



# A Matter of Global Leadership

Staying the course starts with addressing the spillovers of the European Green Deal

This policy brief proposes an alternative pathway to simplification: one grounded in **cooperation** as the foundation for maintaining the EU's ambition and policy trajectory while building global leadership. Rather than suspending or weakening regulatory frameworks, the European Commission should aim to **align existing measures and partnership agreements** to ensure both their effectiveness, and the consolidation of EU leadership rooted in the European core values of legality, justice and international solidarity.

**Publication date:**  
May 2025

**Author:**  
Pierre Leturcq

Photo by [Omkar Jadhav](#) on  
Unsplash

The mandate of the first Von der Leyen Commission concluded with the identification of a fundamental challenge: the **coherence** of EU sustainability policies<sup>1</sup> —namely, the alignment between their objectives and their global socio-economic impacts, and the interference of those with other EU policies with extraterritorial effect. The second Von der Leyen Commission began with an

---

<sup>1</sup> Coherence was the guiding question of the Trade Policy Seminar “*Trade, Sustainability and Coherence: Impact on Trade of EU Internal Instruments*” organised on 27 May 2024 by the Belgian Presidency of the EU Council.

answer: **simplification**. In many instances, however, this has effectively meant **deregulation**, here defined as the relaxation, the postponement, or in some cases, the removal of legal obligations related to sustainable development for European economic actors.

This policy brief proposes an alternative pathway to simplification: one grounded in cooperation as the foundation for maintaining the EU's ambition and policy trajectory while building global leadership. Rather than suspending or weakening regulatory frameworks, the European Commission should aim to **align existing measures and partnership agreements** to ensure both their effectiveness and the consolidation of EU leadership rooted in the European core values of legality, justice and international solidarity. The **European Green Deal** (EGD) is an unprecedented policy framework for achieving sustainable growth in Europe. Its ambition goes beyond climate neutrality by 2050 and encompasses biodiversity protection and restoration, the reduction of pollution, and the promotion of a circular economy. As the EU implements this wide-ranging transformation, the Green Deal's external effects are becoming increasingly visible, from a race to Critical Raw Materials (CRM) to the implementation of unilateral measures with extraterritorial reach.

The brief draws on the outcomes of a **Think2030 workshop organised in Warsaw on 28 March**, with the support of the Polish Presidency of the Council of the EU. It focuses on the unilateral measures with the most significant impact on countries in the Global South – **with a focus on the African continent**, and which have resonated most strongly in recent international climate negotiations: the **EU Carbon Border Adjustment Mechanism** (CBAM), the **EU Deforestation Regulation** (EUDR) and the **Ecodesign for Sustainable Products Regulation** (ESPR). The intensity of this debate in international climate negotiations has even led some to refer, in the context of the last UNFCCC COP, to a “*CBAM bomb*” to debunk. In light of the current climate landscape, characterised by the United States' withdrawal from the Paris Agreement and a broader context of international mistrust, engaging all willing actors in constructive cooperation is imperative. The imposition by the Trump administration of tariff duties of unprecedented scale in modern history, including on the poorest countries<sup>2</sup> must lead the EU to assume stronger leadership for international legality and solidarity.

This brief advocates for a **multidimensional approach** involving greater integration of policy objectives across the EU's domestic and external actions. It calls for enhanced

---

<sup>2</sup> Colette Van der Ven, EU needs to support developing countries, Commentary, Borderlex, 23 April 2025 <https://borderlex.net/2025/04/23/enlightened-interest-the-eu-should-support-poor-countries-hit-by-trump-tariffs/>

synergies between **trade and investment policy, cooperation programmes, and the EU's international climate strategy**, grounded in respect for internationally agreed objectives and commitments enshrined in multilateral environmental agreements (MEA). This reflection piece aims to demonstrate that the time has come to address the international dimension of EU Green Deal legislation more systematically and rigorously. It concludes by posing a number of practical questions that will be explored further in a forthcoming IEEP research report, which will be published in June 2025.

## Key recommendations

### 1. Double down on engagement with the G20

**Leverage ongoing negotiations with G20 countries**, ie. Clean Trade and Investment Partnership (CTIP) with South Africa<sup>3</sup>, ongoing negotiations towards Free Trade Agreements with the UAE<sup>4</sup>, India (alongside an Investment Protection Agreement)<sup>5</sup>, Australia<sup>6</sup> and Indonesia<sup>7</sup>, recently reviewed and signed agreements respectively with Mexico<sup>8</sup> and Mercosur (Brasil, Argentina)<sup>9</sup>, as well as current diplomatic engagement with Brazil in the context of its COP30 presidency<sup>10</sup>, to work towards a plurilateral declaration calling for a moratorium on sectoral “green equivalents”, starting with the steel sector, the interoperability of industrial decarbonisation policy frameworks, and the use of Paris Agreement Article

---

<sup>3</sup> EU – South Africa – Clean Trade and Investment Partnership [https://ec.europa.eu/commission/presscorner/detail/en/ip\\_25\\_774](https://ec.europa.eu/commission/presscorner/detail/en/ip_25_774)

<sup>4</sup> EU and UAE agree to launch free trade talks, Reuters, 10 April 2025 <https://www.reuters.com/world/eu-uae-agree-launch-free-trade-talks-2025-04-10/>

