

PARIS ALIGNED EU EXTERNAL ACTION
**FOR A CLIMATE JUST
WORLD FOR ALL**

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BY THIRD GENERATION ENVIRONMENTALISM – E3G

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FOREWORD

If we want to have a world to live in 20, 30 or 40 years from now, we must take action immediately – it is as simple as that. The Paris Agreement, adopted by 196 Parties in 2015, defined the objective of keeping the global temperature rise well below 2 degrees Celsius above pre-industrial levels. The EU, for its part, set out a strategy on how to become the first climate-neutral continent by 2050: the so-called “European Green Deal”. It is an important document, clearly defining our goals and first steps to reach them. One could argue that it is not ambitious enough, but it is certainly a very precise plan and the most ambitious one in comparison to what countries worldwide have drawn up so far. Domestically, we are therefore – by and large – doing our homework. But an equally ambitious plan for our foreign action is missing. The EU accounts for only 9% of global CO2 emissions. So, if we really want to stop the climate crisis, we need to bring everyone on board. After all, we cannot save the planet alone.



This is where foreign policy comes in. The EU, with its economic power, its excellent diplomatic standing and its pre-existing ties when it comes to development cooperation, is in a unique position to support other countries in aligning their economies with the Paris goals. But how can we use this potential? Our study, commissioned by the Greens/EFA group in the European Parliament and conducted and written by the European think tank E3G, sets out to answer this question. It assembles research previously carried out on the issue, but also looks at fresh ideas on how to streamline climate action into EU foreign policy. We hope that it will further accelerate the discussion about how the EU's foreign policy – as well as that of EU Member States – can be used to encourage everyone to pursue an ambitious plan to climate neutrality.

Climate warming does not stop at national borders. The socio-ecological transformation we need is only possible if we work together, across the globe. This task is not about competition; we can only succeed through cooperation. As the authors of the study put it: “Both the US and China are integrating climate into their foreign policy structure – but with a strong focus on self-interest. This study sets out a European alternative – one that cares about a Climate Just-World for All.” This mindset needs to guide our actions in the next decades to come; otherwise, we are bound to fail.

COP26, the Global Climate Summit, came to a close last month. Regrettably, world leaders shied away from marking the end to fossil fuel investments. The final text, weakened by last-minute changes by China and India on the necessary phase-out of coal and fossil fuel subsidies, is marked by insufficient promises and announcements to keep global temperature rises below 1.5°C. As Greens, with an eye on COP27, we want the demands of people marching in the streets to be brought to the negotiating tables in Egypt – a chance to seize the momentum to turn pledges into concrete action.

As became evident at the Summit once again, climate change is here. The challenge now is to consider whether we simply want to try to survive it. Or do we want to use the means that we have to limit it and to make sure we are well prepared?

Obviously, there is only one way: it is time to put ourselves in the driver's seat.

A handwritten signature in black ink that reads "Hannah Neumann".

Hannah Neumann, Member of the European Parliament

PART I

EXECUTIVE SUMMARY AND POLICY RECOMMENDATIONS

COP26 sounded the alarm at the insufficient pace and scale of climate action in the 2020s to keep warming below 1.5°C and address inevitable climate impacts. The Summit came at a time of low levels of trust and confidence between countries after failures to mobilise solidarity on COVID vaccines and finance for economic recovery during the pandemic. This was exacerbated by under-delivery by developed countries on their Paris Agreement promises to reduce emissions and mobilise finance for least developed and more vulnerable countries to address climate change.

The decisions taken at COP26 that have the potential to see countries closing these gaps – regular ministerial events checking-in on faster emissions cuts this decade, a decision to double collective finance for adaptation, and opening a dialogue on addressing the support needs for loss and damage. However, they have barely nudged the trust deficit. **Without game changing cooperation we will not be able to close the gaps to a safe and climate-just world for all this decade.**

The diplomatic dance over including references to phasing out coal and fossil fuel subsidies in the final hours of COP26 highlighted that many emerging economies – including India – do not yet feel in a position to do significantly more this decade. Meanwhile, small island nations made clear that they would no longer accept inaction and a lack of support in dealing with devastating climate impacts in the future.

The key barrier to further, faster action this decade is the lack of financial and technical support for green, resilient and just transitions mechanisms to mobilise the trillions in public and private finance needed for the 1.5°C transition.

While the USA and China came together in the final days of COP, after weeks of a media 'blame game', their agreement shows that while they will choose cooperation in multilateral spaces, the G2 cannot be expected to form the basis of high-ambition action this decade. Simply put, cooperation on the scale needed to tackle the climate crisis this decade will not be driven by the two superpowers.

Looking towards this critical decade, European diplomacy has the potential to help bridge the trust, confidence and finance gaps, if cooperation and climate-just approaches are at the centre of EU external action.

The 2022–2025 period is the critical time to influence investment decisions for the rest of the 2020s – the decade that will decide whether climate safety can be regained for all. Right now, rather than a 45% reduction in emissions from 2010 levels by 2030, as prescribed by the Intergovernmental Panel on Climate Change, just after COP26 we are still on track for a rise in global aggregate emissions. With a majority of those emissions in countries where public engagement is less able to drive policy change than it has done in Europe, it will be essential to deploy all the diplomatic tools at the EU's disposal to bridge the gap. **As a global actor, the EU can play a key role not just in deploying its external action to drive transitions and resilience in other countries, but also in driving reforms to make its external action fit for a climate-changing world, for tackling loss and damage and adaptation, and for doing the above in a gender-sensitive way. The EU is also well placed to make sure the objectives go hand in hand with increasing respect for human rights.**

If the 2020s are really to be the decade of delivery, we cannot wait for marginal improvements to EU external action. By 2030, the EU's current 8% share of global emissions is projected to decline by 41%¹ in a context of rising global emissions². If we do not have diplomatic capacity to deal with the growing adaptation pressures, losses and damages and manage the global just and green economic transition, we will lose the ability to shape and accelerate global action.

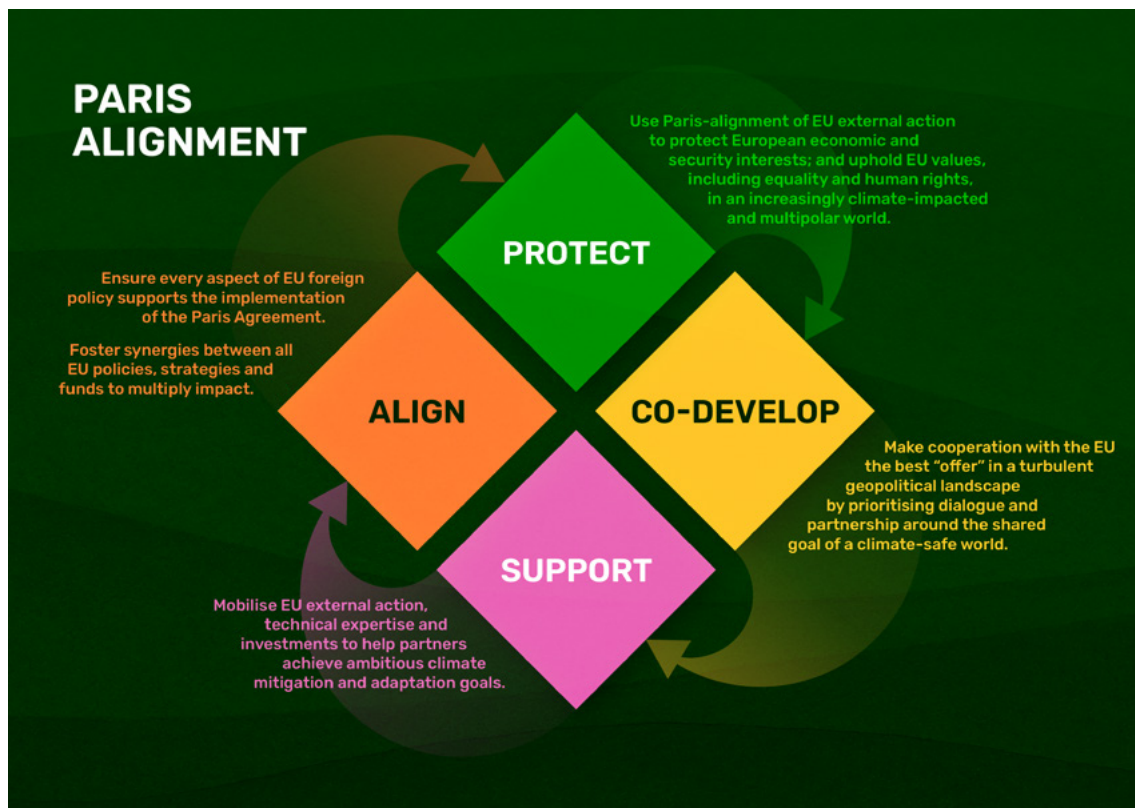
Both the USA and China are integrating climate into their foreign policy structure – but with a strong focus on self-interest. This study sets out a European alternative – one that cares about a climate-just world for all.

COP26 signalled a new political focus by European leaders behind the need to reform the wider international system – particularly the development system – to better build resilience and support climate transitions. This is a foundation to build upon.

1 European Environmental Agency (2021) Total greenhouse gas emissions trends and projections in Europe, 18 November. <https://www.eea.europa.eu/data-and-maps/indicators/greenhouse-gas-emission-trends-8/assessment>.

2 United Nations Framework Convention on Climate Change (2021) Nationally determined contributions under the Paris Agreement: Synthesis report by the secretariat. FCCC/PA/CMA/2021/8. Glasgow: UNFCCC. https://unfccc.int/sites/default/files/resource/cma2021_08_adv_1.pdf.

To build a truly positive European offer and engagement strategy for a climate-just world requires work across four reinforcing pillars, as follows:



While marginal action across these pillars would be a step forward, what is needed this decade is transformational action. As such, we propose a three-year 'Fast Start' revamp of climate in the EU's foreign policy. This Fast Start programme aims for rapid acceleration of capacity and structures to enable the EU to make a difference in the decade of delivery – and to have EU diplomacy in place to align, protect, co-develop and support ahead of the next Paris ambition cycle in 2024/25.

3-YEAR 'FAST START' PROGRAMME FOR PARIS-ALIGNING EU EXTERNAL ACTION

Align

- ✓ "Climate Corps": Significantly increase EU diplomatic capacity to match the growing priority of climate action. Including 'climate certifications' training and more dedicated staff.
- ✓ An EU "Climate Implementation envoy" would coordinate the delivery of a 'Fast Start Programme' and engage at the Ministry of Economy and planning-level in the co-development and resourcing of green, resilient, and just development pathways with EU partners.
- ✓ Leverage Parliament's budgetary oversight to ensure EU resources support climate efforts, including through an annual "State of External Climate Action" report.
- ✓ Establish a regular dialogue on the progress of the "Fast Start Programme" between EU27 foreign affairs, environment, development, and trade/ economic ministers to facilitate joined-up action.

Make the "Global Gateway" initiative the beacon of a positive European offer to co-develop just, green and resilient recovery and development pathways

Co-develop

- ✓ Establish and staff a central "Global Gateway" hub under the "Climate Implementation Envoy" as a forum for dialogues with partners, focused on co-developing green and resilient economic transition pathways. Additionally, it could support partners in accessing and mobilising resources (funds and technical expertise) to implement these.
- ✓ Invest as much in green transition abroad as at home (currently 30% of EU budget, or €360 billion).
- ✓ Leverage the experience of the European Investment Bank and European Bank for Reconstruction and Development in engaging regional and local public banks.
- ✓ Integrate human rights and gender equality considerations into co-development dialogues, as well in due diligence processes.

Support

Mobilise the “Global Gateway” initiative as the main vehicle for aligning support and engagement with key partners and regions

- ✓ Support access to funding for green and resilient transition and recovery in major emerging economies (Indonesia, India, Vietnam, South Africa).
- ✓ Work with least developed and middle income “petro-states” to invest in green and resilient development pathways. Focus on partners in the EU Neighbourhood, the Eastern Mediterranean and Africa. Engagement should consider peacebuilding and managing risks around climate impacts, fragility, fiscal vulnerability and social tipping points.

Prioritise resilience and adaptation across development, foreign, security and humanitarian aid action – and invest accordingly

- ✓ Consistently address climate in the EU Strategic Compass, prioritising foresight capability on climate risk.
- ✓ Lead the way in equal public finance for adaptation as mitigation and get behind making global financial architecture (i.e. IMF, MDBs) fit for investing in resilience.
- ✓ Engage Africa-Caribbean-Pacific partner countries around joint diplomatic priorities in international fora.

Address gender equality, human rights, development and climate as interlinked objectives in EU external action – and earmarking EU funds for cross-cutting projects

Leverage trade relations and EU economic diplomacy to build a climate-ready international economic system:

- ✓ Deepen transition dialogues (and climate risk dialogues) with G20 major fossil producers (Saudi, Russia, Turkey, China, USA).
- ✓ Leverage joint alignment and market power with G7 allies to accelerate deployment of green technologies and align .
- ✓ Navigate the complexity of the EU-China relationship. Cooperate on areas of joint interest (i.e. common green finance standards), particularly in multilateral venues like the G20, while preparing for competition and building due diligence partnerships.

Protect

PART II

WHY PARIS-ALIGN EU FOREIGN POLICY?

With its Green Deal, the EU has put forward a vision of the green transition becoming its new economic growth model to achieve not just a prosperous but a more environmentally, socially and economically resilient EU. Moving beyond this vision, it is now starting to underpin it with a set of priority actions, legislation and measures to put the ambition of a climate-neutral EU into action in the coming years. The first step has been to enhance its 2030 climate target: committing to reducing emissions by at least 55% from a 1990 baseline by 2030. Domestically, the EU is undertaking steps to get its climate house in order; the same cannot be said yet for European external action.

The EU has built a strong foundation as an honest broker and high-ambition coalition co-convenor in the United Nations climate negotiations. As climate diplomacy has expanded beyond the halls of the United Nations Framework Convention on Climate Change (UNFCCC), so has EU climate diplomacy, with the European External Action Service (EEAS) and the Directorate-General for Climate Action (DG CLIMA) working together to develop and implement tailored country strategies to engage major industrialised- and developed-country partners in enhancing their own climate ambition and Paris implementation.

However, while the Green Deal is shifting EU domestic climate action to a whole-of-economy and -society transformation, we have yet to see a similarly comprehensive vision of how the EU could leverage its external action to advance emissions reductions and resilience-building. Simply put, the EU's external action is currently lagging behind its domestic ambition.

By ratifying the Paris Agreement, the EU committed to:

- **“holding the increase in the global average temperature to well below 2°C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5°C above pre-industrial levels”;**
- **“increasing the ability to adapt to the adverse impacts of climate change and foster climate resilience and low greenhouse gas emissions development”; and**
- **“making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development”.³**

³ United Nations Framework Convention on Climate Change (2015) The Paris Agreement. Paris: United Nations. https://unfccc.int/sites/default/files/english_paris_agreement.pdf.

Here, the EU has a particular responsibility to strengthen its external action to achieve these Paris goals. First, because it must: the EU's historic cumulative emissions remain among the world's largest⁴, second only to the USA as the largest cumulative emitter between 1850 and 2002⁵. **The EU's development as one of the world's top economies is predicated on this high-emitting industrial-powered growth.** Consequently, the EU is committed by the United Nations Climate Convention's principle of 'common but differentiated responsibilities', to support countries less responsible for climate change in adopting greener development pathways. This support extends beyond financing to include commitments on capacity-building and technology transfer. Second, because it can: given the EU's historic track record in leading the climate transition domestically and globally, it is in a unique position to support both financially and by sharing its technological and technical expertise.

