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BRIEFING NOTE No. 159 (Part 2)

Navigating green economy and development objectives: The effects of external climate regimes on African economies

March 2023

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Summary

African countries and economies find themselves at the centre of competing demands and narratives around the global green transition. The continent is rich in renewable energy sources and the minerals needed to power a global shift to clean energy while reducing, or avoiding greenhouse gas emissions is also seen by many as a risk to African economic development and akin to rich countries 'kicking away the ladder'.

This note is part of a series of four notes and a synthesis paper, which identify and discuss the dilemmas faced by African countries in achieving 'greener' economic development pathways. This second note discusses the increasingly complex effects of external climate

regimes on African economies.

The accompanying notes look at ways to navigate the conflicting narratives on an African 'just (energy) transition'; the opportunities and risks for African countries linked to the energy transition and green industrial development; and the political economy dynamics and complexity of the green transition in practice, taking the case of transport in East Africa. The synthesis paper combines all four notes and identifies overarching recommendations and policy opportunities.

Introduction

African countries and economies find themselves at the centre of competing demands and narratives around the global green transition. The continent is rich in renewable energy sources and the minerals needed to power a global shift to clean energy, with several countries positioning themselves to take advantage of new opportunities and attract investment. At the same time, reducing, or avoiding greenhouse gas (GHG) emissions is also considered by many to be a risk for African economic development. As late industrialisers, African countries contribute less than 4% of global GHG emissions, and are now faced with increasing pressure to forgo a fossil fuel-driven industrialisation pathway. Some see this as rich countries 'kicking away the ladder' (Walsh et al. 2021) that they themselves used to develop, denying the continent a chance to leverage its own resources to catch up to the industrialised parts of the world.[1]

This note – part of a series of four notes and a synthesis paper[2] – discusses the increasingly complex effects of external climate regimes on African economies, looking particularly at the rise in European climate-related regulations.

The accompanying notes look at:

1. the conflicting narratives on an African 'just (energy) transition', and the challenge of economic development in a carbon-constrained environment;the opportunities and risks for African countries linked to the energy transition and green industrial development; and
2. the political economy dynamics and complexity of green transition in practice for the case of transport in East Africa.

The following emerge as key takeaways from the four notes:

1. Narratives and perceptions are important - framing the green transition as offering business opportunities is likely to get most traction both internationally and at the enterprise level.

2. Even if climate change mitigation and adaptation objectives can be read differently, market regulations cannot - exporters in numerous sectors will need to adapt their production techniques and traceability to maintain market access to the EU, and increasingly to other markets.

3. Governments and private sector actors investing in and adopting sustainable, low-carbon paths may take advantage of niche markets in line with EU regulations, and what will increasingly become global norms.

4. External finance is increasingly going 'green' - first movers stand to gain most, whether between countries or in terms of companies/firms/sectors within them.

5. Structural reasons and political economy dynamics will define which countries can be first or even second movers, requiring support for others, that is adapted to context.

6. Addressing these multi-level, complex challenges requires 'systems thinking' within and between countries to take account of the interconnections between different policy areas.

7. Applying political economy analysis to green transition processes will help systematise and bring out contextual knowledge to help:
8.
    - Understand the varying interests, incentives and power relations that underpin the challenges and opportunities for green transition, whether in Europe or Africa
    - Understand the scope for regional and national political alignment around 'green' objectives (even if implies new winners and losers)
    - Position economies vis-à-vis international regimes, helping firms and countries therefore decide on the balance between risky bets and long-term strategy
    - Find ways to better connect existing progressive policy space and private demand/business opportunities that support a green transition
    - Inform a spatial approach by helping to unpack regional politics, interests and incentives around key sectors like agro-processing manufacturing, transport, and the wider industrialisation dynamics.

The remainder of this note discusses how global climate narratives are being translated into trade regulations, looking particularly at the EU and what this means for African economies.

Navigating external climate regimes: Risks and opportunities for African economies

African economies will increasingly be subject to climate-related regulations. These 'external climate regimes' include trade policies, climate and environmental regulations that will increasingly affect production and trade flows, as well as a growing body of international standards.[3] All of these will shape the supply of and demand for African goods and services. The range of external climate regimes goes from hard regulations that directly link market access to specific production criteria, to more indirect consumer dynamics that shape the incentives of African governments and firms to pursue 'green' and 'just' production of goods and services. While this is not new - since the 2019 European Green Deal, the EU has pursued an increasingly proactive and some say aggressive externalisation (Cramer 2022) of its own climate objectives through trade and economic means - its effects will increasingly be felt by African economies and producers.

