# Transatlantic Dialogue:

The Missing Link in Europe's Post-Covid-19 Green Deal?

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#### Geopolitics of Energy Project Project on Europe and the Transatlantic Relationship

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#### **About the Projects**

The Project on Europe and the Transatlantic Relationship aims to strengthen Harvard University's capacities for teaching, research, and policy on the relationship between the United States and Europe. The program is designed to deepen a relationship which has — for over 70 years— served as an anchor of global order, driven the expansion of the world economy, provided peace and stability and reunited peoples once divided by war. The Project convenes academics and practitioners to campus as fellows for teaching and training, conferences and workshops for degree students and policy-makers.

The Geopolitics of Energy Project explores the intersection of energy, security, and international politics. The project, launched in 2011, aims to improve our understanding of how energy demand and supply shape international politics—and vice versa. It also endeavors to inform policymakers and students about major challenges to global energy security and, where possible, to propose new ways of thinking about and addressing these issues. The project focuses both on conventional and alternative energies, as both will influence and be influenced by geopolitical realities.

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He is the author of the following studies: "The Evolution of the Legislative and Budgetary Powers of the European Parliament: Theory and Praxis in Communitarian Democracy" (in *Diplomacy and International Relations*, vol. I, Publications of the Spanish Diplomatic Academy, Spain, 2008); and "The Spanish Presidency of the European Eunion and the Fight Against Child Poverty and Social Exclusion;" in *Child Poverty and Social Exclusion: Building Equity... Childhood Development*, Comillas Pontifical University, Child Platform, Spain, 2012).

#### **Key Takeaways**

- Exit strategies from Covid-19 lockdowns will require coordinated and comprehensive economic recovery plans, including unprecedented investments.
- The new growth strategy outlined in the European Green Deal (GD) should be an integral part of the EU's exit strategy, in order to maintain the momentum in the fight against climate change and to consolidate leadership in climate policy.
- The post Covid-19 GD may enable the EU to translate its climate policy leadership into global influence.
- The effectiveness of the GD will require the involvement of strategic partners, notably the US; however, there is at present a striking absence of the US in the GD's geostrategic roadmap.
- Issues of mutual interest about which the US and the EU could cooperate include natural gas, hydrogen, and low-carbon steel.
- Existing forums, such as the EU-US Energy Council, could promote transatlantic dialogue about these issues and contribute to a gradual engagement of the US with the GD.
- In addition to these forums, transatlantic dialogue should include leaders and actors from the subnational level.

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#### Introduction

Almost nothing will be the same after the Covid-19 pandemic, and the European Green Deal (GD)—the EU's sustainable growth strategy—is no exception.

The pandemic has caused twin crises: a public health crisis, with harrowing death tolls and the greatest challenge to health systems of our lifetime; and a global economic crisis, with rocketing unemployment, public debt increases, and a deep recession (at the least). All of this will require unprecedented investments and capital, as well as coordinated exit strategies. During a virtual G20 meeting in March 2020, member nations pledged up to \$5 trillion to spur the economic recovery. 2

Decisions related to exit strategies and stimulus packages over the coming months will lock in economic and climate benefits, or costs, for the years to come. UN Secretary General António Guterres, at the March G20 meeting, said, "We must work together now to set the stage for a [post-Covid-19] recovery that builds a more sustainable, inclusive, and equitable economy, guided by our shared promise [of] the 2030 Agenda for Sustainable Development." His statement suggests that climate change will remain a major challenge after the Covid-19 pandemic.<sup>3</sup> In the same line of thinking, public figures such as the former President of Ireland and leaders of the International Energy Agency, have emphasized the importance of greening stimulus packages.<sup>4</sup>

The European Council, which is the pinnacle of power in the EU, has called for a unified European Covid-19 economic recovery plan, one

https://www.politico.eu/article/commission-to-developcoordinated-exit-strategy-from-lock-downs/.

<sup>2</sup> https://www.wsj.com/articles/g-20-nations-pledge-5-trillion-to-spur-global-economic-recovery-from-coronavirus-11585258468.

<sup>3</sup> https://www.un.org/sg/en/content/sg/speeches/2020-03-26/remarks-g-20-virtual-sum-mit-covid-19-pandemic.

