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EU'S SOFT POWER IN GREEN DIPLOMACY
Scaling-up Consensus from Subnational and National Initiatives

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EXECUTIVE SUMMARY

The EU's Green Deal can be a driver for the internal transformation and its positioning globally. The EU's legitimacy as the leader in a multilateral climate action framework depends on how it achieves consensus amongst its member states and supports meaningful action and initiatives at the local level. There should be transatlantic cooperation on climate action, and the agendas of the von der Leyen Commission and the newly elected Biden administration seem to coincide. The EU has to ensure several conditions to achieve a meaningful climate agenda: financial resources, know-how, regulatory framework, and political will—it stands firm on the latter two aspects, but more consideration has to be given to the first condition. Developmental divides between older and newer member states are a vulnerability in the implementation of the Green Deal. Despite the Just Transition Fund, the green transition's impact can have a larger negative impact for newer member states, given their structural vulnerabilities and economic dependency. Considering this, the cumulative positive impact (i.e. socio-economic and green transition) of stimulus packages in the CEE region is essential. Finally, local initiatives across the EU can offer powerful solutions for mediating the green transition's negative impact. Bottom-up political commitment to the climate agenda (e.g. Pact of Free Cities, Covenant of Mayors) benefits from grassroots action, community-led initiatives, and legitimacy. To a large extent, such local initiatives have maintained the climate agenda on track even in a context of poor political support at the national level. As this paper recommends, specific support mechanisms should be designed for subnational climate action initiatives in Europe.

Short bio

Clara Volintiru is Associate Professor in the Department of International Business and Economics (REI), at the Bucharest University of Economic Studies (ASE). She graduated a PhD from the London School of Economics and Political Science (LSE) and has participated in various international research projects in the field of behavioural studies, good governance, informal exchanges and political economy. Her projects focused on Central and Eastern European and EU's peripheries. She has conducted research for international organizations such as the World Bank, the European Commission, OECD, Eurofound, or the Committee of Regions. Her recent publications appeared with Oxford University Press, Palgrave, Routledge, or Springer, and in such peer-reviewed journals as *CEifo Economic Studies*, *Acta Politica*, *European Political Science Review*, *Eastern European Politics*, or *Research & Politics*. She is currently Director of the Economic Opportunities and Financing the Economy Program at the Aspen Institute, and a German Marshall Fund ReThink.CEE fellow.



EU's Green Deal is a revolutionary policy package that can create both a new economic model in Europe (and possibly beyond) and further the political integration of member states through new conditionalities and legal constraints. A more integrated Europe is a stronger actor on the world stage. By mediating the challenges of climate action within its borders, the EU gains the legitimacy of becoming a global leader in this regard and possibly jumpstarting multilateral action once again. Green diplomacy will constitute the foundation on which EU's economic partnerships will align in the future, as it links climate action to a new economic growth model (changing both consumption and production patterns) and the way we ensure energy security in the region. This paper is structured as follows: the first section presents the Green Deal and its implications in global affairs, the second—its challenges, and the final section analyses subnational initiatives.

EU GREEN DEAL AND MULTILATERALISM IN CLIMATE ACTION?

Europe's role and position as a global actor are explicitly linked to sustainable development and multilateralism, as mentioned in the New Strategic Agenda 2019-2024. For decades now, the EU has positioned itself as a global leader in green diplomacy (Oberthür and Roche Kelly 2008, Bäckstrand and Elgström 2013, Parker et al. 2017, IPOL 2018). This falls in line with increasingly concrete (and sometimes contentious) actions in climate policy, especially within its borders.

Multilateralism is still needed to consolidate the Green Deal's impact at the global level (Braunstein and Renedo 2020). Building on the regulatory growing power of the EU (i.e. Brussels effect) (Bradford 2020), goals related to climate action will inform new international agreements conducted by the EU with strategic partners in the Transatlantic space and beyond, across various sectors (e.g. energy, trade) beyond the primary area of environmental policy. Effectively the EU is trying to leverage its leadership in climate diplomacy to create a new paradigm in economic exchanges that can consolidate its global power and internal resilience.

