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BRIEFING PAPER MAY 2023

HOW TO MAKE THE BEST OF THE GREEN DEAL INDUSTRIAL PLAN

PRAGMATIC RECOMMENDATIONS FOR POLICY MAKERS

The Green Deal Industrial Plan (GDIP) encompasses the final pieces of European Green Deal we will see from the current European Commission. Instead of ending on a high, however, this hastily compiled plan risks undermining some of the good work to date. The co-negotiators must use the time available until the end of their mandate to improve the plan as far as possible.

This briefing suggests how the co-negotiators from the European Parliament and Council of the EU can strengthen the helpful parts of the GDIP, and mitigate the risks posed by its problematic elements. E3G proposes they ensure the GDIP:

> **Supports the decarbonisation of heavy industry and addresses bottlenecks in the clean energy sector.** The GDIP can be used to create markets for clean materials, open carbon storage capacity and develop the necessary skills for clean energy value chain development.

> **Garners public support for cleantech rather than risking public backlash.** A proposal that brings equal value to local communities while protecting natural ecosystems will strengthen the social mandate for the implementation of the European Green Deal.

> **Enhances European unity rather than exacerbates divergences.** Through its upcoming funding pillar, the GDIP can actively aim to prevent fragmentation of the single market and create a conducive environment for green innovation and cleantech value chain development across the EU.

> **Strengthens global cooperation rather than alienates international partners.** Acknowledging sustainable development ambitions of Global South partners would boost the EU's credibility as a responsible partner.

In the long term, we still need a robust European green industrial strategy fit for the challenges at hand. This will have to wait for the next Commission.

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Background

The "Green Deal Industrial Plan for the Net Zero Age" (GDIP) is the European Commission's response to the Inflation Reduction Act (IRA), the US' climate bill passed in the summer of 2022 estimated to spend $369 billion[1] on climate over the next decade.

Relying primarily on subsidies to nudge companies and citizens to act on climate, sometimes conditioned by local content requirements, the IRA sparked fears in the EU of investment and production capacity moving to the US.[2] This coincided with an energy price crisis which already raised fears of relocation.

This situation effectively broke the established tie on EU industrial policy, with France championing a more directive approach, versus the Commission, Nordic and frugal countries defending open trade and strict subsidy control in defence

[1] Senate Democrats, 2022, **Summary: The Inflation Reduction Act of 2022**

[2] E3G & adelphi, 2022, **The Inflation Reduction Act and the EU. The need to strengthen the transatlantic trade relationship**

of the single market. A newfound German–French alignment[3] on an industrial policy response prompted the European Commission to respond.

Constrained by time pressure, challenging political circumstances and the end of its mandate approaching rapidly, the Commission published the GDIP communication on 1 February 2023, followed by detailed legislative proposals. An additional funding pillar is expected before the summer.

The proposals released thus far paint a rather blunt picture aimed at supporting cleantech "made in Europe". At present, the plan lacks clear strategic intent, governance arrangements and financial power required to comprehensively address competitiveness concerns, accelerate clean tech manufacturing and net-zero industry transition while harnessing the power of demand side action, ensuring good jobs and working conditions. In fact, as it stands, GDIP risks alienating international partners, member states and citizens.

The main aim of this briefing is to offer recommendations to strengthen the proposals for a Net-Zero Industry Act (NZIA) and a Critical Raw Materials Act (CRMA). Additional recommendations look towards the summer GDIP funding pillar.

1. The GDIP can support the greening of heavy industry and address bottlenecks in the clean energy sector, or put climate goals at risk

While the GDIP is focussed on scaling up domestic manufacturing of green technologies, the EU's energy security and green transition are threatened as bottlenecks, and skills and labour shortages, slow the deployment of clean energy. The GDIP can contribute meaningfully to EU climate goals by facilitating the decarbonisation of heavy industry and addressing cleantech bottlenecks.

