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BRIEFING PAPER FEBRUARY 2023

EUROPEAN GREEN DEAL DIPLOMACY TOOLBOX

PARTNERSHIPS TO SHAPE THE GLOBAL CLEAN ECONOMY TRANSITION

**IGNACIO ARRÓNIZ VELASCO, SARAH JACKSON, LÉA
PILSNER**

Shaping the global transition to a clean economy is vital for the EU to ensure its long-term prosperity and security. However, the international dimension of the European Green Deal – central to the EU’s domestic agenda – is poorly defined. The EU can better mobilise tools within the European Green Deal to drive and secure its place in the global transition, as well as decarbonisation at home. This will strengthen the EU’s response to increased competition from other transition models.

This briefing expands on our previous work on European Green Deal Diplomacy,¹ where we made the case for the EU to leverage its own clean economy transformation to accelerate the global transition. Now, with the EU’s economic model of decarbonisation under increasing competition, we develop a method for building a diplomatic toolbox based on the European Green Deal. We include a suggestion for what such toolbox might look like.

The toolbox is based on our three guiding objectives for Green Deal Diplomacy:

1. Increasing trade in clean goods and services.
2. Building more sustainable value chains.
3. Supporting the development of clean industries in the EU and abroad.

¹ E3G, May 2022, [European Green Deal Diplomacy](#)



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To strengthen its Green Deal Diplomacy in the context of the Green Deal Industrial Plan, the EU needs to:

- > **Establish partnerships to enhance global support for the transitions and manage the impact of EU policies.** All of Team Europe should adopt a new clean economy cooperation agenda and mainstream it into all engagements with key geographies. To succeed at this, the EU needs a more comprehensive understanding of how its clean economy transition impacts third countries to identify risks and opportunities for climate cooperation.
- > **Deploy a strategic toolbox to drive third countries' transitions.** The EU lacks a strategic approach to leveraging its clean economy transformation to accelerate the global climate transition and build more resilient partnerships. A new strategy should be implemented through a comprehensive diplomatic toolbox, including strategic communications. Inspiration can be taken from the EU Green Deal.
- > **Reset the EU's diplomatic institutional structures for Green Deal Diplomacy.** Currently, the EU's institutional set-up for external action is not built to deliver sustained impact. A successful Green Deal Diplomacy requires organising EU diplomacy differently.

The EU needs better diplomacy to future-proof its green transition

The European Green Deal (EGD) placed the EU at the forefront of the global clean economy. Against all odds, the EU has sustained its commitment to the clean economy transition throughout a series of unprecedented crises.

However, its first-mover advantage is quickly eroding. High energy prices resulting from the Russian invasion have rattled European industry. The US Inflation Reduction Act is emerging as a new model to compete with the European Green Deal, in addition to well-established competition from China.

Europe needs to both future-proof its economy and build more resilient partnerships. EU leaders have tended to address both issues separately: accelerating Europe's domestic transition through the European Green Deal, while seeking to engage partners through initiatives like the Global Gateway or the Just Energy Transition Partnerships (JETPs).



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To succeed, the EU needs a strategic approach that combines both aims. The best way for the EU to secure the resilience of its clean economy is to shore up its external influence, and vice versa. So far, the EU has at best managed some risks relating to the external dimension of its clean transition, often trailing behind geopolitical events instead of shaping them.

To build a comprehensive and ambitious Green Deal Diplomacy, the EU should take inspiration from its domestic climate agenda and strategically deploy its regulatory and political clout. Aspirational leadership is not likely to deliver; the EU should listen and adapt to international partners, rather than only seeking to explain its approach to others through siloed diplomacy.

This is no small task in times of great geopolitical tensions and uncertainties. However, the EU must be able to simultaneously manage domestic crises while working for its long-term economic resilience and political relevance.