<sup>4</sup> https://www.theguardian.com/environment/2020/mar/24/covid-19-economic-rescueplans-must-be-green-say-environmentalists.

that includes the EU's climate policy ambitions.<sup>5</sup> Such an alignment could be the next step in expanding the EU's longstanding leadership in global climate policy. In 2000, the EU launched the European Climate Change Program with the aim of implementing Europe's commitments under the Kyoto Protocol. Five years later, it established the first and largest regulated carbon market in the world. In 2007, it set a triple target, which later developed into legislation: a 20 percent cut in greenhouse gas emissions (from 1990 levels), a 20 percent increase in energy from renewables, and a 20 percent improvement in energy efficiency (the 20-20-20 framework, in common parlance). The EU was a central negotiator of the Paris Agreement and it remains the leading force for CO<sub>2</sub> reduction commitments within the UN Conferences of the Parties (COP).

The European Commission—under the leadership of President Ursula von der Leyen—has clearly stated that in order to have an impact on global temperature levels, the EU needs to export its climate policies beyond its borders.<sup>6</sup> The question is: How can the EU leverage its leadership in climate policy to influence how other countries address this challenge?

<sup>5</sup> https://www.euractiv.com/section/energy-environment/news/eu-leaders-back-green-transitionin-pandemic-recovery-plan/; https://www.consilium.europa.eu/media/43076/26-vc-euco-statement-en.pdf.

<sup>6</sup> European Commission, "Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions, The European Green Deal," November 12, 2019, https://ec.europa.eu/info/sites/ info/files/european-green-deal-communication\_en.pdf.

#### **The Green Deal**

At the center of the European Commission's climate policy agenda is the Green Deal (GD). The GD was proposed by the commission as a framework for comprehensive action in the fight against climate change. The commission defines the GD as "a new growth strategy that aims to transform the EU into a fair and prosperous society with a modern, resource-efficient, and competitive economy where there are no net emissions of greenhouse gases in 2050 and where economic growth is decoupled from resource use."

The GD consists of a number of multi-sector actions with the aim of main-streaming sustainability in all EU policies and making the EU the first climate-neutral block in the world by 2050. To this end, the commission plans to make consistent use of all policy levers that may contribute to a clean and circular economy, notably: regulation and standardization, investment, industrial strategy, low-carbon transport infrastructure, and common agricultural policy greening. The removal of incoherent legislation that reduces the effectiveness of delivering the GD, and the review of the relevant state aid guidelines, will also be key elements. The GD includes an explicated timeline with proposals and reviews.

The commission plans a set of novel initiatives, including a sustainable products initiative and a chemicals strategy for sustainability designed to stimulate markets for climate neutrality and circularity, especially in energy intensive industrial sectors, such as construction, plastics and electronics. For 2021, the commission plans to release a number of proposals for more stringent emissions standards for combustion engine vehicles. These updates will include the Emissions Trading System Directive, the Energy Taxation Directive, and the Alternative Fuels Infrastructure Directive.

<sup>7</sup> European Commission, "Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions, The European Green Deal."

<sup>8</sup> https://ec.europa.eu/info/sites/info/files/european-green-deal-communication-annex-roadmap\_en.pdf

<sup>9</sup> https://ec.europa.eu/info/sites/info/files/european-green-deal-communication-annex-roadmap\_en.pdf.

<sup>10</sup> Ibid.

<sup>11</sup> Ibid.

The GD is not completely new. It reflects some of the core ideas of previously announced green deals. Following the Global Financial Crisis in 2008, the United Nations Environment Program (UNEP) published in 2009 a report titled *Rethinking the Economic Recovery: A Global Green Deal.*<sup>12</sup> It was proposed as a mix of policy actions designed to stimulate recovery, create jobs and opportunities for vulnerable groups, and improve the sustainability of the world economy. In 2009, the Heinrich Boell Foundation—Germany's Green Party think tank—proposed the Transatlantic Green Deal, which presented the financial crisis as an opportunity to end subsidies for harmful environmental behavior and to promote the greening of national stimulus packages.<sup>13</sup>

The success or failure of this more recent GD will be linked to active engagement between the EU and its international strategic partners. Well aware of this, the commission has outlined a geostrategic roadmap,<sup>14</sup> which refers to cooperation with third-party countries and international forums on climate and environment issues.

The purpose of this brief is threefold: 1) to outline the geostrategic rationale of the GD in a post-Covid-19 world; 2) to highlight the absence of the US in the GD's geostrategic roadmap and the importance of gradually engaging the US; and 3) to indicate possible channels for dialogue that can bring these actors together to cooperate on issues of mutual interest.