The EU is Africa's largest trade partner, accounting for some 33% of African exports in 2020 (Eurostat 2022). EU decisions, standards and regulations define both the quantity and nature of these African exports to the EU and will increasingly be part of the de facto operating environment of many African businesses and economies. As climate-related standards and regulations increasingly shape export markets, the way in which countries and businesses navigate these regimes will create winners and losers within and between countries. This note discusses these evolutions, highlighting both the challenges and potential opportunities they bring.

An evolving EU external climate regime

Market regulation is a key role of the European Union, often with external implications - the so-called 'Brussels effect' (Bradford 2012). The combination of European sustainability regulations and consumer preferences are seen as creating new barriers for exporters, and raising the costs of production. While not explicitly intended as protective measures to safeguard the competitiveness of EU domestic producers, so-called 'precautionary measures' aimed at protecting the environment and the health of consumers can play that role, due to the higher production and compliance costs they imply (Lamy 2020). The EU single market has historically led the introduction of quality and safety standards for food and agricultural products worldwide, often explicitly using its market power to seek alignment by global trading partners.

As part of the European Green Deal, in 2020 the EU launched the 'Fit for 55' package, a comprehensive set of climate-related policies, measures and instruments aimed at cutting greenhouse gas emissions and putting the EU on a path to climate neutrality by 2050. While primarily focused internally, it contains both an implicit and explicit external dimension that will affect African economies.

The most controversial external component is the Carbon Border Adjustment Mechanism (CBAM), discussed below. But that is just one example of how the EU is externalising its own green transition. Figure 2 presents a selection of EU regulations and consumer market dynamics that are likely to affect Africa-EU trade flows in a range of products in the coming years. It highlights the combination of regulations and the indirect effects of financing and consumer demand that will shape current and future demand for African products, thus offering business opportunities for some European and African businesses, while potentially fading out demand for other products.[4]

Though the main new external EU climate regulations are yet to come into force, the timelines are short as presented in Figure 3. Most rules also have an explicit option for further expansion. CBAM, for example, will initially cover five sectors and only scope 1 emissions, but after an initial transition period may be extended to other sectors, and once a method is designed to do so, cover indirect emissions (European Parliament 2022).[5] The European parliament in particular advocated strongly for including organic chemicals, hydrogen and polymers, and indirect emissions in this round (Titievskaia et al. 2022). Firms and governments must therefore already prepare for such regulations widening to other sectors, and deepening in scope.

Figure 2: Overview of the main EU climate policies and measures affecting African countries and firms