On top of this responsibility, the reality is that the EU's current share of global greenhouse gas emissions (around 8%)⁶ is set to decrease in the 2020s with the implementation of the Green Deal; thus, the pathway for a climate-safe world for all depends as much on action outside Europe as it does on cutting emissions at home. Indeed, Climate Action Tracker warns that the gap to a 1.5°C pathway has currently only been closed by around 15%. The main governments that can make a difference in closing the gap are G20 countries, including Australia, Brazil, Indonesia, Mexico and Russia, which have yet to increase their ambition or, in some cases, have even decreased their ambition recently⁷. At the same time, over two-thirds of global emissions already occur in emerging, middle-income and least developed countries. **Put simply, Europe's climate safety and the possibility of global success in reaching the common goals of the Paris Agreement depend on bringing international partners – in the G20 and beyond – along with the EU.** However, with a majority of middle-income and least developed countries struggling to recover from the economic and social impacts of the COVID-19 crisis, they will need support and investment to be able to chart greener and socially just recovery and development pathways in this critical decade.

Given the economic constraints and serious development challenges faced by the majority of global partners, the initial external element of the Green Deal – the Commission's proposed Carbon Border Adjustment Mechanism (CBAM) – runs up against clear limits. Economic incentives and penalties only work when countries have access to capital to invest in transition; however, a majority of non-G7 countries, including in the G20, are struggling to gain access to affordable money to invest in transition. Thus, a more extensive set of cooperation, collaboration and investment offers is needed to accelerate action in this critical decade. Indeed, if more unilateral economic measures such as the CBAM or the deforestation regulation are not complemented by a broader suite of cooperation offers, this will lend weight to the lower- and middle-income countries' protests, supported by China, against them as violating the 'common but differentiated responsibilities' principle.

4 Simon Evans (2021) Analysis: Which countries are historically responsible for climate change?, Carbon Brief, 5 October 2021. <https://www.carbonbrief.org/analysis-which-countries-are-historically-responsible-for-climate-change>.

5 World Resources Institute (2005) Navigating the Numbers: Greenhouse Gas Data and International Climate Policy. Washington DC: World Resources Institute. <https://www.wri.org/research/navigating-numbers>.

6 European Commission (2021) EU Energy in figures: Statistical Pocketbook 2021. Luxembourg: Publications Office of the European Union. <https://op.europa.eu/en/publication-detail/-/publication/41488d59-2032-11ec-bd8e-01aa75ed71a1/language-en>.

7 Climate Action Tracker (2021) Climate target updates slow as science ramps up need for action. Global update, September 2021. https://climateactiontracker.org/documents/871/CAT_2021-09_Briefing_GlobalUpdate.pdf

EU climate diplomacy must shift gears to make use of the full suite of EU external action tools and levers to ensure the Paris Agreement goals remain achievable. A particular priority must be given to shifting financial flows and diplomatic outreach, in full coordination with its Member States.

This study builds on recent assessments⁸ of progress in EU climate diplomacy to take stock of how climate is and is not yet being integrated into priority areas of EU external action. Based on this stocktake, the study puts forward a set of priority actions to begin fully Paris-aligning EU external action. In doing so, this study identifies first steps to kick-start the transformation to an EU foreign policy that is better equipped to achieve development, humanitarian, economic and security priorities in a climate-changed and decarbonising world.

This paper draws on the wealth of existing analysis of EU external action, as well as an extensive peer review and expert dialogue process to join the dots on how climate is (and is not) currently integrated into the breadth of EU external action and foreign policy. It also puts forward a proposition on where action can make EU foreign policy and external action fit for a climate-changed world and the implementation challenges of the next decade. This breadth of scope is made possible by the generous contributions and reflections by experts in the fields of security and foreign policy, development policy, EU external funds analysis, and human rights and gender. This paper is meant to catalyse concrete action from EU institutions and Member States. It is also meant to offer a foundation for a more consistent discussion on Paris-aligned EU external action, funding and policy.

⁸ Dennis Tänzler, Daria Ivleva and Tobias Hausotter (2021) EU climate change diplomacy in a post-Covid-19 world. Brussels: European Parliament. [https://www.europarl.europa.eu/RegData/etudes/STUD/2021/653643/EXPO_STU\(2021\)653643_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/STUD/2021/653643/EXPO_STU(2021)653643_EN.pdf)

WHY NOW - KEY FACTS



2.7°C

Emissions gap

If fully implemented, net-zero and 2030 climate targets put the world on track for a global temperature rise of 1.8°C. However, in the absence of these being translated into laws and regulations, current policies leave the world on a path to 2.7 °C of warming.

(CLIMATE ACTION TRACKER 2021)



216 M

Climate displacement

In 2020 climate-related impacts caused three times as much displacement as conflict and violence.

(Al Jazeera, 2020)

216 million people are expected to be displaced within their countries by 2050.

(GROUNDSWELL WORLD BANK 2021)



\$1 tn

Climate finance gap

Emerging and developing economies will need up to \$1 trillion per year for clean energy transition by 2030.

(IEA, WEF & WORLD BANK 2021)

In 2020, rich nations fell \$20 billion short on their promise to provide \$100 Billion per year to the Global South and are set to only meet their annual commitment as of 2023.

(OECD 2021)



21 STATES

Petro-states at risk in low carbon future

21 of 40 petrostates are projected to lose substantially more than 60% of revenues over the next twenty years. 400 million people live in the 19 petrostates most vulnerable to fiscal instability in a low carbon scenario.

(Carbon Tracker 2021)



X5 FINANCE

Adaptation finance gap

The costs of adapting to climate change in developing countries are at least five times greater than current public finance for adaptation.

(UNEP 2021 ADAPTATION GAP REPORT)



\$132 bn

Investment in climate

China Development Bank has invested about \$132 billion in climate (IDFC 2019) compared to about \$21.7 billion for the European Investment Bank and around \$5 billion for the EBRD

(2020 JOINT REPORT ON MDBS' CLIMATE FINANCE)



EU 27

Uneven climate vulnerability within the EU

Climate change will impact all EU member states, but Southeastern and Southern Europe will be hotspots of climate impacts, creating a cohesion risk for the EU.

(EEA 2016)



No. 1

Public opinion support

European citizens now identify climate change as the single most serious problem facing the world

(2021 Eurobarometer)

WHY NOW?

As we come out of COP26 – the first of the regular five-yearly ‘ambition ratchet’ climate conferences, where countries have committed to updating and enhancing their climate targets – global climate action is still far from achieving any of the goals of the Paris Agreement. The IPCC report on the 1.5°C target has hammered home the need to halve global emissions by 2030⁹ – a warning only reinforced by emerging findings of the IPCC’s Sixth Assessment report, which has underlined a ‘Code Red’ warning on the already emerging severe impacts of climate change affecting weather and climate extremes in every region across the globe.¹⁰

COP26 has highlighted the significant gaps remaining in adaptation efforts, which will need to be addressed in 2022 in the run-up to COP27 in Egypt, as well as in bilateral relationships – most notably in the relationship with the African Union. As recent global occurrences of wildfires¹¹, floods and droughts have repeatedly illustrated, climate impacts and adaptation pressures are mounting, both within and outside the EU. While the United Nations Environment Programme has identified promising trends in growing adaptation finance, it estimates that annual adaptation costs in middle-income and least developed countries alone are currently about \$70 billion and are expected to reach \$140–300 billion in 2030¹². This figure far outstrips any possible balanced share dedicated to adaptation from the yearly \$100 billion in climate finance between 2020 and 2025.

Beyond the lack of available adaptation finance, the technology, governance structures and capacity-building needed to build sufficient resilience have not yet been developed at scale or in the necessary detail. This is a fundamental failure of climate justice: those least equipped to deal with climate-related impacts are predominantly also least responsible for the climate crisis in the first place. As such, much greater efforts are needed to effectively support local communities, cities and regions to successfully adapt to an increasingly damaging level of climate impacts and recover from the irreversible losses and damages that are already devastating lives and livelihoods. This ‘resilience gap’ is not only a climate challenge but, rather, as the COVID-19 crisis has highlighted, a challenge facing all areas of development across health, economic and environmental systems.

Furthermore, support from the EU on climate adaptation and resilience will have broader geopolitical benefits, including helping to strengthen EU partnerships in other areas such as trade and infrastructure partnerships. Failing this, as the COVID-19 crisis has illustrated, the EU risks an increased alignment of climate-vulnerable countries with those who will help them most – including China and Russia. In a decade that is set to be characterised by geopolitical turbulence, the success of efforts to maintain international rules-based systems that constrain major power tensions will be determined by keeping ‘non-aligned’ countries non-aligned.

⁹ Intergovernmental Panel on Climate Change (2018) Special Report: Global Warming of 1.5°C. Geneva: IPCC. <https://www.ipcc.ch/sr15/>.

¹⁰ Intergovernmental Panel on Climate Change (2021) Headline Statements from the Summary for Policymakers, 9 August 2021, Sixth Assessment Report. Geneva: IPCC. https://www.ipcc.ch/report/ar6/wg1/downloads/report/IPCC_AR6_WGI_Headline_Statements.pdf.

¹¹ Mohammed Haddad and Mohammed Hussein (2021) Mapping wildfires around the world, Al Jazeera, 19 August. <https://www.aljazeera.com/news/2021/8/19/mapping-wildfires-around-the-world-interactive>.

¹² United Nations Environment Programme (2020) Adaptation Gap Report 2020. Nairobi: UNEP. https://wedocs.unep.org/bitstream/handle/20.500.11822/34727/AGR_KM.pdf?sequence=3&isAllowed=y.

Meanwhile, the gaps in climate finance remain, even after COP26 saw a smattering of additional announcements. A climate finance delivery plan¹³ pulled together ahead of COP26 showed that the \$100 billion figure committed yearly for 2020–2025 all the way back in 2009 would only be met in 2023 – further undermining trust in the delivery of commitments. Comparatively, the EU and its Member States remain collectively the largest group of climate finance providers globally – with the European Commission calculating a contribution of €23.39 billion in 2020¹⁴, when adding up Member States’ bilateral and multilateral commitments, and collective finance through the EU budget, the EIB and the European Development Fund (EDF). There is currently no clear assessment of the adaptation share of this figure.

The timeliness of any EU-led efforts to lead the way among industrialised nations in developing a foreign policy that fully leverages all aspects of external action to implement both the Paris Agreement and the Sustainable Development Goals is clear – not the least given the opportunity created by the change of leadership in the USA, now also contemplating how to better integrate climate into its development and foreign policy, and the relevance given to this issue within Global Britain. **What is missing is a coherent vision of what Paris-aligned EU external action looks like – one that builds on but expands beyond European leadership on climate diplomacy and bridges existing gaps on adaptation and finance commitments.**

CLIMATE AS A MAKE-OR-BREAK CHALLENGE AND OPPORTUNITY FOR EU EXTERNAL ACTION

Far beyond the EU’s commitments under the Paris Agreement and the Sustainable Development Goals, there is the simple reality that climate change and deep decarbonisation will be fundamentally reshaping the context for EU external action in the coming decade and beyond:

- **As climate change intensifies in severity, European foreign policy will be impacted – by both the changing climate and Europe’s pursuit of climate neutrality by 2050.** Early indications of the impact of climate change in EU foreign policy include the role it has played as a ‘threat multiplier’ in conflicts in the Sahel, Lake Chad Basin and the Horn of Africa since at least the 1980s.¹⁵
- **Additionally, with recovery from the socio-economic impacts of the climate crisis exposing the lack of resilience** in LDCs and some emerging economies alike, the exacerbating effects of the second- and third-order impacts of climate change risk breaching social, as well as physical, tipping points – particularly as climate starts to impact food and water systems.¹⁶
- **Disruptive climate change impacts will increase over the 2020s.** COVID-19 illustrates how exogenous shocks and the lack of architecture for managing them, including international support mechanisms for vulnerable countries, will not only have implications for Global South

13 Organisation for Economic Co-operation and Development (2021) Climate Finance Delivery Plan: Meeting the US\$100 Billion Goal. Paris: OECD. <https://ukcop26.org/wp-content/uploads/2021/10/Climate-Finance-Delivery-Plan-1.pdf>.

14 Council of the European Union (2021) Council approves 2020 climate finance figure. Press release, 29 October. <https://www.consilium.europa.eu/en/press/press-releases/2021/10/29/council-approves-2020-climate-finance-figure/>.

15 Jake Hussona (2021) How is climate change driving conflict in Africa? reliefweb, 11 March. <https://reliefweb.int/report/world/how-climate-change-driving-conflict-africa>.

16 Daniel Quiggin et al. (2021) Climate change risk assessment 2021. London: Chatham House. <https://www.chathamhouse.org/2021/09/climate-change-risk-assessment-2021>.

countries (e.g. development gains across low-income countries are being shattered by COVID-19), but also have economic implications for the EU. Development, trade, foreign policy and security goals cannot be met without overcoming the climate challenge.

Foreign policy that sees the EU work with international partners to accelerate the implementation of the Paris Agreement – including its goal to advance global adaptation and mitigation – is the best way to manage the risks posed by climate change and seize the opportunities offered by deep decarbonisation.

THE CHALLENGE IS CLEAR, AND THE EU IS INCREASINGLY CAPABLE AND WILLING TO MEET IT

The EU stands out as one of the main actors that understood the need to develop climate diplomacy beyond the realm of international negotiations at the UNFCCC.¹⁷ The EU has built strong climate diplomacy, recognised as such globally, but it has also gradually laid the foundations for bringing EU climate objectives into other EU policy areas such as energy, finance, development cooperation, etc. This proto mainstreaming work set the basis for integrating climate into other external policies.

Progresses such as the 2015 climate diplomacy action plan increased the EU's means to bring its external policies into closer alignment with its climate objectives. However, there was a lack of political support to significantly shift its external policies to deliver on these goals. Nevertheless, the European Parliament expressed the need for a change of pace in a 2018 resolution.

The 2019 European Green Deal and the adoption of the European Climate Law provided the necessary political impetus for greater political support for what was now termed 'European Green Deal diplomacy'. Europe's commitment to reform its economy in line with the Paris Agreement was followed by a mandate given by the European Council in its foreign affairs configuration in early 2021 to expand climate diplomacy to energy, development, trade and financial flows¹⁸. A new EU Adaptation Strategy released in 2021 included a stronger international component that could form the basis for stronger EU diplomacy on adaptation and resilience.

While a unified European Green Deal diplomacy has not materialised since then, and the full mainstreaming of climate into EU external policies has not yet taken place, the EU has at its disposal both the political mandate and the tools to mobilise its external policies for the sake of promoting Paris climate objectives globally.

¹⁷ Dennis Tänzler, Daria Ivleva and Tobias Hausotter (2021) EU climate change diplomacy in a post-Covid-19 world. Brussels: European Parliament. [https://www.europarl.europa.eu/RegData/etudes/STUD/2021/653643/EXPO_STU\(2021\)653643_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/STUD/2021/653643/EXPO_STU(2021)653643_EN.pdf).