<sup>&</sup>quot;UNEP-Global-Green-New-Deal.Pdf," accessed December 23, 2019, https://www.cbd.int/develop-ment/doc/UNEP-global-green-new-deal.pdf.

<sup>13 &</sup>quot;Toward\_a\_transatlantic\_green\_new\_deal.Pdf," accessed December 23, 2019, <a href="https://us.boell.org/sites/default/files/toward\_a\_transatlantic\_green\_new\_deal.pdf">https://us.boell.org/sites/default/files/toward\_a\_transatlantic\_green\_new\_deal.pdf</a>.

<sup>14</sup> The GD geostrategic roadmap is laid out in 'Section 3. The EU as a Global Leader' in "Communication from the Commission to the European Parliament, the European Council, the European Economic and Social Committee and the Committee of the Regions, The European Green Deal," November 12, 2019.

#### **Geostrategy of the Green Deal**

Revamping European climate policy with ambitious goals may foster the EU's soft power in a post-Covid-19 world, especially in the vacuum left by the US withdrawal from the Paris Agreement. As Professor Joseph Nye has substantiated for many years, soft power is a crucial source of international influence that reinforces the capacity of an actor to translate its priorities into others' objectives. <sup>15</sup> Scholarship on climate negotiations indicates that the EU should take more credit for its key role in the success of the Paris Agreement and underscores the increasing capability of a the EU to export its climate policy preferences to other countries. <sup>16</sup> This is of utmost importance within the multilateral dynamics to which the EU is committed. Thus, multilateralism and the fight against climate change go hand in hand. By investing in the latter, the EU may strengthen the former. In sum, if the EU manages to bolster non-European countries' green commitments, it will be exercising leadership and influence on the international stage while shoring up multilateralism.

But how could this be done? To be truly effective, persuasion needs carrots and even "teeth." If the GD is to succeed, both internally and externally, it needs powerful incentives. Internally, the investments of EU member states in this field need strong financial support to ensure an adequate transition toward carbon-free models. This is particularly relevant in a context of financial strain caused by Covid-19 responses. To this end, the European Green Deal Investment Plan (EGDIE) will mobilize EU funding and create an enabling framework to stimulate public and private investments needed for the transition to a carbon-neutral economy. The EGDIE includes a "Just Transition Mechanism" for regions dependent on high carbon industries, and plans to mobilize at least €1 trillion of sustainable investments over the next decade.

<sup>15</sup> Joseph S. Nye, *Soft Power: The Means to Success in World Politics*, first edition, (New York: Public Affairs, 2004); Joseph S. Nye, *The Future of Power*, first edition, (New York: Public Affairs, 2011).

<sup>16</sup> Mai'a K. Davis Cross, "Partners at Paris? Climate Negotiations and Transatlantic Relations," *Journal of European Integration* 40, no. 5 (2018): 571–586, <a href="https://doi.org/10.1080/07036337.2018.148">https://doi.org/10.1080/07036337.2018.148</a>
7962. See also Marianne Riddervold and Akasemi Newsome, "Transatlantic Relations in Times of Uncertainty: Crises and EU-US Relations," *Journal of European Integration* 40, no. 5 (July 29, 2018): 505–21, <a href="https://doi.org/10.1080/07036337.2018.1488839">https://doi.org/10.1080/07036337.2018.1488839</a>.

Of course, that will be easier said than done. Just as the previous commission had to prove the worthiness of the Juncker Investment Plan, the Von der Leyen commission will have to prove that the EDGIE is capable of effectively leveraging these funds. This will be no easy task in the aftermath of the Covid-19 crisis, which will put unprecedented pressure on public finance. Moreover, a "climate law" presented by the European Commission will commit the EU to cutting emissions to net-zero by 2050. Only time will tell how the adoption and implementation of the law will unfold in a post covid-19 context, and how eventual dissident member states will react and be compensated. As expected, skepticism and divisions have already risen. <sup>17</sup>