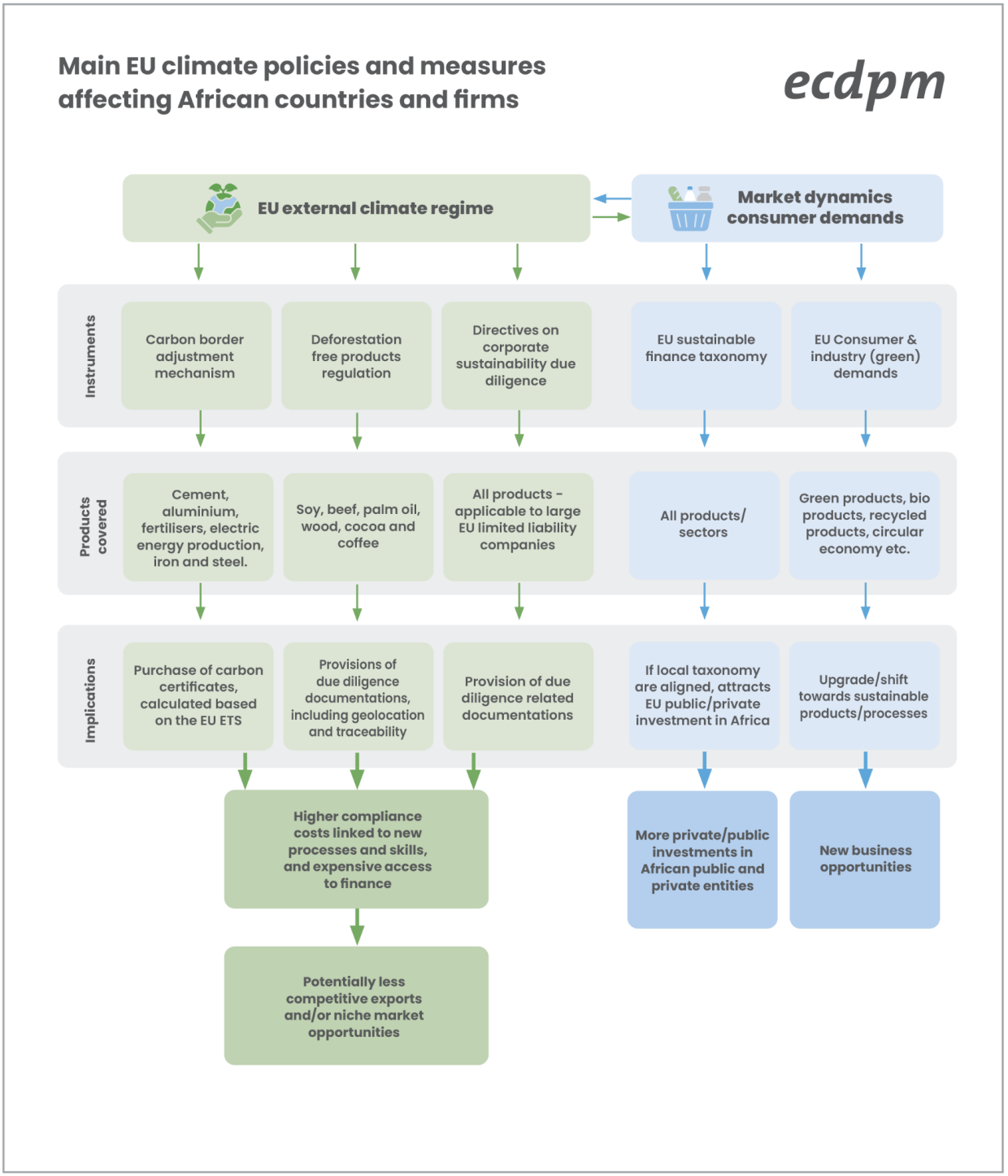
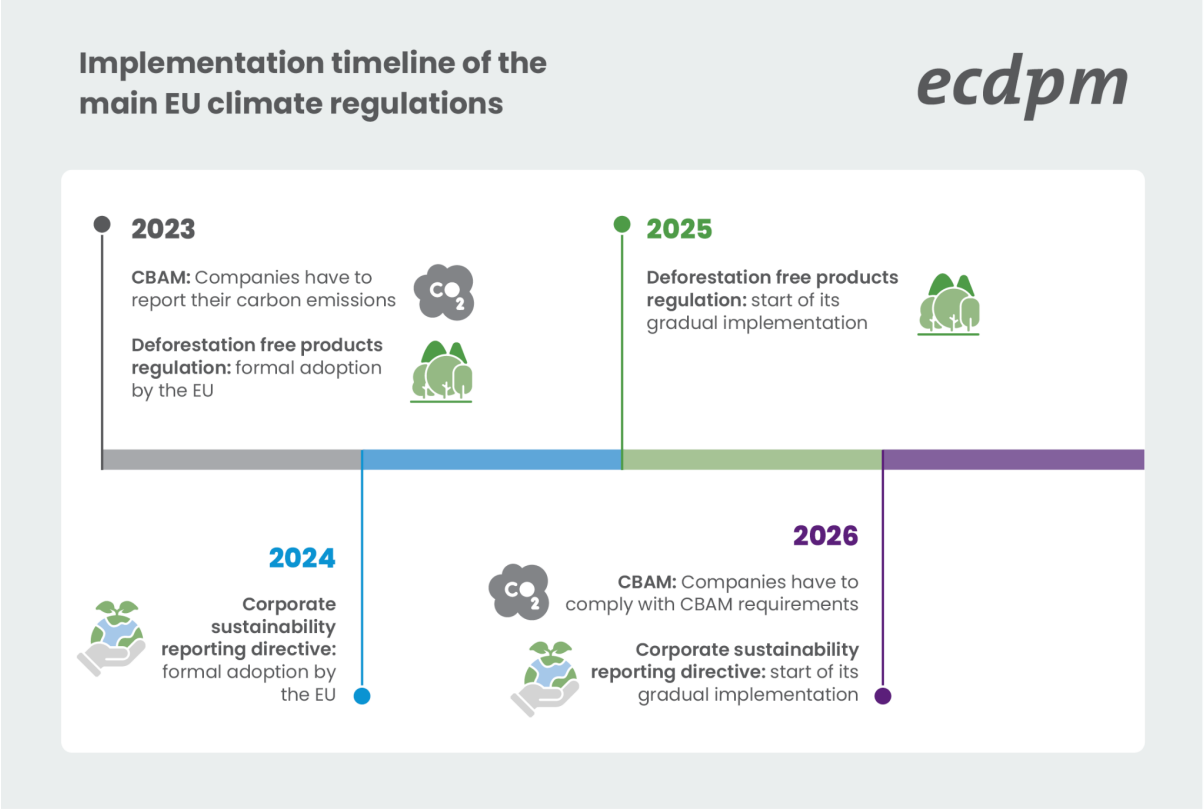