Assessment of proposals

The NZIA largely focuses on scaling up cleantech manufacturing for "net zero technologies", without tackling their actual deployment or supporting greening heavy industries. However, some provisions promise to supplement the existing European Green Deal framework by: ensuring CO_2 storage capacity is made

[3] Ministère de l'Economie, des Finances et de la Souveraineté Industrielle et Numérique, November 2022, **Joint statement by Bruno Le Maire and Robert Habeck: "We call for a renewed impetus in European industrial policy"**

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available to European industry; facilitating market access for clean technologies; and tackling skill shortages in clean technology deployment.

Building CO_2 storage capacity. For the first time, the EU has proposed a legally binding annual CO_2 injection target of 50 Mt by 2030 with plans for member states to map, build, and report available storage capacity within the Union's borders. The proposed NZIA would mandate member state governments to compel oil and gas producers to facilitate this target. However, the proposals could be stronger by:

> Including safeguards to ensure that the oil and gas sector is not subsidised for facilitating CO_2 storage capacity and that the EU's CCS plans do not become exploitable for profit by the fossil fuel industry.

> Ensuring storage is made available to those hard-to-abate sectors that need it the most to decarbonise.

Facilitating market access for clean technologies. Meeting the EU's 2030 cleantech deployment targets will require millions of tons of metals, plastics and non-metallic minerals such as cement and glass. At prevailing emission intensities, producing the material needs for wind and solar deployment ambitions alone would cause over 28 Mt CO_2 emissions annually,[4] – almost as much as the emissions generated by the bloc's largest coal plant in 2022.[5]

Making green materials available at a competitive cost and in sufficient quantities will significantly reduce emissions. This can be achieved through strengthening and directly applying the NZIA's sustainability requirements for green public procurement and auctions to these basic materials.

Tackling skill shortages. The NZIA gives welcome attention to skills development, particularly for administrative, deployment and installation capacity. Despite recent record installations of heat pumps, solar and wind across the EU, skills shortages still threaten sustained upscaling of delivery. Fully exploiting a whole-value chain approach will be vital to prevent deployment bottlenecks and thereby deliver on Fit for 55 targets and reduce the EU's fossil fuel dependencies. The NZIA proposal to monitor and forecast skills and training shortages will address uncertainties around the ability to deliver on climate targets, and will help member states to better direct limited resources.

[4] E3G calculations based on data from the European Commission Joint Research Centre, IEA, European Environmental Agency, International Aluminium, Cement Sustainability Initiative and Eurofer.

[5] Ember, 2022, **Top 10 EU emitters all coal power plants in 2021**

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Recommendations for policy makers

Target sectors that need CCS the most. The NZIA should clearly prioritise heavy industries and energy intensive sectors with considerable unavoidable process CO_2 generation, such as lime and cement. Member states should be required to outline in their NECPs how priority sectors for CCS will be selected (Article 17.2). Simultaneously, oil and gas producers should be excluded from using the storage capacity they make available under Article 18 to abate their own emissions for as long as such capacity is limited in the EU.

Expand the types of storage able to contribute to the CO_2 injection capacity target in the NZIA. Article 17 earmarks only (former) oil and gas reservoirs for exploration as potential storage sites. The NZIA should expand its scope to include (deep) saline aquifers, which have considerable potential to store large volumes of CO_2 according to numerous studies.

Ensure the NZIA's approach to CCS adheres to the polluter pays principle. The period used to calculate oil and gas producers' contribution to meeting the storage capacity target should be extended to cover previous decades, rather than only being calculated from 1 January 2020 onwards (Article 18.1). Moreover, safeguards should be introduced to ensure that oil and gas producers cannot monopolise access to storage sites and make excessive profits.

Ensure robust green criteria for public spending on cleantech. Currently the sustainability criteria being applied to public procurement, RES auctions, and public support for private consumer uptake of cleantech, refer simply to "environmental sustainability going beyond the minimum requirements in applicable legislation" (Article 19). This needs to be strengthened to ensure that they also cover the embodied carbon of the materials being used in the production and deployment of the net zero technology, going well beyond prevailing emission intensities.

