

Priorities for EU climate and energy diplomacy

Input to the Foreign Affairs Council conclusions in March 2024

The Foreign Affairs Council conclusions on climate diplomacy are a unique opportunity to align the 27 EU countries on the interpretation of the 'United Arab Emirates (UAE) consensus', the diplomatic vision for the 'Road to Belém through Baku' and an initial guidance for the EU diplomatic priorities for 2024-2029. Please find concrete examples for conclusions text in the Annex.

1. Alignment on interpretation of 'UAE consensus'

An effective EU diplomacy needs to be rooted in a shared understanding of the outcomes agreed at COP28 in Dubai. The European contribution to the success was significant, notably with regard to the mitigation section, the work foreseen on a broader financial reform and the establishment of the Loss and Damage fund with initial contributions. The global support for tripling renewable energy and doubling energy efficiency has been a key European achievement as well, also visible through the support for the pledge. These international successes are critical paths to ensuring a global level playing field on climate action that the EU continues to lead.

The FAC conclusions will be the first EU public statement post-COP28 and can reiterate the importance of the global decision to phase out fossil fuels, the timeline to submit the next round of Nationally Determined Contributions (NDCs), the need to advance on financial reforms in the run-up to the decisions taken on the New Collective Quantified Goal (NCQG) on climate finance and how that relates to the urgency to scale up finance for adaptation and loss and damage. The conclusions can highlight how the EU sees the work of the 'Troika' of presidencies evolving over the next two years.

2. Road to Baku and Belém, success in 2025

COP30 is critical to ensure the viability of the Paris Agreement, a linchpin of multilateral cooperation in times of geopolitical turmoil. The submission of the next round of NDCs well ahead of COP30 in Belém is a make-or-break moment for aligning global emissions with net-zero by 2050 and keeping a climate-safe scenario within reach. **The success of the UAE consensus will also be judged based on the ensuing decisions on climate finance at COP29 and the next round of NDCs.** It is vital that all countries are encouraged to define clear fossil fuel phase out trajectories and include phase out dates as well as concrete numbers on how much coal, oil and gas will be reduced by 2035 in their pledges. The same should apply to the trajectories to increase renewable energy deployment and energy efficiency improvements. This will not only allow for an aggregate view of how much fossil fuel demand is expected to decline by 2035 but also show national investment needs for a just and equitable energy transition. In that context, abatement technologies should be limited to the hard to abate sectors and not be used to delay action in power decarbonisation. **The EU has an opportunity to show leadership on accelerating global energy decarbonisation.**

The Troika of COP Presidencies (UAE, Azerbaijan and Brazil) have pledged to facilitate the delivery of the COP28 outcomes through a 'Roadmap to Mission 1.5C', focused on building tailored partnerships and credible support structures for new NDCs. **The EU can support the success of Mission 1.5 by leading from behind and linking the Troika's efforts to processes in the G7 and G20.** It can also help harvest a new round of high-ambition NDCs by presenting its own plan in Q4 2024. This will put pressure on other big emitters like China to pledge their NDCs early, hedging the risks of a second Trump Presidency derailing the process in 2025.

Finance is the crux issue for 2024-2025, and delivery of climate finance will be a key issue both of trust between countries as well as an enabler of climate ambition and implementation. Building confidence that finance will be available is a critical path to ensuring emerging economies and developing countries can match the EU's climate ambition. Total annual investment needs for emerging developing countries (other than China) are estimated to be \$1 trillion in 2025 and \$2.4 trillion by 2030 (IHLEG 2023). **The EU plays a pivotal role across financial agendas on the road to Belém**, both on the UNFCCC negotiations to replace the \$100bn climate finance goal with a New Collective Quantified Goal (NCQG) as well as the wider landscape of global finance reforms.

3. European contribution to a successful COP30

As the UN is preparing guidance on what good quality NDCs look like, the European Commission, European External Action Service and national government can **make NDC diplomacy a key priority for the next 2 years**. Based on its own approach, the EU can support other countries to include:

- Economy-wide targets with sectoral pathways,
- Phase out trajectories for coal, oil and gas with a clear demand reduction by 2035,
- Renewable energy goals and investment needs,
- Just transition needs for the most affected sectors.

The EU can champion the global debate on energy decarbonisation by creating an alliance that commits to set concrete fossil fuel phase out dates in their next NDCs. Upcoming ministerial events that are co-led by EU countries are a prime opportunity to establish this: the Copenhagen Climate Ministerial, the Petersberg Climate Dialogue and G7 ministerial events. Building this coalition can be closely aligned with the follow-up activities on the Global Pledge on Renewable Energy and Energy Efficiency as they go hand in hand. New economic partnerships and cooperation can be prioritised with those fossil fuel exporting countries that want to shift their economic models but lack financial resources to do so. The Powering Past Coal Alliance and Beyond Oil and Gas Alliance all provide additional platforms to discuss best practices and concrete implementation. **The EU's domestic success story** that shows the socio-economic benefits of a transition to climate neutrality **is an asset that supports its credibility**.

It is vital that the **upcoming international summits advance the acceleration of the global energy decarbonisation**, highlighting that:

- Developed countries should take the lead in phasing out fossil fuels, effectively decarbonising the power sector by 2035, banning new oil and gas equipment by 2040 and phasing out the use of unabated fossil fuels in the industry sector by 2040;
- Reiterating the findings of the International Energy Agency on no new investments in oil and gas supplies, while drastically scaling up support for renewable energy deployment;
- Suggesting credible fossil fuel phase out roadmaps in line with science to be developed by banks, international financial institutions as well as oil and gas companies;
- Strengthen the financial support for countries that seek a just and equitable decarbonisation of the power sector by 2040 at the latest.