Figure 3: Implementation timeline of the main EU climate regulations



Source: Authors

The following takes a closer look at the CBAM, the EU's Taxonomy for Sustainable Activities, and the new Regulation on Deforestation-Free Supply Chains. These innovations have been the subject of controversy but are often also misunderstood among both African and European policy makers.

Externalising Emissions Trading: the EU Carbon Border Adjustment Mechanism (CBAM)

The CBAM is an external counterpart to the EU's internal Emissions Trading System (ETS), in place since 2005. Its main purpose is to limit 'carbon leakage' caused by the ETS, where production of carbon intensive products, particularly heavy industry, might relocate to jurisdictions with less stringent emissions regulations and/or a lower price of carbon. The CBAM, which is currently in late stage

negotiations between the European Commission, Council and Parliament, will introduce an emissions-based levy on the imports from outside Europe of iron and steel, energy, cement, fertilisers, aluminium and hydrogen.[6] The levy is intended to result in an equivalent carbon price to that under the (internal) Emissions Trading System. As of 2023, importers will only be obliged to report on carbon content, with the first payments foreseen in 2026. Additional costs may trickle down to exporters to the EU, depending on the ease with which they can shift production towards greener, less carbon intensive, supply chains and/or pass on costs to other parties, thus depending on power dynamics within the value chains.

The potential widening of the CBAM's scope suggests that African governments and their private sectors would benefit from familiarising themselves with its objectives, logic and implementation. This will help to anticipate i) the application of CBAM in other industries where the EU's internal emissions trading system already applies (oil refineries, steel works, and production of metals, lime, glass, ceramics, pulp, paper, cardboard, acids and bulk organic chemicals, commercial aviation etc.); and ii) its scope expansion to indirect emissions, i.e. scope 2 and 3 emissions which includes inter alia electricity and transport emissions respectively), which will raise the cost of the CBAM certificate.

While the total value of African exports covered by CBAM may be relatively low, they account for a large share of the total exports of some countries to the EU, reflected in Table 1. North-African exports, and particularly those from Egypt are likely to be most affected by the mechanism - iron and steel and fertilisers accounted for 9.9% and 8.3% of Egyptian exports to the EU in 2021 (Eurostat 2022). Zambia and Zimbabwe's iron and steel exports account for 30,8% and 14,9% of their total export value to the EU in 2021. Similarly, Mozambique's aluminium exports accounted for almost 50% of its total exports to the EU. Recent studies concluded that Mozambique GDP may contract by 1.6% to 2.5% if demand follows the price change brought by the introduction of the mechanism. A recent paper from the South

African Presidential Climate Commission estimates that the CBAM could affect 28,000 jobs and $2bn of South African exports of iron and steel to the EU (PCC 2023). Among East African Community (EAC) countries, Kenya's cement exports may be affected by the introduction of CBAM, while the potential for widening its scope suggest that the EAC and other African countries will have to follow its evolution and the envisaged revisions over time.

Table 1: Top 10 African countries' exporters to the EU per products in 2021

	Top 10 African exporters of CBAM covered products			
#	**Iron and steel**	**Fertiliser**	**Cement**	**Aluminium**
1	South Africa	Egypt	Algeria	Mozambique
2	Egypt	Morocco	Morocco	South Africa
3	Algeria	Algeria	Tunisia	Egypt
4	Tunisia	Tunisia	Egypt	Morocco
5	Libya	Libya	South Africa	Cameroon
6	Morocco	South Africa	Kenya	Ghana
7	Zambia	Namibia	Ghana	Tunisia
8	Zimbabwe	Nigeria	Ivory Coast	Mauritius
9	Nigeria	Madagascar	Senegal	Nigeria
10	Benin	Mauritius	Cameroon	Libya

Source: Based on Eurostat COMEXT database (2022)

Although developing countries, and some African countries will be affected, they are not the primary target of the mechanism, given their fairly limited industrial exports, compared to the US, China, India, Russia, Turkey and other major industrial partners[7]. The mechanism is rather intended to incentivise more ambitious carbon pricing systems worldwide. Any equivalent carbon price that is collected locally will be deducted from the mechanism, while discussions on how CBAM revenues will be reinvested (externally) are still ongoing.

