



## Green or Brown Future for the World: Geopolitical Dimensions of the EU Green Deal

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## Green or Brown Future for the World: Geopolitical Dimensions of the EU Green Deal

### Policy Brief

by Ilyas Gulenc\* and Onur Sultan\*\*

#### Introduction

Rising energy prices, ongoing negative impacts of the pandemic (Guindos, 2022), and dependence on Russian natural gas (Halm, 2022) have created a harsh political conjuncture for the European Union (EU) to implement the EU Green Deal's regulations including the strengthened Emission Trading System proposal which was rejected by the EU Parliament on June 8 (European Parliament, 2022). While CEOs of the carbon-intensive industries demanded (EUROMETAL, 2022) the adaptation of a slow approach in phasing out the free carbon allowances by waiting for the establishment of an effective Carbon Border Adjustment Mechanism (CBAM), some members of the EU Parliament including Muhammed Chahim, the reporter of CBAM proposal, argues that watering down the proposed ETS and CBAM regimes would not be compatible with the overall emission targets of the EU Green Deal. The internal debates about the Fit for 55 Package, however, make it difficult to understand the geopolitical dimensions of the EU Green Deal on the global scale. At the dawn of the climate change-related disasters, the EU Green Deal has a great potential in the transition to a more democratic and clean international order by changing the competitive nature of international relations and spreading a collaborative economic model.

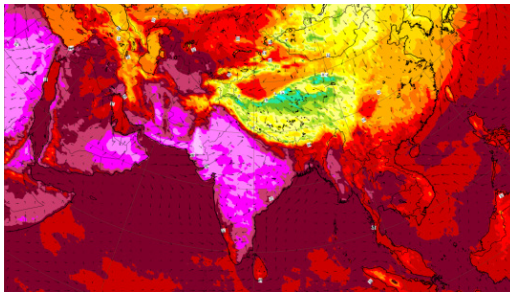


Figure 1. Heatwave in India  
(Source: World Meteorological Organization)

#### The Urgency of Tackling Climate Change

The recent hot waves in India (World Meteorological Organization, 2022) and record-breaking temperatures in Spain are the recent clear indicators that show that climate change has become a conspicuous global problem rather than an anticipated future phenomenon. There were debates in India as the second-largest wheat exporter about restricting the amount of wheat exported. Scientific research demonstrate that only shorter than 9 years remain to (Gray, 2021) exceed the 1.5 degree global warming threshold (IPCC, 2022). During the voting process of the eight regulations related to the Fit for 55 package, Frans Timmermans, the Executive Vice-President of the EU Green Deal, warned (Timmermans, 2022) the members of the EU

Parliament that *the climate change is going to intensify* and inaction of the EU will exacerbate its consequences. In this context, the EU Green Deal is the only viable and strong international project to use the last chance (Carrington, 2018) of the current generation to save the welfare of the future generations.

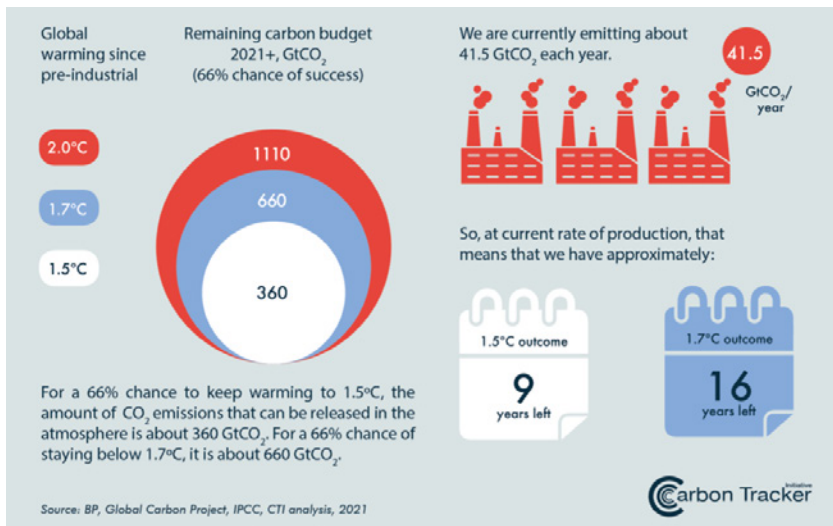
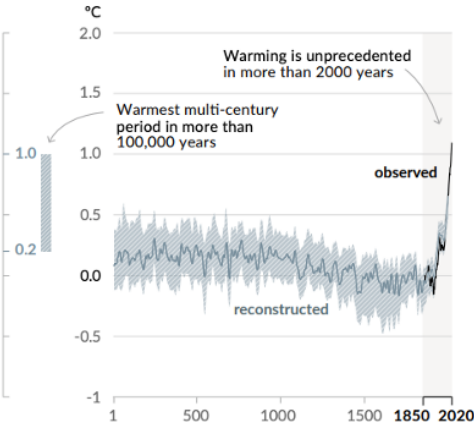


Figure 2. Remaining Carbon Budget (Source: Carbon Tracker)

Changes in global surface temperature relative to 1850-1900

a) Change in global surface temperature (decadal average) as reconstructed (1-2000) and observed (1850-2020)



b) Change in global surface temperature (annual average) as observed and simulated using human & natural and only natural factors (both 1850-2020)