Ensure skills development support for deployment extends to energy-demand-reduction technologies. The NZIA includes support for installing and maintaining net zero technologies. As retrofitting buildings is intertwined with deployment of cleantech such as heat pumps and solar, skills shortages in the construction sector could put cleantech deployment at risk. Academies covering technologies related to buildings, such as heat pumps and solar, should also support deep

retrofit skills. Academies should draw on the wealth of already-funded Horizon work[6] on up/reskilling in these areas to avoid double-work.

Assess the administrative capacity needs for a permitting ramp-up across member states. The assessment should consider that shorter permitting times are needed for both manufacturing and deployment of cleantech. This will give the Commission the necessary data to determine where to provide targeted assistance/measures to build up capacity on the ground, without compromising on green and social conditionalities.

2. The GDIP can garner public support for cleantech, or risk public backlash

European politicians and policy makers seemingly face a difficult choice. On the one hand, they are criticised for not acting fast enough on cleantech deployment; on the other, they risk triggering public backlash when they do. It does not have to be this way. The GDIP can overcome the apparent public support dilemma by strengthening social and environmental provisions.

Assessment of proposals

Overall, the GDIP recognises the importance of contributing to broader objectives of a fair and green transition to climate neutrality. However, this recognition does not translate into corresponding action. The NZIA suffers from a short-term, narrow focus on competitiveness and cleantech jobs. It could instead be a vehicle to achieve the just transition agenda and 2030 Social Pillar ambitions of lifelong learning, social inclusion, upward convergence and (re)vitalisation of regions, all of which are necessary to gain public buy-in.

In the NZIA, net zero strategic projects are deemed to have an overriding public interest that trumps environmental and spatial planning interests due to their contribution to the security of supply of strategic cleantech (Article 12.3). However, there is no clear guidance on what qualifies as security of supply, risking arbitrary exemptions, ultimately triggering legal challenges on environmental grounds and slowing down deployment.[7]

[6] Horizon and LIFE-funded projects through the BUILD UP Skills programme have developed knowledge on skills recognition, including non-formal and informal learning, upskilling practices and reskilling in the highly fragmented construction sector, which could be transferrable to other fragmented value chains.

[7] CEE Bankwatch, 2023, **Environmental groups challenge backdoor dismantling of EU nature safeguards**

Both the NZIA and CRMA acknowledge that land-use conflicts can be barriers in the planning and deployment of strategic projects. Although the NZIA requires that priority be given to brownfield sites when planning net zero strategic projects (Article 8.2), it only requires an environmental impact assessment, not a social one. Communities with higher shares of foreign-born and unemployed persons are disproportionately more likely to be located near brownfields.[8] Without the necessary provisions to address legacy pollution as stipulated in the IRA,[9] the health and safety checks required as part of the permit-granting process (Article 6.4) will remain insufficient and risk local opposition.

The biggest social value add in the NZIA proposal is the offer of up/reskilling and quality job creation, a criterion for recognising net zero strategic projects. Unlike in the IRA, however, no further incentive to improve labour standards and working conditions is provided.[10] There is welcome attention for labour market reintegration of women and young people not in employment, education, or training (NEETs), which should be expanded to include those in precarious work.

The NZIA rightly recognises the importance of attracting strategic projects to less developed and transition regions by excusing them from the obligation to provide a business plan and evidence for strategic project criteria fulfilment (Article 10.3). More positive incentives such as tax credits for building clean energy infrastructure in disadvantaged regions would improve attractivity and distribute cleantech benefits while maintaining social, environmental and economic sustainability.[11]

Recommendations for policy makers

Make job attractivity a priority. The EU currently faces a quality job shortage.[12] To be attractive to workers, training schemes must lead to quality jobs: unionised, secure, well-paid, safe, and well-respected socially. A robust and harmonised definition must be included to make the assessment criterion for strategic projects in the NZIA (Article 10.1) and CRMA (Article 5.1) practicable. ILO's "decent work agenda"[13] could be a basis.