The idea is that the CBAM seeks not to be a punitive tax, but a mechanism that can help create a 'de facto' climate club, of economies that impose similar standards to their industries, modelled on the EU's own ETS (Szulecki et al. 2022). This may incentivise African partner countries to reflect more systematically on the broader concept of a carbon market, an idea that has gained momentum as reflected by the introduction of the Africa Carbon Markets Initiative at COP27.

The CBAM transitional phase[8] from 2023-2025 is very short, and the eventual pace of the mechanism will be aligned with the phase-out of free allowances under the EU ETS. Yet it is clear that some countries' private sectors are better positioned to respond to the CBAM than others, with significant investments in decarbonising production that can give them a competitive advantage. Morocco, for example, is investing heavily in decarbonising its fertiliser industry which may boost future exports to the EU and mitigate the potential increase of transaction costs relating to CBAM implementation (see Note 3).

Countering greenwashing: the EU taxonomy for sustainable investments

The EU's internal and external transition ambitions rely heavily on its ability to regulate, but also to leverage public and private investment. To give 'green' a predictable and consistent meaning, the EU has developed a taxonomy, an instrument geared towards defining what can be counted as a 'green investment' and avoiding 'greenwashing' by self-defined 'green' projects. This taxonomy is a classification system[9], defining a list of environmentally sustainable economic activities, thus helping investors identify responsible investment opportunities through a common set of standards and reporting systems, and incentivising companies to become more climate-friendly to attract financing. The EU taxonomy is also what defines the EU's understanding of natural gas as a 'transition fuel'. In a highly controversial decision following the war in Ukraine, the

Commission issued a supplementary delegated act that includes natural gas and nuclear energy under certain 'strict conditions' in the EU's taxonomy (European Commission 2022a)[10].

The taxonomy seeks to provide uniform criteria for EU investments, but it also seeks to set a minimum standard that can be replicated or adopted internationally. By applying the EU taxonomy or having an equivalent, African countries will facilitate and attract investment from EU and multilateral development banks, development finance institutions and private investors, including but not restricted to impact and ESG investors where there is a development added-value. So far, South Africa is the only African country to have developed its own taxonomy, which is largely in line with that of the EU, to facilitate EU investment in the South African green and sustainable economic growth. The merits of a green taxonomy are also discussed in Kenya in the context of the country's green fiscal policy. However, the EU taxonomy does not take account of African countries' economic, social, geographic and climate contexts and needs to be adapted to reflect local priorities and preferences. For instance, the South African taxonomy social safeguards (labour standards) are based on domestic law and jurisdiction and not international conventions, while the scope of climate mitigation does not cover fossil fuel-related activities and activities related to electricity generation from natural gas, meaning that investments in these fields cannot qualify as "green" (National Treasury 2022). In fact, the South African treasury is also considering a just transition taxonomy given the current reliance of the country on fossil fuels - which would provide for investment in gas exploitation (Gambetta 2022).

Environmental action through product standards: the EU regulation on deforestation-free products

The EU is increasingly using product standards to influence environmental outcomes beyond its borders. An estimated 10% of global deforestation between 1990 and 2008 was linked to European

demand for goods and services. To address this, the European Parliament and the Council reached a provisional agreement on a new Regulation on Deforestation-free Supply Chains in December 2022 (European Commission 2022b; European Parliament 2023b).

