

## What the ‘European Green Deal’ Means for the EU’s External Action

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### Executive Summary

- > Inspired by “the passion, conviction and energy of the millions of young people making their voice heard on our streets and in our hearts”, in December 2019, the European Commission proposed a ‘European Green Deal’ aimed at reducing carbon emissions by at least 50% by 2030 and achieving carbon neutrality by 2050.
- > The European Green Deal has significant global ramifications and therefore an important impact on the EU’s external action, involving its diplomatic, cooperation and trade instruments.
- > Bold action is not only needed internally to decarbonise and dematerialise our economies but also externally to support the EU’s international partners in their efforts to tackle the climate emergency.
- > In this context, technological and financial support will not be enough because climate change is quintessentially a political problem. The EU should be ready to challenge the entrenched elites, at home and in partner countries, that benefit from the status quo and resist change.

The 2020s will be critical for climate action. The Intergovernmental Panel on Climate Change calls for a 45% cut of global carbon emissions by 2030 to limit global warming so as to attain the 2015 Paris Agreement targets of 1.5°C or at most 2°C above pre-industrial levels by the end of this century. Scientists warn that beyond a 2°C increase, the planet’s ice sheets could collapse, resulting in the flooding of hundreds of coastal cities. Around 400 million people could suffer from water scarcity leading to crop

failures and food shortages while parts of the equatorial band would become uninhabitable, with summer heat waves killing thousands even in Northern latitudes (Wallace-Wells, 2019).

The international community is not doing enough to prevent this scenario. Based on current policies, global warming is set to reach 3°C by 2100. In 2015, as leaders gathered in Paris, carbon concentration in the atmosphere hit the historic record of 400 parts per million (ppm), considered to be a “dangerous red line”. It continued to increase ever since, reaching 412 ppm in 2020. 18 of the 19 warmest years recorded have occurred after 2001. Since 1980, an area as large as India has already melted from the Arctic ice cap, sea levels have risen by over ten centimetres and we have witnessed ever more frequent extreme weather events.

This policy brief will first argue why, faced with the threat of climate change, ‘business as usual’ is no longer an option. It will then turn to the question of how and under what conditions the European Union (EU), through its December 2019 European Green Deal (EGD), could establish a new narrative and successfully tackle the challenge ahead. The brief will finally look at the international implications of the European Green Deal and how EU policy-makers can best manage them.

### ‘Business as usual’: globally and in the EU

Despite all technological progress, the global economy has never used as many natural resources as it does today. In 2017, it consumed over 87 billion tonnes of raw materials (up from 52 billion in 2000). Per capita, this translates into 11.6 tonnes annually. The same year humanity burned more fossil fuels – in absolute terms – than ever before, even as the share of renewable sources in the global energy mix increased in relative terms. The global economy

<sup>1</sup> The opinions expressed in this publication are those of the author. They do not purport to reflect the opinions or views of the European Union institutions.

feeds a voracious metabolism that endlessly extracts resources on one end of the world, transports them to another, has them assembled with other resources from yet other regions, based on know-how developed elsewhere, to be finally sold in one place and, once consumed, dumped somewhere else.

Humanity needs to completely rethink this degenerative system (Raworth, 2017; Jackson, 2017). In this effort to address the “climate emergency” (European Parliament, 2019), high-income countries must set the example by making the biggest effort. This effort cannot be based on appeals to individual responsibility or technical solutions only. For one, it would be misleading to think that changing course is only a matter of personal choice and behaviour. Individuals are powerless when faced with, for example, the lack of access to renewable energy or public transport infrastructure, a fiscal system subsidising fossil fuels or car purchases (rather than renewable energy or eco-innovation), an advertising industry and an entire system of values glorifying consumerism. Equally misleading is the idea that climate change is merely a technical problem in need of technical solutions. Climate change is quintessentially a political problem because it touches upon questions of justice: the most vulnerable people on the planet, who least contribute to carbon emissions, are hit the hardest. The wealthy will be able to escape heat, hunger and conflict while the rest of the world is left to suffer, in a scenario the United Nations describes as “climate apartheid”.