<sup>5</sup> EU Commission, EU India FTA, Factsheet, [https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/india/eu-india-agreement\\_en/](https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/india/eu-india-agreement_en/)

EU Commission, EU India Investment Protection Agreement [https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/india/eu-india-agreement\\_en&sa=D&source=docs&ust=1746284310336759&usq=AOvVaw0pxitMev6dcxWEzb8Im5II](https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/india/eu-india-agreement_en&sa=D&source=docs&ust=1746284310336759&usq=AOvVaw0pxitMev6dcxWEzb8Im5II)

<sup>6</sup> EU Commission, EU-Australia FTA, Factsheet, [https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/australia/eu-australia-agreement\\_en](https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/australia/eu-australia-agreement_en)

<sup>7</sup> EU Commission, EU-Indonesia FTA, Factsheet, [https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/indonesia/eu-indonesia-agreement\\_en](https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/indonesia/eu-indonesia-agreement_en)

<sup>8</sup> EU Commission, EU-Mexico FTA, Factsheet [https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/mexico/eu-mexico-agreement\\_en](https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/mexico/eu-mexico-agreement_en)

<sup>9</sup> EU Commission, EU Mercosur FTA, Factsheet, [https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/mercosur/eu-mercosur-agreement\\_en](https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/mercosur/eu-mercosur-agreement_en)

<sup>10</sup> UN Climate Change Conference, COP 30 - <https://unfccc.int/cop30>

6 credits (whether Internationally Tradeable Mitigation Outcomes – ITMOs<sup>11</sup> - or voluntary credits) in the context of Border Carbon Adjustments (BCA).

## **2. Build consensus before COP30**

**Ease tensions before landing in Belem: negotiate and secure public statements from key partner countries committing not to challenge the CBAM** before the WTO's Dispute Settlement System in exchange for support mechanisms or plurilateral revenue-sharing arrangements.

**Work with Global South partners towards a solution on CBAM proceeds<sup>12</sup>:** Establish a mechanism to ensure that CBAM-generated revenues contribute directly to decarbonisation efforts in affected countries either at the source, through the recognition of alternative carbon pricing or liability systems under the definition of CBAM's "effective carbon price"<sup>13</sup>, or via the creation of dedicated funds co-managed by the EU and regional development banks to support decarbonisation in third countries.

**Avoid granting pure exemptions under CBAM, EUDR and ESR<sup>14</sup>:** Instead of undifferentiated exemption regimes, build support schemes that reflect countries' capabilities and reward climate ambition. Exemptions such as the definition of a "no-risk" category<sup>15</sup> would create loopholes and significantly reduce the effectiveness of Regulations, as well as pose WTO compliance issues.<sup>16</sup>

## **3. Make the most out of new partnerships:**

**Make CTIPs and SIFAs coincide with investment governance reform:** The Clean Trade and Investment Partnerships and Sustainable Investment Facilitation

---

<sup>11</sup> UNFCCC, key Outcomes from COP29: Article 6 of the Paris Agreement; [https://unfccc.int/sites/default/files/resource/COP29%20outcomes\\_A6.2\\_6.4\\_6.8.pdf](https://unfccc.int/sites/default/files/resource/COP29%20outcomes_A6.2_6.4_6.8.pdf)

<sup>12</sup> Green Trade Network, Summary for decision-makers: Four guiding principles for CBAM design and implementation, 2022

<sup>13</sup> Sandler, Ely and Daniel Schrag. "Leveraging Border Carbon Adjustments for Climate Finance: Matching Carbon Tax Assets with Carbon Tax Liabilities." *Science, Technology, and Public Policy Program, Belfer Center*, December 2, 2024

<sup>14</sup> World Resources Institute, *Proposed Amendments to EU Deforestation Law Create Dangerous Loopholes and Uncertainty*, 18 November 2024 <https://www.wri.org/news/statement-proposed-amendments-eu-deforestation-law-create-dangerous-loopholes-and-uncertainty> ;

<sup>15</sup> Amendments proposed by the European Parliament to introduce a no-risk category in the EUDR's country benchmarking was avoided.

<sup>16</sup> Tulip Consulting, *WTO implications of the proposed 'no risk' amendment to the EUDR*, 2 December 2024

Agreements are interesting new investment-for-decarbonization vehicles, but they could be a drop in the ocean if they remain – as currently envisaged – non-binding agreements<sup>17</sup>. Furthermore, these new types of agreements do not exempt EU Member States from a termination of existing extra-EU bilateral investment agreements (BIT) including Investor-to-State Dispute Settlement provision, which constrain political and fiscal space and, in doing so, undermine the climate ambition of States<sup>18</sup>.

**Support tailored cooperation mechanisms for co-developing green industrial strategies:** These platforms should provide investment planning, capacity-building, and local value creation mechanisms, especially in sectors affected by CBAM and EUDR.

**Expand investment beyond the Global Gateway:** Scale up technology transfer, regional value chain development (e.g. in green hydrogen or critical minerals), and private sector mobilisation through de-risking instruments.

#### **4. Reinforce strategic coherence across EU institutions:**

Improve coordination between DG CLIMA, TRADE, ENER, INTPA, and GROW to align trade, climate, and development goals and ensure joined-up external action.

This could materialise through **dedicated interservice sessions** and a **systematic involvement of these Directorate Generals in the Sustainability Impact Assessment (SIA)** processes ahead of the conclusion of any partnership.