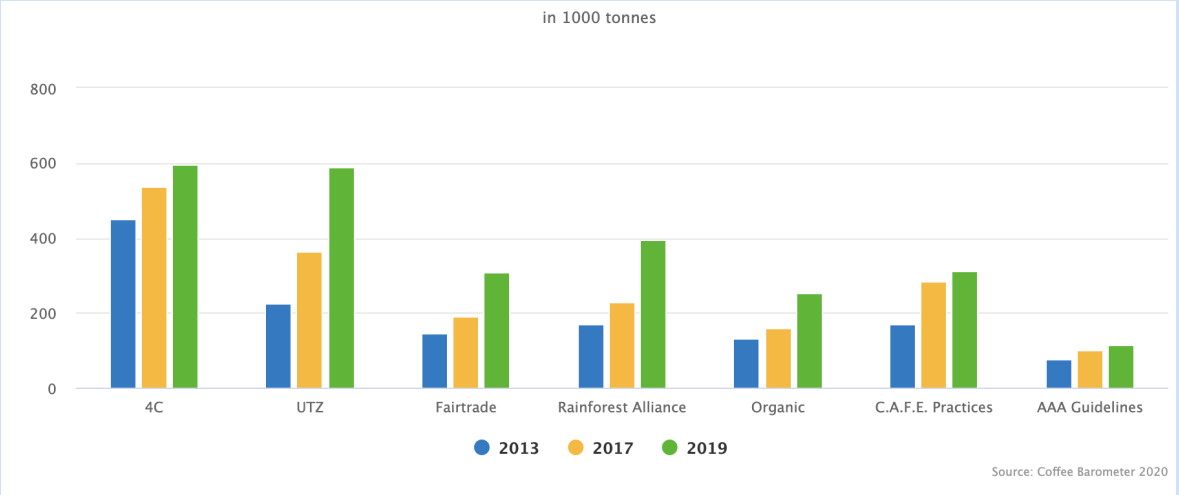
The draft regulation targets six main products: soy, palm oil, coffee, beef, wood and cocoa[11], as well as some of their derivatives such as leather, chocolate and furniture. It sets mandatory due diligence requirements for the private sector operating in these sectors, though these will vary depending on the level of risks associated with given regions and countries. Like with CBAM, the list of targeted products may be further extended in the future. Producers will be required to collect the geographic coordinates of the land where the commodities were produced, to prove that (1) it was not logged or degraded after 31 December 2020, and (2) that they fully complied with the relevant laws of the country of production.

Compliance with the regulation is expected to bring additional production costs. How these are absorbed within the value chain - whether by the importer, the supplier and/or the final consumer - will depend on the power dynamics within the value chain, and the extent to which importers are able to switch to lower-risk value chains in other countries (Lee at al. 2010, FAO 2014). Although micro and small enterprises will enjoy a longer adaptation period, as well as other specific provisions (European Commission 2023), if importers fail to demonstrate compliance with the requirements, the products will be prohibited from access to the EU market.

Box 1: Evolving consumer demand and the rise of 'soft standards'

Hard standards like the regulation on deforestation-free products also reflect a gradual, but steady shift of citizen and consumer demand towards more sustainable products in Europe and the Global North in general. Global sales of coffee certified to be both Fair Trade and organic grew by 5.5% per year between 2015 and 2019, reaching 131,000 tonnes in 2019. As such, beyond regulations, environmental standards can be an important tool for accessing the EU's market for 'responsible goods' purely from a consumer perspective.

Figure 4: Growing EU demand for sustainable coffee



Source: CBI 2021

Businesses have reacted to opportunities in the sale of sustainably branded products, leading to a proliferation of voluntary ecological and fair trade labels and certifications. In 2022, the United Nations Forum on Sustainability Standards (UNFSS) identified 318 voluntary sustainability standards according to the ITC Standards Map, and an additional 456 ecolabels - a sign or logo that is intended to indicate an environmentally preferable product, service or company, based on defined standards or criteria. These mostly focus on agricultural and agro processing products (UNFSS 2022). While this indicates the generally increasing market interest in, (see Table 2) and growing volume of sustainability certified areas and production (ibid), this proliferation makes it challenging for public authorities, consumers and producers to assess their credibility and impacts (Martins 2022). Though voluntary standards are accompanied by due diligence requirements, often based on international and national regulations and frameworks, there is still room to improve their implementation (Negi et al. 2020).

Table 2: Illustrations of European consumer trends

	40% of consumers see sustainability as "highly important", and 70% consider it into purchase decisions.
	In fast-moving consumer goods, recycled and sustainably produced products are estimated to see an 15 to 25% annual growth until 2030, leading to an €85 billion to €140 billion market opportunity.
	75% of consumers in Europe are willing to pay more for sustainable products.
	86% of those aged 45 and under said they were willing to pay more for sustainable packaging.

As Table 3 shows, the Deforestation-free Supply Chains regulation will affect different countries to those affected by the CBAM. The biggest effects will be in West African countries for soy, palm oil and cocoa, in Central African countries for wood and palm oil, and in East African countries for coffee and soy exports.

