge and Strambo 2020). Questions of climate justice and just transition have been raised by labour organisations, civil society and, as well as countries to demand greater support for climate adaptation and mitigation (Moosmannn et al. 2019; Pottier et al. 2017; Strambo 2020).

While least developed countries (LDCs) have historically been responsible for the smallest emmissions, they are more vulnerable to climate and environmental hazards, and have less resources to respond to the challenges, bearing the costs of inaction by richer countreis (Islam and Winkel 2017; UN 2020; UNDP 2020; Abeysinghe and Huq 2016). This is also acknowledged in the Paris agreement (UN 2015). Yet, LDCs receive only a minor share of EU and EIB climate finance – 14% in 2018 (ACT Alliance 2020). This may be linked to the higher risk levels and unbankable nature of investments there (Di Ciommo and Ahairwe 2021). Thus, there is room to scale up climate financing to the poorest countries to serve climate justice. However, beyond the NDICI resources, it is crucial to improve the fiscal space of developing countries to respond to the challenges (see Section 4).

Just transition is an explicit component and one of the cornerstones of the EGD. The EGD recognises the importance of a just transition that "must put people first, and pay attention to the regions, industries and workers who will face the greatest challenges". (EC 2019, p. 2). The Green Deal includes an internal Just Transition mechanism (EC 2020g). It mobilises at least €150 billion over the period 2021-2027 to support the most affected EU regions, helping with the socio-economic impacts of the green transition. There are, however, ambitions to include similar mechanisms in some aspects of external action. The Climate Agenda of the EU's Western Balkans strategy includes a proposal to establish a similar mechanism in that region (EC 2021b).

There is an implicit recognition in the Green Deal of global shared responsibility over tackling climate change, and the different paces that countries will take to transition to more climate friendly economies (EC 2019).[4] Yet, at the same time, an interviewee emphasised the need for the EU to act on climate regardless of partner countries' situations, as inactivity in tackling climate change would hurt everyone in the long run.

The coercive dimension: The external effects of the EU domestic transition

The Green Deal will necessarily affect many of the EU's trading partners, and it will have a particularly strong impact on countries in Europe's Neighbourhood and in parts of Africa, where the EU continues to be an essential trade and investment partner. These potential effects are manifold, but here we discuss some of the most commonly mentioned and/or most serious. First and foremost, the energy transition envisaged by the EGD will have a major impact on hydrocarbon producing countries that are likely to see a drop in demand for their principal goods (together with a decline in global prices), and may be pushed to diversify more quickly than envisaged. Secondly, the Green Deal is ultimately a growth strategy for the EU to make Europe more competitive and more productive, adding fire to a global competition for leadership in green technologies. Thirdly, in order to prevent European industry from being undercut by imports from competitors not abiding by the EU's tough future climate rules, the EU will introduce the carbon border adjustment mechanism (CBAM), which will push exporters to the EU to switch to less carbon intensive methods. Similarly, as the EU raises its environmental and climate standards, there is the expectation that this will have a wider knock-on effect on exporters around the world, who will need to raise standards to access the Single Market (the 'Brussels effect').

Ending demand: The fossil fuel transition

The major external impact of the EGD will of course be the reduction in demand for fossil fuels, which is likely to cause quite a financial hit for some of the EU's partners that rely on the EU as their principal export market. The reduction in EU demand for hydrocarbons is likely to further push down global prices, although the level of this impact will depend on the decisions of other major consumers such as China, India and the US. Countries such as Russia, Algeria, Azerbaijan, Libya, Nigeria and Angola, which are in many cases already suffering the effects of low oil prices, are likely to face severe economic consequences. As gas is likely to serve as a transition fuel in European countries divesting from coal, the impact will likely be more gradual for gas exporting countries than for those exporting oil.

Some EU partners have barely diversified their economies away from hydrocarbons and rely on them for as much as 95% of their exports as in the case of Algeria. For conflict-stricken Libya, which relies principally on oil for its exports, the expected rapid shift to electric mobility in Europe may lead to a very severe drop in demand for its principal export. Public services in these countries are currently greatly subsidised by hydrocarbon revenues, and it will be important that new economic sectors grow up to replace the lost hydrocarbon revenues (Escribano and Lázaro 2020). In the long term, the shift to less hydrocarbon intensive economies may ultimately prove positive for these societies, which have long been over-reliant on hydrocarbon revenues, but in the short term this may be potentially very painful and cause further instability.

