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EUROPEAN GREEN DEAL DIPLOMACY SHAPING A GLOBAL CLEAN ECONOMY

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The EU was largely successful in branding the European Green Deal as key for driving future growth and prosperity at home. But on the global stage, diplomacy around the external dimension of the European Green Deal has so far come up short.

Multiple global crises highlight that a boosted European clean economy is critical for greater European security and autonomy. But in an interconnected world, the prosperity of the EU can only last if EU economic success is shared. European Green Deal diplomacy stands as the missing vehicle for strengthening European prosperity at home through shaping the global clean economy. This briefing is the first in our series exploring the toolbox for credible and effective European Green Deal Diplomacy.

Key messages

1. **The EU can leverage the European Green Deal (EGD), its own core growth strategy, into the global economy, to accelerate the green transition, and build partnerships with other countries on the road to net zero.** This Green Deal Diplomacy can shape the global economy and ensure that the clean economy transition can be a motor of global resilient growth and development, while protecting the EU's legitimate economic interest.
2. **European Green Deal diplomacy could achieve three objectives:**



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- > **Objective 1** - Use EU rules and market power to incentivise the clean economy transition of other economies while supporting lower to middle-income partner countries to adapt.
 - > **Objective 2** - Build coalitions for global trade and economic rules that facilitate the transition for all.
 - > **Objective 3** - Centre clean economy cooperation in bilateral partnerships with developing countries and emerging economies.
3. **Deploying Europe’s European Green Deal diplomacy can be kick-started with existing tools and initiatives** provided that:
- > EU and member states’ trade, economic, development and climate stakeholders are tasked to work jointly in order to deliver on European Green Deal priorities.
 - > EU stakeholders see the clean economy cooperation potential in existing tools to promote the global transition as well as the EU’s own domestic transition.
 - > The swift domestic implementation of a socially inclusive net-zero ambition is crucial for ensuring international credibility and remains the foundation of any European Green Deal diplomacy.

European Green Deal Diplomacy original concept

European Green Deal diplomacy was politically endorsed by European institutions as an objective of the Green Deal agenda. The Commission outlined the concept in its original Green Deal Communication:

Green Deal diplomacy is “focused on convincing and supporting others to take on their share of promoting more sustainable development. By setting a credible example, and following-up with diplomacy, trade policy, development support and other external policies”.¹

The Council proposed a clear step forward in the January Foreign Affairs Council conclusions on climate and energy diplomacy², setting accelerating the green transition as the clear priority of EU energy diplomacy and recognizing the need

¹ European Commission, 2019, **Green Deal Communication**

² Foreign Affairs Council, January 2021, **Climate and Energy Diplomacy Conclusions**



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to align trade promotion, finance, aid and foreign investment strategies with Paris Agreement commitments.

EU prosperity depends on the world's prosperity

The EU and its member states have performed climate diplomacy well, and led the global consensus around the Paris Agreement pledge to keep warming below 2 degrees C and aim for 1.5 degrees C. But given the rapid transitions needed globally, traditional climate diplomacy alone doesn't suffice for EU climate security. A new kind of diplomacy is called for.

The EU's internationalised economy also needs markets, value chains and resources to follow suit with the EU's own clean economy transition if it is to thrive. It needs functioning global rules that can manage the competition that will arise as more countries centre their economic strategy on the transition. And in staying true to its reputation as a standard-setting power and global market shaper, it needs to keep the upper hand in defining the gold standard for the transition in the form of standards, rules and regulations.

Given competition from other political and economic models, such as China's, that are also operating as global alternatives, the EU's prosperity and security rely on its ability to build partnerships and extend the benefits of its own prosperity to less developed countries.

Countries are beginning to grasp the complex problems of decarbonising their economies. The chaotic global hodgepodge of competing rules, regulations, subsidies, carbon pricing and carbon leakage mechanisms that is emerging, could trigger endless trade disputes and accusations of EU protectionism, which the EU carbon border adjustment mechanism (CBAM) is already proving to do.

The EU has a choice to make. It can continue to take a route to net zero that is uncoordinated with its partners and the rest of the world, at the risk of seeing itself isolated, leaving the spoils of the global net zero economy to other major trading blocs, and alienating many. Alternatively, it could follow the mission set by this Commission, building on an active Green Deal Diplomacy, bringing the world along as willing partners, and ensuring that it is the EU's model that becomes the world's gold standard for a clean economy.