---

<sup>17</sup> Van der Ven, Azevedo, Lamy & Pons, A New Era of EU Mini Trade Deals, Europe Jacques Delors, policy Paper, March 2025, <https://www.europejacquesdelors.eu/publications/a-new-era-of-eu-mini-trade-deals>

<sup>18</sup> Columbia Center on Sustainable Investment, Overhauling Investment Governance for a Just Zero-Carbon Future <https://ccsi.columbia.edu/content/investment-governance-climate-energy>

# 1. Why Addressing the External Spillovers of the EU Green Deal has become urgent

## a) Repositioning Climate leadership as an International Security issue

Climate politics is inherently power politics, and the geostrategic dimension of advancing the fight against climate change has never been more evident<sup>19</sup>. The abrupt decoupling of the American and Chinese economies, amidst an ongoing technological rift, also signals a short-term geopolitical realignment of major global blocs around climate-related issues. Since returning to power, Donald Trump has pursued a strategy of economic insularity aimed at protecting domestic industrial and manufacturing capacities, alongside a renewed emphasis on increased fossil fuel production. This approach is, by its very nature, short-sighted—not only because of the inevitability of climate change and the irreversible necessity of transitioning to decarbonised production systems, but also because renewable energy sources, even in the United States, continue to outcompete fossil fuels in terms of cost-effectiveness, and this, in spite of any Trump administration's policy direction. The American U-turn, in this context, highlights the economic strategies of certain states—Russia among them—that are predicated on maintaining a climate status quo.

Moreover, the slowing pace of the fossil fuel phase-out perpetuates systems of dependency that benefit fossil exporters and disproportionately affect countries in the Global South. The European Union's leadership-by-example approach, as embodied by progress made under the Green Deal between 2019 and 2024, has thus become insufficient. What is now required is deeper cooperation with developing countries, particularly in the fields of investment, regulatory alignment and market integration. The dissemination of European values—chief among them, respect for legality and international conventions—must go hand in hand with deploying the instruments that underpin the EU's power, most notably its trade policy. It also implies responding to the concerns expressed by low and middle-income countries that fear EU Green Deal legislation with extraterritorial reach turn into *de facto*-market access restrictions.

---

<sup>19</sup> Bergeling, Oger & Van Melkebeke, A European Wellbeing Economy – avenues for political action, Report, IEEP & GEF, Chapter 5 "Global Challenges and Global Solutions", March 2025 <https://ieep.eu/publications/a-european-wellbeing-economy-avenues-for-political-action/>

### **b) Addressing the risk of circumvention and trade diversion**

Global challenges need global responses. As simple as it may sound, this assertion is particularly true when it comes to implementing market access regulations. Although the EUDR is a formidable policy tool to ensure that in critical sectors only deforestation-free goods can enter the single market, the risk of supply chain segregation is real. Without a proper assessment of the capacity of local actors to cope with the new obligations, the EUDR risks enshrining market divergences and encouraging traders to segregate between suppliers destined for the EU market and the rest<sup>20</sup>.

Since the adoption of the EUDR, the Commission has made mandatory the issuance of a trade impact assessment ex ante in the design phase of any environmental policy with extraterritorial reach. Closer technical assistance work on the ground and with the help of the delegations will be required to ensure the regulation's effectiveness while avoiding restricting smallholders' access to the EU market.

## **2. What Is at Stake? Hearing (and understanding) Global South concerns on CBAM, EUDR and ESPR**

### **a) The Carbon Border Adjustment Mechanism (CBAM)**

CBAM is one of the EU's key policy tools to prevent industrial carbon leakage. It imposes a carbon price equivalent to the price paid by EU producers as part of the Emissions Trading Scheme on a selected range of imports. While its rationale is rooted in protecting the integrity of the EU's strategy to incentivise its domestic industry to decarbonise, CBAM has generated significant concerns among low — and middle-income countries (LMIC), mostly linked to their limited fiscal and technological capacity to decarbonise.

Modelling work led by the African Climate Foundation<sup>21</sup> and the African Centre for Economic Transformation (table below) indicates that while the Carbon Border Adjustment Mechanism (CBAM) is projected to reduce CO<sub>2</sub> emissions in the sectors it targets, it would also result in

---

<sup>20</sup> Mathias Cramm (2022), *Exploring how agricultural commodity trader responses can influence the effectiveness of the new EU deforestation proposal*, European Forest Institute, 202022 [https://efi.int/sites/default/files/files/publication-bank/2022/newgo\\_policybrief\\_2022a.pdf](https://efi.int/sites/default/files/files/publication-bank/2022/newgo_policybrief_2022a.pdf)

<sup>21</sup> African Climate Foundation. (2023). *Implications for Africa of a CBAM in the EU*. <https://africanclimatefoundation.org/wp-content/uploads/2023/05/800756-AFC-Implications-for-Africa-of-a-CBAM-in-the-EU-08.pdf>



significant GDP declines across several African countries. Specifically, average GDP reductions of approximately 1% are anticipated, primarily due to trade disruptions. These findings underscore that the implications of CBAM extend beyond economic metrics, affecting social welfare, employment, and the availability of development finance. Many of the countries most impacted have already committed to net-zero transitions but lack the financial and technological capacity to implement large-scale green investments. The same models conclude that implementing an African Union-wide Carbon tax, to diminish the cost of CBAM and retain the fiscal proceeds within the continent, would lead to even heavier economic and social distributive impacts.

