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## The European Green Deal in the age of volatility

*This chapter serves as a moment to take stock after five years of the European Green Deal (EGD). What has the EGD achieved and has it held up in our ‘age of volatility’? By discussing three major shocks to the international system – the Covid-19 pandemic, Russia’s war in Ukraine and the growing discord between the United States and China – this chapter argues that the EGD has fundamentally shaped the EU’s response to crises and challenges associated with an emerging new geopolitical reality. Moreover, the EGD is now increasingly becoming the raison d’être of the Union and shaping its longer-term political and economic project. Despite its remaining flaws, the EGD should be nurtured, as it holds the key to the Union maintaining geopolitical and economic relevance in the decades to come.*

### A change of climate

When the European Green Deal (EGD) was first presented to the public in December 2019, it had been a year of global climate extremes. January saw floods in Argentina and Uruguay; in March, Storm Eberhard swept across Europe; Cyclone Idai caused death and devastation in South-East Africa; wildfires in California throughout October and November caused billions in damages. Frans Timmermans, the then executive vice-president for the EGD, was right when he asserted that it was a time of “climate and environmental emergency”.<sup>1</sup>

Although primarily framed in climate terms – the most eye-catching objective was to become the first climate-neutral continent by 2050 – the EGD was always envisioned to be more than ‘just’ that. The EGD was conceived as a broad roadmap that includes chapters on biodiversity and forestry, agriculture and food, but also ‘green cities’ or the circular economy. In other words, it entailed a comprehensive view of what the EU could do and

<sup>1</sup> European Commission (2019) “The European Green Deal sets out how to make Europe the first climate-neutral continent by 2050, boosting the economy, improving people’s health and quality of life, caring for nature, and leaving no one behind”. 11 December.

should become in the decades to come. Commission President Von der Leyen even dubbed it the EU's 'man on the moon' moment.<sup>2</sup> Thus, the stakes were high.

Fast forward to 2024 and the world has become a vastly different place. The climate crisis has only been exacerbated as time goes by. Last year shattered thousands of climate records across the globe. Indeed, we have now entered 'uncharted territory'.<sup>3</sup> But we have also lived through the worst pandemic in over a century, claiming millions of lives worldwide; the European continent is witnessing the largest war on its soil since World War II, due to the brutal and large-scale invasion of Ukraine by Russia. Meanwhile, the growing geopolitical and economic tension between the United States and China is all but spiralling out of control, not to mention the rise of far-right populism in the EU, successive economic crises and the strained transatlantic relations during the Trump presidency. In this context, a quote attributed to Antonio Gramsci springs to mind: "an old world is dying, and a new world struggles to be born: now is the time of monsters".

This chapter serves as a moment to take stock. What has the EGD achieved and has it held up in our 'age of volatility'? Not only in terms of making the EU a more sustainable place, but also in serving as a blueprint to guide the EU through this series of successive, and often interwoven, crises and challenges. But this chapter also provides a look forward and discusses some of the most pressing upcoming questions, both internally and externally, and how, despite its shortcomings, the EGD offers the tools to steer us through the coming storms. Note that, given the comprehensive nature of the EGD, it is impossible to cover all its aspects, so the focus here primarily lies on its climate and energy dimensions.

## The age of volatility

Three major shocks to the international system – the Covid-19 pandemic, Russia's war in Ukraine and the growing discord between the United States and China – show how the world, and the EU, have entered an age of volatility. Here, I argue that it is the EGD that has fundamentally shaped the EU's response to these three major crises and challenges associated with this emerging new geopolitical reality.

### Covid-19 and NextGenerationEU

Only a few months after the EGD was first presented by the Commission, the Covid-19 pandemic brought the world to a crashing halt. On top of the immense human toll, the millions of lives lost, the global economy suffered one of its worst recessions in a century. In 2020, the world and EU economies shrank by 3.1% and 5.7%, respectively. They were hit harder than during the Global Financial Crisis a decade before.

2 European Commission (2019) "Press remarks by President von der Leyen on the occasion of the adoption of the European Green Deal Communication". 11 December.