There are different layers on which climate action resides: (1) financial resources and know-how, (2) rules and regulations, and (3) political will.

The EU demonstrated its political will to address climate action. It has built a consistent regulatory framework. Still, challenges persist regarding financial support for the Green Deal. It is also essential to identify the specific mechanisms that can ensure a simultaneous successful paradigm change across different sectors—energy, socio-economic, and environmental solutions.

In a transatlantic comparison, the USA will put forward a robust financial package supporting climate and a clear political commitment under the Biden administration. Biden's climate and environmental justice proposal aims to provide a federal investment of \$1.7 trillion over the next ten years, leveraging additional private and state and local investments to total more than \$5 trillion (The Biden Plan for a Clean Energy Revolution and Environmental Justice). But, it still must develop a comprehensive regulatory framework in support of climate action (e.g. Green New Deal).

Financial Resources and Know-how

The EU has piloted over recent years a series of policy reforms and is now pursuing a much more comprehensive program in the form of the Green Deal (COM (2019) 640)—essentially defined as "a new growth strategy". With the Just Transition Fund, and it's €40 billion behind it, it aims to mobilize at least €89-107 billion in investments over 2021-2027 in the most affected regions. It requires an ambitious approach to reshaping the way we live and work within the EU. It is all made



more urgent and more difficult by the immediate economic effects of the COVID crisis. By all accounts, the funding proposed so far falls short of Green Deal's very ambitious goals, even if there is climate mainstreaming in the EU budget (IPOL 2020). As such, ECB aims to mobilize more funding by buying national green bonds aimed at financing climate projects or supporting zero-interest rate loans.

Rules and Regulation

Providing a green recovery in the EU will test the feasibility of this European priority and necessitate regulatory innovations across all governance levels (Volintiru and D'Attoma 2020). It will require trial periods for environmental, energy, and economic policies and incremental changes will drive positive changes in the future.

Beyond the Green Deal itself, the European Commission has also put forth a comprehensive resilience planning exercise (i.e. Strategic Foresight Report COM (2020) 493) that acknowledges the Green dimension as one of the four pillars of national resilience. It looks at environmental threats, exposure to climate change, climate-related natural hazard, and vulnerable groups. These components are also linked to the priorities of the MFF 2021-2027. To meet the EU's energy and climate targets for 2030, the EU Member States have also developed a 10-year integrated national energy and climate plan (NECP) from 2021 to 2030.

Political will

Now, on both sides of the Atlantic, there seems to be a consensus on climate action, as the EU and USA aim to achieve climate-neutrality by 2050. Both the von der Leyen Commission and the Biden Administration have a clear challenge ahead of dealing simultaneously with the Green transition and the economic recovery in the context of the Covid19 pandemics. As such, the vulnerabilities our societies face in terms of poverty and inequality could be addressed through the stimulus packages put forth through the Green Deal or Green New Deal, respectively.

EU-led compliance with the Green Deal is enforced through the newly developed Climate Law regulating carbon neutrality goals by 2050 in Europe. Still, national will sometimes lags at the national level. The climate goals will be more easily enforced through the federal state in the USA. Nevertheless, in both cases, it is essential to ensure consensus across all governance levels to achieve the necessary traction for the profound transformations that our societies face.

INTERNAL DIVIDES

The test of the EU's soft power in climate action on the global stage first comes from within. With its internal diversity in terms of the energy mix and economic structure, suppose the European Union can effectively find a way towards carbon neutrality without enhancing poverty gaps. In that case, it can then legitimately project its sustainable development model outside its borders. The EU's capacity to balance diverging interests and needs amongst its member states could help achieve consensus and coordinated action at an international scale.

