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POLICY BRIEF

WE'LL ALWAYS HAVE PARIS: HOW TO ADAPT MULTILATERAL CLIMATE COOPERATION TO NEW REALITIES

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SUMMARY

- Ahead of COP27, multilateral climate negotiations are stalling due to geopolitical tensions, distrust between the global south and high-income countries, and concerns about energy supplies.
- It is necessary to move faster in implementing emissions-reduction measures, but the need for consensus in the global climate process makes this difficult.
- At the same time, drivers of action on climate change are evolving, with countries now competing for economic advantage in new green technologies.
- The EU and its partners are right to combine negotiations under the UN climate convention with initiatives that bring together like-minded and ambitious countries to accelerate industrial transformation.
- To be effective and legitimate, these efforts should remain rooted in the multilateral system and incorporate substantial climate funding for emerging markets and lower-income countries.
- EU institutions and member states should also work to strengthen the capacity of multilateral institutions to support efforts on climate change.

Introduction

Multilateral cooperation on climate is stalling ahead of COP27 – the annual conference of parties to the UN Framework Convention on Climate Change (UNFCCC) that will take place in Egypt in November. Tensions abound as the war in Ukraine and other geopolitical frictions have made it harder for rival powers to negotiate successfully on any subject. Crises in global energy and food markets and rising debt levels in developing nations make the cost of steps to cut carbon emissions unappealing to many. Trust is being eroded by a growing feeling in the global south that the developed world is failing to honour its promises or act fairly in its dealings with lower-income countries.

Amid these divisions, climate negotiations are entering a new and challenging phase. Many countries need to do more to lower greenhouse gas emissions to keep the targets in the 2015 Paris agreement alive. At COP26 in Glasgow last year, the participating countries agreed to step up their commitments on climate action (nationally determined contributions, or NDCs) before COP27. Few have done so. Countries have pledged to develop closer scrutiny of national measures to implement reductions, but agreement on how is likely to prove contentious. Disagreements are also becoming increasingly fraught over the degree to which wealthy countries should pay for climate-related harms in the developing world.

Against this background, questions arise about whether the multilateral track on climate can deliver at the required scale. Some European policymakers doubt the Paris agreement could be signed today and wonder if its approach needs to be reviewed in a more competitive and distrustful world.[1] European policymakers are increasingly looking to supplement the UNFCCC's collective approach with further initiatives developed among smaller groups of like-minded states, such as the Breakthrough Agenda (a UK-led clean technology initiative signed by the European Union and 41 states) and the 'climate club' Germany has put forward during its presidency of the G7.

By mixing collective and like-minded initiatives on climate, Europeans are adopting the kind of twin-track strategy on multilateral cooperation that ECFR has recommended in previous publications. Such a strategy, we argued, should aim to preserve the space for collective processes as far as possible, given their reach and legitimacy, but seek to complement them with more far-reaching initiatives by smaller groups of states. To contribute to global solutions, like-minded initiatives should not undermine wider institutions and should be open to any country that accepts their ground rules, regardless of wider ideology.

This policy brief explores how Europeans can best pursue a twin-track strategy in climate policy. It examines the barriers to progress within the UNFCCC process and other broad-based multilateral forums, as well as their continued relevance and importance. Since the signing of the Paris agreement, the drivers for action to limit greenhouse gas emissions have shifted significantly, thereby changing how international policy can best support the agreement. The paper outlines the steps that the EU and its member states should take with like-minded partners to promote international action on climate change, and how they could fit within the wider multilateral framework.

Climate change and multilateralism

Climate change is the archetypal global challenge, as greenhouse gas emissions from each country have global impacts. Hence, international efforts to address it tend to be framed as ways to overcome a collective action problem. The central goal has been to prevent states from freeriding on other states' emissions-cutting efforts, on the assumption these efforts would involve significant economic and social costs. This understanding mandated a multilateral response to climate change organised on a collective scale. And, from an institutional perspective, climate cooperation can be seen as a something of a multilateral success story.

The Intergovernmental Panel on Climate Change (IPCC) was established at the end of the cold war, with both the United States and Soviet Union as participants. The UNFCCC, agreed in Rio in 1992, provided a global framework. Discussions at the COPs have often been difficult – but have still achieved important results.