[8] Bez, Ash, Boyce, 2023, **Environmental Inequality in Industrial Brownfields: Evidence from French Municipalities**

[9] EELP Harvard Law, 2023, **Environmental Justice Provisions of the 2022 Inflation Reduction Act**

[10] Toussaint, 2023, **Why unions are excited about these provisions hidden deep in the Inflation Reduction Act**

[11] EELP Harvard Law, 2023, **Environmental Justice Provisions of the 2022 Inflation Reduction Act**

[12] Zwysen, European Trade Union Institute, 2023, **Labour shortages – turning away from bad jobs**

[13] ILO, **Decent work agenda** (webpage, accessed May 2023)

Expand training programmes to enable lifelong learning. Beyond task-specific skills, Net-Zero Academies should also focus on foundational skills, such as active citizenship and sustainability, that equip all workers with the ability to retrain and reinvent themselves over the course of their lifetime and take on emerging roles related to broader Green Deal implementation.[14]

Ensure upskilling delivers locally and inclusively. To further incentivise industry to train groups such as older workers and those in precarious employment,[15] the NZIA should include reskilling of these disadvantaged groups in the selection criteria and also advise authorities to channel public funding towards them. Incentives such as financial breaks should be given to encourage strategic projects to up/reskill and employ locally and ensure that the NZIA delivers on local job creation, potentially reducing the risk of brain drain.

Classify relevant net zero jobs as shortage occupations. Workers undergoing training for net zero occupations should be able to access social protection income support if not in work. Classifying net zero occupations as shortage occupations may allow those following training for these occupations to continue to access income support until they are ready to enter the job market.

Expand social impact assessments in the recognition of strategic net zero and critical raw materials projects. Assessing social impacts within environmental impact assessments risks relegating them to being an afterthought.[16] Including frontline communities in impact assessments and integrating traditional and local knowledge will help promote trust in strategic projects and should be a criterion for their recognition.[17] Where derogations are made, these should be accompanied by an Appropriate Assessment[18] and a justification for the exemption, communicated to the public.

[14] World Bank, 2023, **Making the European Green Deal Work for People**

[15] Non-standard and precarious contracts are common in the construction and transport sectors.

[16] Martinez & Komendantova, 2020, **The effectiveness of the social impact assessment (SIA) in energy transition management**

[17] Timperley, 2022, **Why wind and solar companies need to address human rights**

[18] European Commission, 2021, **Assessment of plans and projects in relation to Natura 2000 sites**

3. The GDIP can strengthen European unity, or exacerbate divergences

Only a level playing field on the single market can create the optimal conditions for green innovation; and only a unified, solidary Europe will be able to act in unison on the global climate political arena. To prevent two-speed decarbonisation, the EU needs to address the differences in member states' fiscal power,[19] as well as their administrative capacity and their capacity to crowd in private investment.[20]

Assessment of proposals

The Commission's own assessment shows that the currently available pool of EU funding will be insufficient to achieve the goals set out in the NZIA,[21] especially if further economic divergence among member states is to be prevented. At present, the EU's industrial policy framework does not effectively incentivise clean technology value chain development consistently across all member states.

The funding pillar of the GDIP at time of writing largely comprises increased state aid ceilings under the Temporary Crisis and Transition Framework (TCTF), which effectively disadvantages relatively less wealthy EU countries in a green industry subsidy race.

Companies in "less developed regions" and SMEs are eligible for even higher subsidies, especially if they are at risk of relocation outside of the EU. While these are welcome developments, in practice they might be of little significance for countries lacking the budgetary resources to invest in their domestic industries or for smaller companies lacking the internal resources for accessing funds in competition with larger firms.