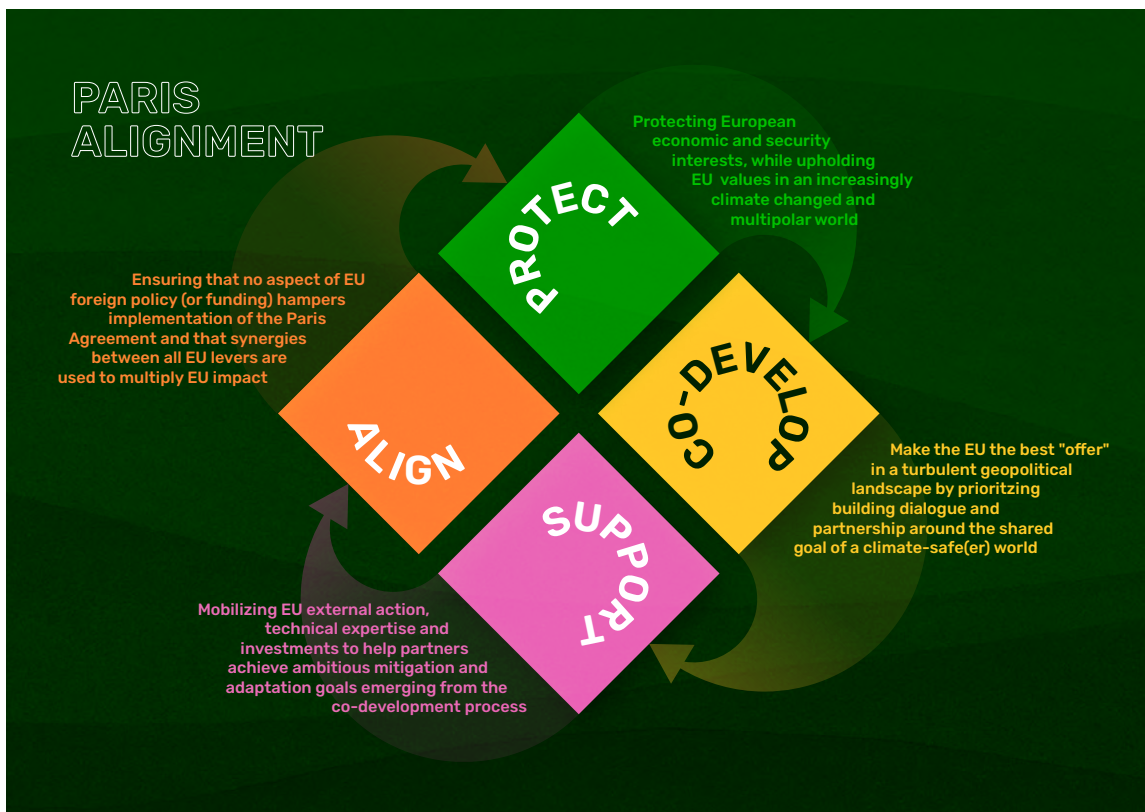
¹⁸ Council of the European Union (2021) Council conclusions on Climate and Energy Diplomacy – Delivering on the external dimension of the European Green Deal. 5263/21, 25 January. Brussels: Council of the European Union. <https://www.consilium.europa.eu/media/48057/st05263-en21.pdf>.

PART III

WHAT DOES PARIS ALIGNED EXTERNAL ACTION LOOK LIKE?

Paris-aligning requires reform to ensure all external action levers are aligning, protecting and supporting, while shifting to co-development. At its heart, Paris-aligned EU external action means using all levers at its disposal to accelerate the implementation of global climate mitigation and adaptation, and the mobilisation of finance to support the implementation of the Paris Agreement rather than undermine it. Efforts to Paris-align EU external action are set out in the following strategic framework.

To build a truly positive European offer and engagement strategy for a climate-just world requires work across four reinforcing pillars:



WHERE DOES THE EU HOLD (THE MOST) INFLUENCE?

A key characteristic of EU external action is its extensive development over the years and its broad reach well beyond traditional foreign policy, which is not in fact the EU's primary area of external competence. However, when it comes to the EU, external policy coverage or participation in multi-lateral organisations does not necessarily equate to influencing capacity, which depends more on the EU's capacity to act, supported by a willingness and ability to do so, as well as relative impact compared to other players.

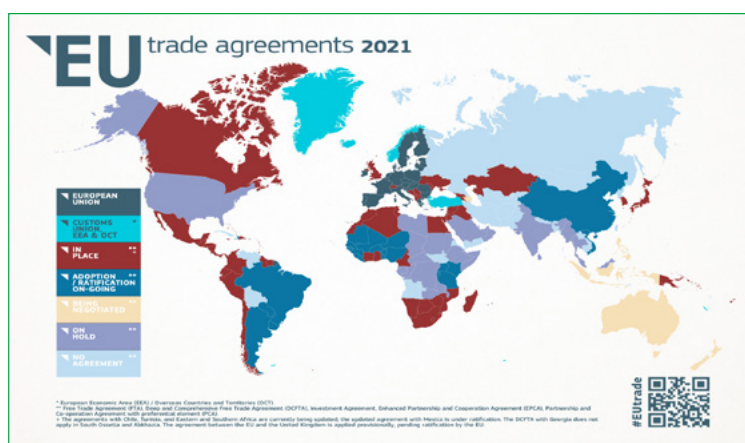
TRADE AND INVESTMENT

Trade is one of the EU's natural and strongest areas of influence on global decarbonisation, as the EU combines market power, deep and geographically extensive trade relationships, the ability to act as a bloc (based on its exclusive trade competence) and representation in rule-shaping bodies such as the World Trade Organization. With this power comes immense potential to shape the transformation of both global trade rules, standards and dialogues, as well as global supply chains as it decarbonises its own market over the next three decades.

Basis of influence

Market and trade power: As the world's largest economy, accounting for over 20% of global gross domestic product (GDP) per capita,¹⁹ and the second largest exporter and importer of goods in the world,²⁰ the EU has significant trade leverage and market power. It is not just the volume of trade but the significant interconnectedness of European trade that gives it considerable influence in this regard – the EU being the biggest export market for around 80 countries across the globe.²¹

Extensive trade relationships: The EU's trade and economic influence derives not only from the size of its market, which alone generates impact on other exporting countries, but also from its historically investment in developing deep and geographically extensive trade relationships throughout the world. The EU 27 countries have the largest number of active trade agreements according to World Trade Organization data,²² currently at 46, well beyond the USA's 14 and China's 22.



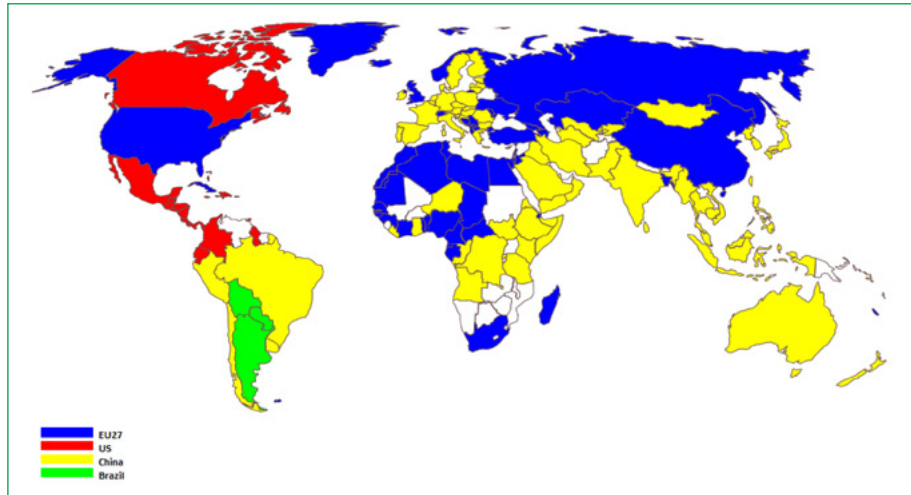
19 The EU is the largest economy in the world in terms of GDP per capita, but second behind the USA in terms of share of global GDP. See European Commission (2019) EU position in world trade. <https://ec.europa.eu/trade/policy/eu-position-in-world-trade/>; and European Commission (n.d.) The EU in the G20. https://ec.europa.eu/info/food-farming-fisheries/farming/international-cooperation/international-organisations/g20_en.

20 See Eurostat (2020) International Trade in Goods. https://ec.europa.eu/eurostat/statistics-explained/index.php?title=International_trade_in_goods.

21 See European Commission (2019) EU position in world trade. <https://ec.europa.eu/trade/policy/eu-position-in-world-trade/>.

22 Katharina Buchholz (2021) Which countries have the most trade agreements? Statista, 12 May. <https://www.statista.com/chart/18991/countries-with-most-trade-agreements/>.

Lead position: Relative to other big players, the EU still holds the largest share of world trade in goods and services (16.8%), above China (14.7%) and the USA (13.6%),²³ and it is the leading outward investor, accounting for 41% of the world's outward investment positions.²⁴ It, therefore, enjoys the position of main trade partner for a broad geographical range of countries ranging from parts of Africa, China, Russia, Turkey and some Western Balkan and Central Asian countries (see map below). The EU was Africa's main trade partner in goods in 2020.²⁵



Global trade in goods by main trading partner (2020)

Source: European Commission (2021) Share in world trade in goods and services of selected countries (%), DG Trade Statistical Guide. Brussels: European Commission, p.22. https://trade.ec.europa.eu/doclib/docs/2013/may/tradoc_151348.pdf.

Regulator with reach: Beyond the material power of the EU's single market, the EU is often characterised as a 'regulatory superpower' due to its sheer size. Its institutional setting and culture, often prioritising rules and regulations as a governance tool, gives it enormous influence as a global standard-setter.²⁶ Regulations adopted in the EU often influence or shape how other regulators across the world develop their own solutions.²⁷ This area has recently become a more competitive space, becoming the object of geopolitical competition,²⁸ but it remains an area of great opportunities for the EU,²⁹ particularly in the area of standards for green technologies and services. However, while the EU's regulatory power can act as leverage for the transition of developed economies, the well-known counter-effect is the risk of sealing off its economy for emerging and least-diversified economies, for which clean economy standards act as de facto entry barriers.³⁰

23 European Commission (2021) Share in world trade in goods and services of selected countries (%), DG Trade Statistical Guide. Brussels: European Commission, p.22. https://trade.ec.europa.eu/doclib/docs/2013/may/tradoc_151348.pdf.

24 Eurostat (2021) World direct investment patterns, 2017 data. https://ec.europa.eu/eurostat/statistics-explained/index.php?title=World_direct_investment_patterns.

25 Eurostat (2021) Africa-EU - international trade in goods statistics. https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Africa-EU_-_international_trade_in_goods_statistics.

26 Chad Damro (2012) Market Power Europe, Journal of European Public Policy, vol. 19, no. 5, pp. 682–699. <https://www.tandfonline.com/doi/abs/10.1080/13501763.2011.646779>.

27 The so-called 'Brussels effect'. See Anu Bradford (2012) The Brussels Effect, Northwestern University Law Review, vol. 107, no. 1.

28 Johan Bjerkem and Malcolm Harbour (2020) Europe as a global standard-setter: The strategic importance of European standardization. Brussels: European Policy Centre. https://www.epc.eu/content/PDF/2020/EPE_JB_Europe_as_a_global_standard-setter.pdf.

29 Ignacio Garcia Bercero and Kalypso Nicolaidis (2021) The Power Surplus: Brussels calling, legal empathy and the trade-regulation nexus. CEPS Policy Insights, No. PI2021-05, March 2021. Brussels: CEPS. https://www.ceps.eu/download/publication/?id=32752&pdf=-PI2021-05_The-power-surplus.pdf.

30 Jaime De Melo and Jean-Marc Solleder (2020) Barriers to trade in environmental goods: How important they are and what should developing countries expect from their removal, World Development, vol. 130.

FINANCE

The EU's leadership in shaping public and private finance to effectively bankroll the clean economy transition provides it with a key role in channelling finance for the global achievement of Paris goals.

Basis of influence

Strong currency: Despite economic turmoil, the Euro remains one of the strongest and most important currencies in the world. Financial products denominated in Euros are considered to entail little currency risk. The European Central Bank, under its new president, has pushed the integration of climate into its monetary and regulatory policies, thus promoting sustainable finance in one of the largest currency areas.

Sustainable finance policy architecture: The EU has also been at the forefront of sustainable finance, as Member States and the EU itself are among the first to issue green sovereign bonds. The taxonomy, despite current political tensions, has been the first framework of its kind and sets the EU among the leaders on sustainable finance policymaking, together with the Sustainable Finance Action Plan.

Powerful public finance institutions: A particular feature of the EU's financial system is its large network of public and cooperative banks. Cooperative bank networks such as Sparkassen in Germany or Caisse d'Épargne in France are crucial elements of finance for local small and medium-sized enterprises and, therefore, play an important role in sustainable finance. They stand in particular in contrast to the large investment and commercial banks in the Anglo-American space. The EIB is the largest development bank in the world (outside of China), followed by Germany's KfW. The bilateral development bank network of the EU, including the European Development Finance Institutions, KfW, the Agence Française de Développement (AFD), the EIB and the EBRD, are effective channels for European public investment in sustainable development outside the EU, and thus an important aspect of the external dimension of the European Green Deal.

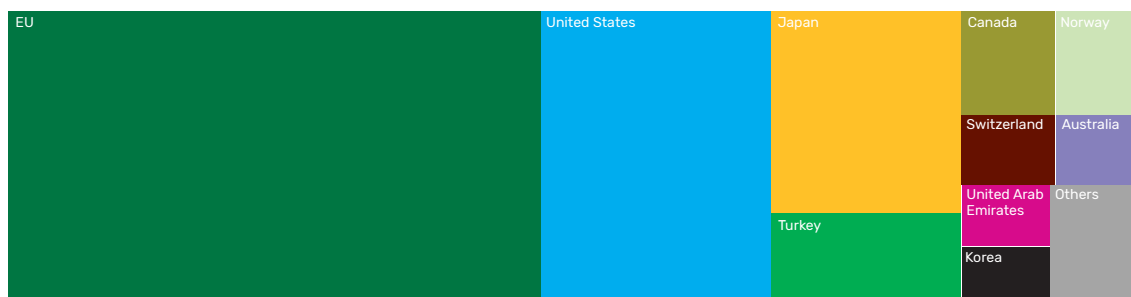
DEVELOPMENT COOPERATION

The EU is in a category of its own when it comes to financial support for development cooperation (see graph below), giving the EU a unique ability to support low- and middle-income countries in their own transition to decarbonisation and support their adaptation and resilience needs.

Basis of influence

Largest Official Development Assistance (ODA) donor: The EU's extensive development relations and historically strong architecture for dialogue, as well as above average support from a number of EU Member States for development cooperation – though not necessarily closely aligned – also provide the EU with extra means and channels to turn financial support into means to deliver on country and local priorities and needs.

Climate commitment: Climate goals already feature as a core mission of EU development assistance, therefore guiding spending by the EU – with €2.38 billion spent exclusively on climate between 2007 and 2021.³¹ Most importantly, climate cooperation is carried out alongside broader development objectives, shaped notably by the Sustainable Development Goals, providing incentives for integrated support for development and climate goals.



Gross ODA disbursement (in euro) in 2019

Source: European Commission (n.d.) EU Aid Explorer: Overview. https://euaidexplorer.ec.europa.eu/overview_en.

VALUES AND HUMAN RIGHTS

Despite being limited in its ability to overcome geopolitical and domestic alignment issues around enforcing its strong commitment to human rights at political level, the EU delivers on its financial commitment to human rights promotion and the prioritisation of the human rights objective in its development policy. Combined with strong – if not fully intact – credibility abroad on the topic, this puts the EU in a position to achieve influence on the ground.

Basis of influence

- **The EU is fundamentally a principled actor committed to defending human rights abroad.** This commitment is visibly translated into guiding elements of its external policy, notably through the renewal in 2020 of its Action Plan on Human Rights and Democracy. The EU also acts as a human rights advocate in multilateral fora.
- While the EU is willing to defend human rights globally, as demonstrated by the adoption of a new human rights sanction regime in 2020, **the way to do so credibly is restrained by a difficulty in following up and successfully enforcing such measures.** Given the unanimity requirements at the Foreign Affairs Council and diverging Member States' interests taking over, trade-offs are made between the EU's own policies and its credibility as a value-driven actor, worsened by the human rights challenges within its boundaries posed by growing illiberalism.³²
- However, **at implementation level, human rights promotion is embedded in its development cooperation objectives.** The UK has a dedicated funding instrument (the European Instrument for Democracy and Human Rights under the 2014–2020 budget) now merged into the Neighbourhood Development and International Cooperation Instrument (NDICI), with €1.562 billion dedicated to the implementation of the Human Rights and Democracy Thematic Programme³³. Human rights also feature prominently in the EU's extensive architecture of dialogues with third countries.

31 European Commission (n.d.) EU Aid Explorer: Recipients. https://euaidexplorer.ec.europa.eu/explore/recipients_en.

32 C. Hackenesch and C. Castillejo (2016) The European Union's Global Strategy: Making support for democracy and human rights a key priority. Bonn etc.: European Think Tanks Group. <https://ecdpm.org/publications/eu-global-strategy-democracy-human-rights/>.

33 European Commission (n.d.) International Partnerships: Human rights. https://ec.europa.eu/international-partnerships/topics/human-rights_en.

