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The role of the EU in governing the geopolitics of the Net-Zero transition

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The [Think2030 Dialogue Spain](#), held on 16 November 2023, gathered decision-makers and analysts from policy, business, and research communities across Europe to debate the key sustainability issues at stake for EU policy. The Think2030 Dialogue Spain is one of several activities within the Think2030 platform, created by the Institute for European Environmental Policy in 2018 to provide science-policy solutions for a more sustainable Europe.

As part of the Think2030 Dialogue, [the Elcano Royal Institute](#) organised a session titled '*The role of the EU in governing the geopolitics of the Net-Zero transition*' and this session brief summarises the key take-aways and main policy recommendations from this session.

Lead: Elcano Royal Institute

Moderator: Lara Lázaro Touza, Elcano Royal Institute

Speakers:

- Sebastian Oberthür, Brussels School of Governance & Centre for Climate Change, Energy and Environmental Law at the University of Eastern Finland.
- Gonzalo Escribano, Director of the Energy and Climate Programme, Elcano Royal Institute)
- Ingmar Juergens, CEO and Co-Founder, Climate & Company
- Isabell Büschel, Director, Transport & Environment

Key Recommendations

- **Understanding the complex bidirectional relationship between geopolitics and net-zero transition is key for the EU.**

Cooperation and competition occur simultaneously; the latter does not necessarily entail derailing the net-zero transition. The EU needs to **continue leading by example through the European Green Deal** and its implementation package as well as in international climate negotiations. It needs to **continue acting as a bridge-builder, rethinking** the way in which it interacts with other countries to build trust. Climate geopolitics should be seen through an interdependence lens rather than as a zero-sum game.

- **The EU should support the implementation of sustainable energy systems in regions like the Mediterranean and Latin America.**

The EU energy narrative must **shift away from exclusively securing resources** for its own energy transition to the EU becoming a companion in the transition of its partner countries. There is **room for reciprocal learning and for fostering inclusive industrial integration** in the Mediterranean and Latin America.

- **We need solutions in sectors and between countries that dominate climate-relevant global trade flows.**

The Carbon Border Adjustment Mechanism (CBAM) and the European Deforestation Regulation (EUDR) are prime examples where **the EU needs to support partners in adapting to its decarbonisation goals**. Moreover, well-functioning global institutions are essential to face the challenges of the climate crisis. **Cooperative approaches rather than fragmented solutions are the way forward.**

- **Strong climate policies are needed but are not enough to deliver net zero on their own.**

For Europe to be successful in its green industrial policy, it should **focus on a limited number of sectors** - EU funding, efficient use of said funding (e.g. STEP, Innovation Fund), green simplification (tailored to address administrative hurdles and ensure transparency) as well as circularity (small BEVs). It is also necessary to **rethink carbon accountability and integrate embedded carbon imports and deforestation**. **Integrate security and resilience criteria in public procurement processes** alongside cost considerations should strengthen EU manufacturing capabilities.

Summary of policy session 1

The policy session started highlighting that two key priorities of the Spanish Presidency of the Council of the EU are to reindustrialise the EU and foster an 'open strategic autonomy' as well as to advance the green transition and enable environmental adaptation. The introductory remarks stressed that the EU cannot address these priorities in isolation. The EU's emissions amount to 8% of global greenhouse gas emissions. The dependence on critical raw materials needed for the low-carbon transition is extremely high. Financing the transition to meet the goals enshrined in the European Green Deal and REPower EU is expected to require additional investment of [€620 bn annually](#). Additionally, current calls for addressing 'regulatory inflation' are repeatedly voiced by the business sector and willingness to internalise climate-related externalities by citizens is in short supply.

The role of the European Green Deal (EGD) in geopolitics was purported as an economic and environmental strategy with both internal and external dimensions. Sebastian Oberthür pointed out that climate geopolitics should be seen through an interdependence lens rather than as a zero-sum game. We should welcome climate action by other Parties (US and China). Contrary to some criticisms, the EDG does not entail a competitive disadvantage compared to other jurisdictions. The **EGD plays a key role in climate geopolitics and beyond**, providing a clear policy path, a rules-based system and funding options, which implies a potential competitive advantage for the EU in comparison to other countries. As for international climate negotiations and the results of the COP, according to **Sebastian Oberthür** 'the EU must continue to be the driving force behind the 'high-ambition coalition', as a bridge-builder to shape and sharpen the Paris Agreement'. Additionally, Oberthür reflected on the future of the COP process as one where goals and rules have been set and the focus is rather on evaluating progress on all the commitments made. COP28 decision on the first Global Stocktake (GST) must transcend the historical mitigation focus to truly address adaptation, means of implementation and loss and damage to help Parties prepare the next round of Nationally Determined Contributions (NDCs) and to help non-Party stakeholders accelerate climate action. On the internal dimension of the EU decarbonisation policy, Oberthür reminded the audience about the upcoming 2040 target setting requirement as per the European Climate Law after the GST and reflected on possible priorities for the EU after the 2024 elections: circularity, resource efficiency and strengthening political and citizen support for climate goals. The review of the Governance Regulation will be an additional milestone in 2024.

Along the same lines, **Gonzalo Escribano** highlighted the bidirectional relationship between the energy transition and geopolitics, with the energy transition having geopolitical impact on the EU (e.g., winners and losers, increased strategic autonomy or new vulnerabilities) and geopolitics influencing the EU transition to net-zero.

‘Geopolitics has very clear consequences in the path to net zero. The trade and technology decoupling between the West and China has a negative impact on the cost of the energy transition while the EU-Russia decoupling is helping the long-term the deployment of renewables’. He also pointed out **EU’s role in shaping the geopolitics of the energy transition focusing on the Mediterranean and Latin America**. For instance, renewable deployment should help Mediterranean partners decarbonise and foster their integration along decarbonised industries and value chains (e.g., in Morocco the EU should promote green fertilisers and manufacturing to enable further integration with the EU market rather than supporting exports of renewable electricity or green H₂). Furthermore, according to **Ingmar Juergens**, ‘we need functioning global institutions, we need to be pragmatic and make [the transition] work’, for instance in the context of the urgent times for the Corporate Sustainability Due Diligence Directive (CSDDD), particularly on the inclusion of the financial sector. He also pointed out that **investments need to be scaled up** very significantly and that we will not reach our goals with fragmentation, instead, we need both cooperation and competition.

Finally, **Isabell Büschel** highlighted that the Net Zero Industrial Act (NZIA) is off to a good start but needs to be improved. It should mirror the Inflation Reduction Act (IRA) in focus, simplicity and visibility. As for the scope, Büschel stated the NZIA needs to clearly support technologies such as renewables, batteries, EVs, e-fuels (for sectors which are hard to decarbonise such as aviation and shipping) and grids. Additionally, there is a **need to reinforce provisions on access to markets** (‘Made in Europe’ criteria) and secure extra EU funding to both ensure a level playing field and deliver on industrial objectives.

About Think2030

Launched by IEEP and its partners in 2018, Think2030 is an evidence-based, non-partisan platform of leading policy experts from European think tanks, civil society, the private sector and local authorities.

By focusing on producing relevant, timely and concrete policy recommendations, Think2030's key objective is to identify science-policy solutions for a more sustainable Europe.

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