As with European coal producing regions, there is the potential for the shift from hydrocarbons in the EU's neighbourhood to be particularly disruptive and in fact to have a much broader impact on national budgets and the provision of services. The EU will need to be conscious of this in its approach to these countries and adapt a broad basket of policies to help them adapt their economies to the expected disruptions. For example in Algeria, this should involve efforts to support wider diversification of the economy, as well as working together to develop the necessary regulatory frameworks so that Algeria can make the most of the transition to solar energy production.

Competition: Research and innovation, technology and investment

The large investments currently taking place both through the Multiannual Financial Framework (MFF) and recovery plan, but also through the large stimulus packages of various member states include a strong focus on the green transition and green technology. For example, Germany's June 2020 €130bn stimulus package included €2bn for research and innovation in the automotive industry, €7 billion for the National Hydrogen Strategy amongst other measures (Federal Ministry of Finance n.d.). Meanwhile, the German Green Party, currently leading in opinion polls ahead of Germany September 2021 election, has pledged that over the next 10 years, it would spend €500 billion on the 'socio-ecological transformation' of the economy (Martin 2021). In part spurred by this, European private sector actors are beginning to jump on board in a major way, as with the recent Volkswagen announcement that it planned to build six 'gigafactories' in Europe by 2030, which it claimed would produce enough power to run 4 million Volkswagen ID.3 electric vehicles (Ziady 2021). The EU's hope is ultimately to spur growth – and exports – in the green technology sector. "Clean hydrogen, offshore renewable energy, and energy storage solutions all can become vibrant EU export sectors." (von der Leyen and Hoyer 2021).

In the wake of the economic havoc wreaked by COVID-19 across the developing world and the lack of comparable stimulus packages there, many countries in the Global South are struggling to get their economies back on track. The fear is that many of these countries will struggle to move forward with their own green transitions, even as Europe, the US and China compete to produce and export the newest and best green technologies. Nevertheless, to help support partner countries in their own green transitions, the EU should continue mobilising its external financial resources, particularly the EFSD+, and get more efficient in doing so (Bilal 2021 provides useful suggestions on this point). Yet, EU and member state investments will not be enough on their own to meet the climate financing needs of developing countries and a larger global push will be necessary. The main hope for low- and middle-income countries is for a coordinated effort at multilateral fora in 2021 to deliver a combined package of debt relief, investment and development cooperation that allows them the fiscal space to get their economies moving again (see section 5).

Protection: The carbon border adjustment mechanism

Intertwined with the green transition within Europe and the transformation of European industry that it envisages is the proposed carbon border adjustment mechanism (CBAM). The CBAM is envisaged as a mechanism to prevent carbon leakage, which occurs when companies transfer production to countries that are less strict about emissions (EC n.d.). Such leakage would undermine the green transition within Europe and the competitiveness of European industry. While the details have yet to be agreed, the CBAM has already been a cause for considerable concern amongst the EU's trading partners. At the same time, while some US commentators worry about the CBAM, some commentators suggest there is also room for cooperation on this measure with the Biden Administration in the US, and with China (McWilliams and Tagliapietra 2021; Tagliapietra and Wolff 2021).

The debates on the form of the CBAM have been extensively covered elsewhere (e.g. Bruegel 2021; L'Heudé et al. 2021), but what is relevant for this note is the reception by third countries. Many developing countries view the CBAM as a protectionist policy and it has had an overall negative impact on the reception of the Green Deal (Bauer-Babef 2021a; SA Government 2021). The lack of a comprehensive strategy on the external dimension of the Green Deal that can be easily communicated to partners is perhaps partly to blame for this (Colombier 2021). CBAM is not just a safeguard against carbon leakage, but also a sign of the EU's resolve to push forward with this transition. Moving forward, the EU will need to adopt an approach that reduces the potential sting for developing countries that rely heavily on the EU market, including investment support to help low- and middle-income partner countries adjust to the Green Deal.