EU STRATEGIC INTERESTS

In the context of geopoliticisation of international relations, but also increasing interconnectedness, the EU's global but specifically economic and trade interests have been reframed around the open strategic autonomy principle.³⁴ Applied to the EU's economic interest – the concept also shapes EU digital, technological, defence and energy fields, to name a few – the EU intends to build the resilience of its supply chains. This has meant building protective instruments around anti-coercion and anti-distortion, but also a commitment to defend its interests and values, including on sustainability and climate goals.³⁵

While open strategic autonomy influences the framing of EU interests, it lives alongside an approach – arguably currently less prominent in EU rhetoric – looking to expand prosperity and build on the deep interlinkages of the global economy. This goal is particularly notable, as Green Deal success requires the engagement of international trade partners, markets and supply chains. This entails building coalitions and using multilateralism to develop harmonised standards (or at least mutually recognised ones) for everything from green bonds to public procurement, to green steel, which is crucial for scaling up demand for green goods and services. Harmonised standards lower the barriers for businesses to build green product value chains spanning global markets, bringing down overall compliance costs.

Global scrutiny is increasing over the systemic issues perpetuated by current international trade flows – from exacerbating inequalities and violations of human rights to deteriorating labour standards and planetary boundaries, to a recognition that even goods traded more fairly travelling long distances lead to high carbon emissions. With European consumers aware of these challenges, greening supply chains and trade flows can also be an opportunity to grapple with these systemic issues. International efforts are growing to identify ways in which tools such as technology transfer, product standards and preferential trade access can help advance not just the goals of the Paris Agreement but the Sustainable Development Goals at large. These tools can go beyond traditional financial support mechanisms such as the EU Fund for Sustainable Development. The success and integrity of the EU Green Deal hinges on ensuring sustainable supply chains and trade flows also include protection of human rights and labour standards.

Geographically speaking, the EU's interest is linked to allowing Global South countries to fully participate in green supply chains if it is to secure domestic political buy-in. This includes not only facilitating their uptake of green technologies, but ensuring they develop domestic capacities in production and innovation to also benefit from growing export markets. Equally, all efforts must be made to minimise the negative environmental and social effects of new green industries in low-income countries (i.e. environmental and human rights impacts of extracting rare earth elements, or recent concerns over human rights violations in solar panel supply chains), by helping strengthen their domestic institutions and standards.

Europe's immediate neighbourhood is an area of both major interest and influence, given natural and deeper economic relations driven by geographical proximity and convergence – and in some

³⁴ European Commission (2021) An open sustainable and assertive trade policy. Brussels: European Commission. https://trade.ec.europa.eu/doclib/docs/2021/february/tradoc_159434.pdf.

³⁵ Tobias Gehrke (2021) Threading the Trade Needle on Open Strategic Autonomy? Brussels: Egmont Royal Institute for International Relations. <https://www.egmontinstitute.be/threading-the-trade-needle-on-open-strategic-autonomy/>.

cases also accession prospects – leading to extensive people-to-people, economic and also energy exchanges. So far, however, the EU has failed to mobilise these relationships strategically to incentivise either closer cooperation or reform. The more recent focus on migration and security has dominated the EU approach, especially towards its southern neighbourhood, playing against a broader deepening of ties. Other challenges come from the southern neighbourhood's increasing socio-economic interdependence with sub-Saharan African countries, and the challenge presented by China's technological and economic power, which is mostly geared towards locking in economic dependencies and polluting development pathways.

PRIORITISING WHERE TO START

Informed by the influence mapping above, as well as round-table and bilateral conversations with a breadth of European experts, this study proposes cross-cutting efforts and areas to prioritize transformational programming in. These are presented in the following visualisation:

CROSS-CUTTING EFFORTS:

- Internal structures to better coordinate and accelerate Paris-alignment at all levels
- Paris-alignment of EU funds to invest in accelerate mitigation and adaptation
- A truly European offer based on gender equality, human rights and interdependence that incentivizes rules-based multilateral action.

TRANSFORMATIONAL APPROACHES IN KEY AREAS OF EU PROGRAMMING:

- Development Cooperation and Partnership with Vulnerable countries
- Economic and Trade Cooperation and Partnership with major trade partners (i.e. USA, UK, China, Japan)
- Foreign and Security Cooperation and Building partnership to prevent destabilizing impacts of climate change and global decarbonization (MENA, Sub-Saharan Africa)

Alignment and building cooperation across European institutions and Member States is key to impacting EU external action – Paris-aligned or otherwise. As such, this study identifies three priority areas of cross-cutting activity that can build alignment and cooperation. Alongside these cross-cutting issues there is a need to further engage and connect the major areas of European and Member State foreign policy – development, economic relations, and foreign and security policy – in dialogue on integrating climate action in their efforts and the key relationships with third countries shaped by these efforts.

PART IV

STATE OF PLAY

4.1 CROSS-CUTTING EFFORTS

INTERNAL STRUCTURES FOR COORDINATION AND PARIS ALIGNMENT WITHIN THE EU

STAFFING, INFORMAL NETWORKS AND EMERGING CLIMATE COORDINATION MEASURES

While **exact numbers of EU diplomats and Commission staff working on international climate diplomacy are not public**, the EU has managed to play a significant role in global climate negotiations and increasing bilateral diplomacy with a comparatively small team³⁶ in the EEAS and a growing number of international staff in DG CLIMA.

One characteristic is the comparatively **increased capacity due to more widespread engagement with climate across the Commission and the EEAS**. With climate becoming a more central priority affecting all aspects of EU diplomacy, the number of units both within the EEAS and across the Commission engaging on issues related to climate internationally has also grown – though anecdotal evidence suggests not at a pace that can keep up with the opportunities for implementation diplomacy presented in the run-up to COP26.

Small yet dedicated capacity on climate diplomacy within the EEAS has been established over the past two years, with the appointment of an Ambassador at Large for Climate Diplomacy, who has recently been put at the head of a small, dedicated team on climate diplomacy. This has been complemented by a separate team on ‘Green transition’ diplomacy.

In terms of political leadership, the **responsibility for aligning EU foreign policy with the Paris Agreement is shared** and falls under the portfolios of several principals within the European institutions. President Von der Leyen and Executive Vice-President (EVP) Timmermans have taken most of the lead, while the High Representative/Vice-President Borrell and European Council President Michel have been less regularly engaged. Other principals such as EVPs Dombrovskis and Vestager and Commissioner Breton have only partially contributed to this choral leadership.

Coordination attempts such as Climate Diplomacy Weeks have emerged as an effective vehicle for coordinated EU and Member State delegation outreach on the ground in third countries. However, these still frequently focus on issues relating to United Nations negotiations, rather than on identifying broader areas for cooperation across trade, foreign policy and development engagement.

The role of **informal networks** in achieving outcomes on climate diplomacy should be highlighted. Both across the EU Member States (i.e. the Green Diplomacy Network) and among Member States’

³⁶ K. Biedenkopf and F. Petri (2021) The European External Action Service and EU Climate Diplomacy: Coordinator and Supporter in Brussels and Beyond, *European Foreign Affairs Review*, vol. 26, no. 1, pp. 71–86. <https://kluwerlawonline.com/journalarticle/European+Foreign+Affairs+Review/26.1/EERR2021007>.

coalitions of the willing (i.e. emerging climate envoys networks) the networks are making the difference in building joined-up European initiatives and outreach.

Finally, when it comes to **coordinating EU financial firepower**, Team Europe initiatives are being used by the EIB, EBRD and the European Commission to pursue joint projects that pool across EU funds and institutions, including on climate – but the initiatives lack an over-arching framework, standards, and a system for stronger coordination with Member States

CLIMATE COHESION OF REGIONAL POLICES

Regional strategies encapsulate EU priorities and objectives translated and tailored for each region that form the basis for engagement, including on climate. Over the year, the EU has developed a host of regional strategies to guide its cooperation with a longer-term view with all major regions of the world, which is then often complemented by country strategies. Together they form an extensive web of structures for engagement. These strategies tend to be updated regularly, though the timing is often determined by the changing political context.

So far, however, these **tailored strategies have not been systematically leveraged to consistently promote climate objectives**. This is because they are not all made equal. While climate has featured as an important element of most of these regional strategies, depending on when they were last updated, the level of prioritisation of support to climate objectives varies. Only the more recent ones – i.e. after adoption of the European Green Deal, such as the Indo-Pacific strategy or the revised Arctic strategy – reflect the understanding that climate is central to the EU's external relations.

As they reflect the EU's historical ties, economic relations and, in some cases, the prospect of integration, as in the case of the Western Balkans, **regional strategies also differ greatly in depth and scope and in implementation architecture**. Relations with the EU's neighbourhood or the Western Balkans, for example, are much more extensive in scope than with other regions, which rely, for example, on a few sectoral agreements with relatively higher levels of investment per country relative to their size.³⁷ In fact, the EU recently updated its approach to the Eastern Partnership and to the Mediterranean, and developed a dedicated 'Green Agenda for the Western Balkans' in 2020. This higher level of engagement and investment with the EU's neighbourhood should be mobilised to promote a concrete and comprehensive offer on climate and clean economy transition for prosperity that could serve as a basis for other regions.

EU-Africa cooperation (strategy updated in 2020) will be a first test of the EU's ability to offer a consistent offer early next year with the first Global Gateway projects and integration with other initiatives. There is significant **potential for economic recovery packages to focus on investing in clean energy technologies and adaptation measures in the region**. Climate risk reduction and mitigation measures, as well as investments in water security and renewable energies, offer possible tracks for sustainable growth, enhanced resilience and improved security in the region.

37 Chloe Teevan, Alfonso Medinilla and Katja Sergejeff (2021) The Green Deal in EU foreign and development policy. ECDPM Briefing Note, No. 131, May 2021. Maastricht and Brussels: European Centre for Development Policy Management. <https://ecdpm.org/wp-content/uploads/Green-Deal-EU-Foreign-Development-Policy-ECDPM-Briefing-Note-131-2021.pdf>.

However, adaptation financing has been lacking, and although the European Commission has pledged to invest 30% of overall EU external action funding in climate-aligned projects, financing has not been reaching communities on the ground. Priority has been given to aspects such as education, development cooperation, health and gender. Cooperation has been stronger on the sustainable energy aspect, which has featured prominently under the current EU Multiannual Financial Framework (2014–2020), with €2.7 billion earmarked for Africa (80% under National and Regional Indicative Programmes and 20% under the Global Public Goods and Challenges Thematic Programme).

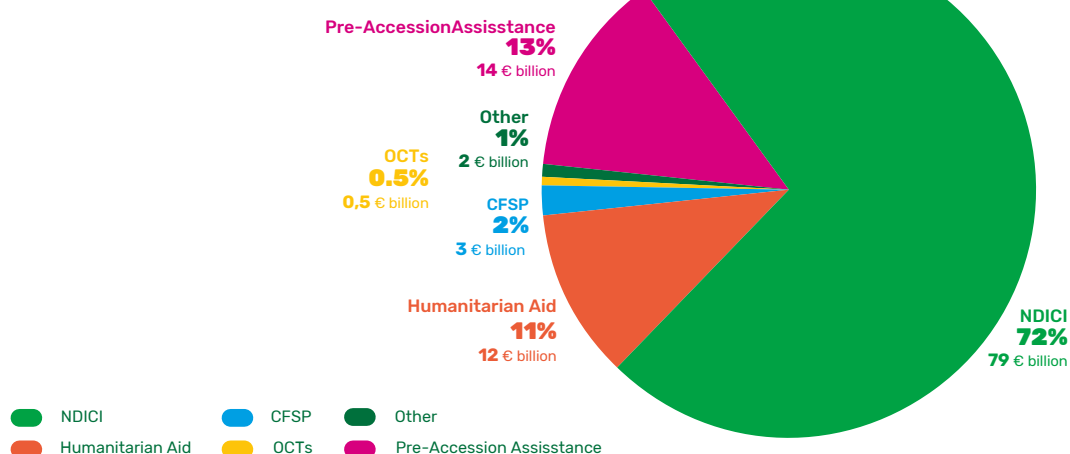
Region-to-region strategies (i.e. covering relations between the EU and the African Union) are a special feature of the EU, which, as the most advanced regional organisation of its sort, has a unique position to engage other regional bodies. Here again, engagement levels vary greatly depending on the body in question. While geo-strategic interests have revived the prospect of some cooperation, such as between the EU and the Association of Southeast Asian Nations (ASEAN), due to the salience of the Indo-Pacific region, it would again be relevant to see them more systematically mobilised to build support and also coalitions on climate issues

EU FUNDS AND FINANCIAL INSTITUTIONS AS KEY FOR ALIGNMENT, SUPPORT AND INNOVATING CO-DEVELOPMENT PROCESSES

GLOBAL EUROPE FACILITY – THE CORNERSTONE OF FINANCE FOR PARIS-ALIGNED DEVELOPMENT COOPERATION AND EXTERNAL COOPERATION

As part of the 2021–2027 EU budget, most of the EU’s significant ecosystem of external action funds have recently been combined in the NDICI (also known as the Global Europe Facility). With this move, the Global Europe Facility has emerged as the main source of flexible EU external action funding for ODA (providing 93%) and also supports cooperation with all other partners.

Multiannual Financial Framework 2021–2027
Neighbourhood and the World
(in €billion, current prices)



Source: European Commission (n.d.) Multiannual Financial Framework 2021–2027 (in commitments). https://ec.europa.eu/info/publications/multiannual-financial-framework-2021-2027-commitments_en.

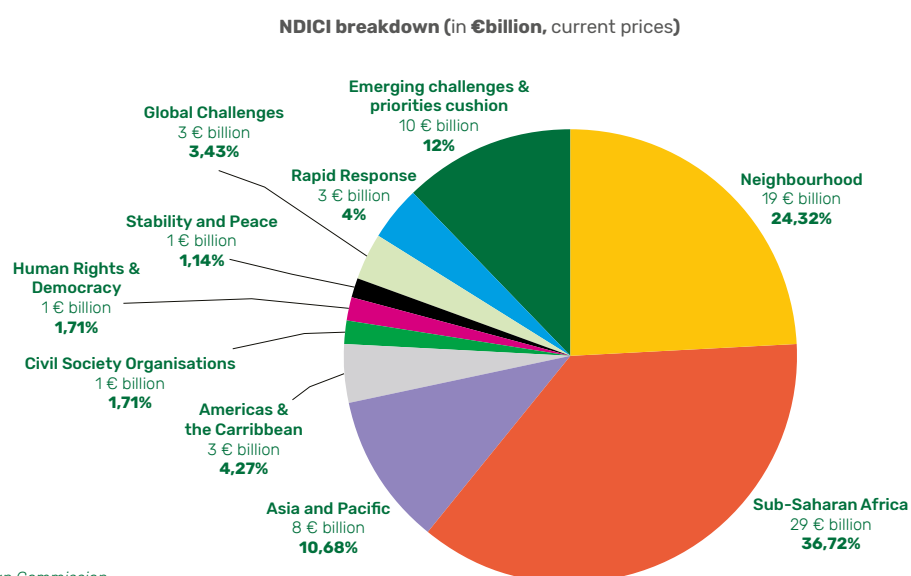
At just under €80 billion, the Global Europe Facility makes up 72% of the overall EU external action pot. The Commission recently established a **climate-earmarking share of at least 30%,³⁸ but has yet to confirm how the principle of ‘Do no significant harm’** (art. 8.8. of the instrument),

³⁸ European Union (2020) Neighbourhood, Development and International Cooperation Instrument (NDICI) – “Global Europe”. Luxembourg: Publications Office of the European Union. https://ec.europa.eu/international-partnerships/system/files/factsheet-global-europe-ndici-june-2021_en.pdf.

enshrined in the EU sustainable finance taxonomy and EU budget, will also be used to screen the programming of the Global Europe Facility. The principle could position the facility as a main lever for action on supporting Paris goals abroad, provided the risk of possible backsliding on the climate alignment of the taxonomy is not realised. With the EU and its Member States remaining the largest combination of development aid providers, a shift in the way the EU uses its external action funding to support the common goals of the Paris Agreement can have an immediate impact on the ground, as well as a strong signalling effect for setting the bar for other major development finance providers.

