

POLICY PAPER

Can EU Leadership on Climate Change Unite the Fragmented Union?

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- **Combatting climate change remains one of, if not *the*, greatest contemporary global challenge, both now and for future generations. With the entry into force of the Paris Agreement, nations across the globe sans Syria and Nicaragua stood, for the first time, truly united in a pledge to halt or even reverse the rapidly accelerating climate change.**
- **Under President Obama's leadership, the US was – as expected – the de facto leader in this endeavor, having been one of the principal voices bringing many of the developing countries into the fold. For the first time in more than a decade, it seemed like the tools necessary to take tangible, united action, had finally materialized. More ephemeral, yet no less important, was the fact that it gave hope for the first time since the debacle in Copenhagen.**



Since then, Obama has been succeeded by Trump as President of the US, an avowed climate sceptic, and in June 2017 the US has formally declared its intent of leaving the Paris Agreement. Furthermore, the US has essentially abandoned all pretense of leadership or engagement in combatting climate change under Trump, unlike his Republican predecessor Bush, who withdrew from the Kyoto Protocol yet still sought an alternative international regime.¹ Thus, the 'Group of 2' (G2), comprising China as chief representative of the developing world, and, formerly, the US as chief representative of the developed world, has been thrown into disarray. Although China has reaffirmed its commitment to its climate change pledges made in the Paris Agreement, it needs a strong partner in the developed world in order to achieve the ambitions of the Paris Agreement in a timely and efficient manner; lest China – and other major players in the developing world – might falter in their commitment as well.

The EU is arguably the only alternative to the US in the developed world capable of infusing the Paris Agreement with requisite ambition, geopolitical balance, and gravitas that is essential to its success and survival. However, since Trump's announcement of the planned US withdrawal from the Paris Agreement, the EU has not shown adequate or requisite initiative in order to be considered a leader in combatting climate change (other than rhetorically). There are plenty of opportunities for the EU to do so – yet each opportunity comes with its own set of challenges. This paper will strive to examine a small yet vital selection of these opportunities and associated challenges, both in the context of Sino-European relations, and internally within the EU. As such, this paper is heavily indebted to Benito Müller and Bo Kjellen's excellent paper on the subject, "*Once more unto the breach, dear friends, once more*", which will also serve as a foundation for this paper, as their observations and suggestions particularly towards strategic collaboration are both pertinent and astute, yet not without their own problems.

Making the case for EU climate leadership

Bridging the internal divides

As scholars such as Benito Müller have illustrated, the EU has already in the past sought to fill the vacuum left by an US abrogation of leadership in combatting climate change; it strove to do so when the US left the Kyoto Protocol. Back then, the EU, considerably smaller in size and members, rallied behind the Swedish presidency in defiance of President Bush's brash rejection of the Kyoto Protocol in an attempt to save it.² That time, it was also pursued by then-President of Commission Barroso as a means of furthering integration within the EU where otherwise unity was hard to achieve. However, the EU is currently struggling under a fundamental divide internally over several issues: migration, where the Western and Eastern countries of the Union are increasingly divided on how to tackle it; the financial crisis and its aftermath, which has widened the gulf between the Union's south, struggling under imposed austerity measures and structural unemployment, and the rest, who are emerging from it; rise of nationalist populism, in which a considerable amount of voters and politicians seemingly turn their backs on globalization and unified responses to global crises (such climate change), and instead opt for isolationism at the expense of solidarity and cooperation.

Thus, the current environment within the EU is hardly conducive to the EU emerging as a climate change leader, much less unanimously implementing the necessary reforms to key policies requisite to the EU becoming a climate leader in more than just the name. While affirmations of joint commitment to their Paris pledges, such as the one by Donald Tusk during the recent EU-China Summit, it falls short of beginning the arduous journey towards actual, tangible collaboration that is absolutely

¹ Kjellen & Müller, "*Once more unto the breach, dear friends, once more*", Strategy Note, Oxford Climate Policy, March 201, page 2.