The EU will also need to counter the impression that CBAM is a protectionist measure by sharing the resources that it collects with vulnerable third countries. The fact that the CBAM was at first widely touted as a potentially rich source of own-resources for the EU to pay for its green transition made it appear that the EU was planning to impose a tax on third country imports to pay for its own transition. More recent proposals being discussed in the European Parliament include proposals to split the revenue with vulnerable third countries (Colombier et al. 2021; Bauer-Babef 2021b). Accompanying vulnerable economies in their transition – including middle-income neighbours such as Ukraine which are likely to suffer disproportionately and are geopolitically important to the EU – would be an important step towards ensuring that this measure is not viewed as purely protectionist (Bell and Benaim 2020).

Europeanisation: The Brussels effect

The EU will also use its global regulatory power in support of a global green transition, through the so-called 'Brussels effect'. This is the process of unilateral regulatory globalisation caused by the EU de facto externalising its standards outside its borders through market mechanisms. The EU tends to have some of the highest regulatory standards globally, including notably on environmental and safety standards, and complying with these standards can be so costly that companies choose to adopt these standards across the board (Bradford 2020). In the coming years, climate and environmental standards are likely to be raised further, with an impact on industrial and agricultural imports which must comply with these exacting standards, but also with potential impacts in sectors such as green finance.

The expectation of tougher climate and environmental standards is a concern for developing countries that do not necessarily have the resources for expensive upgrades that may be necessary for exporters to live up to new standards (Lopes 2021). As with the CBAM, the EU will need to work closely with partner countries to ensure that their manufacturing and agricultural sectors are able to adapt to these new standards. Technical support to governments might be accompanied by grants and subsidies to local businesses.

The diplomatic dimension: EU climate and energy diplomacy in a global recovery

2021 is a year of international climate and environmental diplomacy, most notably marked by COP26 in Glasgow in November and the UN's biodiversity conference (COP15) in October. The game of multilateral climate action fundamentally changed at the end of 2020 with the world's two largest emitters changing course in their public narrative. In September, China announced its goal to achieve net zero emissions by 2060, while the US under President Biden has not only rejoined the Paris agreement and pledged to cut carbon emissions by 50-52% below 2005 levels by 2030,[5] but is also trying to (re-)assert global leadership in climate diplomacy and climate finance and to promote its own clean technology sector worldwide. The EU, therefore, is no longer a lone and embattled power, trying to keep climate on the agenda. Global climate leadership has become a question of who can own the narrative of green recovery. China remains vague on its short term greenhouse gas (GHG) emissions targets, while the Biden Administration still needs to get its ambitions past Congress.[6] To date, the EU has proposed a comprehensive and far more detailed transition plan, is working to make its GHG emissions targets legally binding, and proposed the CBAM as a safeguard for carbon leakage into the rest of the world.

Challenges for the EU's climate diplomacy in 2021 include re-igniting global cooperation for climate action and implementation, building new coalitions with major GHG emitters including China and India, and greening global recovery (Evans and Scott 2021). Ahead of COP26 in November 2021,[7] the EU has an interest in keeping the pressure on, calling for ambitious short-term emissions reduction commitments. It should also address climate vulnerability and adaptation by calling other partners to live up to the $100 billion climate finance commitment of the Paris Agreement, as well as leading on an ambitious post-2025 climate finance target (Chhetri 2020).

The EU's climate diplomacy is a complex and multilayered process of high-stakes bilateral alliance building and (collective) regional strategies. Interests and expectations in the EU's climate and energy diplomacy differ significantly across these different layers. The EGD communication presents the EU as a 'global climate leader' and also tries to develop the concept of 'green deal diplomacy' (EC 2019). This is not a full-fledged agenda, but can be roughly characterised by a combination of: (a) setting a credible example with its own transition; (b) an integrated external action response through climate diplomacy, trade, investment and development policies; (c) bringing the EGD into all EU and Member states diplomatic channels, including the G7 and G20, as well as bilateral partnerships with third countries; and (d) putting particular emphasis on the EU neighbourhood and relations with Africa. The latest in a series of annual EU council conclusions on climate diplomacy also adds a stronger focus on energy diplomacy, calling for clear timelines for phasing out fossil fuels timelines (Council of the European Union 2021).