**Table 1. Addressing Spillover Risks: Effects of the CBAM**

Country	GDP (%)	Welfare (US\$ mil.)	Total Exports (%)	CO <sub>2</sub> emissions (%)
<b>Egypt</b>	-0.17	-416	-1.01	-0.1
<b>Morocco</b>	-0.06	-189	-1.01	0.8
<b>Tunisia</b>	-0.96	-276	-2.67	-1.7
<b>Cameroon</b>	-0.11	-34	-0.66	0.3
<b>Côte d'Ivoire</b>	-0.16	-25	-1.04	0.8
<b>Ghana</b>	-0.24	-154	-0.78	-0.4
<b>Guinea</b>	-3.98	-183	-4.77	-2.7
<b>Nigeria</b>	-1.9	-2,845	-2.9	0.6
<b>Senegal</b>	0.53	31	-1.41	-0.6
<b>Central Africa</b>	-1.84	-2,006	-2.58	-0.9
<b>Ethiopia</b>	0.64	62	-0.92	0.6
<b>Kenya</b>	0.45	40	-0.83	0.5
<b>Rwanda</b>	-0.5	-28	-1.43	0.4
<b>Tanzania</b>	-0.10	-65	-1.07	-0.1
<b>Uganda</b>	-0.4	-78	-1.45	0.3
<b>Malawi</b>	-0.56	-21	-0.4	0.1



<b>Mauritius</b>	-0.05	-3	-0.57	0.3
<b>Mozambique</b>	-2.52	-230	-4.98	-3.1
<b>Zimbabwe</b>	-0.72	-40	-1.07	-1.0
<b>Botswana</b>	-4.09	-351	-2.23	2
<b>Namibia</b>	-0.90	-1,123	-0.29	-14.3
<b>South Africa</b>	-0.17	-416	-1.01	-0.1

*Source: Asafu-Adjaye, J. and G. Baffour-Awuah (2024). 'The role of climate-positive policies in promoting green growth and industrialization in Africa', African Center for Economic Transformation, May<sup>22</sup>*

CBAM has thus become emblematic of the risks posed by the "one-size-fits-all" approach to carbon pricing, which risks penalising countries for structural constraints beyond their control. It may also incentivise diversion away from EU markets or even slow down decarbonisation if alternative pathways are not supported by additional targeted investments. The African Union has already raised formal complaints about CBAM, and in several countries, there is greater concern over it than over tariffs introduced under the Trump administration.

The Commission is currently working at the technical level to define default values<sup>23</sup> by country, sector, and goods (covering more than 700 HS codes) for cases where there is insufficient information on the carbon intensity of goods declared at customs. The challenge—particularly significant for countries in the Global South—is to establish a fair and differential carbon price, and the methodology adopted will inevitably be closely scrutinized by industry and stakeholders. Meanwhile, CBAM's domestic politics do not sufficiently consider these external developments. The European debate around CBAM has been heavily shaped by industrial and competitiveness concerns, with relatively little attention paid to the external development implications. This has led to a policy architecture that risks exacerbating global inequalities and undermining climate cooperation. CBAM must therefore be part of a broader EU-African strategy that builds capacity, promotes technology transfer, and secures long-term green partnerships.

## **b) The EU Deforestation Regulation (EUDR)**

<sup>22</sup> Using GTAP10A database (reference year January 2020)

<sup>23</sup> EU Commission, Carbon Border Adjustment Mechanism [https://taxation-customs.ec.europa.eu/carbon-border-adjustment-mechanism\\_en](https://taxation-customs.ec.europa.eu/carbon-border-adjustment-mechanism_en)

The EUDR, which seeks to eliminate deforestation from EU-bound supply chains, mandates that products such as rubber, timber, cattle (and selected derived products such as leather, chocolate or furniture) be traceable and verified as deforestation-free. While the regulation responds to a critical environmental need, its implementation presents important challenges for producers in the Global South<sup>24</sup>. The International Trade Centre<sup>25</sup> has documented the ways in which SMEs and smallholder farmers and cultivators in countries like Nepal, the Philippines, and Kenya are struggling to adapt to the EUDR. In Nepal, for instance, coffee is produced in remote mountainous areas, often by smallholder farmers. Volumes exported are modest in share of EU imports but matter a lot for these operators. These producers are subject to the same level of requirements than large agribusinesses (as in data requirements are the same, risk mitigation and risk assessment level depends on the size of the operator, that first places the product on the EU market). In Kenya, the leather sector is seen as a future export engine, but EUDR compliance has emerged as a major obstacle due to traceability constraints.

The impact assessment underpinning the EUDR has been criticized for failing to adequately consider these real-world implications. The regulation risks excluding developing country producers from EU markets and undermining rural livelihoods. Moreover, the regulatory process was not sufficiently inclusive—many affected countries were not meaningfully consulted in the design phase. This fuels the perception that the EU is exporting its environmental standards without due regard for the socio-economic realities of its partners.