Nonetheless, climate change is accelerating. The global multilateral system has so far been unable to impede catastrophic effects that will become far more serious over the next decades. Already, extreme weather is causing enormous harm in many parts of the world.

Crucial questions for the current moment are how to promote progress in climate talks, given that Russia's war on Ukraine is one of the factors causing tension, and how climate 'coalitions of the willing' might work best alongside the UN processes, and help strengthen them.

Today's climate governance can be seen as a 'regime complex': an overlapping collection of different regimes of varying kinds rather than a single, comprehensive, and integrated system. The UNFCCC sits at the centre, but other elements include multiple UN institutions, cooperation between like-minded countries, sectorial cooperation, and public-private partnerships.

COP26 produced important results. The Glasgow meeting largely accomplished its formal agenda: the completion of a 'rulebook' with guidelines on how to implement the 2015 Paris agreement. The conclusions, basically in the form of a decision on the 2021 Glasgow Climate Pact, included promises on climate finance and commitments to “phase down unabated coal power and inefficient subsidies for fossil fuels”.

The UK also succeeded (with co-chair Italy) in paving the way for the ‘Glasgow Breakthroughs’, important voluntary commitments on, inter alia, phasing out coal, electrifying transport, and decarbonising industry.

However, progress on delivery has proved difficult. In Glasgow last year, the idea was to transform the pledges that had been made into a ‘mitigation work programme’ within the UNFCCC process. Since then, negotiators have faced resistance to what some countries – including China – see as too much interference in domestic policymaking. The Bonn conference in June saw acrimonious disputes between the global south and high-income countries over funding to mitigate the harm caused by climate change. Not many new, more ambitious NDCs have been forthcoming.

At COP27, adaptation to climate change will be in focus, and lack of trust between the global north and south is a major obstacle to progress. Adaptation covers such topics as stronger flood defences: a need starkly demonstrated in Pakistan – where monsoon rains up to five times heavier than average have submerged vast areas, leaving 33 million people requiring emergency aid. It is hardly surprising that the global south is demanding wealthy nations fulfil their promises of more finance for climate adaptation.

Among the commitments at COP26 was a pledge from richer nations to provide $40 billion a year for low- and middle-income countries to finance climate adaptation. However, only half this amount has actually been allocated. At a high-level meeting on adaptation in Rotterdam in early September, there was widespread disappointment over the lack of serious engagement from the governments of developed countries.

Controversy also surrounds compensation for ‘loss and damage’ (harms that have already occurred because of climate change). Developing countries are demanding a specific fund for this purpose. Germany has launched the ‘global shield’ as an alternative solution. The G7 and the most vulnerable countries have endorsed the proposal, which aims to make money rapidly available in a crisis – including by creating a pool of insurance funds against damage. Critics of the initiative argue that insurance is rarely available to the poorest, and that the proposal does not include funding for adaptation.

Meanwhile, the EU and others are trying to move the mitigation agenda forward and find a path towards new, more ambitious climate action, a 'global stocktake' within the climate convention of NDC pledges, and a fresh round of commitments for 2025.

Geopolitical tensions are also complicating the preparations for COP27. Russia's war on Ukraine has amplified divisions between Russia and the West, and given rise to food and fuel inflation that is having a devastating impact on low- and middle-income countries. At the same time, the competition for influence between the West China and is becoming sharper, limiting both sides' willingness and capacity to work together.

There is, therefore, a stark contrast between the geopolitical backdrop to COP27 and the run-up to Paris 2015. The landmark 2015 agreement owed much to strong cooperation between the EU and groups of developing countries, such as the most vulnerable countries and the small island states, under the name of the High Ambition Coalition. Such cooperation remains essential for further progress in multilateral forums, but it will be harder to carry out in the current global context.

While progress in implementing the Paris agreement has not been quick enough, the 2015 Paris commitments set the 'gold standard' for what governments and others should do. As Charles Sabel and David Victor argue in "Fixing the Climate", holding global warming "well below 2 degrees C" and achieving net-zero emissions by mid-century is now axiomatic for many companies and sectors, and sustainable finance and corporate governance. Pledges from governments also create opportunities for public scrutiny. Annual COPs focus global attention and serve as forums for a broad range of initiatives from states and non-state groups. In all these ways, the UNFCCC process necessarily remains at the core of global efforts on climate change, but developments in international politics and the need for more urgent action make it desirable to look for a wider range of approaches.