Available at: http://www.oxfordclimatepolicy.org/publications/documents/Sino-European_Leadership_Strategy_Note.pdf

² Ibid, p. 10

needed in order to fulfill the ambitions of the Paris Agreement.³

At a glance, there is plenty of fertile ground for embarking upon, or at least sowing the seeds for, such collaboration; despite all its internal disagreements and differences, the EU is united in its consensus on climate change, the gravity of the issue and the need to act now, before it is unequivocally irreversible. However, beneath the thin veneer of rhetoric lies several obstacles of almost Sisyphean proportions to meaningful collaboration that the EU has hitherto been unable – or unwilling – to adequately address. Foremost amongst these are the EU's inability to adequately reform its Emissions Trading System (ETS), and its inability to entice or enforce individual member states to adopt policies conducive to compliance with their climate pledges in more than just words, and the EU 2030 Climate and Energy targets. The latter, in many ways the yardstick through which the EU measures its success in this context, has recently been proven inadequate in ambition by the European Parliament's report on the Governance of the Energy Union Regulation. It advocates that the EU's current 2030 climate target of 40% emissions reduction is insufficient if the goals of the Paris Agreement are to be achieved, arguing that Shift to a 100% renewable and fully energy efficient economy by 2050 at the latest is necessary, which includes ramping up the 2030 renewable energy and energy efficiency targets to 45 and 40 percent, respectively on the basis of national binding targets.⁴ Simply put, even if the EU possesses the tools, its ambition for using them needs to heighten.

The case for strategic collaboration

Linking the Chinese ETS with the EU's ETS

One tangible area in which Sino-European strategic collaboration could form, as noted by Müller and Kjellen, is by linking the existing European emissions trading system with the emerging Chinese one. When fully implemented, the Chinese ETS will become the world's largest, as befitting the largest Greenhouse Gas (GHG) emitter in the world, overtaking the EU ETS.⁵

Linking the two systems would, in theory and if successful, form a strong foundation for joint Sino-European cooperation on reducing emissions, as well as provide an avenue through which jointly determined contributions could be established, pursued and ultimately achieved.

However, since its inception, the EU ETS has been plagued by structural problems that, so far, has not been addressed adequately over more than a decade of its existence.⁶ Although it has contributed to some reduction of GHG emissions – the EU estimates that the ETS participating sectors will have cut their GHG emissions by 43% by 2030, while non-ETS sectors only by 30%⁷ – it has been unable to generate the intended impetus to more long-term sustainable investment into renewables and drastic reduction of fossil fuel reliance. The primary reasons for this are gross over-allocations of emissions allowances, as well

³ Council of the European Union, Remarks by President Donald Tusk after the EU-China Summit in Brussels, 02/06/2017. Available at: <http://www.consilium.europa.eu/en/press/press-releases/2017/06/02-tusk-remarks-eu-china-summit/>

⁴ Climate Action Network Europe, European Parliament's report calls for radical improvement of climate and energy policies. Available at: <http://www.caneurope.org/publications/press-releases/1374-european-parliament-s-report-calls-for-radical-improvement-of-climate-and-energy-policies>

⁵ Swartz, Jeff, China's National Emissions Trading System, Global Economic Policy and Institutions, March 2016., p. 1. Available at:

http://www.ieta.org/resources/China/Chinas_National_ETS_Implications_for_Carbon_Markets_and_Trade ICTSD March2016 Jeff_Swartz.pdf

⁶ "Extremely Troubled Scheme", The Economist, 16 February 2013. Available at: <http://www.economist.com/news/finance-and-economics/21571940-crunch-time-worlds-most-important-carbonmarket-extremely-troubled-scheme>.

⁷ „2030 Climate and Energy Framework – Overview”, European Commission. Available at: http://ec.europa.eu/clima/policies/strategies/2030/index_en.htm.

as the vulnerability of the system to political obstruction in reforming it.

Unlike usual exchange markets, the emissions exchange market gives free rein to the Commission (in consultation with the relevant sectors and stakeholders) to set the volume of the allowances, while their price remains subject to the laws of supply and demand. However, the Commission must respect the Council's conclusions determining the exact number of allowances in the system; thus the Commission itself cannot influence the ambition of the ETS. This half-managed exchange has over time resulted in a chronic excess of the allowances on the market, which has in turn negatively affected their price. After the scheme's introduction in 2005, the initial price stabilized around 20 EUR per ton of CO₂, even briefly reaching 30 EUR in 2006. However, it then started dropping dramatically, hitting the absolute low point of near zero in 2007/2008 and only slowly trudging back up. Towards the end of Phase II in 2013, the price of one EU Allowance unit was at mere 5 EUR per ton of CO₂⁸, while the estimated environmental cost of one ton of carbon is at least 30 EUR, not to mention its social costs.⁹ Attempts at reforming the system have so far proven inadequate due to the Council and Parliament's influence on it, as countries such as Poland (whose high reliance on coal permeates its political agenda), routinely obstruct attempts at empowering the ETS further so that it may fulfill its stated objectives.¹⁰

While the ETS is not the only avenue through which the EU can take up the mantle of climate leadership, with all that entails, it is the largest, and potentially most powerful, tool.