Navigating the US and China

China, the US and the European Union together account for just over 50% of global CO2 emissions, with just ten countries emitting another 30% (Ritchie and Roser n.d.). While Europe is the smallest of the three giants (10%), effective climate action depends to a large extent on the ability of these three economies to transition and lead the rest of the world towards net zero emissions. While there has been a major rapprochement on the need to cut GHG emissions between the EU, China (since 2017) and the US (since 2020), the three have very different interests in climate diplomacy, linked to their own strategic and geopolitical interests.

While China today takes a long-term cooperative approach on climate, it also maintains a developing country narrative to justify slow efforts in greening its own energy supply and supply chains in the short-term (Kaneti 2020; Tsang 2021). EU and US lobbying to get China to commit to peak emissions in 2025 and to end coal use have yet to see firm results. A sign of its commitment can be seen in recent Ministerial on Climate Action (MoCA)[8] talks co-hosted between China, the EU and Canada, just one day after China and the EU engaged in a bout of reciprocal sanctions following Western outrage over events in Xinjiang. Meanwhile, the US has come back to the global climate table with renewed energy, and on 22-23 April 2021 President Biden hosted a virtual 'leaders summit on climate' with 40 world leaders, where it presented its new 2030 target (White House 2021a; Gross 2021).[9] Yet, while the Biden administration has adopted the same build back better language as the EU, including some commitments on greening the US electricity sector and e-mobility (Oby 2021), the Biden Administration will face significant political obstacles and legislative challenges at home. In its external relations, Special Climate Envoy John Kerry is focused on re-establishing ties globally ahead of COP26, while the administration is also preparing a range of global sectoral initiatives and an increase in US climate finance (White house 2021a; 2021c).

China's willingness to engage even in a highly conflictual period at the start of 2021 is an opportunity for the EU as a global climate actor. Yet, it needs to be ready for confrontation on short-term commitments, including speeding up transition and ending coal expansion. During the previous US administration, the EU started punching above its weight in its climate diplomacy with China and other major players. The Biden administration opens the door for a friendly transatlantic alliance on climate, raising expectations for deepening collaboration on both sides, but the renewed enthusiasm and constructive diplomatic tone may mask potential areas of divergence. While the US approach is largely market-led and innovation driven, the EU is moving ahead with a much more regulation-based approach, built on a robust carbon price and emissions trading system (Brattberg 2021). The US and China have also already expressed concerns on CBAM. The coming years are an opportunity to develop a transatlantic and WTO compatible climate club, which could be extended to include China, using coordinated carbon pricing and external tariffs (Tagliapietra and Wolff 2021). Another immediate opportunity for cooperation with the US and China is in setting clear common rules on sustainable finance to distinguish 'green' from 'greenwashing'. The EU's recently launched 'taxonomy' could be the basis of a global standard (Yanse and Bradford 2021), but while discussions with China on green investment standards are ongoing (Li and Yu 2021), there is no transatlantic convergence on this yet (Brattberg 2021).

In the months leading up to COP26, the EU will need to avoid getting overshadowed by a fast-moving US, and manage China's continued claim to developing country treatment (SA Government 2021), even as it has become the world's largest emitter. The EU may find itself having to manage tensions between the US and China (and Russia), in which case it will need to make sure climate action does not fall victim to a lowest common denominator approach. In 2021, the EU, US and China, have shown a clear commitment to separate climate talks from other, often conflictual, areas of engagement, including human rights and US-China trade relations. This shows a momentum that will need to be maintained in the years to come.

The EU's immediate neighbourhood

Closer to home, the EU faces a very different challenge in building support for decarbonisation and managing the effects of its own transition on its neighbours in the coming years. This calls for a highly strategic and nimble climate and energy diplomacy so as to maintain regional stability and create wider, regionally connected renewable energy systems and clean economies. The Western Balkans, Turkey and the EU neighbourhood countries are all connected to the EU's regulatory and economic sphere (albeit to differing degrees), and the EU's ability to accompany transitions and get support from neighbouring countries will be critical for its credibility as a global climate actor. This is intimately connected with some of the initiatives and programmes briefly discussed in section three, as well as with ongoing technical support and twinning programmes that tend to focus on helping ascension and neighbourhood countries to align themselves with EU Single Market acquis.