Similarly, the General Block Exemption Regulation (GBER) has increased state aid ceilings for multi-country projects within Important Projects of Common Interest (IPCEI). However, relying on domestic capital contributions, these suffer from similar accessibility problems as strategic net zero projects.

[19] E3G, May 2023 (planned publication), Making clean technology value chains work for EU economic convergence – A case study on Portugal

[20] E3G, 2022, **Financing the transition in Central and Eastern Europe: Investing in the future of Czechia and Poland**

[21] European Commission, 2023,**Staff Working Document. Investment needs assessment and funding availabilities to strengthen EU's Net-Zero technology manufacturing capacity**

Even though many countries already face a challenge in absorbing available EU funds, a potential reshuffling of existing funds risks undermining other existing environmental and social policy goals.

Without additional EU funding to counterbalance uneven resources at the national level, and mobilisation of private capital, the GDIP not only risks deepening economic divergences, but also misses the opportunity to incentivise countries lagging behind in EU decarbonisation goals to benefit from the current global green investment push. This increases the risk of indefinitely prolonging countries' reliance on cohesion funding and preserving path dependencies that are harmful for the climate transition. Further summer 2023 announcements as part of the GDIP funding pillar could address the imbalances among member states and provide additional avenues to fill the investment gap.

Recommendations for policy makers

Level the EU playing field with the upcoming GDIP funding pillar. Policy makers should prevent further economic divergence between member states by addressing existing industrial and fiscal power imbalances. This can be achieved by:

- **Addressing uneven absorption of EU funds across countries.** Countries have varying administrative capabilities, which leads to an uneven absorption of funds.[22] This deepens the differences in development between beneficiary countries. GDIP's funding pillar should strengthen technical assistance, led by DG REFORM,[23] through building the necessary administrative capacity on the ground. Up to 1% of the investment should be available for capacity building for member states that need additional support. In particular, regional disparities in the attribution of the Innovation Fund can be addressed through increasing overall accessibility for SMEs, or by working with member states to address structural fragilities in scaling up research initiatives on the ground.
- **Facilitating more equitable access to IPCEIs.** There is a need for more inclusive and coherent IPCEI governance structures. DG GROW could achieve this by improving dedicated EU administrative capacity, by allowing greater use of EU funds for countries lacking the necessary fiscal capacity and removing barriers to SME uptake.

[22] Bruegel, September 2020, **Will European Union countries be able to absorb and spend well the bloc's recovery funding?**

[23] European Commission, March 2021, **Questions and answers on the Technical Support Instrument 2021–2027**

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> **Presenting additional sources of funding.** Existing EU funds will not suffice to meet the goals of the NZIA. Policy makers should clarify how the expected European Sovereignty Fund[24] could play a key role in filling funding gaps under the current Multiannual Financial Framework. New funding should be accompanied by robust environmental requirements and social safeguards to ensure alignment with EU climate neutrality goals. The European Sovereignty Fund could build on NextGenerationEU's strong governance model.

Expand the fiscal space for green and cleantech investments. The current fiscal framework constrains member states' abilities to allocate the necessary public spending for cleantech.[25] The Commission's legislative proposals of 26 April to revamp these fiscal rules would not create much additional investment space.[26] In particular, member states that flirt with or surpass the EU fiscal thresholds (3% spending deficit related to GDP and a government debt level above 60%) will have difficulties financing their transitions. The co-negotiators should address member states' investment needs and spending gaps, potentially by introducing targeted cleantech exemptions from deficit and expenditure limits.

Address the need to mobilise private finance and access to capital across member states and industries in the NZIA. Public finance alone will not be enough to achieve the aims of the NZIA. Strong market signals based on identified financing gaps and direction of travel would incentivise investments to fill the NZIA financing gap. This can in part be achieved by utilising policy tools developed under the EU's sustainable finance toolbox, for example mandatory transition planning among corporate entities.[27]

> Policymakers should reinforce the link between the green industrialisation goals and the EU sustainable finance policy suite to facilitate private finance scale-up. DG FISMA could issue a guidance note for investors and corporate entities to show what tools and instruments are already available to support allocation of capital for green industry to achieve the NZIA's goals. Improving cleantech companies' access to private capital thorough enhanced visibility to investors via platforms such as the European Single Access Point (ESAP) would also support finance to flow towards clean industries.