Externally, non-EU members must also be enticed effectively. The commission has clearly stated that, "The environmental ambition of the Green Deal will not be achieved by Europe acting alone. . . . The EU can use its influence, expertise, and financial resources to mobilize its neighbors and partners to join it on a sustainable path. The EU will continue to lead international efforts and it hopes to build alliances with the likeminded. It also recognizes the need to maintain its security of supply and competitiveness even when others are unwilling to act." The EU's trade policy may be a powerful tool to serve these ends. As a consequence of the EU's free trade agreements—well over one hundred are either in force, being updated, or being negotiated—the EU's agreed-upon standards frequently become international standards. The commission has indicated that "trade policy can support the EU's ecological transition. . . . On climate change more specifically, the EU's most recent agreements all include a binding commitment of the parties to ratify and effectively implement the Paris Agreement. The commission will propose to make the respect of the Paris Agreement an essential element for all future comprehensive trade agreements." <sup>19</sup>

The EU's vast single market, international cooperation, and neighborhood policies will also be mobilized, according to the commission:

<sup>&</sup>quot;Brussels' Green Cash Credentials Questioned – POLITICO," accessed January 19, 2020, https://www.politico.eu/article/european-commission-brussels-green-cash-credentials-questioned-frans-timmermans-budget-just-transition-mechanism/?utm\_source=POLITICO.EU&utm\_ campaign=650ffcb864-EMAIL\_CAMPAIGN\_2020\_01\_16\_06\_01&utm\_medium=email&utm\_term=0\_10959edeb5-650ffcb864-189743893.

<sup>18</sup> European Commission, "Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions, The European Green Deal."

<sup>19</sup> Ibid.

As the world's largest single market, the EU can set standards that apply across global value chains. The commission will continue to work on new standards for sustainable growth and use its economic weight to shape international standards that are in line with EU environmental and climate ambitions. The EU's international cooperation and partnership policy should continue to help channel both public and private funds to achieve the transition. While the EU and its member states remain the world's leading donors of development assistance and provide over 40 percent of the world's public climate finance. As public funds will not suffice, the EU and its member states will coordinate their support to engage with partners to bridge the funding gap by mobilizing private finance. The commission proposal for a Neighborhood, Development, and International Cooperation Instrument proposes to allocate a target of 25 percent of its budget to climate-related objectives.<sup>20</sup>

On another note, the GD framework also includes a forthcoming proposal for a carbon-related border adjustment<sup>21</sup>—expected in 2021—to reduce the risk of "carbon leakage," which is related to businesses that transfer production to other countries with laxer emission constraints so as to reduce costs.<sup>22</sup> Should differences in levels of ambition persist among nations, a carbon border adjustment mechanism, for selected sectors, will reduce the risk of carbon leakage. A cross-border carbon tax, as envisaged in the GD's proposal, might help to protect EU companies from unfair international competition. At the same time, this measure could incentivize those international actors who want access to the EU single market while allowing them to adopt European climate standards while avoiding further transaction costs. At this early stage, it remains uncertain whether such a cross-border tax is feasible. If it is eventually deemed feasible, the question will be whether it can be effectively implemented. The debate has already started, and Europe is seen, once again, as a pioneer in the field.<sup>23</sup>

<sup>20</sup> European Commission, "Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions, The European Green Deal."

<sup>21 &</sup>lt;a href="https://ec.europa.eu/info/sites/info/files/european-green-deal-communication-annex-roadmap\_en.pdf">https://ec.europa.eu/info/sites/info/files/european-green-deal-communication-annex-roadmap\_en.pdf</a>.

<sup>22</sup> https://ec.europa.eu/clima/policies/ets/allowances/leakage\_en.

<sup>23</sup> https://bruegel.org/2019/08/border-carbon-tariffs-giving-up-on-trade-to-save-the-climate/.

These are indeed impressive "teeth." If deployed in a smart and comprehensive way (e.g. through the EU's trade, aid, and neighborhood policies), the GD may effectively serve the purposes of President von der Leyen's "geopolitical commission" while contributing to a sustainable post-Covid-19 economic recovery. It might also tap into the strong pro-climate sentiment among EU citizens. <sup>24</sup> If all this occurs—if the EU plays its cards right in this complex geopolitical scenario—it could be a masterstroke. "Playing the right cards" would involve GD diplomacy designed to translate the EU's standards and initiatives to international ones, and in particular to engage other actors in carbon reduction and green growth goals through multilateral and bilateral diplomatic channels. <sup>25</sup>

<sup>24</sup> A Eurobarometer survey published on September 11, 2019 shows that 93 percent of Europeans believe that climate change is a "serious problem" and 79 percent see it as a "very serious problem." Compared with the last Eurobarometer in 2017, climate change has overtaken international terrorism in being perceived as the second most serious problem facing the world today, after poverty, hunger, and lack of drinking water.