Challenges include managing near-term transitions in current energy suppliers like Algeria, Libya and Azerbaijan – all historical failures in terms of economic diversification – which will be closely watched in relation to how Europe manages the spillover effects of its transition and are at risk of destabilisation. At the same time the EU has the opportunity to facilitate normative-regulatory exchange and transfer, helping neighbours to improve technical standards and harmonisation of regulatory systems in order to connect to the EU's energy and (clean) gas markets (Pastukhova et al. 2020). The EU also has the opportunity to pilot green technologies and develop external success stories of the EGD by maximising interconnections and investment in large-scale solar, wind and green hydrogen projects. Morocco, as frontrunner in the region, and Tunisia, as an important EU partner, offer significant opportunities in clean technology (Bennis 2021). Egypt also holds a key geopolitical position as a regional electricity and gas hub, with future plans for photovoltaic expansion to power its growing industrial sector (Pastukhova et al. 2020).

Africa (beyond the neighbourhood)

Africa beyond the EU neighbourhood is part of yet another layer of the EU's green deal diplomacy, which is covered in more detail in the third note in this series (Medinilla 2021). African countries joined the Paris agreement en masse and represent about a third of the votes in the UNFCCC process. They hold joint positions relating to "Africa's Special needs and circumstances", calls for climate justice compensation for stranded assets, debt relief and climate finance for both energy systems and adaptation. The EU has invested heavily in cultivating the partnership with the African Union, and has expressed significant expectations for African support in multilateral climate negotiations. However, the EU's toolbox for engaging on climate in Africa is fundamentally limited, especially when responding to historical climate injustice. In recent years, in an effort to respond to African interests, the EU's narrative towards Africa has increasingly shifted from climate to energy and environment. The EU has a clear interest in Africa's growing renewable energy and clean technology markets, which are set to increase significantly in the coming years. The EU traditionally relies heavily on its development cooperation in its relations with Africa, and while development actions often still define the narrative, EU investment policy, clean technology interests and climate finance are likely to increasingly define the EU's cooperation with Africa on climate.

Climate and energy diplomacy with the rest of the world

Beyond the big powers and regional partnerships, the EU faces both challenges and opportunities in its (bilateral) climate and energy diplomacy with a number of countries. India, as the fourth largest GHG emitter, has avoided setting firm reduction targets, instead opting for a GDP-linked target (Dröge and Schrader 2021), but announced ambitious plans to increase non-fossil fuel power generation to 40% (or 450GW) by 2030, requiring mass investment in renewables (Pastukhova et al. 2020). India is also seen as a gateway to the G77, and is competing with China for economic influence in its immediate neighbourhood. The India-EU summit on 8 May 2021 put a lot of emphasis on green transition and energy (in addition to global health and trade), and while summit declarations are often highly symbolic, they signal a possible renewed interest in the bilateral partnership for decarbonisation (see Khandekar 2021). The EU also faces more delicate diplomatic trials. Managing relations with Russia, a major energy supplier and highly volatile neighbour will be a key priority as natural gas demand will gradually go down. (Potential) climate rogues like Brazil or Australia can also still severely damage the COP15 and COP26 processes, which rely on a consensual model, and must be effectively contained and persuaded in the period ahead of these meetings.

Climate and global recovery

Climate cannot be seen in isolation from broader global issues, chief of which is global economic recovery. The EU and US are now both pushing the 'build back better' narrative, with the hope of inspiring a global recovery that is increasingly green and digital. Developing countries have been especially hard hit by the pandemic and would risk a double hit if the green transition race between major economies fails to take their circumstances into account. This would jeopardise global collective action on climate, and reduce support for the EGD from the EU's partners.