The current programming of the Global Europe Facility already implies a **strong geographic prioritisation of EU action, since a majority of the fund will be channelled to two regions: sub-Saharan Africa (37%) and the EU neighbourhood (24%)**. Paris-aligning both the funding streams themselves, alongside the regional strategies that will underpin EU activities in these regions, will be the litmus test for the EU's ability to co-develop approaches to support the regions' decarbonisation and adaptation goals. The role of the NDICI programming is particularly key to ensure regional strategies are more systematically leveraged to consistently promote climate objectives, as not all have been updated to reflect the EU's most recent and ambitious commitment to climate objectives. This should, therefore, be a priority for action.

The move to reform EU external action funds is driven not just by climate goals, but also by the need to improve the effectiveness of EU funding in achieving change and delivery on the ground.³⁹ The funds' commitment for 85% of all new actions to have gender equality as a principal or a significant objective is promising (although only 5% should have it as a principal objective). It would allow the climate-gender nexus to be addressed as part of the EU's development support. To deliver on the EU's Gender Action Plan III, there needs to be considerable attention to the intersection of the gender and climate targets, as well as support to ensure finance reaches women and girls, both through support to civil society organisations and micro-actors to access finance, and through attention to strategic sectors that will support gender equality and climate resilience (e.g. agriculture and adaptation). The European Fund for Sustainable Development Plus (EFSD+) should also consider gender and climate as a strategic objective.



Source: European Commission

³⁹ Alisa Herrero et al. (2015) Implementing the Agenda for Change: An independent analysis of the 11th EDF programming. Discussion Paper, No. 180, September. Maastricht and Brussels: European Centre for Development Policy Management. <https://ecdpm.org/wp-content/uploads/DP-180-Implementing-Agenda-Change-September-2015-ECDPM.pdf>.

Ultimately, as a fund, its **impact will essentially be determined by the way it is employed, and here the programming period is essential to channel funds towards climate projects.**⁴⁰ There is, however, a history of underspending when it comes to climate-earmarked funds within the EU, exacerbated by a reliance on ex post assessments of budgetary spend. That means that tracking the promised share of funds going to climate does not allow for extensive recalibration of spending during the budget period. The increased share of 30% must be used effectively to go to climate projects and initiatives.

Importantly, impact – notably when it comes to **addressing gender and climate as interlinked objectives – should be prioritised**, rather than relying solely on the 30% climate-mainstreaming objective. For example, there is currently no clarity on how the emerging EU sustainable finance taxonomy and its key ‘Do no significant harm’ principle will be used to complement traditional environmental impact assessments used in ODA programming. While the Global Europe Facility will be guided by the principles of ‘do no harm’ and ‘leave no one behind’, the programming period will be key to concretising their implementation.

Additionally, while there is an unallocated flexibility cushion of €9.53 billion to respond to emerging challenges, and cross-cutting priorities have been identified,⁴¹ there is no per se dedicated funding set aside for ‘integrated projects’ that could incentivise pursuing activities at the nexus of EU priorities (i.e. peace-climate-gender or poverty eradication-climate-gender) above and beyond the 30% earmarking. This is where early dialogue with recipient countries already at the programming stage would be essential to ensure the fund’s design will support delivery.

The financial envelope designated for the NDICI’s geographic programmes also covers the **EFSD+ and the External Action Guarantee**. Deemed “an innovative unified financial architecture to crowd in private sector investment outside the EU”,⁴² its role is to support investments and increase access to financing with the goal of advancing the objectives and general principles of the NDICI.⁴³ One of its objectives is to contribute to climate action and environmental protection, and it is considered best placed to unlock investment in transport, renewable energy and energy efficiency projects. The open financial architecture for the EFSD+ implementation places the EIB as a major implementing partner,⁴⁴ positioning the EIB to influence what has been deemed insufficient climate commitment of the EFSD+. Equally, the EFSD+ has been criticised for not focusing sufficiently on poorer and vulnerable countries,⁴⁵ as well as for requiring more effort for blending benefits, and financial intermediaries reaching smaller actors (e.g. through micro-financing initia-

40 See European Court of Auditors (2018) The Commission’s proposal for the 2021-2027 Multiannual Financial Framework: Briefing paper. Luxembourg: European Court of Auditors.

41 European Union (2020) Neighbourhood, Development and International Cooperation Instrument (NDICI) – “Global Europe”. Luxembourg: Publications Office of the European Union. https://ec.europa.eu/international-partnerships/system/files/factsheet-global-europe-ndici-june-2021_en.pdf.

42 San Bilal (2019) Leveraging the next EU budget for sustainable development finance: the European fund for sustainable development plus (EFSD+). Discussion Paper, No. 243, February. Maastricht and Brussels: European Centre for Development Policy Management. <https://ecdpm.org/wp-content/uploads/DP-243-Leveraging-the-EU-budget-for-sustainable-development-finance-EFSD.pdf>.

43 European Parliament and the Council of the European Union (2021) Regulation (EU) 2021/947 of the European Parliament and of the Council of 9 June 2021 establishing the Neighbourhood, Development and International Cooperation Instrument – Global Europe, amending and repealing Decision No 466/2014/EU and repealing Regulation (EU) 2017/1601 and Council Regulation (EC, Euratom) No 480/2009. Brussels: European Parliament and the Council of the European Union, p. 38, Art. 31. <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32021R0947&id=7>.

44 Mariella Di Ciommo and Pamela Eunice Ahairwe (2021) The EU budget and external climate financing: the state of play. ECDPM Briefing Note, No. 132, May 2021. Maastricht and Brussels: European Centre for Development Policy Management, p. 11. <https://ecdpm.org/wp-content/uploads/EU-Budget-External-Climate-Financing-State-Play-ECDPM-Briefing-Note-132-2021.pdf>.

45 San Bilal (2019) Leveraging the next EU budget for sustainable development finance: the European fund for sustainable development plus (EFSD+). Discussion Paper, No. 243, February. Maastricht and Brussels: European Centre for Development Policy Management. <https://ecdpm.org/wp-content/uploads/DP-243-Leveraging-the-EU-budget-for-sustainable-development-finance-EFSD.pdf>.

tives). There is notably a lack of evidence over development additionality of blending mechanisms in general (as assessed by the European Court of Auditors⁴⁶ and also a recent study by the European Parliament).⁴⁷

The EIB at the frontiers of funding mitigation and clean energy transition, if not adaptation. In 2019, the EIB was the largest financier of climate action globally.⁴⁸ With the EU Climate Bank Process, and the associated roadmap, the EIB has set a strong precedent for integrating climate into its operations. Having claimed full alignment with the Paris agreement last year, and currently undergoing a reform process, the EIB is leading other multilateral development banks on climate ambition. However, the ongoing review of various internal policies – on both the environment and human rights – and action plans (transport, counterparty alignment), as well as next year's energy lending policy mid-term review will reveal whether the EIB is living up to its aspirations. It has notably been criticised for a poor human rights record by failing to conduct human rights due diligence in its project financing process.⁴⁹

While the EIB has led the way in putting climate at the heart of its energy lending policy, it has historically been weak on adaptation. Currently there is no guarantee in the Multiannual Financial Framework on what share of funds will go to adaptation. And the EIB only dedicates 12% of its external climate action lending to adaptation.

The EIB plans to raise its share of financing dedicated to climate action and environmental sustainability to over 50% of its activity in 2025 and leverage €1 trillion of investment over the next decade.⁵⁰ It has the ambition of moving from an EU bank supporting climate to the EU climate bank.⁵¹ By the end of 2020, the EIB planned to ensure that all its financing activities would align with the goals and principles of the Paris Agreement.⁵²

With the possible founding of a development branch focusing more on EU external development lending, the EIB is entering new territory and will have to coordinate with other traditional development banks such as the World Bank. **It is highly recommendable that the EIB will replicate its climate bank ambition also for its development branch, albeit with a stronger focus on adaptation, clean energy access and technology transfer, as well as focus on reaching local actors.**

THE EBRD – THE DRIVER OF PARIS ALIGNMENT IN THE EXTENDED EU NEIGHBOURHOOD?

Operating mostly in Central and Eastern European countries, as well as in Central Asia, the Balkans and the Middle East, the EBRD's investment focus is heavily concentrated on managing the tran-

46 European Court of Auditors (2020) Opinion No. 7/2020 accompanying the Commission's report on the implementation of the European Fund for Sustainable Development. Luxembourg: European Court of Auditors. <https://www.eca.europa.eu/en/Pages/DocItem.aspx?did=54822>.

47 Kate Bayliss (2020) The use of development funds for de-risking private investment: how effective is it in delivering development? Brussels: European Parliament Think Tank. [https://www.europarl.europa.eu/thinktank/en/document.html?reference=EXPO_STU\(2020\)603486](https://www.europarl.europa.eu/thinktank/en/document.html?reference=EXPO_STU(2020)603486).

48 Mariella Di Ciommo and Pamela Eunice Ahairwe (2021) The EU budget and external climate financing: the state of play. ECDPM Briefing Note, No. 132, May 2021. Maastricht and Brussels: European Centre for Development Policy Management, p. 11. <https://ecdpm.org/wp-content/uploads/EU-Budget-External-Climate-Financing-State-Play-ECDPM-Briefing-Note-132-2021.pdf>.

49 Counterbalance and CEE Bankwatch (2020) Is the EIB too faulty to become the 'EU Development Bank'? Brussels: Counterbalance and CEE Bankwatch. <https://counter-balance.org/publications/is-the-eib-too-faulty-to-become-the-eu-development-bank>.

50 European Investment Bank (2020) EIB Group Climate Bank Roadmap 2021-2025. Brussels: EIB, p. vi. https://www.eib.org/attachments/thematic/eib_group_climate_bank_roadmap_en.pdf.

51 Ibid.

52 Ibid.

sition of these economies. The EBRD also has a particular focus on the promotion of the private sector and progress towards market-based economies.

Within this paradigm, it has developed the Green Economy Transition Approach 2.0., which includes strong parameters to ensure a just transition towards climate neutrality. Similar to the EIB, the EBRD has set a green finance target of 50% of annual lending by 2025. It has launched its methodology for Paris alignment, which will be expanded to include a framework for alignment of intermediaries and counterparties. Part of the Paris alignment approach will include developing decarbonisation scenarios for client countries. From the end of 2022 onwards, the EBRD has committed that all its activities will be Paris-aligned.⁵³ Matching the ambition of the EIB in committing to rule out finance for unabated fossil fuel projects from the end of 2021 would represent a further achievement.

The EBRD is a key lever for financing projects in the European neighbourhood, and its Paris alignment can be a driver for investment in greener energy infrastructure in both the eastern and the southern neighbourhood. **As these regions face significant transition risks, not least due to their heavy reliance on power generation from fossil fuel, the EBRD is also a logical partner to develop just transition approaches.** Other EBRD countries face significant physical climate risk. Floods in the Western Balkans caused significant damage, while countries in the southern and eastern Mediterranean are experiencing water scarcity and heatwaves.

LAGGING BEHIND: EU NATIONAL DEVELOPMENT FINANCE AND EXPORT-IMPORT BANKS

European development banks are among the largest providers of development finance in the world – in particular, Germany's Kreditanstalt für Wiederaufbau (KfW), France's Agence Française de Développement (AFD) and the Dutch Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden (FMO). **While there has been significant progress on aligning with the Paris Agreement, such as AFD's new energy lending policy,** there are disparities in the level of ambition of different banks. As part of Team Europe initiatives, as well as part of associations such as the European Development Finance Institutions, some alignment of standards and policies is under way. However, there is a clear lack of coordination between European Development Finance Institutions on setting joint priorities and standards for their investments.

Export credit agencies continue to lag behind in the discussions on aligning with the Paris agreement. Some progress is being made – for instance, as part of the Export Finance for Future (E3F) coalition – but such initiatives do not go as far as more ambitious policies, such as the UK's fossil finance ban for international financial support. A key element of aligning export credits and guarantees with the Paris agreement would be to **raise the ambition of the Organisation for Economic Co-operation and Development (OECD) consensus on export credits.**

TEAM EUROPE INITIATIVES AS A SPACE OF EMERGING POTENTIAL FOR COOPERATION BETWEEN THE EUROPEAN COMMISSION AND DEVELOPMENT BANKS

The Team Europe approach was created to 'brand the collective support' the EU brought in the wake of the COVID-19 pandemic in 2020.⁵⁴ It was then extended to the EU's development space

⁵³ European Bank for Reconstruction and Development (n.d.) The EBRD and the Paris Agreement. <https://www.ebrd.com/ebird-paris-agreement>.

⁵⁴ Alexei Jones and Chloe Teevan (2021) Team Europe: up to the challenge? ECDPM Briefing Note, No. 128, January 2021. Maastricht and Brussels: European Centre for Development Policy Management. <https://ecdpm.org/wp-content/uploads/Team-Europe-Up-To-Challenge-ECDPM-Briefing-Note-128-January-2021.pdf>.

to increase the visibility of its considerable development support in the face of other more visible yet smaller donor countries such as China.⁵⁵ This framework, bringing together Member States, their banks and implementing agencies, was meant to create greater coherence for increased effectiveness and impact. Given the amounts invested in development cooperation at national and EU levels, joint mobilisation of development finance could indeed lead to greater impact on the ground.

However, turning what essentially started as a communication and political exercise⁵⁶ focused on a defined health emergency to delivering transformational impact in development cooperation with actual added value to development partners will be the real test. In particular, how the initiative will serve to better support climate-focused development remains open. Recently making the Team Europe approach a part of the NDICI programming was an essential first step, including when it comes to orienting finance to climate-relevant projects. **Given the EIB's climate credentials, setting up its new development branch in 2021 could act as the institutionalised mandate to orchestrate the EU's vast development finance and technical assistance infrastructure specifically into a common European low-carbon, climate-resilient development model.**

ALIGNING EXTERNAL ACTION WITH BOTH THE PARIS GOALS AND BROADER EU VALUES

Defending human rights is a core commitment of the EU's external action. The respect for human rights is a founding principle of the EU and one enshrined in EU treaties.⁵⁷ As a union of States deciding to pool their sovereignty together in a project that goes beyond any other form of multilateral organisation, the commitment to core principles – liberty, democracy and respect for human rights, fundamental freedoms and the rule of law – is fundamental to its very identity. Article 21 of the Treaty of the European Union enshrines the promotion of human rights in EU external action.

The transformative action needed to avert catastrophic levels of climate change will not happen if vested interests and fossil entanglements are not balanced by a free and active civil society and the perspectives and voices of those most vulnerable. These rights are being increasingly curtailed, with Global Witness reporting that 227 land and environmental defenders were murdered in 2020, the highest number on record in a single year.⁵⁸ Climate funding – like development funding in the past – cannot indirectly support regimes that do not uphold human rights.

GENDER IS INEXTRICABLY LINKED TO GLOBAL CLIMATE GOALS

Fundamentally, the EU's identity is centred on the commitment to core values⁵⁹ enshrined in EU treaties, one of which is equality. This commitment translated into the establishment of gender

55 See European Union (n.d.) Working Better Together as Team Europe: Through joint programming and joint implementation. <https://europa.eu/capacity4dev/wbt-team-europe>.

56 Alexei Jones and Chloe Teevan (2021) Team Europe: up to the challenge? ECDPM Briefing Note, No. 128, January 2021. Maastricht and Brussels: European Centre for Development Policy Management. <https://ecdpm.org/wp-content/uploads/Team-Europe-Up-To-Challenge-ECDPM-Briefing-Note-128-January-2021.pdf>.

57 Article 2 of the Treaty of the European Union: the EU's founding values are "human dignity, freedom, democracy, equality, the rule of law and respect for human rights, including the rights of persons belonging to minorities".

58 Global Witness (2021) Last Line of Defence. London: Global Witness. <https://www.globalwitness.org/en/campaigns/environmental-activists/last-line-defence/>.