<sup>25</sup> European Commission, "Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions, The European Green Deal."

#### **The Missing Link**

For the GD to succeed, it will not be enough for the EU to act alone, regardless of how high EU ambitions may be. Other major international actors must be onboard or at least aligned with its initiatives. This necessity has been emphasized by President von der Leyen.<sup>26</sup> The need for Green Deal diplomacy is especially critical in the context of the uncertainty that has ensued from US climate policies under the Trump administration, and the lack of concerted action during the Covid-19 crisis.

EU green ambitions will be less effective without US engagement. It seems naïve to believe that any international instrument to combat climate change may succeed without the engagement of the US, which is one of the main emitters of CO<sub>2</sub>. However, the GD's geostrategic roadmap does not contain a single reference to the US. This silence vis-à-vis the US can be interpreted in many ways. It could be considered as "wait and see" tactics, in the hope that there may be a change in US administration or policy. It could also be seen as "strategic patience"; that is, engaging other actors and building up pressure on the US to also join.<sup>27</sup> For example, the scheduled 2020 EU-China summits in Beijing and Leipzig are considered in the GD roadmap as an opportunity to reinforce the partnership between the EU and China on climate and environmental issues, notably ahead of the next Biodiversity Conference and Conference of Parties. Similarly, the EU's forthcoming Comprehensive Strategy with Africa, and the 2020 summit between the African Union and the EU, as well as the G20 presidency under Saudi Arabia are venues that the EU should use to promote the GD.<sup>28</sup> The commission's silence with regard to the US could also be viewed

<sup>26</sup> https://ec.europa.eu/commission/presscorner/detail/en/IP\_19\_5542.

We refer here specifically to the striking absence of the US in the EU Commission's communication to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions. "[W]e need China. How to get China without having the US onboard is something the European Union has to solve" (Laurene Tubiana, former French environment minister and important figure in the negotiation of the 2015 Paris Treaty). See "UN Climate Talks Fall Short Thanks to US Vacuum," POLITICO, December 15, 2019, https://www.politico.eu/article/un-climate-fall-short-thanks-to-us-vacuum/.

<sup>28</sup> Under Saudi Arabia's G20 presidency, one of the key items refers to "safeguarding the planet by fostering collective efforts to protect our global commons." This item was included despite the fact that Saudi Arabia contested efforts to strengthen emissions accounting standards for carbon pricing in last December's COP 25 held in Madrid. It remains to be seen how the next Sherpa meetings—to be held under the Saudi Arabian presidency—and (ultimately) the Leaders' Summit will address carbon reduction commitments. Experience shows that, in the G20, climate change can be one of the most contentious issues.

as "strategic absence." But leaving dissenters out of the equation won't make the problem go away. If the GD is to have a lasting impact on reducing global warming and at the same time establish Europe as a "green power," then the GD must also be supported by the US.

Both US and EU markets are deeply integrated; actions by one market could affect activity in another. For example, a cross-border carbon adjustment tax could severely affect the US and EU trade relationship. Similarly, in the financial field—an area where the US and the EU have the deepest and largest markets in the world—policy action of one marketplace could have unintended consequences on activities in another. For example, starting in March 2021, the EU will require financial market participants to disclose the sustainability impact on their financial returns and the impact of their investment decisions on sustainability.<sup>29</sup> In parallel, the European Commission will review its capital rules for the (\$12.2 trillion) European insurance sector—known as Solvency II—to strengthen the sector's resilience to climate related risks.<sup>30</sup> This in line with initiatives by the Bank of England.<sup>31</sup> Beyond regulatory and legislative measures, the European Green Deal Investment Plan aims to mobilize at least € 1 trillion for green investments between 2020 and 2030.<sup>32</sup> The European Investment Bank is expected to play a key role as the EU's "climate bank." Part of the financing could also come from a green quantitative easing program, which would encourage EU member countries to issue long-term green debt that would be bought by the European Central Bank (ECB).<sup>33</sup> Although the ECB did not attach green strings to its €750 billion Pandemic Emergency Purchase Programme – announced March 19 – it has started a strategic review (expected to be finalized in December 2020) with climate risks as a priority item.<sup>34</sup> This calls for coordinated interaction when discussing issues of carbon pricing and integrating climate risks in financial regulation.