In May 2020, von der Leyen proposed a 'Global Recovery Initiative', including linking debt relief and investments with sustainable development (von der Leyen 2020). It appears the EU has been actively promoting debt forgiveness in exchange for adaptation and mitigation measures at multilateral fora, including the IMF, G20 and Paris Club. However, given the EU itself does not hold debt, and even member states hold a relatively small share of the whole, what the EU can actually do on the debt-relief front, other than advocacy, is relatively limited (Chadwick 2021; Pleeck and Gavas 2020). On the other hand, with the change of administration in the United States, a new Special Drawing Rights (SDR) general allocation of $650 billion is now firmly on the table – together with reallocation of existing SDRs – as evidenced by the recent G20 finance ministers and central bank governors' communique and International Monetary and Financial Committee (IMFC) statements (G20 2021; IMF 2021).

In an intervention at the UN Financing For Development Forum, EU International Partnerships Commissioner Jutta Urpilainen added yet another important dimension to the tools needed to improve the fiscal space of developing countries so as to finance sustainable development, stating: "we need to fight tax evasion, illicit financial flows and corruption." (Urpilainen 2021) Given the renewed impetus provided by the Biden administration to the fight against tax evasion, it may indeed be a good moment to reach a global consensus on taxation. However, those proposals (and those of the OECD) do not sufficiently consider the needs of developing countries (Wheatly and Agyemang 2021). The EU and its member states should keep those needs in mind in future conversations on the topic, and the discussion of illicit financial flows must indeed be taken up alongside this.

Finally, vaccine diplomacy has become a critical dividing factor between developed and developing countries, and cannot be disconnected from the green recovery discussion. Unequal vaccine access is already affecting the planning for COP26, leading to calls for further postponement should the conditions for negotiators to participate be uneven (Rowlatt 2021). Linked to this, Western control over a big part of the world's vaccine production, and particularly Europe's (initial) failure to follow President Biden's lead in supporting a temporary intellectual property rights waiver on vaccines requested by India and South Africa, risks further souring relations. The EU argues that the waiver will be ineffective in its goal of allowing other countries to ramp up production (Herszenhorn et al. 2021), but the EU veto risks painting the EU in a bad light just when it most needs diplomatic credit.

Conclusion

The external dimension of the Green Deal is very much a work in progress that depends both on domestic policy developments and on the EU's relations with partner countries, and at the level of regions and multilateral fora. In one sense, COVID-19 – and the stimulus packages that it gave rise to – has speeded up the green transition within the EU, but the lack of equivalent stimulus packages elsewhere in the world is very much limiting the potential for many developing countries to 'build back better'. Certain aspects of the EGD have already started to become clear; notably the importance for the EU of using its own domestic model as a form of leadership, from which it builds out the collaborative, the coercive and the diplomatic dimensions of its external action on the EGD.

The **collaborative dimension**, which is visible in the EU's regional strategies and in the programming process, is very much a work in progress and seeks to respond to the needs of partner countries and regions. It is quite varied and takes different forms in different parts of the world, with its greatest ambitions clearly reserved for the EU's immediate trade and regulatory sphere, notably the Western Balkans and the Neighbourhood. While some of the big contours of country and regional programmes have already been decided on, the programming process is still very much underway and provides the opportunity to continue to engage with the EU and to encourage it to listen to the voices of local civil society. For many Least Developed Countries, this programming process, together with wider multilateral efforts to open fiscal space, may be the most tangible expression of the EU's green ambitions over the next five years. Local ownership is something that is central to the current programming process, but it is apparent that the level of consultation has to date varied quite substantively from delegation to delegation. The collaborative dimension presents very high ambitions, with a recognition of differentiated needs of different countries, **but the means are fundamentally limited.** The EU's call for an accelerated transition may shift attention towards rapid deployment of renewable energy at the expense of longer-term adaptation needs. The EU therefore has an interest in securing a significant boost in global climate finance commitments from other partners.

The **coercive dimension** hopes to push others to follow the EU's lead through policies that ultimately force partners to up their game in order to compete or to maintain access to the EU market. While many of these elements are directed mainly at middle-income countries and notably large carbon emitters such as China and India, they will perhaps have the most immediate impact on the middle income countries at the EU's borders, and may also have negative implications for lower-income countries in sub-Saharan Africa. In order to ensure that climate justice is served in this process, the EU must listen to the voices of low- and middle-income partner countries, and be ready to provide both technical and financial support to those countries for which the impact is most painful. This will include working with hydrocarbon exporters to diversify their economies, prioritising regional interconnections and regulatory alignment with neighbourhood countries to durably link their economies to the EU's green transition process. As the EU competes with the US and China for green technologies, it should see countries in the Neighbourhood and Africa as partners and not just as export markets for its technologies, and must ensure technology transfers and skills exchanges are available to key partner countries so that they are not left behind by the green transition. It will also mean working with those that will be hit hardest by CBAM in order to help key industries to transition away from carbon-intensive production. Similarly it will mean providing technical support to governments and financial support to industry in partner countries allowing them to upgrade to new European environmental and climate standards.