Beyond technical compliance, the EUDR also raises concerns around market fragmentation, information asymmetry, and predictability. Ongoing "simplification" efforts by the European Commission have provided important clarifications on the due diligence statements<sup>26</sup>, but nevertheless have lowered the bar. For instance, while previously every shipment or batch entering the EU market was required to be accompanied by a Due Diligence Statement (DDS), it is now required annually. Further simplifications/clarifications include reusing DDS for re-imports and minimum legal requirements for large downstream companies, amongst others. It is to be seen whether the adjustments reduce monitoring and data entry time without reducing the impact of the Regulation. The regulation's implementation was delayed by 12 months to the end of 2025, but the economic and social risks associated with exporting countries remain.

---

<sup>24</sup> See Javiera Cáceres Bustamante, Yilly Vanessa Pacheco, *EU Unilateral and Bilateral Approaches in Anti-deforestation Efforts: Analysis of Trade Agreements with Chile and the Andean Community*, Eur. For. Aff. Rev. Vol. 30, SI (2025) and Alessandra Lehmen, Geraldo Vidigal, *Trade and Environment in EU-Mercosur Relations: Negotiating in the Shadow of Unilateralism* Eur. For. Aff. Rev. Vol. 30, SI (2025).

<sup>25</sup> International Trade Centre. [Deforestation-free value chains | ITC](#)

<sup>26</sup> EU Commission, Press Release, *Commission takes action to simplify the implementation of the EU Deforestation Regulation*, [https://ec.europa.eu/commission/presscorner/detail/en/ip\\_25\\_1063](https://ec.europa.eu/commission/presscorner/detail/en/ip_25_1063)

### **c) The Ecodesign for Sustainable Products Regulation**

The Ecodesign for Sustainable Products Regulation (ESPR)<sup>27</sup>, adopted by the European Commission in March 2022 as part of the Circular Economy Action Plan<sup>28</sup>, establishes a comprehensive framework for improving the environmental sustainability of products sold in the EU. Replacing the earlier Ecodesign Directive focused primarily on energy-related products, the ESPR extends requirements across a broad range of product categories. It aims to enhance product durability, reparability, recyclability, and energy and resource efficiency, while also addressing aspects such as the presence of harmful substances and the use of recycled content. By setting mandatory sustainability criteria through delegated acts, the ESPR seeks to transform production and consumption patterns in the EU and contribute to the bloc's climate and environmental objectives.

The ESPR is expected to significantly influence global value chains by setting sustainability requirements that apply to products placed on the EU market, regardless of their origin. As a result, non-EU producers, especially those in developing countries, may face challenges in adapting to the new rules due to limited technical capacity, data availability, and financial resources. These new rules risk creating trade distortions and market exclusion, particularly for small and medium-sized enterprises (SMEs). Additionally, the increased demand for more sustainable materials and production practices could lead to shifts in global resource flows, affecting commodity prices and potentially triggering unintended environmental or socio-economic consequences in producer countries, especially those with lower institutional capacity. However, the ESPR also presents opportunities for positive international spillovers if implemented with appropriate support mechanisms. By setting a global benchmark for product sustainability, it can incentivise greener production practices and innovation beyond the EU. International cooperation, technical assistance, and capacity-building partnerships will be instrumental to maximize co-benefits and ensure a just circular transition<sup>29</sup>.

---

<sup>27</sup> EU Commission, ESPR, Factsheet [https://commission.europa.eu/energy-climate-change-environment/standards-tools-and-labels/products-labelling-rules-and-requirements/ecodesign-sustainable-products-regulation\\_en](https://commission.europa.eu/energy-climate-change-environment/standards-tools-and-labels/products-labelling-rules-and-requirements/ecodesign-sustainable-products-regulation_en)

<sup>28</sup> EU Commission, Circular Economy Action Plan [https://environment.ec.europa.eu/strategy/circular-economy-action-plan\\_en](https://environment.ec.europa.eu/strategy/circular-economy-action-plan_en)

<sup>29</sup> See recent comprehensive report authored by IEEP's Eline Blot: Blot, E., (2025) External impacts of new EU sustainable product standards, Policy Brief, April <https://ieep.eu/publications/external-impacts-of-new-eu-sustainable-product-standards/>

### 3) Towards a change of EU doctrine on international partnerships

If the EU is serious about promoting a fair and effective green transition globally, it must rethink how it engages with partners on the external dimensions of its environmental policies. This includes institutional innovation, proactive investment strategies, and more flexible regulatory frameworks. In the case of EU-Africa relations, this involves acknowledging the two blocs' mutual interests in fostering industrial decarbonisation cooperation to create collaborative clean industrial ecosystems and consolidating existing regional initiatives to drive climate-positive investments<sup>30</sup>.

#### a) Fostering regional dynamics of sustainable supply chain integration

Recent research on green industrialisation underscores that Africa's transformation hinges not only on meeting sustainability benchmarks but also on leveraging global regulatory shifts to strengthen value chains and regional trade. In its relations with the African continent, the EU should build on existing platforms and initiatives such as:

- **The African Continental Free Trade Area (AfCFTA)**, launched in 2019 by the African Union (AU), which aims to create a single market for goods and services across Africa, eliminating tariffs on 90% of goods and reducing non-tariff barriers. With participation from nearly all African Union members, it seeks to boost intra-African trade, foster economic integration, and enhance the continent's global competitiveness. The European Union has supported the **AfCFTA** through funding and technical assistance. With over €1 billion pledged via the Team Europe initiative, the EU has brought important support to facilitate its implementation. The EU should continue to mainstream an AfCFTA-inclusive approach to its engagement in Africa.
- The **African Green Industrialisation Initiative (AGII)**<sup>31</sup>, launched in the margins of COP28 and spearheaded by Kenya, aims to build climate-positive growth through a green economy model. A new strategic approach to EU partnerships must better integrate these regional initiatives. This approach is especially crucial in the fields of emerging technologies and access to affordable, decarbonised energy, which form the foundation of the continent's industrial development.