Understanding the political nature of climate change is a first step towards seriously addressing the challenge ahead. The second important step is assessing its global dimensions and Europe's historic and present responsibility. The EU covers roughly 3% of the world's landmass and Europeans represent 7% of the world population. CO<sub>2</sub> generated on European soil amounts to 10% of global carbon emissions, not considering the EU's ‘outsourced emissions’. The bloc imports 38% of textiles, 38% of agricultural products, 26% of minerals, 26% of crude oil, 38% of metals and 39% of chemicals flowing in international markets (Harvard University, 2017). There is an organic relationship between Europe's metabolism, with its material and immaterial throughput, and the power structures in the rest of the world that are shaped by these flows. The rise of China – already the top consumer of most material resources – and other emerging powers, is warping these gravitational forces away from Europe and North America, but the transatlantic weight will continue to remain important.

The mechanics of natural resource extraction and trade require economies of scale that only large operators can muster, creating a natural bias towards concentration. Extractive economies tend to be less democratic precisely

because they concentrate this power in fewer hands (Açemoğlu & Robinson, 2012). Many of the EU's international partners are largely dependent on natural resource rents, defined by the World Bank as the sum of revenues from oil, natural gas, coal, mineral and forest. So long as the exploitation of natural resources remains at the heart of the global economic system, autocratic regimes and entrenched interest groups will continue to profit from it. In Saudi Arabia and Iran, for example, oil revenues make for 60% and 30% of the state budgets, respectively. Without these rents, the two regimes could not have consolidated their power at home, waged proxy wars or propped up friendly governments in the region.

A degenerative economic model based on endless material consumption is not only shaping power structures in Europe's partner countries, but also in Europe itself. The deals between local and international elites over the control of these rents should not be ignored when trying to understand the forces of resistance against climate action. Unlike Saudi Arabia, which today holds a sizeable share of its oil revenues, with international actors making profits later down the retail chain or in the management of Saudi sovereign wealth funds, in other cases international players, often European companies, have the upper hand over producing countries. The supply chains of cobalt from the Democratic Republic of Congo, uranium from Niger, or copper from Zambia are just a few examples. The entrenched elites across all countries of the globe benefitting from the status quo will likely resist the economic overhaul needed to tackle climate change.

Yet, the EU could become part of the solution if it is ready to use its leverage to challenge them and promote a new narrative.

### **The ‘European Green Deal’ - a new narrative?**

In December 2019, the European Commission proposed a ‘European Green Deal’ with the goal of transforming the EU's economy for a sustainable future. The EGD aims inter alia to reduce carbon emissions by at least 50% by 2030 and reach carbon neutrality by 2050. It proposes a clean energy transition, a new circular economy action plan, a shift to sustainable and smart mobility, leadership on other environmental issues such as single-use plastics and, among other measures, a Sustainable Europe Investment Fund. The Commission's proposal recognises that “the global challenges of climate change and environmental degradation require a global response” and that the EU's efforts at home will need to be accompanied by ambitious environment, climate and energy policies across the world, supported by a stronger ‘green deal diplomacy’, trade policy, development support and other EU external policies (European Commission, 2019).

To live up to its aspiration, the EGD should clearly break from ‘business-as-usual’ and unequivocally set bold targets to reduce the carbon footprint of the EU’s economy, starting from those sectors that, alone, contribute to almost three quarters of global carbon emissions: energy (34%), industry (22%) and transport (14%). To this end, the EGD should go beyond the simple target of reducing carbon emissions, which could be externalised, but also aim to reduce absolute energy consumption and achieve a full transition to renewable energy, reduce material consumption, reduce waste per person and increase recycling, and decouple the notions of mobility and car ownership, providing transport opportunities through common and public options while stabilising or reducing the number of vehicles in circulation. By setting the example at home, the EU will be in a better position to advocate similar objectives at global level.