Building the right institutional structures to ensure delivery is key to the success of this agenda. The agenda should aim to be transformative for partners and strengthen partnerships, while also supporting the resilience of the EU's clean economy. This briefing outlines E3G's policy recommendations for EU Green Diplomacy to succeed, under the guiding objectives of **increasing trade in clean goods and services, building more sustainable value chains** and **supporting the development of clean industries in the EU and abroad**.



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1. Establish clean economy partnerships with third countries

Shifting to a clean economy is the most certain way for the EU to secure its long-term economic and geopolitical resilience. So far, the EU has shown a strong commitment to this strategy. In fact, its crisis response in the last three years has been to double down on its European Green Deal (EGD): via its pandemic recovery funds, its RePowerEU strategy and its recently presented Green Deal Industrial Plan for the Net-Zero Age.² The EGD and the ensuing plans and legislation have placed the EU at the forefront of global climate action.

The European Green Deal is not the only transition model anymore

However, the EGD is no longer unrivalled as a model for the clean transition. The Inflation Reduction Act (IRA) has brought the US back within the group of global climate leaders with its estimated \$369 billion in support to the clean economy. It offers a different transition model to third countries: one based on subsidies, industrial policy, and a strong defence of national competitiveness. This contrasts with the EU's focus on regulation, carbon pricing and free trade. The IRA's model, in open contradiction to WTO rules, could prove attractive to many developing and emerging economies.

The IRA has also placed the clean economy at the core of US geoeconomic competition with China. It includes conditions clearly aimed at reducing US dependence on Chinese imports in sectors like clean energy and electric mobility. Going forward, the race to control key supply chains like critical raw materials (CRMs) or hydrogen will be an important geopolitical arena.

This scenario of accelerated “green competition” may significantly erode the EU's climate leadership and its first-mover advantage in the clean economy. The Union cannot compete on its own with the US and China in a context of weakened international trade rules. To defend its model, the EU cannot rely solely on normative value claims and an assumed externalisation of its norms through the “Brussels effect”.³ Instead, to maintain its leadership, the EU needs to build deeper partnerships with third countries. Trust and proactive engagement are essential for success. The EU can earn these by building an attractive proposition that supports its partners' clean transitions.

² European Commission, February 2023, [Communication: A Green Deal Industrial Plan for the Net-Zero Age](#)

³ See for instance Anu Bradford, 2020, [The Brussels effect – how the European Union rules the world](#).



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The EU has neglected opportunities to support its partners' clean economy

Despite the EGD's successes, the model currently serves only the EU's emissions reduction goals. This is short-sighted because the Union represents only 9% of global emissions, and the success of its own transition cannot occur in isolation. Indeed, despite EU efforts to avoid breaking international law, the EGD has been fiercely contested by many developing countries who fear its impact on their exports and inward investments. They point at the EU's rising green standards as an unfair defence of EU competitiveness and threaten to challenge policies like CBAM or the Deforestation Regulation at the WTO.⁴

We should not dismiss these criticisms lightly. EU policymakers have side-lined opportunities to better cooperate with its partners in recent years. The external dimension of the EGD has focused exclusively on defending the EU's transition against external pressures.⁵ There is no real strategy on how best to politically manage the global impacts of the EGD. While EU member states recognised early on the need to develop an external dimension of the EGD, such "Green Deal Diplomacy" is still missing.⁶

We need a fresh approach to clean economy cooperation with third countries. This could include the following:

- > Better impact assessments to manage the effects of European Green Deal policies on partner countries.
- > Collaboration with partner countries to enhance their capacity to transition to a clean economy and build global support for climate action.
- > Collaboration with partner countries to shape global rules for faster transitions, however this is beyond the scope of this briefing.