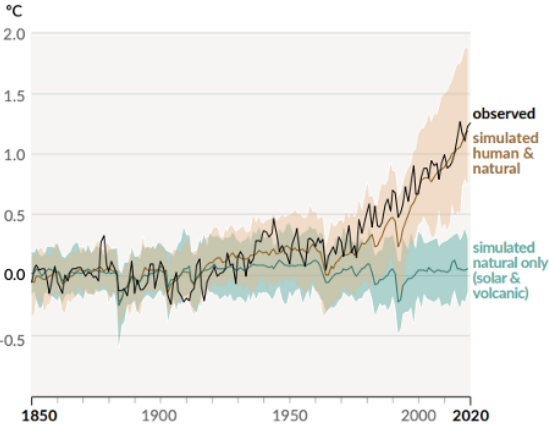


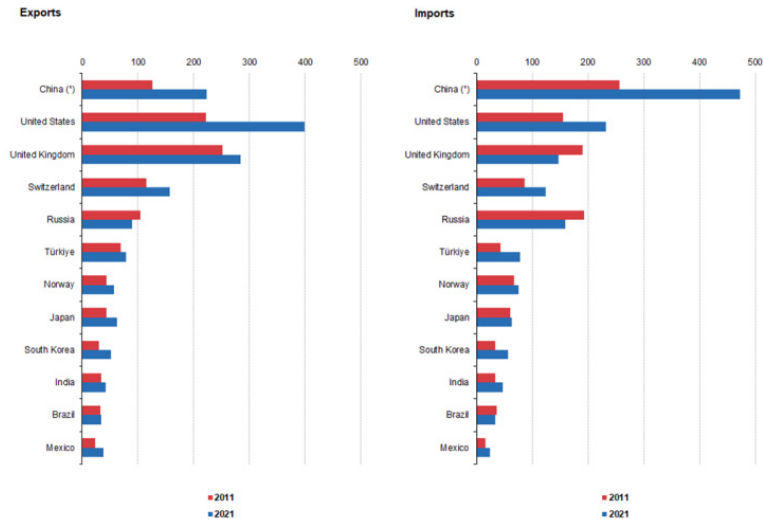
Figure 3. Global surface temperature change (Source: IPCC)

The EU Green Deal and Its Impacts on Other Countries within the Context of Carbon Regimes

The EU policymakers are well-aware that only minimizing the carbon emissions of the EU, which only account for 8% of the global emissions (Evans, 2021), is not enough to prevent the ongoing harmful effects of climate change. That is why the CBAM proposal (European Commission, 2021) is designed to force trade partners of the EU (Eurostat, 2022) to reduce their emissions for escaping from the financial burdens of carbon prices on certain exported products to the EU including cement, steel, electricity, aluminum, and steel-iron. Most of the EU's trade partners are also among the countries that are the top greenhouse gas emitters. The EU Green Deal has accelerated the efforts of other countries to establish their own Emission Trading Systems to allow the payment of carbon prices domestically. The current CBAM proposal excludes the exporters to buy CBAM certificates, if there are efficient ETS mechanisms in their countries. Emergence of new carbon markets around the world will enforce the representatives of the industries to reduce their carbon footprints.

On the other hand, CBAM is regarded as a kind of trade barrier (Römer, 2021) for some countries. Some experts allege that it may trigger retaliatory attempts that can hinder the competitiveness of the EU Companies and harm the harmony in the international trade.

Extra-EU trade in goods by main trading partners, EU, 2011 and 2021  
(€ billion)



Note: partners are sorted according to the sum of imports and exports in 2021.  
(\* Excluding Hong Kong.  
Source: Eurostat (online data code: ext\_it\_maineu)

The economic burden of the strengthened ETS and new requirements in the context of sustainable product initiative may also harm the competitive advantages of the EU companies by increasing their production costs. According to the World Bank's annual report related to the carbon pricing trend around the world, policymakers in different countries have difficulty in the establishment of new carbon regimes due to the volatility in the energy market and high inflation rate. Creation of new carbon clubs necessitates coordination among the countries to harmonize the rules and prices of new emission trading systems.

Figure 4. EU's Major Trade Partners (Source: Eurostat)

Figure 6. Russian Export Products (Source: World Economic Forum)

### New Raw Material Dependencies Mean New Relationships

The EU Green Deal seems to create new kind of raw material dependencies that are widely used in the renewable energy systems. The EU predominantly imports (DW, 2022) 19 critical metals from China. The growing critical metal demands for the development of the clean technologies can become a new achilles' heel for the EU. It is estimated that the lithium demand of the EU will increase 18 times by 2030. The EU's new kind of critical metal dependency to China may create another vulnerability for foreign and security policies of the EU

### Conclusion and Policy Recommendations

New environmental legal regulations under the EU Green Deal will initiate a wave of green regulations in other regions to increase the compatibility of the regional companies to the emergence of new sustainable markets in the world. From this point of view, the EU Green Deal can be regarded as an effective international policy instrument to build a world order, which is compatible with the sustainable development goals of the United Nations. In this context;

- EU should concentrate on establishing a new kind of economic partnership with its Western allies to accelerate the green transition and find effective solutions to exit from fossil fuels
- EU should also build a cooperative and collaborative relationship with countries in the Middle East and Africa to help them to make their economic system greener. Unlike its colonial past, this type of relationship will both increase the effectiveness of the actions related to the fighting against climate change and restrict the authoritarian countries such as China and Russia to enhance their power in the international relations.
- The pace of enacting the EU Green Deal regulations is critical to preserve the competitiveness of the clean tech industries in the EU and prevent the disasters related to the climate change. Therefore, the institutional mechanism of the EU should find the ideal balance between the need to react faster and obeying the democratic institutional standards.

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