<sup>29</sup> https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32019R2088

<sup>30</sup> https://www.insurancejournal.com/news/international/2020/01/30/556825.htm.

<sup>31</sup> https://www.bankofengland.co.uk/news/2019/april/open-letter-on-climate-related-financial-risks.

<sup>32</sup> https://ec.europa.eu/commission/presscorner/detail/en/qanda\_20\_24.

<sup>33</sup> https://www.euractiv.com/section/energy-environment/news/eus-breton-looking-into-non-conventional-measures-to-finance-green-deal/.

<sup>34</sup> https://www.ft.com/content/f672e3ce-3d74-11ea-b232-000f4477fbca; https://www.ecb.europa.eu/press/blog/date/2020/html/ecb.blog200319~11f421e25e.en.html.

### US Engagement in the Green Deal: A Gradual, Multilevel Approach

In order to get the US to engage in a multilateral scheme to combat climate change, we suggest a gradualist approach toward US cooperation with the GD. To this end, intermittent bilateral meetings (e.g. the recent meeting in Davos between Presidents Trump and von der Leyen, or the 2018 meeting in Washington between Presidents Trump and Junker) are important but not enough. Established transatlantic ministerial forums with periodic meetings (e.g. the EU-US Energy Council)<sup>35</sup> would enable a more structured political dialogue and a more comprehensive preparatory process (with sherpas, ambassadors, departments/ministries, and officials). These forums could gradually provide climate policy momentum through joint actions and agreements on issues of mutual interest that relate to the GD. They could also play an important role with regard to presidential forums, such as US-EU summits,<sup>36</sup> feeding into their works. For example, in 2010 the US-EU Energy Council took place right before the US-EU summit, with the former informing the latter's agenda.

In the most recent summits, in 2014 and 2010, climate change was one of the main topics. The 2010 summit and Energy Council addressed the need to move toward common EU-US standards on clean technologies, coordinated emissions reductions, and collaboration between research establishments and expertise clusters in areas such as electric vehicle standards. The 2014 summit focused on energy diversification and LNG exports in the context of the Ukraine crisis, preparations for the 2015 Paris summit, and the need to engage China and India in carbon reduction commitments. Also, during the 2014 US-EU summit, the EU called for more

The Energy Council is the leading forum to guide bilateral energy cooperation between the US and the EU. It was launched in 2009 with the purpose of deepening collaboration between the US and the EU. On the U.S. side, the Secretary of Energy co-chairs with the Secretary of State, or their respective surrogates. On the EU side, the attendees are the High Representative for External Affairs, the Vice President for Energy Union and Commissioner for Energy and Climate, or their respective surrogates. The U.S.-EU Energy Council is supported by three working groups: Energy Technology Working Group, Energy Policy Working Group, and Energy Security Working Group. Department of Energy. "U.S.-EU Energy Council." https://www.energy.gov/ia/international-affairs-initiatives/us-eu-energy-council accessed 20. March, 2020.

<sup>36</sup> U.S.-EU summits were established by the Transatlantic Declaration in 1990 and have been considered a key institution for the bridging of transatlantic dialogue, along with NATO and the G7. The most recent one took place in 2014.

substantive content related to transatlantic dialogue about climate change. The next US-EU summit, whenever it occurs, could offer an opportunity to foster green transatlantic dialogue at the highest political level, inside or outside of the Paris Agreement framework. The US cannot officially withdraw from the treaty until November 4, 2020, the day after the presidential election.

Such a gradual approach could be applied to transatlantic dialogue on the GD. This would give the US leeway to progressively develop cooperation with various international actors, especially the EU, and to construct a national consensus. Why is this gradual approach needed? The US perception of a Green Deal is very different from that of the EU. While the GD can be described as evolutionary—building on a number of earlier initiatives—a US Green New Deal could be described as revolutionary. The EU's green agenda is broadly supported by the establishment and mainstream; however, in the US the Green New Deal is much more politically and ideologically colored.<sup>37</sup> This makes it more difficult for the policy to go through Congress, which is divided on these issues. Congress has hindered US engagement in multilateral climate frameworks and has fostered divisions with the EU. The US rebuke of the Kyoto Protocol in 2001, as well as the differences between the US and the EU glaringly displayed in the 2009 Copenhagen Summit,<sup>38</sup> give support to such considerations.