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It is in the EU's economic and geopolitical self-interest to deploy coordinated Green Deal diplomacy to be a shaper and not a taker of geopolitics. This is the best route to the EU protecting its own economic and social model.

Our proposed European Green Deal diplomacy definition

European Green Deal diplomacy is about harnessing the Green Deal's core political ambition of a net-zero economy, while leveraging the EU's market and regulatory power to facilitate faster global transitions, and make the EU a trusted global partner for building clean and resilient economies that achieve net-zero greenhouse gas emissions

Making European Green Deal Diplomacy work

The EU has demonstrated its ability to effectively and swiftly use its economic strength in support of geopolitical goals, for instance in response to Russia's invasion of Ukraine. This is now followed by more targeted outreach with external partners like with India³ or Japan⁴ with signs of the EU actively using trade and climate to shore up engagement and secure bonds. However, for Green Deal diplomacy, it has effectively built a much more defensive set of trade policy measures, such as CBAM, foreign subsidy instrument or anti-coercion measures. These paint a much more inward-looking picture⁵ and, as we noted above, risk alienating partners and developing countries in the absence of engagement or compensatory measures.

Therefore, we propose the following 3-pronged framework to actively, and positively, project the EU's transition at home, to incentivise and support the global transition.

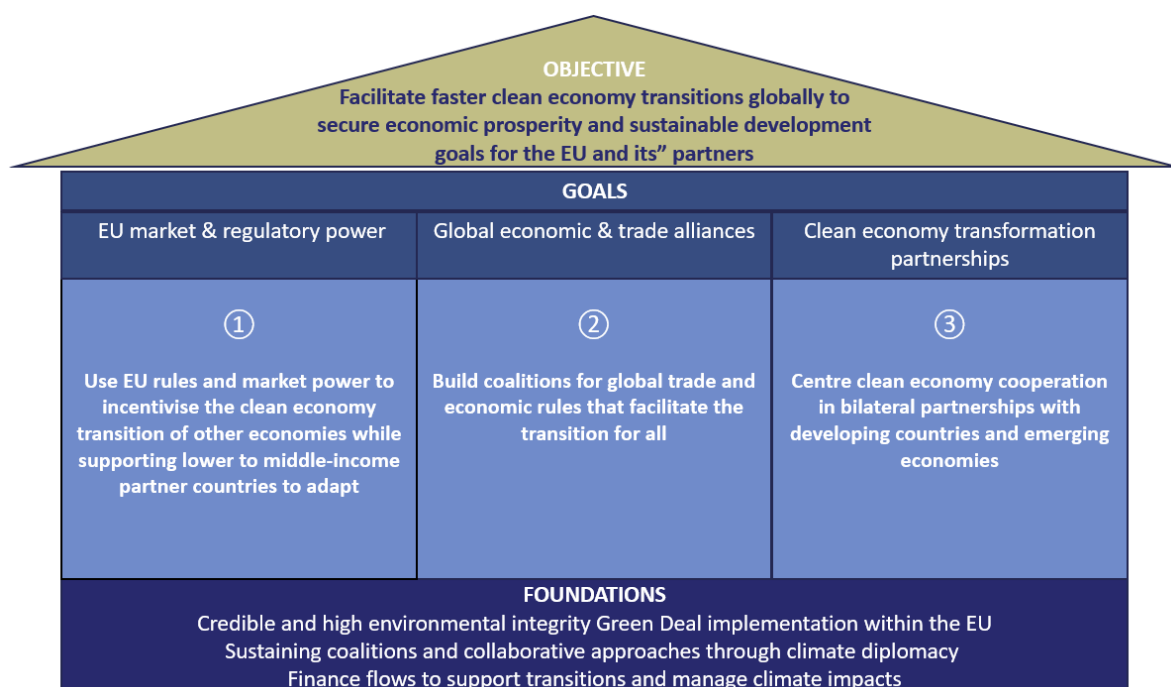
³ See [statement by President Von der Leyen](#) as part of her India trip, April 2022

⁴ See [joint EU-Japan statement](#) following the May 2022 EU-Japan summit in Tokyo

⁵ See ECIPE May 2022, [The New Wave of Defensive Trade Policy Measures in the European Union: Design, Structure, and Trade Effects](#)