The EU has taken some steps to mainstream climate objectives into its international engagements. Almost a third of its 2021–2027 development programme contributes to climate objectives abroad.⁷ The EU and some member states have also politically driven the establishment of the Just Energy Transition Partnerships (JETPs) with South Africa, Indonesia and Vietnam. They contribute

⁴ Politico, January 2023, [Trade partners see red over Europe's green agenda](#)

⁵ E3G, December 2022, [How EU trade deals can increase climate action](#)

⁶ Council of the EU, January 2021, [Council conclusions on Climate and Energy Diplomacy - Delivering on the external dimension of the European Green Deal](#)

⁷ European Commission, [Neighbourhood, Development and International Cooperation Instrument – Global Europe – Performance](#) (webpage, accessed February 2023)



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almost 40% of the former's total funding, and potentially a comparable effort for the other two – a potential contribution of approximately €18 billion.⁸ The EU's Global Gateway also aims to support climate-aligned infrastructure in developing countries.

These efforts go in the right direction but fall short of what is needed. They are lacking either a comprehensive political vision, enough economic muscle, or both.

The EGD remains the best basis from which to build partnerships with third countries. As is the case within the EU, to gather enough traction globally the clean transition should provide economic and political opportunities for all. To accelerate the global transition and remain at its helm, the EU needs to become the go-to global partner for clean economy cooperation. However, the EU lacks an effective vehicle to organise and drive this process.

2. Deploy a strategic toolbox to drive partners' clean economy transitions

Deploying domestic policies to support an international cooperation agenda is an unusual approach in the EU. EU domestic policies and standards are more often promoted abroad directly or indirectly as models ready for adoption. Much of this process depends on the EU's economic and regulatory power, but also occurs via specialised bilateral and multilateral dialogues.

To be politically successful, Green Deal Diplomacy requires re-imagining a new process. One that rethinks essentially self-serving policies as avenues to support other countries' own plans, providing opportunities for engagement and cooperation. Below we suggest a process to build an EU Green Deal Diplomacy toolbox. What this toolbox looks like will vary in each partnership, since the needs and interests of EU partners will be different. What we provide is a generic methodology for EU policymakers to organise such engagement (Figure 1, next page).

⁸ Chloé Farand, October 2022, [Breakdown: Who is contributing what to South Africa's clean energy shift](#)



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Assembling an EGD Diplomacy toolbox: a generic method



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Figure 1. Method proposal for assembling an EGD Diplomacy toolbox that supports mutually supportive clean economy transitions.

The toolbox in practice

Below we suggest what this toolbox may look like in practice (Table 1). The table does not suggest fixed categories, and it includes only a limited sample of tools and objectives. We suggest understanding EU policies from two perspectives:

1. How the tool can foster strong partnerships and contribute to partners' transitions
2. How the tool contributes to the EU's own transition

Table 1: Our proposal for what a generic Green Deal Diplomacy toolbox may look like. The objectives proposed and the policies listed are not exhaustive and are only intended as inspirational guidance.

Objective	Policy tools	What's the offer to partners' transitions?	What's in it for the EU's own transition?
Increasing trade in clean goods and services	Public procurement Regulatory dialogues and cooperation Alignment of product standards Preferential trade access (GSP, etc.) Investment facilitation agreements Off-take agreements Fostering public-private partnerships	Greater access to the EU single market for foreign green goods and services. Identifying value chain entry points based on reliable EU market pull. Opportunities for increasing overall added value and productivity.	Increased economic resilience through diversified value chains. Externalisation of EU standards and lowering compliance costs for EU industries abroad. Fostering the growth of green markets abroad. Defending EU firms' competitive position abroad. Political credibility in becoming a partner of choice for clean economy cooperation. Signal the EU's readiness to leverage its single market to support partners' sustainable development and local value creation.