One of the objectives of the next US administration could be to reboot transatlantic dialogue in order to better face common challenges in a post-Covid-19 world. The relationship between the EU and the US over the next decade will be shaped by diverse policy fields, including public health, energy, artificial intelligence, and employment. Climate change and decarbonization affect all these areas; thus, transatlantic dialogue will be particularly important, and all the more so if the US is confirmed to withdraw from the Paris Agreement. Europe's GD is horizontal by nature and could foreseeably be a topic that significantly shapes the transatlantic

<sup>37</sup> Media Inquiries, "US Public Views on Climate and Energy," Pew Research Center Science & Society (blog), November 25, 2019, https://www.pewresearch.org/science/2019/11/25/u-s-public-views-on-climate-and-energy/.

<sup>38</sup> The Obama administration upset Europe's plan for a binding climate change treaty and convinced the so-called BASIC group of countries (Brazil, South Africa, India and China) to agree to an alternative non-binding Accord. The Europeans felt open irritation by what they considered a diplomatic coup by President Obama. See Christopher J Hill, Michael Smith, and Sophie Vanhoonacker, *International Relations and the European Union*, Third edition. (Oxford: Oxford University Press, 2017).

partnership in the coming decade. This year's G7 and G20 summits, the US-EU Energy Council meetings, and the (future) US-EU summits offer channels for transatlantic dialogue—all critical for the success of the GD.

The comprehensive scope of the GD offers areas for possible cooperation between the US and the EU. For example, natural gas is an issue of mutual interest. Natural gas will continue to play a critical role in the EU as a fuel that transitions us toward the ambitious goal of becoming climate neutral by 2050. The US should consider the GD and its implications for a changing energy mix in Europe, and as an opportunity for more shale gas exports.

Another less obvious reason for the US to collaborate with the EU on the GD relates to the EU's objectives to decarbonize energy intensive industries, notably steel. A forthcoming EU proposal supports zero carbon steel-making processes in the EU by 2030.<sup>39</sup> As of 2020, Europe is the largest steel importer and China is the largest steel exporter.<sup>40</sup> But China has the highest energy and CO<sub>2</sub> emissions intensities mainly due to the dominance of coal in the fuel mix.<sup>41</sup> By contrast, the US steel industry's carbon footprint is among the lowest in the world, giving the US a comparative advantage over China—at least in terms of CO<sub>2</sub> emissions.<sup>42</sup> In the foreseeable future, an EU carbon border tax could be an opportunity for the US to prop up competition with China in energy intensive industries, such as steel.<sup>43</sup>

Another area for high-level transnational cooperation related to the GD is the nascent application of hydrogen technology. As a part of the EU's new industrial strategy, the commission promotes the use of clean gases such as hydrogen. <sup>44</sup> The US should consider a fresh approach in terms of how it could benefit from this. <sup>45</sup> According to a Belfer Center report, the US has the potential to become a "hydrogen export champion" thanks to its renewable energy generation potential from

<sup>39</sup> https://ec.europa.eu/info/sites/info/files/european-green-deal-communication-annex-roadmap\_en.pdf.

<sup>40 &</sup>lt;a href="https://www.belfercenter.org/publication/how-clean-us-steel-industry-international-benchmarking-energy-and-co2-intensities">https://www.belfercenter.org/publication/how-clean-us-steel-industry-international-benchmarking-energy-and-co2-intensities</a>.

<sup>41</sup> Ibid.

<sup>42</sup> Ibid.

<sup>43</sup> https://www.belfercenter.org/publication/how-clean-us-steel-industry-international-benchmarking-energy-and-co2-intensities.

<sup>44</sup> https://www.euractiv.com/section/energy-environment/news/eu-announces-clean-hydrogen-alliance-for-launch-in-the-summer/.

<sup>45</sup> According to RechargeNews (02/03/2020) the US government has started to pilot hydrogen projects.

wind and solar, and its freshwater and infrastructure potential.<sup>46</sup> The report also highlights that European hydrogen demand might come to rely on exports from North Africa or North America.<sup>47</sup> The EU and the US could partner to enhance transatlantic cooperation in the development of hydrogen (e.g. a common hydrogen market), and to facilitate policies and standards that yield efficiency gains in terms of scale. This would further reduce the costs of hydrogen. An initial step toward trilateral cooperation between the US, the EU, and Japan for hydrogen development was proposed in the June 2019 at G20 Energy Ministerial meeting.<sup>48</sup>