59 European Commission (n.d.) The EU values. <https://ec.europa.eu/component-library/eu/about/eu-values/>.

equality policies since about the mid-1990s (see below) and would need to be at the heart of any foreign policy vision that the EU put forward, including on climate.

As such, gender considerations feature as a key component of addressing both development policy and conflict prevention⁶⁰ – two areas that will worsen with increasing impacts of climate change. Multiple studies have also shown that gender and climate need to be considered as a nexus, rather than two separate policy issues.⁶¹ Beyond the need for policy efficiency in linking the two, as recently outlined by the Centre for Feminist Studies, **gender-equitable foreign policy at large should be pursued as a goal in itself**, not least because it has been shown to improve the efficacy of external action.⁶² Climate change is gendered, as a result of the deeply entrenched gender inequalities that exist in all societies. Policies that ignore gender inequalities risk perpetuating or even exacerbating them. Additionally, there are even studies demonstrating that women in decision-making positions make a difference to a country's climate ambition, showing how greenhouse gas emissions are lower in countries in which women have greater political representation.⁶³

Equally, a **gender-equitable external policy cannot afford to overlook the climate challenge**, as it will constitute an increasingly important driver of inequalities at both the local and the trans-national level. At the same time, the pace of the transition required to contain warming to 1.5°C above pre-industrial levels – climate-neutral economies and societies by mid-century – will require broad societal buy-in. This in turn means that global efforts can only succeed in time if they are just and work to include all members of society.

The EU is committed to mainstreaming as its main tool to ensure the widest range of policies are addressed from a gender perspective. However, **just as the EU has yet to fully mainstream climate, it is still in the process of mainstreaming gender. This makes it even more important that there is a coherent strategy between both integration processes – given the opportunity for both substantive and process synergies**. The EU has started gender budgeting; however, unsatisfactory or inexistent frameworks and processes call into question the efficiency of such a tool to promote gender mainstreaming. With the EU having worked at mainstreaming gender into its budgetary procedure, the 2021–2027 budget includes gender impact assessments, and programme monitoring also represents a tool to shape programmes to achieve gender equality objectives. It remains unclear, however, whether these changes will unlock greater gender mainstreaming than in the previous budget period, which the European Court of Auditors assessed as insufficient in 2020.⁶⁴

As with climate, integrating gender into foreign policy requires reshaping the question as part of the fundamental objective of the policy. While no blueprint exists, the EU counts Member States

60 Jessica Smith, Lauren Olosky and Jennifer Grosman Fernández (2021) The Climate-Gender-Conflict Nexus: Amplifying Women's Contributions at the Grassroots. Washington, DC: Georgetown Institute for Women, Peace and Security. <https://giwps.georgetown.edu/resource/the-climate-gender-conflict-nexus/>.

61 Senay Habtezion (2013) Overview of linkages between gender and climate change. New York: United Nations Development Programme. <https://www.undp.org/content/dam/undp/library/gender/Gender%20and%20Environment/PB1-AP-Overview-Gender-and-climate-change.pdf>.

62 Nina Bernarding and Kristina Lunz (2020) A Feminist Foreign Policy for the European Union. Brussels: Centre for Feminist Foreign Policy. <https://www.hannahneumann.eu/wp-content/uploads/2020/06/Study-Feminist-Foreign-Policy-for-the-European-Union.pdf>.

63 G.L. Magnusdottir and A. Kronsell (2015) The (In)visibility of Gender in Scandinavian Climate Policy-making. International Feminist Journal of Politics, vol. 17, no. 2, pp. 308–326. https://www.tandfonline.com/doi/pdf/10.1080/14616742.2014.896661?casa_token=sTqZ-PZc8bk0AAAAA:xxVRiNYH7dG0FQYY2YtzYdABeKYzXKqaQj25f3G0v0CACaHakaTHpYm_yYtXetPYttbvWzApEoUtiJXg.

64 European Court of Auditors (2020) Audit preview – Gender mainstreaming in the EU budget. Luxembourg: European Court of Auditors. https://www.eca.europa.eu/Lists/ECADocuments/AP20_03/AP_Gender_equality_EN.pdf.

as champions, with Sweden – the world’s first country to adopt a feminist foreign policy (2014) – and France among the leaders in this respect. The EU Gender Action Plan III (2020) and the commitment to prioritise gender equality and women’s and girls’ empowerment at the heart of all new external⁶⁵ policies shows the understanding that gender needs to be made an objective of EU foreign policy if impact is to be achieved.

HUMAN RIGHTS INCREASINGLY INTERSECTING WITH THE GREENING OF SUPPLY CHAINS

As the latest suspicion of the use of forced labour for the production of solar panels in Xinjiang, China,⁶⁶ exemplifies, **the increased demand for goods and raw materials necessary for the clean economy transition is raising growing concerns over compatibility with human rights protections.**

The EU’s clean economy transition is reshaping its trade relationships, which will have ramifications for the diplomatic outreach and engagement needed – particularly with major trading partners. The EU’s clean economy, as a driver of growth, places the EU at the centre of supply chains – including raw materials – for the green transition of goods and services. **It also positions the EU to use its market power to shape global trade rules to ensure trade in green goods is also done in respect of human and labour rights.**

When announcing a ban on imports into the EU market of products made with forced labour, the Commission sent a strong signal about the EU’s responsibility to ensure supply chains are free from human rights abuses.⁶⁷

While it is part of a larger rethinking exercise, the 2021 European trade policy review recasts green trade as an EU security interest along the lines of the EU’s new priorities around the clean economy transition.⁶⁸ Occasional measures such as guidance for due diligence for EU businesses to address the risk of forced labour in their operations and supply chains⁶⁹ have been released. The EU’s Conflict Minerals Regulation⁷⁰ and the proposed Batteries Regulation⁷¹ are good examples of the tools it could deploy to secure the environmental and social integrity of its supply chains.

Deforestation, as another driver of human rights abuses and, in particular, violence and threats to the lives of environmental rights defenders, has been acknowledged as an area where EU market power can meet its responsibilities on defending human rights. The Commission has recently presented its proposal for a Deforestation Regulation,⁷² which includes demand-side measures

65 European Commission (2020) Joint Communication to the European Parliament and the Council: EU Gender Action Plan (GAP) III – An Ambitious Agenda for Gender Equality and Women’s Empowerment in EU External Action. {SWD(2020) 284 final}. Brussels: European Commission. https://ec.europa.eu/international-partnerships/system/files/join-2020-17-final_en.pdf.

66 Aitor Hernández-Morales, Karl Mathiesen, Stuart Lau and Giorgio Leali (2021) Fears over China’s Muslim forced labor loom over EU solar power, Politico, 10 February. <https://www.politico.eu/article/xinjiang-china-polysilicon-solar-energy-europe/>.

67 Ursula Von der Leyen (2021) 2021 State of the Union speech by President von der Leyen. Strasbourg: European Commission. https://ec.europa.eu/commission/presscorner/detail/en/SPEECH_21_4701.

68 European Commission (2021) Trade Policy Review – An Open, Sustainable and Assertive Trade Policy. Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions. COM(2021) 66 final, 18 February 2021. Brussels: European Commission. https://trade.ec.europa.eu/doclib/docs/2021/february/tradoc_159438.pdf.

69 European Commission (2021) Guidance on due diligence for EU businesses to address the risk of forced labour in their operations and supply chains. Brussels: European Commission. https://trade.ec.europa.eu/doclib/docs/2021/july/tradoc_159709.pdf.

70 European Commission (n.d.) The regulation explained. https://ec.europa.eu/trade/policy/in-focus/conflict-minerals-regulation/regulation-explained/index_en.htm.

71 European Commission (2020) Proposal for a Regulation of the European Parliament and of the Council concerning batteries and waste batteries, repealing Directive 2006/66/EC and amending Regulation (EU) No. 2019/1020. COM(2020) 798 final. Brussels: European Commission. https://ec.europa.eu/environment/pdf/waste/batteries/Proposal_for_a_Regulation_on_batteries_and_waste_batteries.pdf.

72 European Commission (2021) Proposal for a regulation on deforestation-free products. <https://ec.europa.eu/environment/publica->

to reduce deforestation and the definition of a deforestation-free supply chain.^{73, 74} There is little indication to date that this legislation will suffice to address the defenders' fate without a rights-led initiative.⁷⁵

4.2 TRANSFORMATION AREAS

DEVELOPMENT COOPERATION AND PARTNERSHIPS

The EU and Member States have historically acted as co-convenors of high-ambition coalitions and have in the past championed issues of major concern to climate-vulnerable country partners. However, as climate – both in the form of impacts and the shift to climate neutrality – increasingly expands beyond the halls of the United Nations climate negotiations and affects Global South partners' economies, societies and natural environment, the EU is being challenged to adapt its approach to the climate–development nexus.

The EU is lacking a comprehensive approach to engaging with vulnerable partners, particularly in the EU neighbourhood and Africa, as part of its green transition. This is particularly the case when it comes to EU and Member State hydrogen ambitions – where significant grid expansions and renewable energy supply from the Middle East and North Africa is the pre-condition for a green hydrogen expansion in Europe. There is growing recognition that development support in the region will need to facilitate honest conversations on the renewable energy that will be needed to support its own prosperity and development and ensure that EU development cooperation is delivering improved energy security for African countries, as well as the energy that can be produced on top of this to unlock European visions of green hydrogen. The EU also has a role to play in challenging continued International Monetary Fund advice to countries to invest in fossil fuels, and ensuring that low- and middle-income countries are not trapped into reliance on gas and coal while developed countries decarbonise their economies.

The relationship between the EU and the African Union has become increasingly fractious, and initial dialogues between them have shown the risk of approaches led by the EU and centred on the European Green Deal being perceived as 'green colonialism', or the European transition coming at the expense of third countries. On a broader level, the EU needs to acknowledge that climate change has different social, economic and health impacts for different groups, with certain marginalised groups suffering disproportionately more than others. This highlights the importance of co-development and coalition-building around joint delivery of Africa's vision 2063, including building on the Nationally Determined Contributions submitted by African countries as their own policy statements.

Despite the EU's and Member States' commitment to policy coherence for development under the 1992 Treaty of Maastricht, a persistent lack of joint development cooperation programming and coordination between Member States has hampered efforts to fund a global green transition. If

[tions/proposal-regulation-deforestation-free-products_en.](#)

73 European Commission (2021) Proposal for a regulation on deforestation-free products, 17 November. https://ec.europa.eu/environment/publications/proposal-regulation-deforestation-free-products_en.

74 European Commission (2021) Deforestation and forest degradation – reducing the impact of products placed on the EU market. https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/12137-Deforestation-and-forest-degradation-reducing-the-impact-of-products-placed-on-the-EU-market_en.

75 Ibid.

left unresolved, this lack of coordination will also see the EU fail to meet the development challenges and impacts caused by COVID-19, which threatens to undo many of the development gains made over the past decade. The Team Europe approach, launched in April 2020 to support third countries' response to COVID-19, offers a possible way for the EU and Member States to trial how they can better coordinate their wider support to partner countries through their development co-operation. However, care must be taken to ensure that a Team Europe approach does not prioritise European ownership of projects and priorities over third countries' ownership.

ECONOMIC AND TRADE COOPERATION AND PARTNERSHIPS WITH MAJOR TRADE PARTNERS

As the EU's new growth strategy, the European Green Deal has made the green transition central to EU prosperity and economic diplomacy. The underpinning policies are seeing **the EU break new ground on legislating and regulating the green transition across economic and financial sectors.**

However, there is a lack of a vision of how to manage the changes that deep decarbonisation and the Green Deal will require in the EU's trade relationships and supply chains. While the EU has acknowledged the role of global trade rules and standards in supporting the climate-neutral transition in its trade policy review launched in early 2021, this has not been accompanied by a comprehensive rethink of the role of trade policy in supporting decarbonisation. This impasse is worsened by competing narratives around EU trade, one focused on securing EU strategic autonomy through trade restrictions and industrial policies, and the other highlighting economic and security benefits of interdependence and the role of trade policy as a vehicle to externalise EU norms. Moreover, there is also an apparent clash between highlighting the first-mover and competitiveness advantages of the green transition and the narrative on supporting similar transitions across the globe.

At least **rhetorically, the EU set up the goal to use the European Green Deal to support the rest of the world in its decarbonisation efforts** (see 2019 European Green Deal communication), and this was translated further into the gradual alignment of its own policies (e.g. trade, industry). However, Green Deal diplomacy as a systematic approach beyond the CBAM has remained rhetoric rather than reality. Trade partners, and many stakeholders and policymakers, currently see the CBAM as the extent of the external dimension of the European Green Deal. **It is unclear how Green Deal diplomacy should interact with the principle of open strategic autonomy and its variants (such as technological sovereignty),** which seem to have taken the lead role in shaping sectoral policies (competition/subsidies, research and innovation, industry) in the absence of a clear vision of Green Deal diplomacy. This relates in part to the fact that beyond considerations around the CBAM, there is little official analysis on the external effects (and requirements) of the European Green Deal.

CLIMATE IN KEY RELATIONSHIPS

USA

Climate is central to the revitalised transatlantic relationship, but it is still up to the EU to shape how central climate and the green transition become to the trade dialogue and day-to-day realities of bilateral economic relations with the USA.

- While climate cooperation, including in third countries, is at the heart of the recently established EU–USA High-Level Climate Action Group, it is somewhat unclear whether climate technologies and green trade considerations will be similarly central to the transatlantic trade and economic relations. With both economies shifting onto a path for climate neutrality, there is **strong potential for transatlantic cooperation to become an engine for greening trade – not just bilaterally but internationally.**
- An example of the EU and the USA using trade policy to incentivise industrial decarbonisation efforts is the new ‘Global Sustainable Steel Arrangement’. The EU and the USA recently resolved the Trump-era Section 232 steel and aluminium tariff dispute; in doing so, both sides agreed to a carbon-based sectoral arrangement on steel and aluminium to be implemented in 2024. Negotiations over the next two years will determine the specific terms of the agreement, but **the EU and the USA will work together to restrict access to their markets for dirty**. A key part of the deal is that the arrangement will be open to other countries interested in addressing the carbon-intensity of steel and aluminium.
- **The new Transatlantic Green Tech Alliance can become a space for innovation and joint diplomacy to accelerate decarbonisation in third countries;** however, it is uncertain how the broader transatlantic Trade and Technology Council will take up the rules around a green transition more systematically. The first meeting in Pittsburgh produced a limited statement on outcomes but failed to incorporate climate and green technology in the Council’s wider objectives, beyond providing a short description of the working group on climate and green technology.

OTHER

Emerging climate-centred initiatives increasingly structuring relations with major partners

- **The EU is more systematically restructuring relationships with key partners around climate.** Latest examples include the formal development by the EU of ‘green alliances’, the first of which was signed with **Japan** in 2021. It articulates a common agenda around the achievement of climate neutrality by 2050. While actual joint commitments remain relatively absent, this new form of partnership presents the benefit of re-orienting cooperation towards key areas for implementation of the net zero agenda. Exchanges on regulatory policies, product standards or innovation and technology are positive developments in this regard that can pave the way for greater alignment of rules to facilitate the global clean economy transition.

- With **India**, the EU has revived the EU–India Clean Energy and Climate Partnership, initiated in 2016, under the EU–India High–Level Dialogue on Climate Change. The new work programme is being developed with a view to “deepening our cooperation to accelerate the deployment of renewable energy, promote energy efficiency, collaborate on smart grid and storage technology and modernise the electricity market”.⁷⁶ The stated broad collaboration agenda bodes well for the development of a concrete agenda to implement the clean energy transition as part of the relationship, **but success will also depend on the ability to connect it to the broader agenda, including notably on trade, connectivity and technology for broader impact.**
- As part of their latest trade agreement negotiations, the EU and **New Zealand** are exploring the possibility of developing greener trade deals. In a joining of interest in reflecting climate commitment in their trade relationship, the proposal would be the first to build enforceable sustainability rules as part of trade agreements.⁷⁷ Little is known at this stage, but the **alignment of the EU’s and New Zealand’s interest has already allowed the development of what could serve as a blueprint for more climate-compatible trade deals to be explored.**

UK

The Trade and Cooperation Agreement (TCA) between the EU and the UK places climate front and centre, but actions to pursue joint efforts are stalling.

