



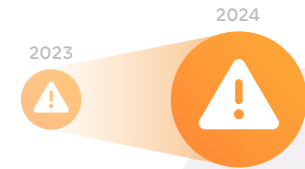
External Action



Far too slow

Addressing climate change requires a collective global approach. It is key for the EU to consider the extraterritorial impacts of its actions, prioritise climate diplomacy and support other nations in decarbonisation efforts.

4.13 External Action



Past progress: The EU plays a crucial role in leading global climate action, not only because of its ability and responsibility to support partner countries in their decarbonisation efforts but also to maintain its competitiveness in an era increasingly shaped by green competition globally. As in the previous year, development in this building block was **far too slow** over the period assessed. A positive sign is the increase in international climate finance contributions in 2022, which, however, are still too low to meet the EU’s fair share. Imported emissions in the EU remain high. Progress on the enablers was **far too slow** across the board: Alignment of all international finance with the Paris Agreement has hardly seen any progress, as is the case for the integration of climate considerations into other foreign policy areas.

Policy context: In some areas, implementation falls short of previously formulated targets, such as in the case of the commitment to halt international public finance for fossil fuels by 2022, which has not yet been achieved. In other areas, effective and ambitious policies have been largely absent for a long time, but are currently being launched, such as the Carbon Border Adjustment Mechanism (CBAM), which can lead to a future reduction in imported emissions. While declarations from EU Foreign Affairs ministers state the intention to align the EU’s foreign policy with climate goals, the reality, e.g., in EU trade agreements or share of Official Development Assistance (ODA) allocated to climate action, still falls short of the intended objective.

Areas of action: Progress could be advanced through the enhancement of partnership-building efforts to support other countries in their green transition (ESABCC, 2023), e.g., by expanding investments in clean projects abroad while phasing out support for fossil fuel investments. Additional action is needed to mainstream climate, e.g., by leveraging trade agreements to promote sustainable practices. Additionally, there is a need to empower climate diplomats and institutionalise climate considerations across all policy areas to ensure effective coordination and communication of climate action in the EU and abroad – also in the context of outreach concerning CBAM.



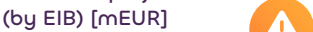





Table 28: Progress on external action towards the objectives and enablers

OBJECTIVE	ENABLERS		
Driving ambitious global climate action 	Aligning all international public and private finance with the PA 	Utilising all foreign policy channels to advance the global transition 	Embedding climate considerations in foreign policy

Note: Large circles show the progress classification of this year and small circles the one from last year’s progress assessment. Arrows indicate positive or negative changes in classification. See Table 35 for further information.

Source: ©ECNO.

Table 29: Details on indicators' past progress and required change

2023 ▼	2024 >	Historical data			Required change	
		Time period	Relative change p.a.	Absolute change p.a.	Benchmark	Absolute change p.a.
OBJECTIVE: Driving ambitious global climate action						
International climate finance [mEUR]		2017–2022 (EUCO, 2024a)	5.7%	1,277 mEUR	n/a	n/a
Imported CO ₂ emissions [Gt CO ₂]		2015–2020 (Eurostat, 2023d)	0.9%	0.01 GtCO ₂	n/a	n/a
ENABLER 1: Aligning all international public and private finance with the PA						
Public finance for international fossil fuel projects (by EIB) [mEUR]		2016–2021 (PFED, 2023)	-5.6%	-6.3 mEUR	EUR 0 by 2020 (EIB, 2019)	-66.33 mEUR per year → 10.5 times faster
Public finance for international clean energy projects (by EIB) [mEUR]		2016–2021 (PFED, 2023)	1.3%	4.5 mEUR	n/a	n/a
ENABLER 2: Utilising all foreign policy channels to advance the global transition						
Paris Agreement references in trade agreements [%]		2016–2018 (IDOS & Université Laval, 2018)	85%	11.5 %-points	100% of all modern agreements (EC, 2022c)	16.8 %-points per year → 1.5 times faster
ODA allocated to climate action [%]		2016–2021 (Donor Tracker, 2023)	-1.5%	-0.4 %-points	n/a	n/a
ENABLER 3: Embedding climate considerations in foreign policy						
Climate-relevant expertise [No. of qualified staff]		n/a	n/a	n/a	n/a	n/a
Prioritisation of climate diplomacy [% of EU GHG emissions covered by 'GoF for Ambitious EU Climate Diplomacy]		2022; 2023 (Udenrigsministeriet, 2023)	n/a	n/a	n/a	n/a

Note: Icons indicate progress classification of this year's progress assessment and coloured lines the change in classification; See Table 35 for further information. n/a indicates that data are not available.

Source: ©ECNO.