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FRAMEWORK FOR A EUROPEAN GREEN DEAL DIPLOMACY STRATEGY - E3G SOURCE

Credible and effective Green Deal diplomacy will be based on solid foundations. Firstly, ensuring a successful roll-out and implementation of the European Green Deal in the EU. This is both the driver of the EU’s own clean economy, and a source of international credibility. **Secondly, maintaining an active EU climate diplomacy,** which ensures the continued viability and driving force of the Paris framework and rationale for ambition that carries global clean economy decarbonisation. **Finally, playing an active role in shaping the economic and finance institutions, like multilateral development banks, and development finance cooperation structures to mobilise the trillions in financing that is necessary for the global transition to net-zero and managing climate impacts.**

With these foundations, the EU already holds the tools for effective Green Deal Diplomacy; what’s missing is the coordinated vision to mobilise them across EU institutions. The first step to Green Deal diplomacy success is recognising the toolbox:

1. EU market and regulatory power

Leverage EU economic and trade policy to support the European clean economy transition at home and abroad but not at the cost of hampering the transition of lower to middle-income countries



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This pillar drives partners' closer alignment by using EU market access conditionality (free trade agreements, procurement rules, CBAM etc.), and initiating global clean economy standards. While this is meant to turn the EU's own transition into an economic incentive for other economies to decarbonise, this should avoid the pitfalls of green protectionism and creating barriers for partners' sustainable development.



Tools and vehicles for immediate mobilisation:

- > **Mobilise CBAM and Trade Policy Review measures to drive partners to align and level up their standards to accelerate their transitions.**⁶ CBAMs and inward-looking measures can act as clean economy transition boost and inroad for engagement with third countries if they are designed to do so. However, because these are measures based on the EU's advanced internal rules, developing countries will need support measures to adapt to the transition. The EU should start with assessing the impact of EU trade and economic measures on the global clean economy transition and specifically on lower- and middle-income economies. Measures with high perceived and real impact on economies, such as CBAM or the Deforestation Regulation, need to be developed alongside support packages, to level up EU market access and the clean transition.
- > **Mobilise the European standards strategy for a facilitated global clean economy transition.** The EU aims to lead the green and digital transition with its recent standardisation strategy.⁷ This could be strategically leveraged to incentivise the diffusion of highest environmental and climate standards globally, while ensuring engagement with developing countries through co-designed supportive measures.
- > **Leverage the international R&I Strategy to spur global clean innovation.** The EU has expressed global R&I ambition in launching its recent international

⁶ See European Commission, February 2021, [Trade Policy Review - An Open, Sustainable and Assertive Trade Policy](#)

⁷ European Commission, February 2022, [An EU Strategy on Standardisation - Setting global standards in support of a resilient, green and digital EU single market](#)



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energy strategy.⁸ This provides an opportunity to channel the EU's well-established R&I programmes to also serve the global clean transition through dedicated clean R&I partnerships - for accelerated clean tech development of mutual benefit.

2. Global economic and trade alliances

Build coalitions for global trade and economic rules that facilitate the transition for all and manage competition

To ensure all countries can transition to a clean economy, global economic and trade rules need to function for all as opposed to a subset of countries or interests. The EU can lead the development of global alliances to reform existing rules allowing for facilitated and fair transitions. Reinforcing or creating such rules is essential to ensure the global clean economy manages the inevitably growing competition among ever more numerous clean economy actors.



Tools and vehicles for immediate mobilisation:

- > **Activate the proposed coalition of trade ministers for climate** as a venue for discussing trade and climate interlinkages at the WTO and other relevant fora. This could create greater buy-in around a coalition of countries willing to ensure the global trade and investment regimes serve the global clean economy transition.⁹
- > **Shape the German climate club proposal** as a vehicle that can agree a global clean economy decarbonisation agenda. This could include standards, technology transfer acceleration and joint approach to green subsidies. The club members could leverage their joint economic and trade power through concrete steps, and also act as a venue to surface with developing countries their expectations and needs.
- > **Leverage Aid for Trade specifically for the clean transition** to signal willingness to progress on mobilising trade instruments in support of the

⁸ European Commission Communication, May 2021, [Europe's global approach to cooperation in R&I](#)

⁹ See E3G, 2022, [Climate diplomacy and trade: three priorities for delivering green trade and WTO reform](#)



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clean transition in developing countries. With its substantial endowment of between \$25-30 billion a year¹⁰ focused on economic transformation, this instrument holds potential for dedicated clean economy transformation, which isn't currently the case.