3 Ripple, W. J., C. Wolf, J. W. Gregg et al. (2023) "The 2023 state of the climate report: Entering uncharted territory". *BioScience*, 24 October. DOI: 10.1093/biosci/biad080

For the EU, the EGD would be the foundation on which to “build back greener”. At the heart of the EU’s response to the coronavirus crisis was a stimulus package worth around €2 trillion in current prices. It consists of the EU’s long-term budget for 2021 to 2027 of €1.2 trillion, but topped up by €800 billion through NextGenerationEU (NGEU), the temporary instrument to power the recovery. Crucial in ensuring that the recovery was indeed ‘green’ was the built-in condition that 30% of the budget of each of the two financing packages – the long-term budget and the NGEU – should be spent on “fighting climate change”.<sup>4</sup>

It was a clear and deliberate decision to put climate action and the energy transformation front and centre of the Commission’s five other priorities laid out for the period 2019-2024. None of the other priorities were allocated this much funding. For example, under the NGEU’s centrepiece programme – the Recovery and Resilience Facility – member states’ national plans must allocate at least 37% of their budget to green measures and ‘only’ 20% to digital measures, the second-largest expense item.

At the same time, throughout the pandemic, the EU relentlessly passed key legislative elements of the EGD to cement it as the bedrock of future EU policymaking. The European Climate Law, which entered into force in the summer of 2021, for example, not only wrote into law the 2050 climate neutrality objective, but it also set the intermediate target of reducing net greenhouse gas emissions by at least 55% by 2030, compared to 1990 levels. As such, it also paved the way for the Fit-for-55 package to revise and update EU legislation and implement new initiatives to reach these intermediate targets. Adoption of the Fit-for-55 package’s different legislative pillars is proceeding, and the EU now has legally binding climate targets by 2030, covering all key sectors of the economy.

### **Russia’s war of aggression and REPowerEU**

Russia’s large-scale invasion of Ukraine in February 2022 has been an unspeakable tragedy for Ukraine first and foremost. This brutal escalation of a war Russia had already started in 2014 has also shaken the EU to the core. Among many other things, it has brought a seismic shift in the EU’s energy system.<sup>5</sup> On top of that, the war has also altered how the energy transformation and climate action are understood. It is no longer just a matter of relying on cleaner, more sustainable and cheaper renewable energy; it is now a matter of energy security and even of national security.

In May 2022, the Commission launched its REPowerEU plan. The Commission was explicit as the plan built on the Fit-for-55 proposals, *without* modifying the 2030 and 2050 legal obligations in line with the EGD and the Climate Law. Alongside the objective of diversifying energy supplies away from Russia, the other two major pillars of the plan were to (a) accelerate the energy transition; *and* (b) increase energy savings.

4 With an additional 10% of annual spending in 2026 and 2027 under the long-term budget to be attributed to halting and reversing the decline of biodiversity.

5 Van de Graaf, T. (2023) “The geopolitics of energy after Russia’s war in Ukraine”, in G. Grevi (ed) *Forging Europe’s Leadership: Global Trends, Russian Aggression and the Risk of a Regressive World* (Brussels: Foundation for European Progressive Studies), pp. 25-40.

Importantly, REPowerEU was not solely a short-term emergency package of measures to deal with the immediate fallout of Russia's war of aggression and Russia's weaponisation of energy supplies. It was also a medium- to long-term plan to accelerate the phase-out of dependence on Russian energy altogether by ramping up the energy transformation. It included, among other things, proposals around increasing the Energy Efficiency Directive and Renewable Energy Directive targets.<sup>6</sup> In other words, it builds on and expands the EGD, and introduces new initiatives within its confines.