[24] European Commission, September 2023, **A European Fund for an industry 'Made in Europe'**

[25] NEF, 2023, **Beyond the bottom line**

[26] European Commission, 2023, **Economic Governance Review**

[27] E3G, March 2023, **Securing Europe's competitiveness in the low-carbon subsidy race**

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> Capacity to implement these tools varies among member states, as do the depth and maturity of their capital markets. Policy makers should therefore also offer greater technical assistance to further support the implementation of these policies and instruments for private finance mobilisation. The European Commission and authorities could utilise existing channels for collaboration (e.g., Technical Support Instrument programme through DG REFORM) or set up new ones, inspired by cross-member state knowledge sharing activities, to boost and oversee such technical assistance.[28]

Produce a targeted investment plan for coherence and complementarity of available and upcoming financing mechanisms. Identified investment gaps of €92 billion by 2030 (at the lower range of financing needs) should be matched with financing sources from national budgets, EU funds and programmes, as well as private financing options. Currently, the NZIA lacks clarity on where the financing comes from and how the different sources complement one another. The upcoming funding pillar should address this in the context of the MFF mid-term review through a targeted investment plan. Moreover, policymakers should ensure the consistency of the green financing criteria and requirements, which are essential for clarity but also to safeguard against greenwashing and causing significant harm to people and the environment. The NZIA proposed one-stop shops in Member States could then serve as useful focal points for information on available financing mechanisms and their respective requirements.

4. The GDIP can strengthen global cooperation, or risk alienating international partners

The EU's economy relies heavily on global trade – more so than that of the US.[29] Its prosperity thus hinges on open markets and resilient supply chains. Moreover, the climate targets in the Paris Agreement will only be attained if a wide coalition of countries share in the prosperity of the clean economy transition. An unbalanced strategy focused on onshoring industries may alienate developing and emerging economies vital for EU future prosperity and climate safety. This bears high risks in a context of fluid geopolitical realignments caused by the Russian invasion of Ukraine.

[28] E3G, November 2022, **Achieving a transition finance framework in the EU**

[29] Eurostat, data extracted September 2022, **International trade in goods – The three largest global players for international trade: EU, China and the USA**

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Assessment of proposals

The GDIP is a welcome effort to de-risk EU trade dependencies on key clean technologies and critical raw materials, particularly on Chinese suppliers. However, the GDIP so far presents an unclear and incomplete offer to EU international partners. All in all, current proposals risk being interpreted in the same vein as the US' IRA: an effort by the EU to secure its access to raw commodities abroad while hoarding as much added value as possible at home. Indeed, in a race to secure strategic raw materials, the sustainable development ambitions of Global South partners are being overlooked, to the detriment of the EU's medium-term climate and clean economy cooperation with third countries.

The best elements of the GDIP's external dimension are related to critical raw materials in the CRMA. While the proposed domestic targets for extraction, processing and recycling capacities will help address security of supply concerns, the diversification target recognises that cooperation with partners strengthens the EU's economic resilience. In view of behaving like a responsible partner, the proposal pledges to support third countries' plans to process critical raw materials and even develop cleantech downstream industries, a welcome departure from traditional extractivist logic.

The CRMA also introduces two vehicles to manage such cooperation: the possibility to recognise Strategic Projects outside the EU; and the establishment of CRM Strategic Partnerships with third countries.[30] However, the lack of details on how they will support partners in practice risks creating a credibility gap. This gap widens regarding the EU's commitment to supporting cleantech industries abroad, which has no serious footing in the NZIA.