Table 3: Top 10 African countries' exporters to the EU per products in 2021

	Top 10 African exporters of					
#	**Soya**	**Palm oil**	**Beef**	**Wood**	**Cocoa**	**Coffee**
1	Togo	Ivory Coast	Namibia	Cameroon	Ivory Coast	Ethiopia
2	Benin	Gabon	South Africa	Gabon	Ghana	Uganda
3	Burkina Faso	Liberia		Ivory Coast	Nigeria	Kenya
4	Uganda	Ghana		Congo	Cameroon	Tanzania
5	Ghana	Sao Tome and Principe		Namibia	Sierra Leone	Burundi
6	Kenya	Cameroon		Morocco	Uganda	Rwanda
7	Nigeria	Sierra Leone		South Africa	Liberia	Cameroon
8	Mauritius	Egypt		Ghana	Congo, Democratic Republic of	Ivory Coast
9	Egypt	Guinea		Nigeria	Togo	Democratic Republic of Congo
10	Morocco	Togo		Tunisia	Madagascar	Zambia

Source: Based on Eurostat COMEXT database, 2022

Coffee exports account for more than 40% of total exports from Ethiopia, Uganda, Burundi and Rwanda, and more than 90% for Burundi. Cocoa exports account for over 50% of total exports for Ivory Coast and Ghana, and over 20% for Cameroon and Sierra Leone. Exports of palm oil from São Tome and Principe account for close to 40% of its total exports. The impact will also differ depending on the length, complexity and "sustainability-maturity" of the supply chains - showing the importance of sectoral factors. In 2019, 86% of palm oil imported into the EU was already voluntarily certified (European Commission 2021), though this does not directly imply compliance with the deforestation-free products regulation.

The cocoa value chain presents specific challenges, including the myriad of small-scale producers in West Africa where production is concentrated, making traceability a complex exercise. While there is currently no cocoa traceability system in Côte d'Ivoire, in Ghana COCOBOD is taking a lead in setting up a traceability system for cocoa to ensure its product will comply. This will be particularly useful for small and medium-sized enterprises (SMEs) and smallholder farmers, including women, who account for 68% of the cocoa workforce.

The regulation may therefore also create winners and losers both at the domestic level, between producers and between countries. Those countries and firms with a solid quality and standards infrastructure, a well-trained workforce, and financial resources to innovate and experience in integrating additional sustainability requirements will likely have a headstart and be able to seize market opportunities arising from the EU climate regime (Woolfrey and Karkare 2021).

Future implications of the EU's external climate regime

The full impact of the EU's new external climate regime cannot be predicted given the number of issues to be finalised, but it is clear that these regulations will lead to some reconfiguration of trade and

export relations. At a minimum, they will allow some industries to carve out a niche through the development of products complying with sustainability requirements and certifications, with potential for value addition and for promoting sustainability (Woolfrey and Karkare 2021). In specific contexts, these financial and sustainability benefits will outweigh the costs relating to compliance - provided that businesses and especially SMEs can access relevant support measures. This has been the case for agricultural products such as horticulture, where exports into Europe have had high growth rates despite having to comply with the highest sanitary and phytosanitary (SPS) standards (Bureau and Swinnen 2018). In other cases they may lead either to reduced competitiveness or a diversion of trade towards other markets. Exporters who cannot access the EU market may seek markets in African countries (thus fostering intraregional trade) or other emerging countries. Their ability to shift export markets will largely depend on the extent to which those exports are competitive and the costs associated with transport and logistics in Africa.

This creation of winners and losers within and between countries will affect the political-economy dynamics within and between those affected countries. These will also change as the EU's external climate regime continues to take more precise shape and to be further expanded over time to address additional environmental and climate issues, products, and indirect emissions. Regardless of whether these external mechanisms are seen as fair, they alter the operating environment for African companies and governments. In order to mitigate the risks and seize some of the opportunities, African economies will need to evolve and make use of the transitional phase in which they are today.

Policy implications

Policy-makers should focus on how to transform the constraints that these regulations impose into potential market opportunities and a benchmark for future competitiveness. Stronger standards do not

need to be bottlenecks: trade flows between Africa and the EU in goods subject to high SPS standards actually increased, especially for high-value exports (such as fruit, vegetable and meat), showing the ability of African businesses to carve out a niche for sustainable products, responding to the growing EU consumers' demand.

However, these regulations will inevitably increase costs in the short term, whether these relate to accessing finance and technology to adapt to more sustainable business processes, supporting the development of skills and accessing regulatory and market information (Mukonza 2020), or complying with specific requirements (e.g. CBAM).