- > **Harness Mission Innovation in support of global technology transfers.** As the main intergovernmental platform addressing clean energy innovation, Mission Innovation can create consensus for bypassing the competitiveness disincentive for international innovation cooperation on the politically and economically critical technology transfer to developing countries. This should take place in conjunction with initiatives such as the UNFCCC Technology Mechanism.

3. Clean economy partnerships for climate resilient development

Build sustained and tailored partnerships for transformative, clean economy-driven, prosperity and resilience

Pathways to implementing the clean economy transition alongside development objectives and resilience needs will be country specific. Achieving transformative clean economy transitions requires tailored, co-designed bilateral or regional cooperation that matches partners' own economic and development trajectories and that integrates their needs. This can only be done through partnerships of equals, that combine economic, trade, development cooperation, and that allow for mutual learning and experiment.



Tools and vehicles for immediate mobilisation:

- > **Mobilise Global Gateway to demonstrate commitment to leverage its own prosperity for global sustainable growth and development tailored to local needs.** The Global Gateway has the ambition and the sizeable funding (€300billion promised¹¹) to be the vehicle to extend EU clean economy benefits to strategic geographies like Africa or the EU

¹⁰ See WTO, [Aid for Trade fact sheet](#)

¹¹ See European Commission, [Global Gateway](#)



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neighbourhood. It is also an ideal testbed to develop a new type of partnership approach that doesn't rely on a donor-recipient relationship, but rather on mutually beneficial and co-designed economic cooperation.¹²

- > **Pursue enhanced clean economy cooperation through the new EU external energy engagement strategy¹³ for balanced relationships with emerging markets and developing economies.¹⁴** The new launch is the opportunity to build strengthened energy partnerships that deliver on both EU and partners' economic interests. That requires jointly building tailored agendas based on clean economy cooperation.
- > **Use and replicate Just Energy Transition Partnerships (JETP)** as vehicles to mobilise European clean economy tools. This means that, as well as supporting energy transition, they will provide tailored help to restructure economies around new, cleaner, sources of prosperity. Again, the EU will need to prioritise co-design with partners, taking into account local realities
- > **Reflect clean economy transition support in of Neighbourhood, Development and International Cooperation Instrument (NDICI) programming for mutually supportive development and economic cooperation objectives.** As the EU's main international partnership programming and funding tool, the NDICI can spur greater internal coordination of economic and development cooperation. Without aiming to replace EU development cooperation objectives this better equips the EU to address the climate-development nexus by identifying local resilience needs and feeding them back into the design of economic cooperation initiatives.

Concluding remarks and next steps

The case for better coordinated European Green Deal Diplomacy is clear.¹⁵ If recognised and employed accordingly, the EU already holds a lot of the necessary implementation instruments to actively leverage the EU's economic clout to spur the global transition. Crucially, to move beyond accusations of

¹² See also E3G, March 2022, **Building resilience through engagement with Global Gateway**

¹³ European Commission, May 2022, **Joint communication EU external energy engagement**

¹⁴ See E3G, 2022, Rethinking energy diplomacy in times of crises: the need to redefine European solidarity

¹⁵ Beyond the case made in this briefing, see notably SYSTEMIQ, The Club of Rome, and the Open Society, European Policy Institute, May 2022, **International system change compass: the global implications of achieving the European Green Deal**



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climate protectionism and green colonialism, the EU particularly needs to pay attention to engaging partners to build consensus around high global standards and to supporting lower- and middle-income countries to adapt.

This briefing identified an initial mapping of the Green Deal Diplomacy tools that the EU could better leverage in the immediate term. It brings the missing ingredient more starkly into view: the coordinated vision to leverage these tools across EU institutions. Bringing together economic and trade, development and climate concerns will not happen without coordination structures within the Commission and with member states.

E3G's further work in this briefing series will expand on:

- > **The toolbox of Green Deal diplomacy**, with a deeper look into the potential and design of specific initiatives identified in this briefing.
- > **The Global Gateway**, as one of the EU's most ambitious and geopolitical tools, will be a particular focus as a potentially central tool for ensuring Green Deal diplomacy builds positive economic cooperation with partners.
- > Other relevant upcoming publications include an assessment of the geopolitical implications of the European **sustainable finance taxonomy**, **EU-US cooperation** for accelerated energy transition, implications for Africa of the **EU's future gas demand** and how to **align EU investment treaties** with the clean economy transition, with a focus on the Energy Charter Treaty.



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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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