On the **diplomatic front**, the EU will need to continue to ensure that it presents a united and strategic front with regard to climate and energy diplomacy, employing not just EU resources, but also those of member states. Of particular importance in 2021 will of course be to put pressure on major emitters like China, the US and India to put solid near-term goals into law, and consolidate the current momentum for global climate and environmental action in the runup to COP15 and COP26. The EU's bilateral 'green deal' diplomacy will be a critical tool to ensure the goodwill, especially of its current energy partners. In the wake of COVID-19, it will be of utmost importance to work with allies and competitors alike to ensure that developing countries have the fiscal space and the necessary level of investment to finance adaptation and mitigation efforts. The EU must continue to use its diplomatic channels to push for substantial debt relief, SDR reform and reallocation, fair global taxation and containing illicit financial flows. Side by side with this, it will be vital to link climate justice with other forms of global justice including, most notably right now, access to vaccines.

Annex 1: The Green Deal in Regional Strategies

<table>
<tr><th>Policy area/ document</th><th>Strategy Summary</th><th>Principal initiatives</th></tr>
<tr><td>Western Balkans</td><td>An Economic and Investment Plan for the Western Balkans aims to scale up the long-term recovery – backed by a green and digital transition – leading to sustained economic growth, implementation of reforms required to move forward on the EU path, and bringing the Western Balkans closer to the EU Single Market. It is the most detailed of the reviewed regional strategies, including a specific Green Agenda for the Western Balkans. The Green agenda is built around 5 distinct pillars. The strategy puts digital to a key position as an enabler to them.

1. Climate action, including decarbonisation, energy and mobility,
2. Circular economy, addressing in particular waste, recycling, sustainable production and efficient use of resources,
3. Biodiversity, aiming to protect and restore the natural wealth of the region,
4. Fighting pollution of air, water and soil, and
5. Sustainable food systems and rural areas.</td><td>Select initiatives in the Green agenda
• Facilitate swift alignment with the EU Climate Law
• Assist the partners in the preparation and implementation of long-term climate adaptation strategies to increase resilience
• Support the region in improving the sustainability of production of raw materials
• Support alignment of the agri-food and primary production sectors with EU standards

Flagship initiatives of the Economic and Investment Plan:
• In energy transition. Increased use of renewable energy sources will be supported, in line with the region's potential and national preferences
• The transition from coal to more sustainable and green sources of energy production will be key for the region to meet its commitments under the Paris Agreement.
• 'EU renovation wave' to the Western Balkans
• Waste and waste water management</td></tr>
<tr><td>Eastern Partnership</td><td>Proposes five areas of collaboration, from which "together towards environmental and climate resilience" is one.

In the strategy, the EU commits to working with the partner countries in transition to societies with modern, resource-efficient, clean, circular and competitive economies, while increasing their environmental and climate resilience.

Further areas of collaboration:
• Circular economy
• Economy's natural assets base (including biodiversity and food systems)
• Policies and governance in support of greener growth
• Strengthening energy security and nuclear safety
• Accelerating the shift to sustainable and smart mobility</td><td>The strategy also includes some initiatives, albeit less concrete than the ones in later strategies. There is a "broad array of policy orientations but little operational specificity" (Emerson et al. 2020)

• Reforming resource-intensive sectors (e.g. plastic, construction, textiles)
• Addressing water quality and availability issues and improving control and surveillance for fishing activities
• Developing local and renewable energy sources, thus halting the loss of biodiversity (EC 2020h)
• Accelerating the shift to sustainable and smart mobility (EC 2020h)
• Scaling up action in areas that are critical for people's health and well-being. (EC 2020h)</td></tr>
</table>

<table>
<tr>
<td>Southern Neighbourhood</td>
<td>Renewed partnership with the Southern Neighbourhood

In the strategy, the EU commits to working with the partner countries to increase their climate ambition, shifting towards green growth and climate action measures.