---

<sup>30</sup> Sébastien Treyer (IDDRI), Chukwumerije Okereke (CCCD) and Elisabeth Hege (IDDRI), After US Election, EU and Africa should Strengthen Partnership for Green Industrialisation, Blog, ETTG <https://ettg.eu/us-africa-europe-greenindustrialisation/>

<sup>31</sup> COP28, [African Green Industrialisation Initiative](#)

- In the field of deforestation-free value chains, initiatives under the Global Gateway such as the **Sustainable Cocoa Initiative** have borne fruit and enabled a consolidation of market access for cocoa producers in Ghana, Cameroon and Ivory Coast<sup>32</sup>. This approach could be replicated to other types of goods, especially to CRM, building on local expertise as well as on the expertise of specialized UN agencies such as the UN Industrial Development Organisation, to add value locally and identify industrial development opportunities.

### **b) Taking advantage of new opportunities to address past issues and do better moving forward: CTIPs and SIFAs.**

The **Clean Trade and Investment Partnerships (CTIP)** are a novel instrument in the European Union's trade policy toolkit, aiming to enhance competitiveness, diversify supply chains, and stimulate economic growth both within the EU and among its partners. Introduced as part of the EU's broader strategy to address market fragmentation, geopolitical shifts and economic challenges, CTIPs are designed to be more flexible and targeted than the traditional Free Trade Agreements (FTA). They focus on specific sectors such as clean energy, technology, and strategic industries, facilitating cooperation on investment, skills development, and regulatory alignment. Given their structure, CTIPs can be useful tools to mobilize private capital for climate projects and safeguards to protect regulatory space for climate policies<sup>33</sup>. Negotiations towards a CTIP were launched with South Africa in March 2025, emphasising investment in the clean energy transition and the development of strategic industries along the supply chain. This partnership is supported by a €4.7 billion Global Gateway investment package, underscoring the EU's commitment to fostering sustainable economic ties. However, the non-binding nature of CTIPs has raised questions regarding their enforceability and the extent of parliamentary oversight, highlighting the need for clear governance structures and transparency to ensure their effectiveness and mutual benefit<sup>34</sup>.

However Clean Trade and Investment Partnerships (CTIPs) as currently envisaged, seem fit for the needs of emerging economies, benefiting from already installed industrial capacities. Their corollary for Low Income Countries – branded as the “Sustainable Investment Facilitation

---

<sup>32</sup> Sustainable Cocoa Initiative, EU Commission [https://international-partnerships.ec.europa.eu/policies/programming-programmes/sustainable-cocoa-initiative\\_en](https://international-partnerships.ec.europa.eu/policies/programming-programmes/sustainable-cocoa-initiative_en)

<sup>33</sup> Marie-Claire Cordonier Segger, Markus Gehring, Ted Gleason and Matheus Garcia, *Climate and Investment Law Nexus Reimagined – Beyond ISDS, Obligations and Instruments to Avoid and to Defend* (CISDL, 2025) Pg. 22. <https://www.cisd.org/ecf-legal-working-paper-on-investment-treaties/>

<sup>34</sup> Martin Dietrich Brauch, Stefan Mayr, and Carl Frederick Luthin, *How EU Clean Trade and Investment Partnerships Can Foster Sustainable Investment Governance*, Blog, Columbia Center on Sustainable Investment (CCSI), March 2025 <https://ccsi.columbia.edu/news/eu-clean-trade-investment-partnership-ctip-sustainable-investment-governance>

Agreements” (SIFA), the first one of which was recently concluded with Angola, respond to different challenges. In particular SIFAs aim to create a more transparent, efficient, and predictable environment for foreign investment, with a strong emphasis on sustainability. Unlike conventional investment treaties that primarily focus on protecting investors’ rights, and without addressing the issues arising from those conventional treaties, SIFAs prioritise measures aimed at improving the overall investment climate—such as simplifying administrative procedures, increasing inter-agency coordination, and promoting responsible business practices. The primary objective of a SIFA is to encourage foreign direct investment that supports sustainable development. This includes fostering investments that contribute to environmental sustainability, social equity, and sound governance. By attempting to align investment facilitation efforts with global objectives like the Sustainable Development Goals (SDGs) and the Paris Agreement, SIFAs seek to channel international capital toward development that is both economically and environmentally beneficial. However, the language used in the text of the agreement is still too imprecise and noncommittal to expect meaningful results on this front<sup>35</sup>.