It is often said that the energy transformation, and the shift towards renewable energy specifically, will help free the EU from foreign energy dependencies.<sup>7</sup> Consider, for example, the April 2023 Ostend Declaration, signed by nine North Sea countries, which emphasised that turning the North Sea into Europe's 'green power plant' would help accelerate both the transformation and reduce Russia's stranglehold over Europe's energy system.<sup>8</sup>

This emerging 'security' frame is a testament to an important shift that has taken place in the EU when it comes to understanding (the necessity of) the EGD, climate action and the energy transformation. A shift that has taken place in three phases. The first phase, which can be situated in the 2000s and early 2010s, predominantly framed the transition in climate and sustainability terms. The fossil energy system needed to go because of its detrimental climate and broader environmental impacts. The second phase, starting in the mid-2010s, saw prices for renewables dropping due to technological developments and economies of scale. A financial/affordability frame could now be added to the argumentation for the transformation. The third phase, setting off spectacularly with the war in Ukraine, further highlighted the security or (in)dependence frame to transition politics. In the original EGD Communication of December 2019, Russia is not mentioned once, while 'security' is mentioned a handful of times. In all the relevant EU documents since REPowerEU, Russia and the EU's (energy) security figure prominently.

### Clean tech race and the Green Deal Industrial Plan

It is perhaps a truism that the current relations between the US and China are, to say the least, very much frayed. Compare the current situation with President Bill Clinton's comments in 2000 on the topic of China joining the World Trade Organization (WTO): "Supporting China's entry into the WTO is about more than our economic interests; it is clearly in our larger national interest. It represents the most significant opportunity that we have had to create positive change in China since the 1970s".<sup>9</sup>

The growing geopolitical and economic competition between the two is increasingly played out in the energy field. China has rapidly become the largest producer of renewable energy and has come to dominate some of the most strategically important low-carbon supply chains in the world, including those of critical minerals and green technologies –

6 European Commission (2022) "REPowerEU plan". COM/2022/230 final.

7 Milder, S. (2022) "Making 'freedom energies'? How 1980s struggles over market access shaped the rise of renewables in Germany". Cambridge Core Blog, 29 July.

8 "Ostend declaration on the North Seas as Europe's green power plant". Prime Minister Alexander De Croo website.

9 "Full text of Clinton's speech on China trade bill". *New York Times*, 9 March 2000.

not least thanks to large-scale public funding programmes and measures, such as *Made in China 2025*.<sup>10</sup>

The US, under President Trump, unleashed a trade war to counter its prime competitor. This policy of confrontation has simply been continued throughout the Biden presidency. Importantly, the energy and climate dimension of this competition has become ever more visible.<sup>11</sup> After all, as much as the Inflation Reduction Act (IRA) has been touted as the US' attempt to tackle, in the words of President Biden, "the existential threat" of climate change, it is just as much – if not more – an attempt to reign in China's growing economic and geopolitical clout. The IRA, in essence, is a form of green protectionism that originates in perceived threat by China to the US' geopolitical primacy, complemented by concerns over the failed trickle-down economics and unbridled globalisation of the post-Cold War capitalist triumphalism.

The EU's most recent large legislative package – the Green Deal Industrial Plan – should be understood in this context of competition and conflict. Indeed, French President Emmanuel Macron referred to the IRA as "super aggressive" towards European industry,<sup>12</sup> while Belgian Prime Minister Alexander De Croo warned that the IRA could lead to large-scale "de-industrialisation" in the EU.<sup>13</sup>

In essence, it is an industrial strategy that has been designed to shape the economic and industrial future of Europe in the decades to come. Yet again – just as with the EU's responses to those two other major external challenges discussed above – it is a solution entirely framed and developed within the confines of the EGD. Hence, the name of the plan. Its three constitutive components: the Net-Zero Industry Act, the Critical Raw Materials Act and the reform of the electricity market design are all deeply and explicitly connected to the EU's climate action and energy transformation under the EGD. Once more, a major challenge to the EU is interpreted and addressed squarely through the lens of the EGD.

## Tackling future challenges through the EGD

Importantly, the EGD has not only served to deal with some of the previous and existing challenges, but it can also help address some of the challenges that we are currently facing and will likely only exacerbate in the future. Challenges that are both internal and external.