In its efforts, the EU should be guided by the idea that turning the tables on energy, waste and transport is not just a concern for high-income countries. The highest gains are actually to be made in low- and middle-income nations faced with higher air pollution levels, more congested urban traffic and related health and environmental hazards. The World Health Organisation estimates that 98% of cities in the developing world are suffering from air pollution above the safety threshold (WHO, 2016). Not only can climate action help achieve social goals and prevent societal collapse, but it will also have significant ‘equalising effects’ when it comes to sharing resources and opportunities. With adequate public investment in renewables, households could produce sufficient energy to meet most of their needs and wrestle power away from energy rent-seekers. Likewise, public transportation would help the most vulnerable move around and take advantage of better education and employment opportunities, beyond their own areas of residence.

Emphasis should be put on the social opportunities promoted by climate action, at home and within partner countries. An important test for the EGD is precisely the extent to which it can pursue its objectives in a socially just manner. The biggest efforts cannot be expected from low-income groups and countries. For the latter, initial negative targets may be allowed to spur convergence over time. A key premise of the EGD is that climate action is not an ‘assault’ on well-being. Climate breakdown threatens to destroy the very foundation of human living conditions on the planet. Failing to act is the real threat to human survival, let alone well-being. At the same time, climate action can become an opportunity to create new jobs, from high-skilled jobs in research, at the forefront of innovation, to low-skilled jobs in construction or transport for example. Between 2000 and 2016, despite the economic crisis, in the EU alone employment in the environmental goods and services sector grew by 38% (Eurostat, 2019).

Another condition for successfully implementing the EGD is a solid understanding of its political ramifications. A genuine effort by the EU to reduce its material footprint can be an effective way of cutting the ground from under the feet of powerful rent-seekers who resist climate action, in Europe and abroad. This should be done while actively supporting a diversification of the EU’s partner countries’ economies towards sectors that can be more decentralised and less prone to falling into the hands of a few people. While raw materials and fossil fuels are naturally concentrated and therefore easier to appropriate through large-scale infrastructure, renewable energies are more scattered, their exploitation could be engineered from the start to ensure widespread control. This kind of decentralised thinking should be hardwired in other economic sectors the EU promotes through its international cooperation.

In short, the EGD could become an opportunity to set a new narrative if it can deliver on bold targets to reduce the footprint of the EU’s economy, if these efforts are implemented in a socially just manner, and if its political implications, at home and internationally, are fully understood and taken into account by EU policy-makers.

### **The European Green Deal and EU external action**

Technology, digital innovation and creative financing certainly play a role in the internal and external dimensions of the European Green Deal, but they are not central to solving our predicament. Only once the technocratic veil of ignorance has been shed, does the depth of climate change politics become fully visible. The first step for EU policy-makers is therefore to understand the power structures behind climate change, uncover who gains from the status quo, who suffers, and whether the latter have the leverage, capacity, influence and critical mass to champion the necessary change.

As in the examples outlined above, between a quarter and a third of global natural resources trade is currently linked to Europe. If the EU was to significantly reduce its absolute consumption of such resources, rent-seekers in exporting countries would see their power base shrink and the advantages they derive from controlling these flows – financial and political influence, for instance – reduced. This would make them more vulnerable to democratic demands for fairer distribution coming from their populations. EU foreign policy actors should be aware of these dynamics, help manage and, when possible, even support these transitions.

To effectively do so, EU external action (diplomatic, development, trade and other policies) should be based on sound political economy analysis with a climate focus to decipher the dominant systems of rent-seeking, especially in carbon-intensive sectors, the main actors resisting climate action, their strengths and vulnerabilities, as well as

the EU's current role (positive or negative). Rent-seeking is not confined to fossil fuels and minerals. Rents associated with the outflow of agricultural production can as easily be captured by powerful interests. The fires in the Amazon rainforest in 2019 exposed the link between Brazil's soybean exports – mostly imported as animal feed by China and the EU, which happen to be also the world's largest meat producers – and deforestation. Who profits from the global soybean trade? Who suffers from its collateral damages? In the relevant countries and sectors, the answers to this kind of questions should inform EU action.