Notwithstanding the announcement of new trade and investment vehicles, the EU risks undermining its clean investment agenda if it continues to maintain the over 1000 existing bilateral investment treaties (BITs) that include investor-state dispute settlement (ISDS) mechanisms. These treaties constrain domestic policy space and impose high costs on public finances, without conclusive evidence that they attract or support sustainable investment<sup>36</sup>. In particular, ISDS provisions have shown to have restrictive effects on domestic climate policies<sup>37</sup>. Moreover, they protect all forms of investment—including fossil fuels—undermining the very climate objectives that CTIPs and SIFAs are meant to promote. Having already withdrawn from the Energy Charter Treaty and terminated intra-EU BITs for their incompatibility with EU law and climate goals, the EU and its Member States should now take the logical next step: phase out existing extra-EU BITs and remove investment protection clauses from trade agreements that

---

<sup>35</sup> The SIFA with Angola “recognises the importance of taking urgent action to combat climate change...in line with the Paris Agreement” and subsequently states that the parties shall implement the Paris Agreement (Article 32). [https://circabc.europa.eu/ui/group/09242a36-a438-40fd-a7af-fe32e36cbd0e/library/a17ccfe1-ce36-428f-bc7f-76bcb902c36a/details?download%3Dtrue&sa=D&source=docs&ust=1746284310351058&usg=AOv-Vaw2fYgy26UC\\_pl8BRS17pn3u](https://circabc.europa.eu/ui/group/09242a36-a438-40fd-a7af-fe32e36cbd0e/library/a17ccfe1-ce36-428f-bc7f-76bcb902c36a/details?download%3Dtrue&sa=D&source=docs&ust=1746284310351058&usg=AOv-Vaw2fYgy26UC_pl8BRS17pn3u)

<sup>36</sup> Martin Dietrich Brauch, Stefan Mayr, and Carl Frederick Luthin, *How EU Clean Trade and Investment Partnerships Can Foster Sustainable Investment Governance*, Blog, Columbia Center on Sustainable Investment (CCSI), March 2025 <https://ccsi.columbia.edu/news/eu-clean-trade-investment-partnership-ctip-sustainable-investment-governance>

<sup>37</sup> Marie-Claire Cordonier Segger, Markus Gehring, Ted Gleason and Matheus Garcia, *Climate and Investment Law Nexus Reimagined – Beyond ISDS, Obligations and Instruments to Avoid and to Defend* (CISDL, 2025) Pg. 3. <https://www.cisdl.org/ecf-legal-working-paper-on-investment-treaties/>

conflict with the Union's green transition<sup>38</sup>. A truly "clean" partnership must extend to the governance of investment itself.

These new agreements could secure new types of commitments, similar to those of the recently concluded Agreement on Climate Change, Trade and Sustainability (ACCTS)<sup>39</sup>, but only if designed in a more formal way, including binding provisions, which would ultimately turn CTIPs into something they are not at the moment and what Van der Ven, Azevedo, Lamy and Pons call "mini-trade deals"<sup>40</sup>. The inclusion of explicit commitments to phase out fossil fuel subsidies and promote renewable energy sets the ACCTS as a critical precedent for aligning investment and trade policies with climate objectives<sup>41</sup>. While the ACCTS is providing an example of what an ambitious plurilateral trade agreement could deliver in terms of climate action progress<sup>42</sup>, recent research led by CISDL<sup>43</sup> and based on a foresight report commissioned by the European Climate Foundation calls for the creation of a "Green Free Trade Agreement" (GFTA) under the World Trade Organisation. These new types of agreements, inspired by the Australia-Singapore Green Economy Agreement and the ACCTS would include similar provisions aimed at phasing out fossil fuel subsidies, identifying market opportunities for green goods and services produced by either of the Parties, but also mutually reinforcing capacities to increase Nationally Determined Contributions under the Paris Agreement.

Tailored, country-specific platforms for co-developing green industrial strategies are essential. These platforms should go beyond high-level political declarations and offer concrete mechanisms for:

- Joint assessment of local needs and opportunities, particularly in sectors affected by EU regulations like CBAM and EUDR;

---

<sup>38</sup> Martin Dietrich Brauch, Stefan Mayr and Carl Frederick Luthin, After intra-EU BITs and the ECT, the EU needs to abandon extra-EU BITs—for legal, energy and climate policy, and political economy reasons, Columbia FDI Perspectives, No. 394 October 14, 2024 <https://ccsi.columbia.edu/sites/ccsi.columbia.edu/files/content/docs/fdi%20perspectives/No%20394%20-%20Brauch,%20Mayr%20and%20Luthin%20-%20FINAL.pdf>

<sup>39</sup> New Zealand Foreign Affairs and Trade, *Agreement on Climate Change, Trade and Sustainability (ACCTS) – Overview* <https://www.mfat.govt.nz/en/trade/free-trade-agreements/free-trade-agreements-concluded-but-not-in-force/agreement-on-climate-change-trade-and-sustainability-accts/agreement-on-climate-change-trade-and-sustainability-accts-overview>

<sup>40</sup> Van der Ven, Azevedo, Lamy & Pons, A New Era of EU Mini Trade Deals, Europe Jacques Delors, policy Paper, March 2025, <https://www.europejacquesdelors.eu/publications/a-new-era-of-eu-mini-trade-deals>

<sup>41</sup> Marie-Claire Cordonier Segger, Markus Gehring, Ted Gleason and Matheus Garcia, *Climate and Investment Law Nexus Reimagined – Beyond ISDS, Obligations and Instruments to Avoid and to Defend* (CISDL, 2025) Pg. 20. <https://www.cisdl.org/ecf-legal-working-paper-on-investment-treaties/>

<sup>42</sup> The ACCTS includes an extensive list of over 300 environmental goods and services benefiting from tariff liberalisation, as well as commitments to achieve the objectives set in the Paris Agreement and gradually phase out fossil fuel subsidies.