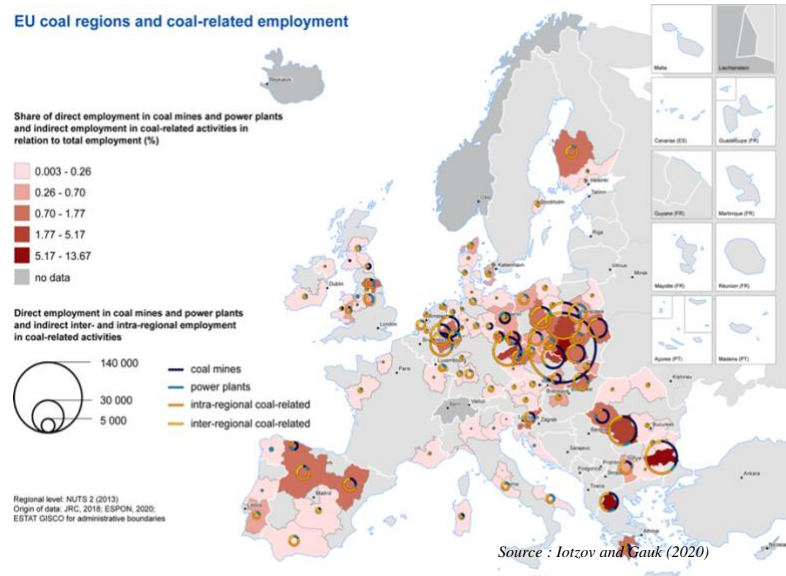
Changing the economic paradigm through the Green Deal is more difficult in central Europe that is still struggling to achieve economic convergence (Volintiru et al. 2019a, Volintiru et al. 2020). The economic downturn of the COVID crisis will add pressure to the capacity to engage in a "just transition" on the part of new member states plagued by significant subnational economic disparities (Bargaoanu and Volintiru 2019) and polluting energy systems (Volintiru et al. 2019b,



Volintiru et al. 2021). The two significant challenges in taking on the coal phase-out engagement are: ensuring energy security (i.e. alternative sources of energy) and alleviating the socio-economic impact on jobs (i.e. alternative employment or sources of income).

All Western European countries have seen significant percentage falls in coal use. Due to inadequate market penetration of alternative energy sources, the decline in coal usage in Central and Eastern Europe (CEE) has been considerably smaller.

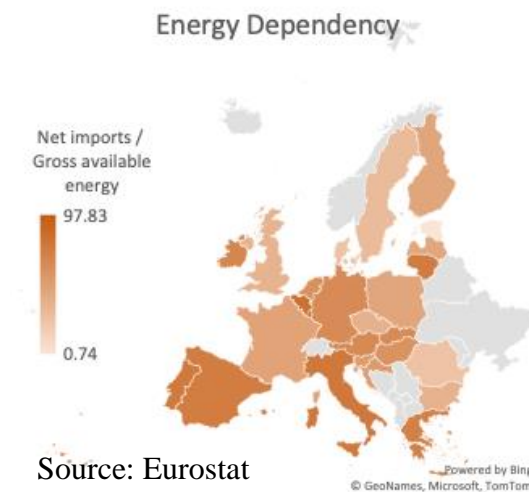
The cost of closing coal mines and power plants with adequate social security safety nets involves substantial costs (up to 600 mil. Euros per unit). As such, for many countries in CEE, the obvious strategy is to wait out, as the labour force is close to retirement, and a slower process of closing down coal mines and polluting power plants would be less costly. While significantly reduced over the past decade, Romania and to a more considerable extent, Poland still has some of the largest shares of employment in the mining sector in the EU. As opposed to Germany or Spain, in CEE countries, coal regions have a very weak economic diversification. There is a much larger share of indirect employment in coal-related activities at the local level. Romania has engaged in a complete phase-out process by 2030 (i.e. 85-100% jobs lost), while Poland has some of its regions still in the moderate (15-50% jobs lost) or no phase-out stage (0-15% jobs lost).



Two forms of energy dependency must be addressed when implementing the Green Deal objectives. On the one hand, there is the internal reliance on coal—Poland's largest utility company PGE is, for example, generating about 80% of its power from coal. Simultaneously, Romania is estimated to lose approximately 25% of its current production facilities through the coal phase-out. On the other hand, the extent to which an economy relies upon imports to meet its energy needs and the relatively low external dependency of Romania, Bulgaria, or Latvia is often an issue of national security given their periphery status. The subsidies are often the lifeline of many of the permeated energy production plants inherited from the communist times, and with the current limitations on state aid at the EU level, a quick and comprehensive substitution plan has to be put forward, enhancing interconnectivity within the Energy Union.