The Commission proposes to mobilise up to €7 billion under the NDICI including provisioning for EFSD+ guarantees and blending under the Neighbourhood Investment Platform, which would help mobilise private and public investments of up to EUR 30 billion in the Southern Neighbourhood.

The specific areas discussed in the strategy are

• Green growth and climate action
• Energy transition and energy security
• Resource efficiency, fight against pollution and biodiversity
• Sustainable food systems</td>
<td>Select Action points

• Joint efforts to streamline targets, shifting towards green growth and developing or strengthening climate action measures
• Reinforcing bilateral engagement and providing targeted assistance to support large- scale investments in renewables and clean hydrogen production for both domestic consumption and export.
• Supporting biodiversity protection and restoration, including creations of effective and well-managed networks of coastal and marine protected areas

Economic and Investment Plan for the Southern Neighbours includes four relevant flagship investments

1. Green Growth and climate action.
2. Energy transition and energy security
3. Resource efficiency, including water and waste management, and biodiversity
4. Sustainable food systems, agriculture, and rural development</td>
</tr>
<tr>
<td>Africa Strategy</td>
<td>The strategy includes proposals for partnerships in five areas including a partnership for green transition and energy access. However, compared to the other regional strategies, the strategy remains at a very general level.

Summary of the proposed partnership for green transition and energy access

• Innovation is seen as a key to drive green transition.
• Recognition that Africa is rich in natural capital, biodiversity and ecosystems such as forests, yet there are risks of overexploitation and depletion of the natural resources
• The strategy notes that the “clean circular economy with sustainable and fair value chains will be key for the transition to a sustainable economic model.”
• The important role role of boosting safe and sustainable agri-food systems in order to achieve the SDG on zero hunger</td>
<td>Partner with Africa to maximise the benefits of the green transition and minimise threats to the environment in full compliance with the Paris Agreement.

• Implementation of Nationally Determined Contributions
• Partnering on green finance, sustainable energy and energy efficiency: ‘Green Energy’ initiative
• Better ocean governance
• Joint action to protect and reduce pressure on forests, water and marine ecosystems while enhancing their management by tackling illegal harvesting and combating environmental crime, thereby tackling the drivers of biodiversity loss.</td>
</tr>
</table>

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Endnotes

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[2] This note is one of a three-part series produced in collaboration with the Open Society European Policy Institute. The series unpacks the evolving EU financial and policy framework for addressing climate and green transition in its external relations, focusing specifically on the (in)direct external effects of the European Green Deal, EU climate finance and international cooperation and the role of climate in the EU-Africa partnership.

[3] See Annex 1 for more detail on the regional strategies.

[4] The European Green Deal recognises that "the environmental ambition of the Green Deal will not be achieved by Europe acting alone. The drivers of climate change and biodiversity loss are global and are not limited by national borders. The EU can use its influence, expertise and financial resources to mobilise its neighbours and partners to join it on a sustainable path. The EU will continue to lead international efforts and wants to build alliances with the like-minded. It also recognises the need to maintain its security of supply and competitiveness even when others are unwilling to act" (EC 2019).

[5] This would mean a reduction of 39-45% from 2020 figures (Gross 2021); EU targets use a 1990 baseline.

[6] Ahead of the 2022 midterm elections, a lot of the Biden administration's emissions reductions ambitions hinge on the success of the American Jobs Plan, which contains several key green components, including on clean energy, transportation and clean technology (White house 2021b; Gross 2021).

[7] The UK and UN are facing increasing calls for the meeting to be delayed, as advocates fear another failure due to unequal vaccine access (Mathiesen 2021).

[8] In 2017, in response to the US' withdrawal from international climate negotiations, the EU, China and Canada co-hosted the Ministerial on Climate Action, to stimulate open dialogue between developed and developing countries on climate. Five such meetings have been held to date.

[9] The US also intends to relaunch the 2009 Major Economies Forum on Energy and Climate intended to facilitate dialogue and stimulate leadership on climate.

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