<sup>43</sup> CISDL, *Toward Net Zero in 2040: Providing Legal Options for ECF's "Future of Trade in a Net Zero World" Report*, March 2025 <https://www.cisdl.org/ecf-cisdl-future-of-trade-in-a-net-zero-world-foresight-report/>



- Transparent investment planning with local job creation and value addition;
- Technical support and blended finance – including more concessional loans - to enable compliance and investments in clean infrastructure including in transparency and monitoring technologies,
- Liberalisation of trade in environmental goods and services (only if designed as more traditional – binding - trade agreements)
- Mutual support mechanisms to achieve Nationally Determined Contributions under the Paris Agreement

Partnerships should move beyond the traditional "EU+1" model and be reconceived as genuinely collaborative processes that actively involve regional institutions and civil society. This reframing is essential to prevent the perpetuation of extractive dynamics that continue to prioritise European interests at the expense of partner countries. In a recent digest on African Industrialisation strategies, ECDPM underscores the need for African countries to take a leading role in shaping these partnerships, ensuring they reflect the continent's green industrial priorities and are responsive to broader transformations in global energy and trade systems. This should come with a stronger connection between the EU and regional coordination and market integration initiatives such as the AfCFTA.<sup>44</sup>

### **c) Scale up Investment Beyond the Global Gateway**

While the Global Gateway is a step in the right direction, it lacks the scale and strategic clarity to meet the expectations and needs of partner countries. The EU must offer more robust financing instruments and clearer value propositions. This includes:

- Expanding support for technology transfer, especially in sectors like green hydrogen, where African countries are still underprepared.
- Prioritising regional supply chain development to reduce dependency on single markets ;
- Mobilising private capital through risk-sharing instruments and guarantee schemes.

Strategic investments in value-added industries — such as lithium-ion battery value chains — can enable African countries to benefit more from the global transition and avoid being relegated to raw material suppliers.

---

<sup>44</sup> ECDPM, Green industrialisation in an age of disruption: Africa, Europe and the global economy <https://ecdpm.org/work/green-industrialisation-age-disruption-africa-europe-and-global-economy>

#### **d) Enable Greater Flexibility in EU Regulations with extraterritorial impact**

The EU should consider more flexible approaches to CBAM and EUDR implementation. In particular for CBAM, a key priority for the EU should be the recognition that, while carbon pricing can serve as an effective policy instrument, it does not constitute a one-size-fits-all solution. Accordingly, the Carbon Border Adjustment Mechanism (CBAM) should be designed to acknowledge and accommodate a broader spectrum of climate-positive measures implemented by partner countries.

Quickly implementable measures could include:

- Phased introduction or longer transitional periods for Least Developed Countries.
- Revenue recycling from CBAM into climate finance for affected countries.
- Incorporating technology transfer and capacity-building as integral components of environmental trade measures.

CBAM and EUDR should also be subject to ongoing monitoring and impact assessments involving external stakeholders. Without such mechanisms, the EU risks locking in inequitable outcomes and losing international trust.

#### **e) Reframe EU Climate Diplomacy through a Geopolitical Lens**

Climate diplomacy can no longer operate in isolation from broader foreign and security policy. While countries like China, the US, and the Gulf states are actively using climate and industrial policies to expand their geopolitical influence, the EU has been fraught with real difficulties in expressing a unified vision of the purposes and impacts of policy instruments like CBAM (which is still perceived as an industrial policy by Global South actors), EUDR or the Corporate Sustainability Due Diligence Directive.

In this context, the EU should enhance internal coordination between DG CLIMA, DG TRADE, DG INTPA, and DG GROW to align environmental and external policy; and build broader coalitions around shared industrial and environmental goals, with BRICS, G7 countries and ACCTS partners.

## Conclusion

The EU Green Deal has the potential to drive a transformative global agenda, but only if it is implemented in ways that are fair, inclusive, and development-friendly. CBAM, EUDR or the ESPR are not inherently problematic, but their review and final implementation must better reflect the asymmetries of the global system. Through adaptive regulation, inclusive partnerships, and strategic investments, the EU can move from being seen as an environmental rule-maker to becoming a genuine partner in a globally just transition as well as a global climate justice leader in very uncertain times.

## Acknowledgements

The author gratefully acknowledges the insightful feedback and comments provided to this paper by John Asafu-Adjaye (African Center for Economic Transformation), Martin Dietrich Brauch and Stefan Mayr (Columbia University), Marie-Claire Cordonier Segger, Markus Gehring and Matheus Paes Garcia (Centre for International Sustainable Development Law), Ely Sandler (Harvard), Eline Blot, Nora Hiller and Antoine Oger (IEEP).

**Gates Foundation**

This work has been produced with the support of the Gates Foundation.



This work has been produced with the financial support of the LIFE Programme of the European Union. The paper reflects only the views of its authors and not the donors.

The **Institute for European Environmental Policy** (IEEP) is a sustainability think tank with offices in Brussels and London. As a not-for-profit research organisation with over 45-years of experience, we are committed to advancing evidence-based and impact-driven sustainability policy across the EU and the world.