Yet without reforms of the existing sub-optimal – some would even say dysfunctional – system, linking it with the Chinese would, as Müller and Kjellen rightfully point out, be an almost Sisyphean task; agreeing upon regulatory arrangements, monitoring and accounting rules, coordination on target setting, establishing joint-decision making body to oversee the collaboration... All would require a level of cooperation, diplomacy and compromise that the EU has so far proven unable to achieve even internally.¹¹ It therefore seems unlikely, barring a hitherto unknown willingness within the EU to implement reforms necessary to infuse the ETS with the requisite ambition and empower it to enable it to achieve said ambition, that linking the two systems would provide a sustainable platform for the joint EU-Chinese climate leadership.

No cure in sight for the short-sightedness of several EU member states

Perhaps more alarmingly, the inability of the EU in reforming the ETS coupled with its lack of ambitious targets for renewable energy and energy efficiency, reveals an arguably irreconcilable divide between rhetoric and reality within certain member states, which, due to the structure of the EU, will always prove problematic if the EU is to assume leadership in combatting climate change. Although countries, including some members from the Visegrad Four, have, in words, pledged their support and commitment to the Paris Agreement¹², they are in reality increasingly undermining it and the reforms planned to facilitate its success and completion through rearguard maneuvers

⁸ See statistics of European Emission Allowances on the Global Environmental Exchange, EEX. Available at: <https://www.eex.com/en/market-data/emission-allowances/spotmarket/european-emission-allowances#1/2013/07/17>

⁹ "Effective Carbon Rates on Energy", OECD, 2015. Available at: <https://www.oecd.org/tax/tax-policy/effective-carbon-rates-onenergy.pdf>.

¹⁰ Poland Challenges EU's carbon market reform, EurActiv March 3, 2017. Available at: <https://www.euractiv.com/section/emissions-trading-scheme/news/poland-challenges-eus-carbon-market-reform/>

¹¹ Kjellen & Müller, "Once more unto the breach, dear friends, once more", Strategy Note, Oxford Climate Policy, March 2011, page 12. Available at: http://www.oxfordclimatepolicy.org/publications/documents/Sino-European_Leadership_Strategy_Note.pdf

¹² Even though the Czech Parliament has yet to ratify the accord.

designed to water down or even block the needed measures that they signed up for.¹³

The lack of notable resistance by countries such as Germany, France or Denmark, who would all be well-suited towards this, exposes the lack of leadership on climate change even within the EU itself, further reinforcing the notion that the EU is, currently, unfit to take on the mantle of global climate leader and partner to China.

Aside from not only exposing lack of internal solidarity within the EU, it exposes that short-term national interests take precedence over long-term sustainable solutions within several powerful EU member states. Considering that investment in renewables has now overtaken fossil fuels in terms of job creation and growth¹⁴, the case for renewables could hardly be more compelling. China has seemingly embraced this, having incorporated support for the Paris Agreement on climate change in a communiqué at its recent “New Silk Road” summit.¹⁵ This is in stark contrast to the statement from the also recent G20 summit, in which climate change was conspicuously absent.

The importance of China reaffirming its resolve to become a leader on climate change in relation to its new One Belt, One Road (OBOR) initiative cannot be understated. OBOR, a reimagining of the Silk Road in the form of a modern, grand, 5 trillion dollars infrastructure and trade network building project encompassing almost 70

countries¹⁶, is China’s grand vision for its global involvement and new role as emerging superpower. As such, the project could very well become the catalyst through which the country exports its global vision and values to the larger world, particularly Eurasia, Europe and Africa. It will thus also be a potent avenue for exchange of values, much like the old Silk Road, which is an opportunity the EU should not miss; shaping it in its infancy could prove vital, both in terms of combatting climate change, but also to hold China accountable to its own pledges and ensure the export of values and vision is also matched with import. China as a partner for the EU is not without problems itself. It remains by far the largest GHG emitter globally, dwarfing even the US as a distant second. Although China plans to – and has – cut down on coal power plants, it is still upping its amount of coal-to-chemical plants, which could diminish any other improvements made, as these plants alone could produce as much CO₂ as entire Germany did in 2015. Furthermore, China has shown no will so far to change the fact that it is – and likely to remain so – the largest global exporter of coal-fired power plant technology and finance.¹⁷ The discrepancy between rhetoric and conduct is also, in the case of China, stark, and coupled with the fact that it remains uncertain whether or not China wants the burdens of leadership – the visions, investment, perseverance in the face of adversity, and most of all compromise. Still, in the absence of alternatives, China may have no choice, provided the EU steps up as a partner that can both provide the requisite support, as well as hold China accountable when wavering. In that sense, collaboration on topics that the two can agree on, such as climate change, could be a valuable catalyst for further alignment.