- There are multiple references to trade, the Paris Agreement and both parties meeting their respective commitments (a violation of the Paris Agreement can trigger a suspension of the trade pact). This indicates that climate is a key issue of geopolitical importance to both the EU and the UK. However, the **TCA has merely laid the foundations for future negotiations needed to turn this initial agreement into concrete future action.**
- For example, with respect to energy, the TCA laid the foundations for cooperation on the development of offshore wind power in the North Sea and for a system to trade electricity across interconnectors. However, this agreement lacks any specific objective, and little progress has been made in this space to date, which fails to reflect the urgency of the need to meet offshore wind targets. To contribute to the EU and UK 2030 targets for offshore wind, what is needed now is an EU–UK political commitment to move forwards with work to connect the EU and the UK with several offshore wind farms.
- Similarly, the TCA highlights that the EU and the UK will give serious consideration to linking respective carbon-pricing mechanisms, yet no further negotiations have yet taken place around linking the EU emissions trading system (ETS) and the UK’s. The UK government has indicated willingness to link the UK ETS with international partners, and arguably, without international partners to trade with, the UK ETS risks failure. However, the government has given no indication yet of any intent to link with the EU ETS. Given the current sensitivities in the UK regarding regulatory sovereignty, it seems more likely that a loose alignment rather than formal linking may be a more realistic way forward.

⁷⁶ European Union and Government of India (2021) Joint Statement EU–India Leaders’ Meeting, 8 May 2021. Porto: European Union and Government of India. <https://www.consilium.europa.eu/media/49523/eu-india-leaders-meeting-joint-statement-080521.pdf>.

⁷⁷ Jakob Hanke Vela (2020) EU–New Zealand chart course toward green trade deals, Politico, 1 November. <https://www.politico.eu/article/eu-gets-serious-about-green-trade-rules/>.

CHINA

Climate as an entry point to forge a common European approach to China

- **Climate is likely to provide an entry point for Member States to forge a common approach to China**, as they share a common EU approach on climate and energy diplomacy.⁷⁸ It is also an issue that enjoys broad public support across the EU; despite overall unfavourable views of China, the European public⁷⁹ sees climate as a key priority in their countries' foreign policy vis-à-vis China
- Climate will remain a pillar in EU–China relations; however, the EU will increasingly have to balance the growing competitive dimension with the need to coordinate with China to achieve ambitious climate goals, including engaging Beijing on the evolving rules governing the clean economy transition globally.
- A level of barrier-free trade will be key to scaling up new energy technologies in the time needed to support Europe's transition to climate neutrality. However, in the absence of formal bilateral agreements to level the playing field on trade and investment, the EU and China will need to actively manage the conversations around subsidies, trade and intellectual property, especially in key sectors such as electric vehicles and hydrogen.

RUSSIA

Climate as a lifeline for EU–Russia relations?

- The relations between the EU and Russia are at an all-time low due to multiple political crises over recent years, yet as Russia's direct neighbour and one of its largest trading partners, it is in the EU's interest to (re-)establish predictable and stable bilateral relations, though the scope for engagement has narrowed significantly.
- Two areas for potentially constructive dialogue are climate change and energy. A rapid decarbonisation of the Russian economy matters for global climate safety, and cooperation on climate and energy must not be put off due to political turmoil.
- Russia is the EU's largest supplier of fossil fuels, accounting for 40% of coal, 25% of oil and over 45% of gas imports to Europe. The expected decrease in European demand for hydrocarbons necessitates the deep restructuring of trade relations with Russia. **With its buyer's leverage, the EU can take a leading role in shaping the bilateral dialogue with Russia on clean economy transitions.**
- Furthermore, Russia is depending on Europe for trade in iron, steel and chemicals – the most emissions-intensive industrial sectors. Recent assessments⁸⁰ show that Russia tops the list of countries to be most affected by the CBAM. At the same time, Russia is working on its own

78 Council of the European Union (2021) Council conclusions on Climate and Energy Diplomacy – Delivering on the external dimension of the European Green Deal. 5263/21, 25 January. Brussels: Council of the European Union. <https://www.consilium.europa.eu/media/48057/st05263-en21.pdf>.

79 E3G (2021) Polling European Citizens on the Role of Climate Change in the EU's China Relations. Brussels: E3G. <https://www.e3g.org/wp-content/uploads/E3G-Summary-EU-China-Polling-June-2021.pdf>.

80 Byford Tsang (2021) A Storm in a Teacup: Impacts and Geopolitical Risks of the European Carbon Border Adjustment Mechanism. Brussels: E3G. <https://www.e3g.org/publications/a-storm-in-a-teacup/>.

carbon-pricing regulations, with a pilot carbon-trading scheme to start in 2022 on Sakhalin. This gives the EU the leverage to keep Russia's CO₂ emissions in check and help steer the sustainable decarbonisation of its economy.

TURKEY

Navigating climate in the relationship with Turkey

- Turkey is reacting strongly against the CBAM, as it is expected to be the most affected trading partner after Russia, with cement and steel exports being significantly impacted. Also, Turkey heavily relies on coal in its power mix, so electricity exports to the EU are also likely to be affected. The CBAM may have helped provide the Ministry of Environment with leverage to push for more domestic ambition. Turkey's lead COP negotiator recently said the threat of the CBAM helped push Turkey to finally ratify the Paris Agreement, in addition to a financial support package from Germany and France.⁸¹ **Turkey recently released the Green Deal Action Plan, which provides a roadmap for compliance with the European Green Deal and includes objectives that would place Turkey on the path to a green transition.** Turkey's Climate Envoy also said the forthcoming climate law will introduce national carbon pricing to avoid the CBAM.⁸²

FOREIGN POLICY AND SECURITY COOPERATION

The climate–security nexus has gained prominence on the EU agenda over the past 15 years, and has generated political attention and policy focus from the European Commission and a core set of EU Member States such as Germany, the Netherlands, Ireland and Sweden, alongside the UK, historically a strong ally on the issue of climate security. Key events and initiatives have included HR Solana's paper in 2008, HR Mogherini's high-level event in 2018, and the EU's support for United Nations action (including the Security Council, particularly during Member States' presidencies, the United Nations Climate Security Mechanism, and EU leadership of the Group of Friends on Climate Security at the United Nations).

Recent Council conclusions on climate and energy, alongside ongoing processes around the Climate and Development Roadmap, the Integrated Approach for Security and Peace (ISP) and the EU's Strategic Compass, create a **strong framework for better integrating concerns around climate as a risk-multiplier into EU diplomacy and programming. Resilience to climate change has also increasingly been included in Europe's development aid and humanitarian spending,** even if more could be done to also ensure green recovery and resilience are integrated into EU dialogues with the International Monetary Fund and the World Bank. Although the recent adaptation strategy had a strong external component, more could be done to link up proactive investment in climate adaptation and resilience with the systematic threat assessment under the Strategic Compass.

Potential foresight blind spots remain

With climate-related extreme weather events increasing in both severity and frequency, and social and economic systems in many countries further strained by the COVID-19 economic crisis, there

81 Zia Weise (2021) EU's looming carbon tax nudged Turkey toward Paris climate accord, envoy says, Politico, 6 November. <https://www.politico.eu/article/eu-carbon-border-adjustment-mechanism-turkey-paris-accord-climate-change/>.

82 Ibid.

is a **growing risk of second- and third-order effects of climate change (physical and transition risk) triggering social tipping points** (i.e. social unrest driven by food crisis). The assessment in particular of climate's effects on social tipping points (around food and water systems) remains comparatively immature, further underlining the benefit of investing in EU foresight and analysis, as well as dialogue within NATO and other fora, on a topic that could fundamentally shape fragility and instability in coming decades.

There is also growing concern about the destabilising influence of global decarbonisation on major fossil fuel producers such as Russia and Saudi Arabia, but also on middle-income-country petrostates with less capability to adapt.

While major producers (Saudi Arabia, UAE, Russia) are preparing to take a larger share of the future market and move into the further segments of the oil and gas production chain (e.g. take over refining segments likely to be pushed out of OECD countries), smaller and new producers, particularly in North and sub-Saharan Africa, risk political and economic destabilisation without the means to leverage the risk. The economic base of petrostates, with one or only few sectors (usually mostly in the upstream), is less resilient to external shocks.⁸³

Economic transformation in adjusting to global decarbonisation goals means not only restructuring domestic political economy but also risking destabilisation and the collapse of political systems, many of which are legitimised through and by the oil and gas sector. Such legitimacy is earned by tying oil and gas revenues to high social expenditures, as well as allowing broad networks of corporate and political leaders across the system to divert and embezzle a substantial proportion of the revenues.⁸⁴ Particularly vulnerable are countries with higher costs of oil and gas production with a major share of social expenditures (also subsidies, employment rates) tied to the oil and gas revenues (e.g. Nigeria, Angola, Algeria). The only currently available option for these countries is to rapidly increase production and cash in while possible, and simultaneously push for a profound transformation of their economy.

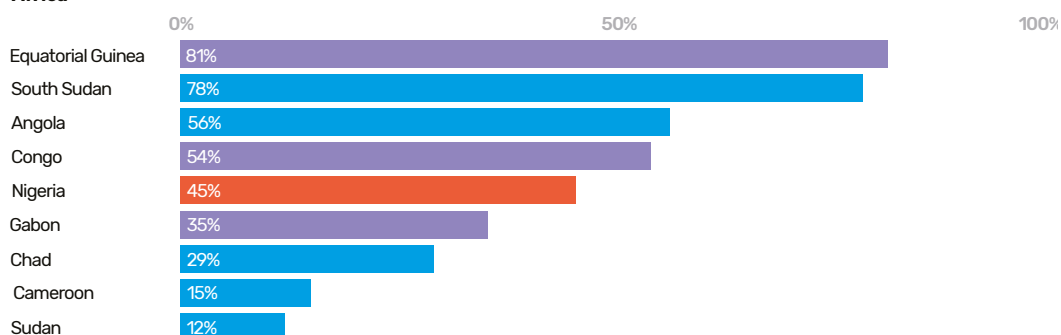
Petrostate Fiscal dependence on oil and gas revenue

The chart shows the fiscal dependence on oil and gas revenue for the 40 petrostates. Fiscal dependence is calculated as government oil and gas revenue as a percent of total government revenue (2015 - 2018 average). We define petrostates as the top 40 countries in terms of oil and gas revenue as a share of GDP.

Population groups

0 - 1 million 1 - 10 million 10 - 50 million 50 - 100 million 100+ million

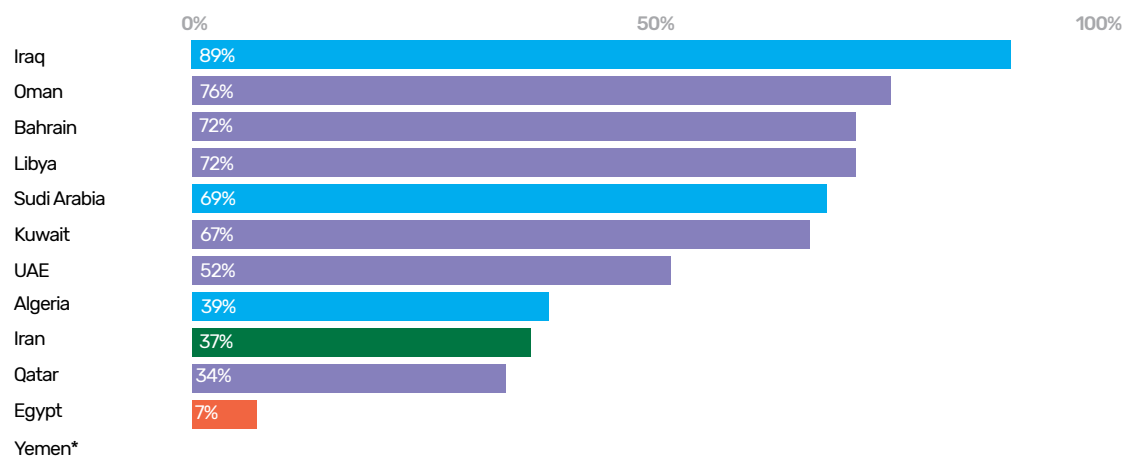
Africa



83 Carbon Tracker (2021) Beyond Petrostates: The burning need to cut oil dependence in the energy transition. London: Carbon Tracker. <https://carbontracker.org/reports/petrostates-energy-transition-report/>.

84 For a case study, see Crisis Group (2021) Oil or Nothing: Dealing with South Sudan's Bleeding Finances. Report No. 305. Brussels: Crisis Group. <https://www.crisisgroup.org/africa/horn-africa/south-sudan/305-oil-or-nothing-dealing-south-sudans-bleeding-finances>.

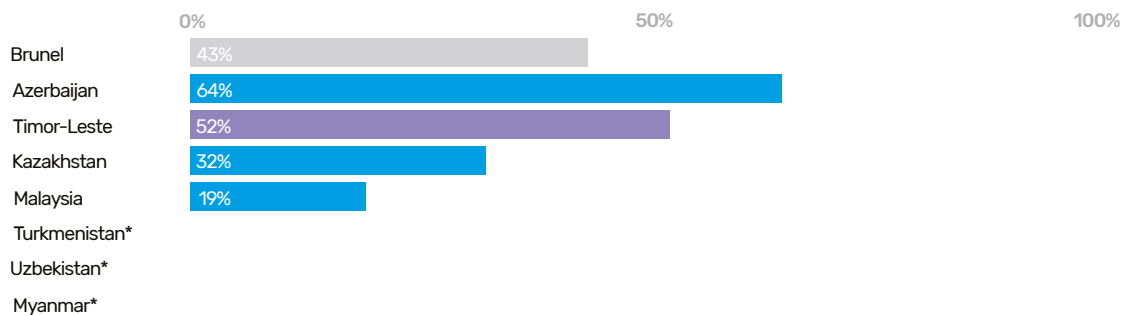
MENA



Oceania



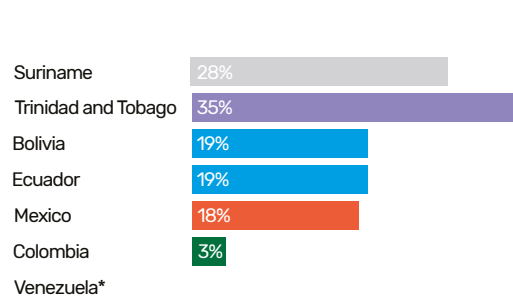
Asia



Europe



Latin America And the Caribbean



* No data available for Turkmenistan, Uzbekistan, Myanmar, Ukraine, Venezuela and Yemen.

Source: [Carbon Tracker](#)

PART V

RECOMMENDATIONS

The EU has pioneered a shift from negotiations to ambition diplomacy. At the same time, climate is becoming a topic across all areas of EU foreign policy and external action. However, if the 2020s are really to be the decade of delivery, the EU will need to embrace a shift from marginal to transformational action – fully aligning its external action with the aims of the Paris Agreement.

Both the USA and China are integrating climate into their foreign policy structure – but with a strong focus on self-interest. A European alternative – one that cares about a climate-just world for all – can make the difference in catalysing global climate action and revamping the multilateral and international economic system to be fit for purpose in a world trying that is both transitioning to climate neutrality, and already dealing with devastating impacts.

Based on the current state of play and challenges of integrating climate into EU external Action and given action in the next nine years will decide whether or not we are on track to a climate-just world for all, it is clear that action taken will need to be concerted and transformational. As such, we propose a three-year 'Fast Start' revamp of climate in the EU's foreign policy.