In addition to high-level meetings, the EU should also think small and galvanize its objectives among US citizens and sub-federal entities, such as states and municipalities. A multi-level approach could be helpful in the long run to incentivize the US federal government to cooperate with the EU on implementing the GD. Opinion polls point toward a growing social awareness about the importance of environmental policies. A majority of US adults (56 percent) say that protecting the environment should be a top priority for the president and Congress, according to a 2019 Pew Research Center survey. 49 The EU should also take advantage of the wide support it has among US state governments. Many state governments support the goals of the Paris Agreement. Half of all US governors have committed to collectively reduce their emissions by 26 to 28 percent by 2025 when compared to 2005, and to join the US Climate Alliance. This alliance could serve as a common platform for initiating dialogue between US states and the EU's regions.<sup>50</sup> The Committee of Regions of the EU and especially its Commission for the Environment, Climate Change, and Energy<sup>51</sup> could serve as a similar platform on the EU side.

The EU should also use the opportunity to galvanize transatlantic support from major cities. It's clear that cities on both sides of the Atlantic face common environmental challenges that put pressure on existing infrastructure and resources. Recent research on the phenomenon of micro-multilateralism highlights that,

<sup>46</sup> Pflugmann, Fridolin and De Blasio, Nicola. "Geopolitical and Market Implications of Renewable Hydrogen: New Dependencies in a Low-Carbon Energy World." March 2020.

<sup>47</sup> Ibid.

<sup>48</sup> https://www.atlanticcouncil.org/in-depth-research-reports/issue-brief/european-energy-diversification-how-alternative-sources-and-routes-can-bolster-energy-security-and-decarbonization/.

<sup>49</sup> Media Inquiries, "How Americans See Climate Change in 5 Charts," Pew Research Center (blog), accessed January 19, 2020, https://www.pewresearch.org/fact-tank/2019/04/19/how-americans-see-climate-change-in-5-charts/.

<sup>50</sup> http://www.usclimatealliance.org/governors-1.

<sup>51</sup> https://cor.europa.eu/en/our-work/Pages/enve.aspx.

while nation-states are increasingly paralyzed into inaction due to political divisions, major cities are increasingly stepping into this vacuum to deliver on core functions, notably on climate action. <sup>52</sup> Cities are forming their own transnational action networks, notably the C40 Cities Climate Leadership Group (C40). <sup>53</sup> Numerous US cities have emerged as key actors in the C40 network, including Los Angeles; Austin; Boston; Chicago; Houston; Miami; New York; Phoenix; San Francisco; Seattle; Washington, DC; Portland; and Philadelphia. <sup>54</sup> The EU should take full advantage of the fact that major US cities are at the forefront of climate action, and use existing micro-multilateral structures for promoting a "Transatlantic City Forum." Such a forum could bring together city administrations from the US and the EU in order to coordinate common actions in the fight against climate change. In sum, EU engagement with US actors at different sub-national levels could help to induce the US federal government to engage in cooperation on the GD.

As mentioned earlier, decisions about Covid-19 exit strategies today will lock-in economic and climate benefits, or costs, for the years to come. In order to maintain momentum in the fight against climate change, and to consolidate leadership in climate policy, the EU's post-pandemic economic exit strategies should be consistent with its 2050 net-zero emission target. That can be achieved by putting clean energy transition at the center of stimulus packages.

<sup>52</sup> Clüver Ashbrook, Cathryn and Daniela Haarhuis. "Micro-Multilateralism: Cities Saving UN Ideals." Munich Young Leaders, September 19, 2019.

<sup>53</sup> Ibid.

<sup>54</sup> https://www.c40.org/cities.

#### **Conclusion**

This policy brief emphasizes that the GD's effectiveness in a post Covid-19 world will require the involvement of strategic partners, especially the US. In the context of a potential US withdrawal from the Paris Agreement and the consequential vacuum, it will be even more important to engage the US in implementing the GD. In light of divergence between the US and the EU during past climate negotiations (e.g. Kyoto, Copenhagen, and Paris), we suggest a gradual approach to US engagement with GD initiatives and objectives.

In this brief, we highlight common interests between the US and EU on a range of GD topics, and we point toward existing forums where dialogue on these topics could be conducted. We also suggest that the EU should galvanize momentum and support with US states, cities, and citizens to advance pro-climate policies.



#### Geopolitics of Energy Project

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