Rent-seeking is not limited to exports; imports can also be captured, for example through exclusive monopolies and licenses keeping competitors at bay. The inflow of high-value European products, such as cars, can fall prey to such mechanisms. In Tunisia, former president Ben Ali used to award the exclusive authorisations to sell foreign cars to his nephews and cronies. Sometimes he even intervened to raise import quotas of certain car brands and thus redirect more profits to his protégés. These dynamics, including the complicity of European operators, in this case the car industry, help understand the vested interests favouring car ownership to the detriment of more sustainable mobility options. The capture of state funding, for instance via fossil fuel subsidies, or tax breaks for carbon-intensive sectors, are other ways of creating and reinforcing rent-seeking.

Climate action requires large redistributive efforts and will therefore be met with strong opposition. The resistance of established rent-seekers might sometimes be so strong that EU action must lower its ambition to a level where change can be sustained. This will require humbleness, flexibility as well as risk-taking in the way the EU works. Climate change as such might not be at the top of everyone's mind but its multiple impacts – floods, droughts, pollution – are felt in the lives of people, especially the vulnerable. The EU needs to become their allies and design its programmes around their problems rather than one-size-fits-all financial instruments conceived, implemented and evaluated in an abstract world.

The EU remains the largest provider of development aid. Structuring it to bring groups excluded from power into the decision-making process should be an imperative. A system based on extraction and marginalisation is by default impenetrable to participation and innovation, including eco-innovation. EU leverage should be instrumental to opening cracks in the prevailing forms of rent-seeking, directly or, when this is not possible, through indirect entry points such as decentralised energy production options that share control over resources more broadly, public mobility solutions giving low-income households alternatives to the automobile trap, or improved waste management, creating better livelihoods for those involved in the sector (like informal garbage pickers).

If rents associated with natural resources and other international flows are more likely to be captured by national governments and central power holders, local actors like municipalities, when empowered, are the firefighters of climate action – dealing with the mess of waste, traffic congestion, urbanisation, flooding, water and sanitation problems – and therefore the EU's natural allies. Another strong call the EU should heed comes from young people, especially the generations born after 2000. 'Fridays for Future' marches have been held even on the streets of Kabul. The climate strike movement is led by a generation that can be expected to still be alive by the end of this century when the effects of climate change are bound to be most severe in the absence of decisive action during the 2020s. Ultimately, helping powerless people and groups organise and stand up for collective action is key to change course. This is where the EU, at home and internationally, can make a difference.

### Conclusion

Humanity faces an unprecedented challenge as climate change threatens to destroy the foundations of its survival on earth. However, the international community is not doing enough to prevent the worst outcome. Carbon emissions continue to be on a steady rise while the global economy remains firmly rooted in a degenerative system that feeds on endless material consumption. Business as usual is not enough. Climate change can no longer be viewed as a technical problem in need of technical solutions. Technology and finance can play a role, but they are not central to solving our predicament. Climate change should be dealt with for what it is, a political problem that affects humanity in an unequal way and that will not be solved so long as the entrenched interests benefiting from the status quo are not challenged.

The European Green Deal could be an opportunity to break from 'business-as-usual'. However, this is dependent on its ability to scale down Europe's absolute material consumption and decarbonise its economy while pursuing these objectives in a socially just manner that demands the highest efforts from high-income groups and countries. To succeed in this effort, EU policy-makers should consider the full political extent of the European Green Deal, in Europe and internationally. They must strive to understand the power structures behind climate change, figure out who gains from the status quo, who suffers, and whether the latter have the leverage, capacity, influence and critical mass to champion the necessary change. EU action should therefore be based on sound political economy analysis with a climate focus in order to decipher the dominant systems of rent-seeking, especially in carbon-intensive sectors, the main actors resisting climate action, their strengths and vulnerabilities, as well as our potential allies.

## Further Reading

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