Objective: Driving ambitious global climate action

Past progress: Progress towards the objective remained mixed through 2022. The EU and its Member States still failed to fully leverage their potential to play an ambitious and catalytic role in global climate action, particularly in terms of mobilising international climate finance and curbing imported emissions. In 2022, the EU and its Member States notably increased contributions to international climate finance, surpassing EUR 28 billion, which marks the most significant annual increase since 2014. The bloc continued to lead in international public climate finance, having doubled its contributions since 2013 (EUCO, 2024a). Despite this positive trend, progress remained **too slow** in meeting the EU's fair share. The EU's imported emissions trajectory did not improve; on the contrary, emissions generated abroad but consumed domestically remained high (Eurostat, 2023d). Although there was a slight decrease in these emissions in 2020 compared to 2019, likely due to COVID-19's impact on global trade (Y. Liu et al., 2023), these emissions still accounted for about one-third of the bloc's total emissions related to domestic consumption.

Indicators:

- International climate finance
- Imported CO₂ emissions

Policy context: Developed countries have pledged to provide and mobilise USD 100 billion annually in international climate finance from 2020 to 2025. While they failed to reach this goal in 2020 and 2021, it seems probable that it has been met in 2022 (Climate Home News, 2023). The EU and its Member States, as the largest providers of climate finance, have made an important contribution to achieve this long overdue goal. However, the Climate Action Tracker (CAT) rates the EU's international public finance contributions as insufficient and falling short of what is considered a fair share (CAT, 2024). This mirrors advice from the EU Advisory Board, emphasising the EU's responsibility for providing finance for climate mitigation projects outside the EU (ESABCC, 2023). Although imported emissions contribute significantly to the EU's carbon footprint, there are currently no specific legislative measures in place. The forthcoming implementation of the Carbon Border Adjustment Mechanism (CBAM), scheduled to be fully operational by 2026, presents an opportunity to curb imported emissions.

Areas of action: Contributions to international climate finance from the EU and its Member need to increase further to align with its fair share and encourage other donors to do the same (IPCC, 2022b). This includes ensuring the New Collective Quantified Goal (NCQG), intended to be set by the end of 2024, is responsive to the needs of developing countries. The EU and certain Member States' proactive involvement in supporting Just Energy Transition Partnerships (JETPs) signifies an encouraging step towards fostering collaboration between emerging economies and international partners. Yet, the present JETP framework may need restructuring to improve transparency, equity, and effectiveness before contemplating expansion beyond current partnerships. Legislation and attention are needed to curb imported emissions, which can be achieved through measures like promoting sustainable trade practices and setting stringent environmental standards for imports.

Enabler 1: Aligning all international public and private finance with the Paris Agreement

Past progress: Progress on aligning all international finance with the Paris Agreement remained **far too slow** over the period assessed. Considering data gaps on overall climate-related international public finance, an assessment of the alignment of financing activities by the European Investment Bank (EIB) is used as a proxy indicator. Although the EIB has shown a positive trend in investing in clean projects outside the EU, investments in such projects dropped by nearly half from 2019 to 2021. At the same time, the bank still invested in parallel around EUR 66 million in fossil fuel projects outside the EU in 2021. The EIB has consequently missed its target to bring all its financing activities in line with the Paris Agreement by 2020.

Indicators:

- Public finance for international fossil fuel projects
- Public finance for international clean energy projects

Policy context: While committing to the Glasgow Climate Pact at COP26, which contains the pledge to halt international public fossil finance for coal, oil, and gas by 2022, the EU and its Member States have yet to demonstrate tangible advancement in the implementation of specific policies. The EU's sustainable finance taxonomy considers gas as a sustainable investment, and the EIB has yet to fully align its financing activities with Paris Agreement goals (Messetchkova, 2021). Furthermore, the proposal to transform the EIB into a 'climate bank' and establish frameworks for aligning financed projects with the Paris Agreement, such as the Path Framework, faces challenges, with the EIB temporarily suspending its Path Framework for renewable energy projects and electric vehicle infrastructure until 2027 due to the energy crisis (EIB, 2019). This suspension potentially enables energy companies, which are major contributors to GHG emissions, to access funding without presenting credible plans to reduce emissions in the medium to long term (Fossil Free EIB, 2022).

Areas of action: With the historic pledge made at COP26, the EU and its Member States play a crucial role in fulfilling this commitment to ensure effective use of limited public resources and that its investments support and not undermine global efforts to combat climate change. To uphold a firm dedication to financing clean projects abroad, the EIB could prioritise the continual expansion of investments in such initiatives and reassess its exemption from the Path Framework. Further efforts are needed for the EU to align all public funding with the goals of the Paris Agreement. This includes implementing a budget classification system to monitor the compatibility of external finance, transforming the EIB into a true 'climate bank', and ensuring that financed projects support renewable energy, energy efficiency, and climate resilience measures while phasing out fossil-fuel financing as quickly as possible. Finally, it should be ensured that the EU's current contingency measures and diversification strategy do not hinder global long-term decarbonisation goals or send mixed signals.