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Objective	Policy tools	What's the offer to partners' transitions?	What's in it for the EU's own transition?
Building more sustainable value chains	<p>Deforestation Regulation</p> <p>Corporate Due Diligence Directive</p> <p>Batteries Regulation</p> <p>Sustainable textiles strategy</p> <p>Critical Raw Materials Act</p> <p>Import ban for products associated with forced labour</p>	<p>Provide partners' green exports a competitive edge by setting barriers to dirtier incumbents.</p> <p>Support alternative value creation and development of new sustainable industries abroad.</p>	<p>Foster innovation in EU firms and cater to consumers' demand for greener products.</p> <p>Ensure access to sustainable and reliable supplies of critical raw materials.</p> <p>Showcase development-orientated climate leadership by addressing EU consumption emissions.</p>
Supporting the development of clean industries (in the EU and abroad)	<p>Green Deal Industrial Plan</p> <p>Cooperation on green subsidies</p> <p>Critical Raw Materials Act</p> <p>Net-zero Industrial Partnerships</p> <p>Innovation Strategy</p> <p>European Sovereignty Fund</p> <p>Carbon Border Adjustment Mechanism (CBAM)</p> <p>Specific Chapters within Free Trade Agreements</p> <p>Global Gateway</p>	<p>Promote partnerships and synergies of foreign firms with EU innovative industries.</p> <p>Foster the development of new industrial sectors abroad.</p> <p>Incentivise technology transfers from the EU and greater research and development abroad.</p>	<p>Ensure EU leadership in key future-proof sectors and enhance first-mover advantages.</p> <p>Foster comparative advantages to lower costs of imports and supplies.</p> <p>Address inflation by accelerating the EU's energy transition.</p> <p>Foster innovation in EU firms and overall added value.</p> <p>Increase stakes of EU partners in the transition by supporting locally driven innovation and technology transfers.</p>



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3. Reset the EU's diplomatic institutional structures for Green Deal Diplomacy

The way in which this clean economy cooperation agenda is implemented will be critical for success. The EU is already a major donor of development assistance, a global standard-setter, and a key trading power. However, it does not garner enough geopolitical and economic dividends from such contributions. A key lesson we can draw from this gap is that institutional set-ups are crucial to ensure a successful implementation of any diplomatic agenda. A roadmap to implementing EU Green Deal Diplomacy would include:

3. **A foresight analysis to identify priority geographies based on their relevance to the global clean economy transition.** The EU needs a vision of the global clean economy transition that it can use to produce a set of strategic scenarios. These scenarios could be used to identify geographic priorities for engagement. At the same time, it would strengthen the resilience of the EU's own transition by helping its Green Deal Diplomacy adapt with agility to geopolitical shifts. It could take the form of a dedicated yearly report or happen within the existing annual strategic foresight report.
4. **Mainstream impact assessments to understand the external impact of all EU climate domestic policies.** Having a comprehensive external impact assessment of the EGD would help understand the global impact of the EU's transition. This would help identify the EU's capacity to support third countries' transitions, based on a common understanding of what factors drive clean economy transformations (political, societal, economic, or technologic). In turn, this understanding would help narrow and adapt the scope of the EU's Green Deal Diplomacy. Understanding the EU's influence is key to identifying the cooperative offer it can make to its partners.
5. **Build the institutional set-up needed to operationalise a flagship political agenda with partners.** To ensure success in delivering on Green Deal Diplomacy, the EU needs to commit to a joined up diplomatic approach across the EU and in member states. This can be operationalised by complementing high-level diplomatic capacity (HR/VP Borrell, EVP Timmermans) with a "Climate Implementation Envoy". This political appointee could liaise across the Commission, the European External Action Service (EEAS) and member states to guarantee a concerted approach to policy design and international engagement within all EU institutions. The EU needs to signal it is willing to politically invest in this space by building clean economy cooperation into a high-visibility pillar of its external action.



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About E3G

E3G is an independent climate change think tank with a global outlook. We work on the frontier of the climate landscape, tackling the barriers and advancing the solutions to a safe climate. Our goal is to translate climate politics, economics and policies into action.

E3G builds broad-based coalitions to deliver a safe climate, working closely with like-minded partners in government, politics, civil society, science, the media, public interest foundations and elsewhere to leverage change.

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