The first internal one refers to the fact that climate change is fast emerging as one of the few existential political cleavages in the EU. Concerns about the costs of climate action and the energy transformation are often instrumentalised by the populist (far-)right to call for a 'pause' in climate action or simply to bring back fossil fuels. In Germany, the far-right

10 Kawase, K. (2022) "Made in China 2025 plan thrives with subsidies for tech and EV makers". *Financial Times*.

11 Blondeel, M. (2023) "A place of greater safety? The EU's clean energy security during the clean tech race". *Gies Occasional Paper*, January.

12 "Inflation Reduction Act 'super aggressive', Macron tells his US hosts". *Euractiv*, 1 December 2022.

13 "Premier De Croo waarschuwt op EU-top voor 'de-industrialisering van Europa'". *Het Nieuwsblad*, 15 December 2022.

AfD – currently polling second behind the CDU and ahead of the SPD and *die Grünen* – has used the federal coalition’s introduction of a law phasing out fossil fuel heating systems as an extremely successful political weapon.<sup>14</sup> While in Belgium, the far-right *Vlaams Belang* – currently polling as the biggest party ahead of the 2024 national elections – refers to action on the climate crisis as “climate bullshit”.<sup>15</sup>

To counter these increasingly successful far-right narratives, the focus should be very much on the ‘just transition’ at EU and member state levels. Here again, the EGD offers the way forward. After all, it has laid the groundwork for establishing the Just Transition Mechanism and the Social Climate Fund. Both are aimed at alleviating the costs of the transition for the most vulnerable actors. The former is focused on regions that are the most carbon intensive or with the most people working in fossil fuel industries. The latter will provide support to vulnerable groups (households) most affected by higher fossil fuel prices resulting from the introduction of a new emissions trading system for buildings and road transport. It is only by introducing these types of measures that citizens can be convinced of support for the transition and climate action.

A second external threat is that of an ever-deteriorating economic and trade relationship with China (and the US). Already, the United States and the EU on the one hand, and China on the other have sought to weaponise trade in critical minerals and strategic materials. The US, together with, for example, the Netherlands, are limiting exports of microchip technologies to China. In response, China slapped controls on the exports of critical minerals, such as germanium and gallium and, more recently, graphite. In this ever-escalating series of actions and retaliations, the EU must be prepared. This not only means being prepared for escalation with China, but also for a future in which Donald Trump – or a Trump-like figure – wins the presidency in the United States in 2024. The British statesman Lord Palmerston’s adage still rings true: “we have no eternal allies, and we have no perpetual enemies. Our interests are eternal and perpetual”.

Again, the EGD and its associate programmes could come to the rescue. The Critical Raw Materials Act under the Green Deal Industrial Plan allows us to diversify imports, while the Circular Economy Action Plan can support the recycling and reuse of materials. As such, the EU becomes less import-dependent (and thus, more self-sufficient) and production or extraction levels of critical minerals can be reduced.

## A flawless deal?

Of course, none of this means that the EGD is without shortcomings. It is, and will long remain, a work in progress. One fundamental flaw is its highly Eurocentric nature, in the most literal terms. It lacks a global perspective. Of course, the Carbon Border Adjustment

14 Mathiesen, K. (2023) “How the far right turned heat pumps into electoral rocket fuel”. Politico, 4 October.

15 De Lobel, P. (2023) “Vlaams Belang zet zich af tegen ‘klimaatonzin’ en ‘politiek elite’”. *De Standaard*, 29 May.

Mechanism (CBAM), for example, is all about avoiding international ‘carbon leakage’ and creating a global level playing field, while REPowerEU was an important chapter on “EU external energy engagement in a changing world”. Yet, in essence, the EGD is very ‘inward-looking’, if not downright protectionist. Protectionism is not inherently problematic, but it becomes so, once the ‘victims’ of such policies are the most vulnerable countries and people.