The EU needs a strong mandate to play a bridge-building role on the NCQG at COP29 amidst tensions between developed and developing negotiating blocs. The success of the goal will depend on its response to key issues such as the sources of finance, the relative roles of public and private finance, and the overall quantum for the new goal. While the Economic and Financial Affairs Council will set the detailed mandate on the NCQG, the Foreign Affairs Council is an opportunity to **set an early vision of what it takes for the EU to play a constructive role in the negotiations**. It can do so by recognising the role that it plays in the wider landscape of finance for climate and development, including crucial reforms of the World Bank, IMF and Multilateral Development Banks, and signalling a willingness to work with developing country proponents of finance system reform to link the NCQG conversation with wider transformations needed that are described in the next section.

The EU can echo the demand by some of its closest allies that highlight the need for **finance for adaptation, loss and damage as well as resilience** to increase rapidly. The EU has shown leadership in setting up the loss and damage fund and can now work closely with developing

countries to ensure it's becoming functional and well replenished. The EU can further lead by example in making sure that half of its public finance supports adaptation. It can work closely with countries on their adaptation plans, learning about best practices and finding ways to enhance global resilience, especially in ways that help biodiversity and ecosystems.

4. Mandate for a more integrated and effective diplomacy in 2024-2029

Amid geopolitical uncertainties and a wide range of expectations on EU financial support, **the future European climate and energy diplomacy needs to be more focused, efficient and closer integrated with its own financial instruments, while leveraging its role as a key enabler of wider finance system reforms.** Shifting the focus of green partnerships significantly towards developing countries allows for global acceleration of the transition to climate neutrality. With a limited number of clear priorities, more stringency can be applied to all bilateral statements, many of which ignored the EU's climate and energy positions in the past, which in return undermined the EU's credibility at the international level.

The Foreign Affairs Council is uniquely positioned to set clear priorities for an integrated climate and energy policy for the next decade. It can call on the European Commission to integrate these priorities in the 2024-2029 work programme and adjust its internal structure accordingly:

- **Prioritising green partnerships with like-minded developing countries that want to accelerate the transition to climate neutrality.**
 - The focus can be on decarbonisation across sectors and creating local value chains for net-zero technology production.
 - Any cooperation should go beyond exports of materials or technologies but also help create jobs, support local communities and strengthen the low carbon development in the partner countries, increasing their economic value-add and leveraging their comparative advantages.
 - Team EU can support the partnerships with a clear package of transition finance, both public and private, including a plan to scale up EIB and EBRD funds for industrial decarbonisation, as well as offtake agreements, Global Gateway projects and better access to EU public procurement schemes.
 - The EU's Neighbourhood and Accession countries offer particular opportunities for greater integration into EU cleantech and low-carbon industrial value chains, including a reconstructed Ukraine.
 - This work can be closely integrated with existing alliances (PPCA, BOGA) and clubs (Carbon Club, Critical Raw Materials Club).
- **Mainstreaming the focus on a just and equitable energy transition across portfolios.**
 - As the EU embarks on its own fossil fuel phase out, it can work closely with other countries on exchanging best practices, useful policies and an inclusive just transition.
 - The EU can regularly convene the countries that supported the Global Pledge on Renewable Energy and Energy Efficiency to exchange how to scale up finance and accelerate deployment on the ground. Involving businesses, public and private financial actors can be key in this regard.
 - Every future bilateral statement that touches upon energy and climate should include the respective pathways on fossil fuel phase out, renewable energy deployment and energy efficiency improvements.
- **Reforming the global financial architecture to deliver the transition.**
 - Commit the EU to support an ambitious replenishment of the World Bank's International Development Association (IDA) in advance of COP29.
 - Signpost shared EU goals for progress in the evolution of the MDBs, including implementation of the Capital Adequacy Framework review, ensuring that the MDBs are well resourced in line with shareholders' priorities, and enhancing engagement and coordination with NDBs.
 - Focus the EU's engagement at the IMF on a new strategic plan for its evolution to align the IMF's vision of macroeconomic and financial stability with climate imperatives.

- Better coordinate the EU's work on new and innovative mechanisms for unlocking climate-related finance, including how the EU will work with the G20, African Union, the V20 and others to pursue solutions on the burdens of debt on climate action.
- **Improving the EU's own financial architecture to align with its diplomatic priorities.**
 - The EU can better mainstream its diplomatic priorities in the external dimension of the next Multiannual Financial Framework and strengthen the financial support for the energy transition, especially through Global Gateway.
 - "Team Europe" can improve its impact in non-European countries by better aligning national and EU finance, including from development banks.
- **Implementing a dedicated diplomatic strategy on trade and climate.**
 - The EU can build a dedicated international space to discuss approaches to deal with carbon embedded in traded goods, including setting common principles for dealing with carbon leakage or establishing sustainable due diligence requirements.
 - It can also clarify how the EU will support its partners in adopting carbon pricing measures via the recently announced Taskforce on Carbon Pricing Diplomacy, while committing to dedicate the revenues of CBAM to finance clear and tangible support packages for developing countries' transition to clean industries, as established by the CBAM regulation.