¹³ EU climate laws undermined by Polish and Czech revolt, documents reveal. Climate Home 29/05/2017. Available at: <http://www.climatechangenews.com/2017/05/29/eu-climate-targets-undermined-polish-czech-revolt-documents-reveal/>

¹⁴ Hoffman, Allen, „Jobs? Investing in renewables beats fossil fuels“, Energy Post, 19/05/2017. Available at: <http://energypost.eu/jobs-investing-in-renewables-beats-fossil-fuels/>

¹⁵ Zheping Huang, China got 30 countries to take a stand on climate change and protectionism – mostly tiny ones, Quartz, 16/05/2017.

Available at: <https://qz.com/984399/obor-china-got-30-countries-to-take-a-stand-on-climate-change-and-protectionism-mostly-tiny-ones/>

¹⁶ China’s New Silk Route – the long and winding road. PwC’s Growth Markets Center, February 2016. Available at: <https://www.pwc.com/gx/en/growth-markets-center/assets/pdf/china-new-silk-route.pdf>

¹⁷ Why China is no climate leader, POLITICO, 19/06/2017. Available at: <http://www.politico.eu/pro/opinion-why-china-is-no-climate-leader/>

However, all this necessitates that the EU bridges its internal divides and takes tangible actions to match the lofty rhetoric.

Conclusion and Recommendations

With US abrogation of leadership and as the impacts of climate change become ever more profound, the need for a strong European leadership has never been more important. The EU furthermore has all the tools at its disposal to fill this vacuum and help usher in the requisite changes to prevent climate change from becoming irreversible, most importantly the EU ETS, as the analysis has shown. Provided member states' support for the Paris Agreement stretched beyond words, the EU would be a natural leader in combatting climate change, despite its internal differences.

However, as has become apparent, several member states are not only wavering in their commitments once rhetoric has to be converted into action, they are also outright seeking to obstruct and impede the Union's ability to adopt the necessary measures to take meaningful action. While this is not necessarily new – for instance Poland, amongst others, has tried to limit the scope of the ETS ever since its inception – it is nonetheless alarming considering the ever-increasing need for immediate and effective action; a fact acknowledged globally, and embodied in the Paris Agreement.

Whether the need for action on climate change can reconcile member states that are increasingly divided on other important issues remains to be seen, but arguably it looks unlikely. Despite the gravity of the challenge ahead, the EU has so far proven vulnerable to the omnipresent obstructions from several member states, most notably the Visegrad Four, adopting the necessary reforms to the already-existing tools to combat climate change. As such, collaboration with China on climate leadership, a scenario that not too long ago seemed inconceivable due to Chinese negligence, now seems equally unlikely, but this time due to the EU appearing unfit to assume the mantle of a worthy partner.

However, in the absence of the US, the case for the EU assuming leadership has never been stronger. Therefore, the following recommendations are ways in which the EU could achieve this:

- As Müller and Kjellen suggest, strategic collaboration on specific issues are of utmost importance, lest collaboration remains in the realm of rhetoric. Linking emissions trading systems, however, remains unfeasible when the EU ETS remains dysfunctional. Reforming the EU ETS by addressing the gross over-allocations of allowances is thus necessary. To facilitate this, the Commission must be given more influence on the system at the expense of the Council and the Parliament, who have so far proven to be bottlenecks to adopting the reforms needed to empower it.
- The EU must deepen its engagement with China sooner rather than later in order to influence China, whose OBOR project is yet in its infancy, and which could provide a powerful avenue for investment in renewables, as well as exchange of values.
- The EU must address its internal divides in order to be able to act and speak as a bloc. Climate change will over time lead to more refugees, migrants, and financial crises. Focusing on these issues at the expense of climate change is not feasible, as it will simply worsen the current symptoms rather than addressing the root causes of the issues. Thus, the EU could consider imposing coercive measures, for instance infringement procedures or Article VII procedures to suspend voting rights, on member states that not only fail, but furthermore seek to obstruct, meaningful measures to combat climate change.

České vize pro Evropu, evropské vize pro Česko
Czech Visions for Europe, European Visions for the Czechs

Prague Climate Talks is a new project aimed at establishing a platform for continued high-level discussion on the complex issue of climate change. Throughout a series of debates it will bring together experts and professionals from varying relevant fields as well as members of the general public.

The project is co-organised by **EUROPEUM Institute for European Policy** and **Glopolis** in cooperation with **Heinrich-Böll-Stiftung Prague** and under the auspices of the **UN Information Centre Prague**.

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