The new Net-Zero Industrial Partnerships could help bridge this gap, but their focus on lowering trade barriers risks benefitting EU exporters and undermining partners' industrialisation plans. Moreover, it is unclear how these vehicles will be supported by the EU's wider economic diplomacy toolbox – other than namechecking trade agreements and the Global Gateway strategy.

Recommendations for policy makers:

Include a diversification target within the NZIA. The NZIA suffers from an unbalanced approach to cleantech resilience, focused on reshoring production above other means like diversifying imports. This can backfire on the EU's climate diplomacy, particularly with developing countries. Chapter IV on market

[30] The EU already has signed CRM Strategic Partnerships with Canada, Namibia, Kazakhstan, and Ukraine. Negotiations are ongoing with Norway under the framework of the new EU-Norway Green Alliance.

access makes some steps towards de-risking and diversifying cleantech imports, but these are untargeted and insufficient. Introducing a new cleantech diversification target in Article 1.2, like the one contained in the CRMA, would open the space for engagement with trusted third partners and strengthen EU cleantech resilience beyond onshoring.

Expand the goal of Net Zero Industrial Partnerships to support cleantech manufacturing in third countries. The stated goal of these new partnerships is to "promote the adoption of net-zero tech globally". While the focus is on facilitating the exports of EU cleantech industries, they also hold promise for developing cleantech manufacturing capacities in partner countries, particularly developing countries. Such partnerships could help the EU de-risk and diversify its cleantech supply chains, while providing strong incentives to accelerate climate transitions abroad and broaden the support for higher climate ambition. The NZIA should thus broaden the goal of these partnerships and strengthen their governance to ensure partners' needs and demands are placed at their core. A wide toolbox of flanking measures could support these goals,[31] including a new EU export credit strategy, tools to facilitate clean investments abroad, tech transfer arrangements and other demand-pull schemes like off-take agreements. Moreover, the partnerships could find synergies with other existing initiatives, particularly other EU sectoral partnerships on Critical Raw Materials and Energy, as well as Global Gateway, the G7 Partnership for Global Infrastructure and Investment, and the Just Energy Transition Partnerships.

Strengthen the credibility of the EU's pledge to be a responsible and supportive partner. Much of the CRMA's success hinges on this. The criteria to select CRM Strategic Projects abroad (Articles 5.1 and 6.1) are particularly relevant. These should be strengthened by mandating compliance with international frameworks that guarantee indigenous peoples the rights to participate in decision-making and take ownership of projects that affect them.[32] Gaining a social license to operate by responding to the needs of frontline communities will strengthen the long-term reliability of the EU's cooperation with third countries. The same high-quality standards for meaningful engagement and rights-based planning should apply both within and outside of the EU. Similarly, the selection of CRM Strategic Projects abroad should be aligned with partners' own sustainable development plans, particularly regarding downstream industries, and be managed via win–win Strategic Partnerships.

[31] E3G, 2023, **A European Green Deal Diplomacy toolbox**

[32] Such as the UN Declaration on the Rights of Indigenous People and the ILO Convention 169 on Indigenous & Tribal Peoples. Further details at Equinox Initiative for Racial Justice, 2021, **Towards climate justice (PDF)**

Moreover, the EU support for strategic projects abroad remains unclear, limited to facilitating agreements with EU buyers and investors. Meanwhile, current EU trade policies limit partners' capacity to leverage CRM reserves to develop cleantech sectors.[33] Further clarifying the EU support for partners' development of cleantech value chains, including but not limited to the role of Global Gateway, would strengthen the EU's credibility. CRM Strategic Partnerships could also be given a mandate to assess project applications and coordinate EU project-level assistance.

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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[33] The new EU–Chile Free Trade Agreement's Energy and Raw Materials Chapter limits the use of dual pricing for CRMs, effectively undermining Chile's toolbox to retain minerals at home to develop downstream industries. Likewise, the EU has previously challenged Indonesia's efforts to control the export of nickel via the WTO.