



#EUGreenDeal #Geopolitics  
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## Geopolitics of the European Green Deal

Fostering openness, strength and resilience in the COVID-19 context

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## CONCLUSIONS

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### Leading climate change efforts

The science is clear: we are currently facing a triple planetary crisis of climate change, biodiversity loss and pollution, which will potentially have catastrophic consequences unless humanity acts together immediately. The European Union is crucial in this context: when the EU acts, the world watches. With the European Green Deal, the EU has now taken the lead and needs to continue to be a role model, based on its values of sustainability, solidarity and international cooperation. Multilateralism is key to tackling these common, transboundary threats. It is through multilateralism, rather than divisive geopolitics, that the planetary crisis can be tackled.

This decade will be decisive for the success of our collective efforts. Major emitters need to cut their emissions further and faster to limit global temperature rise to 1.5°C by the end of the century, bearing in mind the fact that currently projected global warming is around 2.4°C. The Glasgow Climate Pact aims to go in this direction, but it is only a starting point on a new journey towards delivering on the commitments made in the Paris Agreement.

The European Green Deal is a powerful catalyst for coordinated action, which is urgently needed to avert a global climate catastrophe. However, its potential is severely undermined by the corporate trade deals of the last two decades. These must be dismantled to create an enabling environment for developing countries to pursue their own green transitions, including a socially just transition for workers.

In addition, all subsidies for fossil fuels need to be redirected towards the green transition – with social measures – leaving no one behind, and a commitment to zero carbon, zero pollution and zero biodiversity loss should be seen as a common cause across disciplines and ministries.

Geopolitical developments will bring both threats and opportunities. For example, decarbonisation can lead to higher dependency on gas imports from Russia, followed by a decline in energy imports, which could make EU-Russia relations more complex. In addition, the carbon border adjustment mechanism (CBAM) could trigger serious trade conflicts. For certain sectors, these could be mitigated by sectoral climate clubs with a similar carbon price level. On the other hand, hydrogen production could be an opportunity for some world regions; however, in some cases, political stability must first be secured.

### **Ensuring the green energy transition and heading towards open strategic autonomy**

Considering that three quarters of the emissions of greenhouse gases (GHGs) are caused by the production and use of energy, the main focus should be on the green transition of the energy sector.

The energy transition will be accompanied by considerable volatility in energy prices, a geopolitical challenge that the EU and other global players should help to mitigate. The EU's geopolitical action should help to reduce the volatility of energy prices, while lowering the risks associated with the promotion and expansion of clean energy use. Wind and solar power priorities should be accompanied by energy efficiency gains. This should go hand in hand with efforts to curb the risks associated with critical materials needed for the production of green energy.

The EU Global Gateway is an excellent initiative for supporting the energy transition. More generally, innovation should be at the heart of efficient delivery

of the energy transition, both in economic terms and in terms of use of materials. Open strategic autonomy requires new value chains, where all developments must be accompanied by quality local jobs and returns to local communities.

All these challenges need to be tackled through international cooperation. Also following this path is Japan, which like the EU has decided to achieve carbon neutrality by 2050. China, South Korea and India have also set their goals, but these need to be reinforced, which can be done thanks to the considerable reduction in the cost of renewable energies as well as to the technological and policy innovations that make such reductions possible. All this highlights the importance of coordinating the main energy policies, and of all countries working together on green recovery policies.

### **Ensuring that the European Green Deal leaves no one behind**

Through its trade and other activities, the EU leaves a strong ecological footprint in other parts of the world. It must now define and tackle this "external dimension" of the Green Deal, by promoting transition in bilateral and regional development cooperation and addressing negative spill-overs in its trade policies. To this end, the EU needs to clarify how the European Commission and the Member States can work together to deliver the Green Deal, including through its various external policy areas, of which development is just one strand.

Diverging priorities between developed and developing countries will remain a challenge. The Green Deal will affect countries disproportionately, which is why the EU should engage with countries to manage these repercussions. For example, climate change mitigation policies are not a priority for Africa. The EU should therefore work with African and other developing countries to ensure all initiatives are locally accepted and consistent with partner countries' priorities by applying a bottom-up approach. Another example of cooperation with other regions is the Green Agenda for the Western Balkans, which aims to support a comprehensive ecological transformation towards a circular low-emission and sustainable economy in the Western Balkans. Among the main challenges are protecting the exceptionally rich biodiversity in the region and countering the largest environmental risks, arising from the fact that the region has some of the most polluted cities in the world. The protection of biodiversity should always

be done by putting local communities at the centre. By signing the Sofia Declaration on the Green Agenda, the governments of the Western Balkan countries have committed to reaching climate neutrality by 2050 and to fully aligning with the European Green Deal. In particular, the Green Agenda for the Western Balkans can unlock the potential of the circular economy, creating more jobs and opening up prospects of new growth. Adequate financing from the EU, national governments and the private sector will be essential in order to support this green transition.

When it comes to ensuring that no one is left behind in the implementation of the European Green Deal, we must not forget the issue of displacement. There are many people on the move due to climate change. These displaced people are often much more vulnerable than others. Displacement is a global phenomenon, with some 30 million people impacted by it. To tackle this phenomenon an integrated approach is needed, as there are gaps in protection and assistance in the context of displacement. The [Sendai Framework](#) is an agreement that provides tools for policymakers and practitioners for dealing with displacement. There is also a need to address protection gaps for people displaced due to cross-border disasters, to increase support to countries experiencing displacement, and to increase investment in climate change adaptation.