For example, the actual CBAM regulation merely provides lip service to the idea of the internationally engaged, ‘geopolitical’ Commission that supports a global just transition through its EGD. The regulation simply notes that “The EU should provide technical assistance [...] to developing countries and to least developed countries”<sup>16</sup> to develop carbon pricing mechanisms that could exempt them from the levy. But what does such “technical assistance” look like? Is it fair to ask the same institutional and technocratic efforts from a country like Mozambique – a major aluminium exporter to the EU – a country with a per capita GDP of \$541 (compared to that of the EU at \$37,149 per capita)? The ‘external’ dimension of the REPowerEU plan also did not at all engage with, let alone resolve, issues associated with how the EU’s ‘global scramble for gas helped export its own energy insecurity to developing countries, depriving them of essential liquified natural gas.’<sup>17</sup>

A second important shortcoming is that the EGD, in its original formulation in 2019, firmly puts markets in the driver’s seat of the transformation, rather than governments. This changed somewhat over time as the Covid-19 pandemic, the energy crisis and geo-economic competition with US and China ramped up. The Green Deal Industrial Plan sees ‘industrial policy’ that steers the scaling of green industrial capacity as the foundation of the climate and energy transformation. However, as Daniela Gabor argues, “beyond this transformational rhetoric, the EU conceptualises industrial policy through the language of *derisking*”.<sup>18</sup> A certain primacy is still attributed to markets, as state intervention is only necessitated because of a ‘distortion’ or ‘failure’ of the former. The Commission indeed supports the relaxation of state aid, but it is quite conditional. Moreover, firm or state behaviour that goes against the plan, that is, the financing of large-scale hydrocarbon projects, are not penalised.<sup>19</sup> In other words, it entails a strategy of ‘carrots without sticks’. The fate of the ‘black list’ of the sustainable finance taxonomy, a dirty taxonomy of carbon activities that needed to be curtailed via monetary and direct regulatory measures, is a case in point.

Gabor sees two major lacunas in this *derisking* approach. Firstly, it outsources the transformation process to private capital, running the risk of amplifying an increasingly messy process guided by shifting profit opportunities. Secondly, by politically embracing such a strategy, it weakens support for alternative political pathways that put the state

16 Official Journal of the European Union (2023) “Regulation (EU) 2023/956 of the European Parliament and of the Council of 10 May 2023 establishing a carbon border adjustment mechanism”. OJ L 130, 16.5.2023.

17 Blondeel, M. and Bradshaw, M. (2022). “The EU’s global scramble for gas”. UK Energy Research Centre, 12 May.

18 Gabor, D. (2023) “The (European) derisking state”. SocArXiv Papers, 18 May.

19 European Commission (2023) “A Green Deal Industrial Plan for the net-zero age”. COM(2023) 62 final.

much more firmly in the driver's seat of the transformation. This is what she calls the *Big Green State*. Unfortunately, the ongoing negotiations regarding the EU's strict fiscal and debt rules (the Stability and Growth Pact or Maastricht Treaty) do not spell the turn toward a veritable 'green whatever-it-takes moment'<sup>20</sup> and the emergence of a European Big Green State.

## The EU's new *raison d'être*

To conclude, it is abundantly clear that the EGD is no longer just one of the six political priorities set out by the Commission at the start of its mandate in 2019. In the five years since it was first presented by Von der Leyen and Timmermans, it has become the EU's go-to framework to address the crises it has faced. The EGD is its alpha and omega, its very *raison d'être*, that ties together short- and medium-term responses to ongoing crisis and challenges with a long-term vision of a more resilient, integrated and open Union.

More than 70 years ago, the predecessor of the Union as we know it today, the European Coal and Steel Community, was founded. An energy treaty was to forge lasting peace on a continent wrecked by two devastating world wars. Today, it is yet again cooperation on energy (and climate) that guides the way. Organising, coordinating and managing the energy transformation and climate action is a massive challenge in itself. Having to accomplish that in the age of volatility only complicates matters further. Nonetheless, it is the European Green Deal that is the compass that guides us through the storms.

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<sup>20</sup> Blondeel, M. (2022) "A green 'whatever it takes' moment", in L. Andor, A. Skrzypek and H. Giusto (eds) *Progressive Yearbook 2022* (Brussels: Foundation for European Progressive Studies), pp. 195-198.