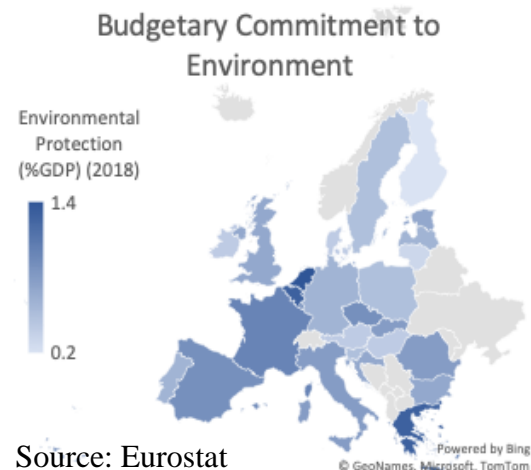


The Green Deal's socio-economic impact is connected to the sectors directly involved in energy production and other heavy polluting sectors such as construction or heavy industry. The distribution of such activities across the EU shows a differentiated regional impact. Countries in



CEE are much more dependent on polluting sectors than member states in the West. Over the past decade, Czech Republic, Romania, or Slovakia have generated a third of their gross value added (GVA) at the national level from such sectors as construction or heavy industry. In contrast, countries such as the UK, the Netherlands, France, or Denmark have only a fifth of their economic production sectors. Through the Just Transition Fund, the EU should not mediate only the effects of the coal phase-out and those of the broader transition to a new sustainable economic model. In this policy conversation, the involvement of trade unions and other relevant stakeholders from civil society would be critical to developing a set of country-specific measures that are both legitimate and feasible.

The recent climate deterioration has impacted the general opinion of the population profoundly. Because of climate change, the temperature rises all over Europe, and severe weather events increase in frequency and intensity (e.g. desertification, droughts, floods). It has a significant negative impact on such sectors as agriculture and energy production from renewable sources (i.e. hydropower). In the face of such challenges, there is still a relatively low budgetary commitment to environmental protection in different member states (e.g. Poland, Hungary). It can be linked to a broader political discourse against climate action. However, significant U-turns have been recorded over the past year, with an increased commitment to climate action even in countries where it did not previously exist. Many times, this relates to bottom-up pressures from affected constituencies and local initiatives for climate action.



SCALING-UP CONSENSUS

While recent Eurobarometer surveys have shown that European citizens are increasingly worried about the worsening climate crisis, there is a clear East-West divide in terms of the preoccupation with and level of awareness regarding climate change risks. Similarly, the Covenant of Mayors



(i.e. local climate and energy actions) shows a marked divide between the commitment of cities and towns in CEE to the climate agenda in the EU and their western counterparts.

However, there should be a nuanced assessment of this evidence. In CEE, there is a significantly higher subnational disparity level than anywhere else in Europe. It is only in these newer member states that there are still subnational regions whose GDP per capita is less than half that of the EU average. Poland has only 5 of its 17 regions in the low-income category, while Bulgaria, Hungary, and Romania struggle with half of their territory at low-income levels. Furthermore, urban-rural divides are more pronounced in terms of both the level of economic development and in terms of institutional capacity. Indeed, overall lower regional institutional capacity in the CEE countries, as measured by the European Quality of Government Index, will pose additional challenges to implementing the Green Deal with its complex funding system and overlapping policy sectors.

Because of the overall poor showing of aggregated commitment to the climate agenda in some member states, it is even more essential to take stock of successful initiatives and build technical assistance programs to scale up their success at the broader regional and national levels.