Enabler 2: Utilising all foreign policy channels to advance the global transition

Past progress: The EU's progress in leveraging foreign policy for a transition towards a climate-resilient, low-carbon global economy was found to still be **far too slow**. Assessing the success of the EU's aim to use trade policy to support the Green Deal is difficult due to the limited data. A proxy indicator that measures the number of 'references to the Paris Agreement in trade agreements' was used instead, recognising the limitations of this indicator, which provides only a narrow perspective on trade by excluding unilateral measures and enforcement aspects of the agreements. However, it must be noted that in the three years after the Paris Agreement, only one third of trade agreements even referred to the agreement, not to mention making concrete commitments. The allocation of ODA to climate initiatives, another important foreign policy channel, shows a negative trend from 2016 to 2021, despite a recent uptick in 2021, reaching 27%.

Indicators:

- Paris Agreement references in trade agreements
- ODA allocated to climate action

Policy context: The EU emphasises the need of integrating climate considerations into foreign policy, as outlined in the Green Deal and reiterated by EU Foreign Ministers (EC, 2019). Trade agreements increasingly prioritise climate objectives, representing a paradigm shift for trade and climate, away from 'non-impediment' and towards 'positive contribution' (Weyand, 2021). The EU also aims to promote sustainable practices through bilateral and plurilateral trade agreements (EC, 2022n) and collaborates on climate initiatives such as the Coalition of Trade Ministers (EC, 2023aq). Unilateral regulations with extraterritorial impact, such as deforestation-free supply chain regulations or the Corporate Sustainability Due Diligence Directive (CSDDD) and the Carbon Border Adjustment Mechanism (CBAM), that will effectively enter into force in 2026, aim to promote sustainability and address carbon leakage (EC, 2021k).

Areas of action: Further efforts are needed to integrate climate considerations into various foreign policy channels, including finance, investment, trade, development cooperation, and industrial policy. Utilising international fora and bilateral/multilateral channels, the EU can actively advocate for decarbonisation efforts, emphasising cooperation rather than punitive measures. Specifically, leveraging its negotiating power in trade agreements to ensure alignment with global environmental and climate goals, the EU can promote sustainable practices worldwide while avoiding patronising approaches, particularly towards the Global South. The EU's trade strategy shows alignment with the European Green Deal but can be improved by addressing implementation challenges and policy coherence (Blot & Kettunen, 2021). By consistently increasing the proportion of ODA allocated to climate action, the EU and its Member States would also provide predictability and signal commitment to partner countries, especially amidst global crises like climate change and geopolitical tensions.

Enabler 3: Embedding climate considerations in foreign policy

Past progress: Compared to the 2023 assessment, there has been no considerable improvement in the EU's attempts to embed climate considerations in all foreign policy areas and to strengthen climate diplomacy. Several EU institutions responsible for climate-related matters face substantial deficits in terms of resources and expertise, highlighting that progress has been **far too slow**. Compared to the previous year, there was a slight increase in the number of Member States joining the 'Group of Friends (GoF) for Ambitious EU Climate Diplomacy', with membership rising from 11 to 12 (Udenrigsministeriet, 2023). This signifies a prioritisation of climate diplomacy within the foreign policies of these nations. However, the growth of the group can be assessed as **too slow** given the size of the task at hand and the time pressure to combat climate change.

Indicators:

- Climate-relevant expertise
- Prioritisation of climate diplomacy

Policy context: The EU has expanded the scope of climate diplomacy beyond the UNFCCC negotiations (Tänzler et al., 2021). It has recognised the connections between climate policy and key foreign policy domains such as international trade, investment, and development cooperation (EUCO, 2018). However, there are notable capacity gaps within various EU institutions responsible for foreign climate policy, including resource deficiencies and a lack of expertise (Kahlen et al., 2023). For instance, DG TRADE exhibits limited familiarity with climate-related matters, often outsourcing environmental impact assessments for Free Trade Agreements (FTAs) to third-party organisations outside the EU (Velasco & Peters, 2022). The EU has taken steps to enhance coordination and cooperation in climate diplomacy. This includes the establishment of a team of climate diplomats within the European External Action Service (EEAS) led by an Ambassador at Large for Climate Diplomacy (Tollman & Pilsner, 2021). The EEAS is tasked with coordinating Member States' climate ambassadors to facilitate joint climate diplomacy activities and strategies. Additional ad-hoc groups, such as the Climate Ambassador Network and the Green Diplomacy Network, have been formed to promote coordination and information sharing among Member States. However, resources for climate diplomacy within the EEAS and EU Delegations remain inadequate (Biedenkopf & Petri, 2021).

Areas of action: To mainstream climate considerations into EU foreign policy effectively, it will be key for the EU to enhance climate competences and expertise within its key foreign policy institutions as well as empowering the EU Climate Ambassador at Large for Climate Diplomacy and expanding its team. The EEAS and EU delegations could take the lead in actively informing about CBAM's impact and encouraging global compliance with the regulations. Additionally, establishing structures to institutionalise climate considerations across all foreign policy areas is crucial for effective coordination. Recognising that climate change is no longer a niche topic, adequate capacities, including budgetary allocations and staffing, should be developed within various EU institutions, particularly those engaged in external relations.