### **Maintaining EU industry's global competitiveness and directing financing to support the green transition**

Governments' efforts to address the impact of COVID-19 have led to sharp increases in sovereign debt, downgrades in credit ratings, and rising interest rates. As fiscal space for competing priorities shrinks, the focus is moving towards using new financing instruments to catalyse low-emission, climate-resilient investments without increasing sovereign debt levels.

Global experience has shown that 96.3% of private finance mobilised through blended finance – which uses public funds to share risks and crowd in private investment through co-financing – has usually taken the form of relatively safe senior debt directed towards mature technologies (such as on-grid renewable energy) in mature markets, rather than nascent technologies in nascent markets. It is therefore important to focus on new financing instruments, such

as guarantees and equity, which have higher leveraging ratios and better meet the needs of private investors to finance new climate solutions.

Methodologies to integrate climate risks and opportunities into financial decision-making could transform low-emission, climate-resilient investments into a new class of assets. This would enable governments and firms to better access international capital markets through the issuance of, for example, resilience bonds in order to better finance the higher upfront costs of climate-resilient infrastructure.

The European Green Deal will influence the financing models within the EU, while it is also important to share key solutions and innovations with developing countries: this will not only be very relevant for those countries' green resilient recovery, but also very useful when it comes to maintaining EU industry's global competitiveness.

Incentivising mechanisms should be set right, as currently the externalities are not taken into account. In addition, sustainability accounting should be integrated into international financial reporting standards (IFRS) accounting. We have to accurately define what is a significant harm to the environment. In this context, the EU could be the sorely needed driver for change.

In 2018, developed countries directed USD 78.9 billion in climate finance to developing countries, but the gap in investments for global infrastructure is estimated at a cumulative value of USD 14.9 to 30 trillion worldwide between 2035 and 2040: public resources will not be sufficient to meet such investment needs.

Furthermore, the EU should be the leading force in promoting a circular economy at a global level. It should work for a global convention on circular economy involving the OECD and the G20; it should try to reach an international agreement on a global database of indicators and life-cycle assessment methodologies and integrate these into the upcoming IFRS.

Another important source of leverage for the green transition is the EU taxonomy. A lot of countries have started defining which economic activities should be considered sustainable and which should not. The EU taxonomy will influence both: financial reporting and capital markets and financing flows, which is in line with the EU's priority of "An economy that works for people". Moreover, Europe's industrial competitiveness will depend on how industry will function within physical environmental constraints and related social transition

challenges between now and 2040. This approach requires a focus on critical supply chains, technologies, skills and industry policies in order to build new competitiveness. Financial markets are already discounting expected returns from fossil fuel dependent business models, with long-dated return horizons. Transition therefore is a question of building capacity and competitiveness, rather than simply maintaining pricing/cost comparability with industries that are going to be disrupted anyway.

## **Final wrap-up**

Its wide-ranging implications mean that the European Green Deal is crucial, both for Europe and for the world as a whole. Natural disasters, disruptions in supply chains and possible shortages of basic goods and raw materials could considerably damage the European and other economies, compromising people's the way of life and even their livelihood. Rising energy prices and resulting inflation can also have serious repercussions on our everyday life, highlighting the importance of reducing energy dependency and focusing on clean energy. In tackling these challenges, the developed world should make every effort to address the impact on low-income countries to show that the Green Deal will not leave them behind.

Geopolitics is crucial in order to guarantee the success of the Green Deal, as the green transition will evidently have a dramatic impact on international relations. The Green Deal is a vision, but a vision without a plan is a hallucination. And the plan begins with the recognition of our responsibility for the climate crisis, which must be addressed within and outside the EU. Within the EU, it means decarbonising economies and mobilising industry to switch to sustainable energy.

The EU is committed to focusing on its responsibility for imported deforestation and carbon sink destruction, and for the sustainability of value chains. This calls for a meaningful dialogue with our partners. Free trade agreements should reflect the Paris Agreement. Trade must no longer be above the environment.

At COP26, an agreement was reached with South Africa, pledging EUR 8 billion to shift away from coal (France, United Kingdom, Germany and the USA). This is the kind of partnership we should continue to promote. We need to convince others that this approach is the only path to reach the deals. The incoming French presidency of the Council of the EU is determined to follow this path.

The EESC itself has been actively contributing to the green transition through the European Circular Economy Stakeholder Platform, its joint initiative with the European Commission, for exchange and debate with all stakeholders. The EESC is ready to play its part in this process, thus ensuring clear civil society ownership of the Green Deal.

The green transition is a question of survival, particularly for future generations. We therefore need to show the ultimate gesture of inter-generational

cooperation and social justice, and act now in order to ensure the future and well-being of both Europe and the world.

## Replies to Slido questions

What's the best way to convince the main global players to join the green transition?



Which renewable energy sources are most likely to replace fossil fuels?



How do we ensure that the transition to climate neutrality leaves no one behind?



Is an additional annual investment of EUR 260 billion in the European Green Deal enough to achieve the 2030 climate and energy targets?

No. Also Private EUR needed  
Yes if spent wisely  
start Hard to tell  
Hope so Yes  
Depends on use

What can civil society do to help implement the European Green Deal?

Cooperate  
Use CSO network Educate industries  
Education Do what we preach.  
Negotiate  
Advocacy Engage youth  
Educate people  
Support the idea Policy monitoring  
Control industries Keep the pressure  
Check on local government