Navigating these external climate regimes thus requires a thorough understanding of those value chains, and how the changes will affect local and regional political economy dynamics. This will help translate 'green ambitions' into tailor-made, effective accompanying measures to African countries and their private sector.

The following accompanying measures will help businesses - and especially SMEs[12] - comply with EU climate regime requirements and to benefit from greener trade with the European market:

- **Access to finance:** African firms will need to invest in more sustainable processes and/or pay higher compliance fees for certification processes. However, accessing affordable finance can be difficult with high commercial interest rates, stringent collateral requirements and complex application procedures (EIB 2022). Climate finance can help unlock affordable financing for African firms investing in more sustainable processes - multilateral development banks (MDBs) can provide guarantees to de-risk investments, and bring down the cost of credit for African firms and SMEs. Guarantees could also be relevant to support financial institutions providing trade finance products to African SMEs such as the AfreximBank.

- **Technical assistance**: climate finance needs to be coupled

with technical assistance to help businesses i) access/develop green technologies - i.e. products and processes allowing to decarbonise business processes and products; ii) design and implement environmental and social systems to better manage, report on and improve the way businesses produce goods from a sustainability perspective; and iii) access relevant regulatory and market information on EU consumers' demand to develop business plans targeting specific niche where businesses can have a value added and competitive advantage.

- **Policy framework**: domestic investment climate reforms can be used to support those businesses adopting sustainable business practices. This is to some extent happening in Kenya, for example, which has a dedicated regulatory framework for green businesses. In practice, governments could i) define what falls in sustainable activities and practice, by developing a taxonomy; ii) provide fiscal incentives for businesses adopting sustainable processes; ii) facilitate access to information and raise awareness on business opportunities; iii) provide support for research and development (R&D) measures targeting the green technologies; iv) develop further technical and vocational education and training (TVET) in relation to sustainability business practices in specific sectors; v) in the long-term contribute to the creation of an African carbon market, that would be closely aligned to the EU ETS, in order to foster domestic revenue and leverage Africa's potential in this field.

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Endnotes

1. The original idea of 'kicking away the ladder' comes from Ha-Joon Chang's discussion of how developed economies used trade protectionism to develop, before promoting trade liberalisation (Chang 2003).

2. This paper is based on a desk review carried out in the second half of 2022, as well as a series of interviews with Kenyan stakeholders and experts carried out in November 2022.

3. Most of these regulations are not yet implemented - and in some cases are still at proposal stage. They have been included in this analysis given the high probability of their adoption in the short-term.

4. 92% of retailers in five major European economies "expect sustainable product sales to increase in the next five years", for example (Woolfrey and Karkare 2021).

5. The emissions targeted by CBAM will be those including under scope 1 - direct emissions, i.e. those from company-owned and controlled resources. Scope 2 emissions relate to indirect emission from the consumption of purchased electricity, steam, heat and cooling. Scope 3 emissions include all other indirect emissions from the value chain of the reporting company, including both upstream and downstream emissions (such as transport).

6. The *CBAM certificate* entails carbon pricing calculated on the basis of the EU European Union Emissions Trading System (ETS) which currently prices at €80 per metric ton of CO2 equivalent emissions. The emissions targeted will be those including under scope 1 - direct emissions, i.e. those from company-owned and controlled resources. Scope 2 emissions relate to indirect emission from the consumption of purchased electricity, steam, heat and cooling. Scope 3 emissions include all other indirect emissions from the value chain of the reporting company, including both upstream and downstream emissions (such as transport).

7. Initial opposition to the scheme centred around the interests of the BRICS/BASIC countries, the US and Japan (Szulecki et al. 2022).

8. According to the December 2022 provisional political agreement, first reporting obligations would start in October 2023, and full implementation in January 2025 (European Parliament 2023).

9. The taxonomy is based on an EU regulation that is detailed through European Commission delegated acts, the first of which was a ca. 350 page document with technical screening criteria (European Commission 2021b).

10. This decision was welcomed in African energy circles, as the EU 'changing course on natural gas', however its effect outside of the EU will likely be limited.

11. Following the latest negotiations (06/12/2022), rubber, charcoal, printed paper products and certain palm oil derivatives were added to the list of products covered by the deforestation free products regulation.

12. “A recent survey of African SMEs by ITC (2018) found only a small proportion of them (13%) export. This is largely due to the difficulties SMEs face in meeting export requirements such as acquiring necessary, but costly, certification” (Woolfrey and Karkare. 2021:3).