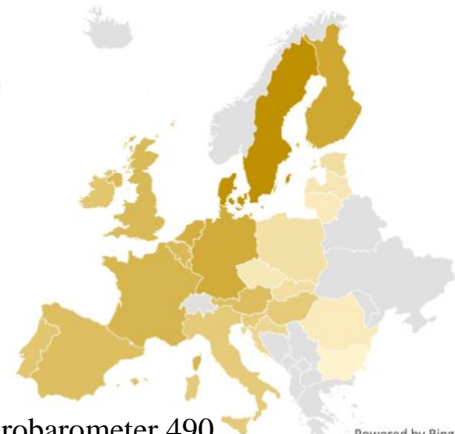
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Awareness of Climate Change Risks

% pop considering Climate Change a serious problem

85

36



Source: Eurobarometer 490

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Energy Transition Initiatives

Population covered by the Covenant of Mayors (mil. pers.) (2018)

42.691

0.



Source: Eurostat

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Subnational initiatives cannot substitute for action at the state level but act as complements, generating pressure and a real contribution towards attaining climate goals (Pisany-Ferry et al. 2019: 147). Citizens' initiatives are much better institutionalised in Western Europe (e.g. Convention Citoyenne pour le Climat (CCC) in France), but they have increasingly larger political representation in newer member states. For example, a notable local initiative regarding climate action is the Pact of Free Cities by the Visegrad capita' mayors declared their commitment to combat populism, promote transparency, and tackle the climate crisis, while practically attempting to work together on these

issues. Additionally, Warsaw is the only CEE city that is part of the C40 network. Around the world, C40 Cities connect 97 of the world's greatest cities to take bold climate action, leading the way towards a healthier and more sustainable future, as mayors are committed to delivering on Paris Agreement's most ambitious goals at the local level. Also, in terms of the Covenant of Mayors signatories, the cities that already implement Action Plans for the goals of the 2030 plan (e.g. seven towns in Romania, 8 in Hungary, Sofia, or Tallinn) could provide valuable benchmarks to peers at the national level.



POLICY RECOMMENDATIONS

This paper argues that the Green Deal can consolidate the EU's soft diplomacy and its projection of power outside its borders. The following recommendations stream out from the present analysis:

1. European Commission's Strategic Foresight process should account for subnational evidence on the capabilities and vulnerabilities related to the green dimension (i.e. climate change mitigation and adaptation and a range of other indicators for environmental degradation). Large subnational disparities could distort the aggregate assessment of data at the national level, and as such, an operational foresight process must rely on a more specific diagnostic of vulnerabilities. It is essential to ensure the financial support for the green transition in less developed areas to avoid tensions with socio-resilience goals.
2. The European Commission should develop the international scope of its new economic model driven by the Green Deal's objectives in a structured process of cooperation on climate action with its Transatlantic partners. Given that the EU's position on climate action will be much better synchronised with the new USA administration, a partnership is important in such areas as energy, trade, and new technologies.
3. The European Parliament should engage in an ongoing mapping exercise of subnational initiatives, moving beyond the Covenant of Mayors commitments to climate action, and accounting for various political commitments supporting the Green Deal (especially in those countries where there is insufficient traction at the national level). Western member states have had a multi-level engagement with climate action for a more extended period, but in the case of newer member states in CEE, it is only recently that initiatives regarding climate action have started to become consolidated and articulated. It is essential to ensure this grassroots support for climate action in all member states for the green transition to be successful.
4. The Committee of the Regions should contribute to the creation of a network of cities and regions that actively support climate initiatives and sustainable development; building upon the engagements taken under the Covenant of Mayors, and such a network could help in the exchange of good practices, and could bridge strategic documents with specific mechanisms and tools of implementation. Such subnational cooperative formats could draw more effective EU funding for the transition.
5. National governments should develop strategic planning and inter-sectoral coordinated action on the climate agenda, linking international affairs portfolios with domestic policy-making efforts, and engage in multi-stakeholder consultations (e.g. trade unions, private sector, CSOs, academia).
6. Local Governments should foster meaningful partnerships with CSOs, local communities, and the private sector to develop their own Strategies of Local Sustainable Development aligned with multi-level actions (e.g. EU level funding, national priorities, and local initiatives).



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