A THREE-YEAR 'FAST START PROGRAMME' FOR PARIS-ALIGNING EU EXTERNAL ACTION

This Fast Start programme aims for rapid acceleration of capacity and structures to enable the EU to make a difference in the decade of delivery – and to have EU diplomacy in place to align, protect, co-develop and support ahead of the next Paris ambition cycle in 2024/25.

ALIGN: ENSURE EVERY ASPECT OF EU FOREIGN POLICY SUPPORTS THE IMPLEMENTATION OF THE PARIS AGREEMENT.

1. 'Climate Corps' – matching EU diplomatic capacity to the importance of climate as an EU priority.

- a.** At least **30% of EU diplomats (in line with 30% budget earmarking) and 100% of EU external fund managers are 'climate certified' by 2023**, through recruitment and training programmes. This can trickle down to building broad climate literacy within the EU and Member State diplomatic corps through secondments in the future.
- b.** Current high-level diplomatic capacity (HR/VP Borrell, EVP Timmermans and the EU Ambassador at Large for Climate Diplomacy) is complemented by a **'Climate Implementation Envoy'** – a political appointee to complement the roles of EVP Timmermans and HR/VP Borrell could fill gaps made evident at COP26 but also connect across the Commission, the European External Action Service (EEAS) and Member States. Additional capacity is clearly needed – both to prioritise aligning 'coalitions of the willing' among Member States around a common 'Team Europe' approach to climate foreign policy, and also to match the USA and Chinese efforts and capacity at a level senior enough to build sustained relationships with Ministers of economic planning/treasury in key countries. The latter will be key to not ending the boom-and-bust cycles of agreeing 'green partnerships' at EU bilateral summits that still struggle to be underpinned by the necessary capacity to truly co-develop approaches to investing in faster climate mitigation and adaptation ahead of the next Paris ambition cycle in 2025. **While all Commissioners will need to take a stronger role in building climate into their external action, coordinating the delivery of a Fast Start programme and building capacity-intensive co-development relationships will require at least full-time senior capacity** and a small team to support strategic outreach into these countries.

2. Fully leverage Parliament's budgetary oversight and tracking to ensure EU capacity and money flow into climate: Commissioning the European Parliament think tank to work – where possible with the EEAS and Commission services – to produce an annual 'state of external climate action' report, discussed at a parliamentary hearing and published ahead of the annual budgetary procedure and plenary debate, with a view to be implemented through the mid-term review of the Multiannual Financial Framework, providing the following:

- a. Progress updates and transparency of Paris-aligning EU action:**
 - i.** An overview of EU staffing involved in delivering EU climate action across the EEAS and the Commission.
 - ii.** Progress on a minimum 30% climate-earmarking spend, applications of the 'do no significant harm' principle, and shifting EU funds out of international fossil finance and into international climate in-

vestment.

iii. A diplomatic impact and needs assessment of the new European Green Deal policies and implementation.

b. International perspective: What are other G20 countries investing and engaging in internationally?

c. Foresight: Horizon-scanning major risks and opportunities to increase EU anticipatory capacity specifically on the wide range of often intersecting climate impacts

d. Horizontal monitoring programme on human rights, gender and climate change to assess the progress in integrating and mainstreaming human rights and gender into all aspects of external climate action in close cooperation with the United Nations Human Rights Council and United Nations High Commissioner for Human Rights. This could include calls for the EU, in this regard, to introduce the right to a safe and healthy environment in the Charter of Fundamental Rights of the EU.

3. Build EU and Member State joint action on climate foreign policy to scale up impact: Given the centrality of Member State alignment in impactful EU external action, complement this diplomatic firepower **with a new Council working party/task force that would underpin a dialogue on the progress of the Fast Start programme between Ministers of foreign affairs, environment, development and trade.** The preparatory task force could be made up of the same diplomats (Antici) that prepare the regular meetings of the ambassadors of the Member States to the EU – a formation known as COREPER 2 – alongside each country's climate/energy attaché. The aim would be to support a standing international climate cooperation agenda item in the Foreign Affairs Council, the Economic and Financial Affairs Council and the leaders' European Council to build Member State alignment, strategic guidance and oversight of the Fast Start programme. The Climate Implementation Envoy would report on long-term objectives to all three Council formations. Similar cross-government dialogues on international climate consideration already happen in the USA under the National Security Council and in the UK under the National Strategy Council.

CO-DEVELOP: MAKE COOPERATION WITH THE EU THE BEST "OFFER" IN A TURBULENT GEOPOLITICAL LANDSCAPE BY PRIORITIZING BUILDING DIALOGUE AND PARTNERSHIP AROUND THE SHARED GOAL OF A CLIMATE-SAFE WORLD.

1. Make the Global Gateway initiative the beacon of a positive European offer to co-develop just, green and resilient recovery and development pathways.

- a. Establish a central Global Gateway hub under the Climate Implementation Envoy** – which would host co-development dialogues, as well as support joining up the dots in programming conversations between the EU's external action pot (NDICI), regional programmes and Global Gateway projects. This would allow EU programming to move beyond NDICI indicative annual plans to a multi-year investment and co-development dialogue that builds sustained Paris implementation partnerships with key international partners. For this hub to serve an effective mainstreaming function, it is crucial for it to be granted enough capacity – particularly staffing – and authority by the College of Commissioners. It is essential for the hub to act as a mainstreaming institution that can creatively move forward dialogues with partners and translate the resulting decision into EU programming, not just strategies.
- b. Mobilise at least as much money for climate action in the rest of the world as is being invested in the EU's own green transition.** Set a target of mobilising €360 billion (equivalent to the roughly 30% of the seven-year EU budget that will be invested in domestic climate action)¹ in infrastructure investments for transitioning from fossil to green energy, leveraged through green bonds. This could be mobilised in cooperation with Member States (as a Team Europe approach) with a core European institutions' share of at least €130 billion guaranteed.
- c. Leverage the leadership of the European Investment Bank (EIB) and the European Bank for Reconstruction and Development (EBRD) into Global Gateway discussions** – both within Europe and internationally. Invest in dialogue formats that bring together planning divisions of the EIB, EBRD and national development and export-import finance institutions (i.e. KfW, AFD) to discuss the forward path for Paris alignment. Developing joint understanding of Paris alignment and subsequent standards for investments will also significantly reduce transaction costs and enable more efficient and effective investment cooperation of the European public banks.
- d. Offer a smart support pillar** focused on co-development dialogues between stakeholders and national development banks building on the EU experience of the regions in transition platform. This dedicated capacity-building initiative could also include – but without being limited to – accessing European expertise on modernising and managing sys-

¹ For comparison, over a six-year period (2013–2019), China's BRI invested [\\$614 billion](#), while in response the Trump government proposed the [US BUILD Act](#) and established a \$60 billion annual investment portfolio. The International Energy Agency, the World Bank and the World Economic Forum estimate that annual clean energy investment in emerging and least-developed economies needs to increase to over [\\$1 trillion](#) by 2030 to put the world on track to reach net-zero emissions by 2050, while the 2021 [UN Environment Adaptation Gap](#) report estimated that adaption costs may reach up to \$300 billion per year by 2030.

tems, with a particularly focus on expanding and managing grids that can sustain a high share of renewables, while addressing energy access and poverty.

- e. Human rights and gender due diligence requirements and dialogues should be built into the co-development process.**

SUPPORT: MOBILISE EU EXTERNAL ACTION, TECHNICAL EXPERTISE AND INVESTMENTS TO HELP PARTNERS ACHIEVE AMBITIOUS CLIMATE MITIGATION AND ADAPTATION GOALS.

- 1. Use the Global Gateway initiative as the main vehicle to channel support strategically.** Given the level of political support and initial strategic approach to mobilising comprehensive EU efforts, the Global Gateway initiative can successfully support infrastructure investments that serve partner countries' decarbonisation and adaptation efforts. Conditions required, however, include prioritising climate, channelling investments and co-developing geographically differentiated and tailored offers with partner countries. Specific focus areas for Global Gateway investment would need to be:

- a. Just transition and recovery in major emerging economies** – such an approach would apply where just transition activities could be linked up to complement efforts under way by the World Bank (CIFs) and the G7 (Build Back Better World – B3W). Priority areas identified include Indo-Pacific nations (India, Indonesia, Vietnam) and EU neighbourhood (Turkey). Given that a few of these States are not eligible for Official Development Assistance (ODA), funds would need to be primarily leveraged through blended finance or green bonds, rather than from the EU external action budget.
- b. Just transition and development pathways for least developed and strategically important regional neighbours, emerging economies and petrostates, with a priority focus on regions that are set to receive a majority of the NDICI funding – the EU neighbourhood and sub-Saharan Africa.** Here the smart support pillar would need to include considerations around peacebuilding, dealing with fragility and social tipping points, as well as a stronger dialogue on human rights and gender due diligence in co-developing what a just development pathway for all looks like.
- c. A joined-up strategy across these two approaches should be considered for engaging countries in the strategically vital Eastern Mediterranean region.**

PROTECT: USE PARIS-ALIGNMENT OF EU EXTERNAL ACTION TO PROTECT EUROPEAN ECONOMIC AND SECURITY INTERESTS; AND UPHOLD EU VALUES, INCLUDING EQUALITY AND HUMAN RIGHTS, IN AN INCREASINGLY CLIMATE-IMPACTED AND MULTIPOLAR WORLD.

1. Make resilience and adaptation a priority across development, foreign and security and humanitarian aid action – and invest accordingly.

- a. More thoroughly integrate climate change into the EU Strategic Compass** and use the tool to develop better EU foresight capability on climate risk. This should consider the security implications of physical impacts, transition risks and social tipping points where repeated crises raise political tensions and lead to reduced international cooperation and investment.
- b. Convene a dialogue between the major security and defence powers** (i.e. via NATO) on the implications of and current responses to **extreme climate** risk and best practice approaches to holistic climate risk management.
- c. Building a dialogue around a ‘consensus for climate safety and prosperity’ – an institutional home for strategic engagement with Africa-Caribbean-Pacific** (ACP) countries on joint diplomatic priorities in international fora (the United Nations Security Council, United Nations processes, the International Monetary Fund and the World Bank, together with multilateral development banks). This could also be a space to discuss vulnerable countries’ concerns around access to concessional finance, incentivising investment in resilience and where in the broader development aid and finance system financial firepower for filling the US\$70 billion adaptation gap and addressing growing loss and damages from climate change can be found. Collaborate with Small Island Developing States (SIDS) and the Least Developed Countries (LDCs) to accelerate the integration of climate security and resilience into international peace and security institutions.
- d. Dedicate more public finance to adaptation**, including by supporting key Global South-led initiatives such as the LDC Initiative for Effective Adaptation and Resilience (LIFE-AR) and the Africa Adaptation Acceleration Programme.
- e. Take a leadership role in driving reform of the global macroeconomic**

and financial architecture. This could include working with key financial institutions such as the International Monetary Fund to integrate climate risk into its surveillance and to recognise the economic benefits of resilience.

2. Gender, human rights, development and climate need to be addressed as interlinked objectives of EU external action. Developing a greater understanding of the climate–gender nexus and its implications for the various policies of EU external action is an essential prerequisite to ensure they work as complementary and reinforcing policies. As such, **identify a flexible funding stream within the Neighbourhood Development and International Cooperation Instrument (NDICI) for ‘integrated projects’ above and beyond the 30% climate earmarking** – acknowledging and prioritising projects that deliver across EU priorities (i.e. humanitarian and climate support for small island nations dealing with losses and damages, peacebuilding or mediation projects that tackle emerging resource scarcity) without risking climate as an ‘add-on’ or tick-box exercise.

3. Leverage key trade relations and EU economic diplomacy. Focus on building aligned approaches and alliances around reforming the international economic system to be fit for both the transition to climate neutrality and dealing with climate impacts. Some of this can be done in collaboration with partners who share EU values, some of it will require engaging increasingly authoritarian powers. As such, it will be critical to defining clear economic diplomacy principles that establish the red lines for cooperation (i.e. in fora like the G20, and development finance institutions) beyond broad engagement on climate. This could also involve exploring conditions for European investment, use of subsidies and acceptable intellectual property conditions. It would also involve placing climate at the centre of all aspects (economic, financial, trade and multilateral cooperation) of relationships with major economies. In particular:

- a. Deepen transition (and climate risk) dialogues with G20 major fossil producers** (Saudi Arabia, Russian Federation, Turkey, China, USA). EU engagement with major producers (and its largest trading partners among the ‘petrostates’) needs to re-focus on issues relevant for both parties within the decarbonisation agenda: methane leakage, hydrogen development (to a limited extent), circular economy, energy efficiency, investments in low-carbon technology, and integration of regional power markets. This also applies to Turkey, which is already synchronised with the European continental grid. This engagement should build on existing dialogue platforms and happen both at technical and high-level political levels.
- b. Leverage joint market-power and alignment with G7 allies** (USA, Japan, Canada, UK), i.e. to accelerate deployment of green technologies

and align standards, while working together to support least developed countries keep pace in the global green technology transition. Build coalitions to facilitate the circulation and scale-up to market of new green goods essential to fuel the transition to a clean economy. Coalitions will vary depending on issue area but can include the harmonisation of standards as well as international trade rules or public procurement. Complement these “coalitions of the willing and able) through prioritizing measures that actively benefit least developed countries and those less able to adjust swiftly to new standards – including through technology transfer, capacity building and technical assistance.

- C. Navigate the complexity of the EU-China relationship** – and use this approach as a model for engaging other major emitters that are less aligned with EU values. Given China’s relevance for achieving Paris goals and its position as a clean economy powerhouse, engagement with China on climate remains paramount despite the increasing competition in clean economy sectors. Cooperate on areas of joint interest (i.e. harmonized rules and standards for green finance and green technologies, as well as aligned priorities in the G20, Multilateral Development Banks and the IMF). Concurrently, prepare for competition for green market shares. To ensure the protection of human rights and the integrity of the transition to a clean economy, identifying in parallel broader coalitions on supply chain due diligence could be explored.

PART VI

OPEN QUESTIONS AND NEXT STEPS

This paper sets out a first set of priority actions. However, a lot more will need to be done over the coming decade to clarify a vision and an approach to European external action that addresses the following questions:

Which EU external levers and programmes can have the greatest impact in accelerating mitigation and adaptation efforts in third countries and international institutions?

- **Where does the EU hold sufficient influence to make a difference in actions taken by third countries or international institutions?**

- **To what extent can the EU build successful coalitions and cooperation structures around these activities to increase the impact and reach of its external action?**

- **To what extent does this external action support EU values of enhancing gender equality, respect for human rights and building strong, rules-based multilateral cooperation?**

Following rich discussions and input from experts across EU external action areas, it is clear that further research is needed on the following:

Achieving Paris alignment of EU funds and financial institutions by phasing out remaining international public funding for fossil finance and Paris-incompatible projects by 2022, and ensuring NDICI projects are invested in mitigation or adaptation activities co-developed with recipient countries, as well as leveraging the programming of the Global Europe Facility to make external action fit for purpose.

Aligning external action with both the Paris goals and broader EU values by changing the way the budget is used to make it an active tool for promoting objectives such as climate and gender equality. Beyond the budget, more research can be done on mobilising EU trade power through the EU trade review to further mainstream human rights protection and environmental due diligence rules in green supply chains through trade instruments.

Supporting development cooperation and partnerships by co-developing an approach to further enhance cooperation between the EU and the African Union on climate risk assessment and resilience investments. Further, more research is needed on developing an EU response to debt relief or cancellation for LDCs struggling to finance their green transition, and using the CBAM revenues to support LDCs in making the clean production transition.

Enhancing economic and trade cooperation with major trade partners to shape the global rules around financial regulation and trade reforms, as well as setting harmonised or mutually recognised green standards and product requirements and greening supply chains.

Foreign and security cooperation and building partnerships to prevent destabilising impacts of climate change and global decarbonisation by using the Strategic Compass to improve awareness, foresight capacity and preventive investments, and launching a platform for climate risk and resilience dialogue with middle-income-country petrostates, as well as a dialogue on the security implications of climate risk with major powers. Further, more research is needed to explore the long-term planning on climate and refugees, considering Europe's historic level of emissions.

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