Drivers of national action on climate have changed

The Paris agreement model assumed that peer pressure would incentivise states to set increasingly ambitious targets for emissions reductions, and national policy would then strive to meet those targets. To some extent this has happened. For example, President Joe Biden announced new national targets in April 2021 as a way of re-establishing US leadership on climate policy. Biden's targets set an ambitious goal that his administration has since taken steps to achieve through recent climate legislation. Strikingly, however, China and India, two of the three largest greenhouse gas emitters, are projected to exceed the modest emissions targets they announced under the Paris agreement process. In their cases, NDC pledges have not served to raise ambition, but instead to reflect climate policies that are driven at least partly by other factors.

To develop an effective global policy on climate change, Europe needs to understand the full range of factors spurring national decision-making. In a recent academic paper, the political scientists Michaël Aklin and Matto Mildenberger argued that government climate policies are determined more by domestic politics than by concerns about global freeriding, and especially by distributive conflicts between pro- and anti-climate reform interest groups.

Commercial advantage has moved centre-stage since dramatic falls in the costs of renewable energy components transformed the economics of carbon-neutral power generation. Switching to renewable energy now looks like a self-interested decision. In the words of a leading Indian parliamentarian, "net-zero is net positive". The emergence of green energy as the basis of the economy of the future means that states such as China and the US are competing to capture and control the critical supply chains on which clean energy sources rely and set the standards underpinning the technologies.

Beyond economic advantage, the ever-harsher impact of climate change on daily life around the world is also a spur to action. Finally, renewables offer the prospect of greater energy security at a time when countries are more aware than ever of the dangers of energy dependency. But despite these advantages, the initial costs of green transitions and the difficulty of raising capital stand in many countries' way. The availability of finance to power green transitions is a vital enabler in national calculations, a point actively pushed in the global south's efforts to redefine equity and responsibility in the global order.

The major players

As the landscape for global climate policy is determined by the range of national calculations, it is important to identify the main considerations of the major players: the US, China, the EU, Russia, emerging markets, and low-income countries.

The US: The Biden administration's policies are shaped by the need to manoeuvre in the polarised environment of US politics. A significant part of the US public supports the policies of former president Donald Trump, marked by hostility to the green agenda and to international cooperation. Biden has sought to reposition the US as a global climate leader. Yet, political constraints are evident in his determination to avoid penalising the use of fossil fuels and his emphasis on the domestic economic advantages of the green transition (for example, by limiting tax credits to electric vehicles assembled in North America).

Biden's signature climate legislation, the Inflation Reduction Act, only won Senate approval because it took an industrial strategy approach to fighting climate change. The scale of the act ($374 billion in tax credits) means it will likely transform the US economy and make American solar and wind power the cheapest in the world. However, Biden's climate policy has a national focus that raises big questions about the extent to which the US will be supportive towards energy transitions in other countries. Notably, his administration has not yet won congressional support for a major increase in international climate financing.

China is now the world's largest emitter, accounting for 27 per cent of global greenhouse emissions in 2019. But China has embraced climate action as a core part of its domestic and foreign policy. It spent no less than $381 billion on clean energy in 2021, and President Xi Jinping pledged the country would stop building coal-fired power plants overseas in his 2021 video address to the UN General Assembly. China's climate policy reflects a desire to appear a credible participant in the UNFCCC process. However, China is also powerfully invested in leveraging its position as a leading player in green technology industries, a sector in which its industrial strategy has already yielded strong results (for instance, China controls more than 80 per cent of the global supply chain for solar panels). Moreover, China is highly vulnerable to climate change, with 900 million people suffering under record-breaking heat waves last summer.

China has cooperated with both the US and EU on climate in recent years – its involvement was central to the conclusion of the Paris agreement, and it agreed a joint declaration with the US at COP26 in 2021 that promised to accelerate efforts to reach a global net zero economy. However, China has pulled back from climate cooperation with the West recently, suspending its climate dialogue with the US after house speaker Nancy Pelosi visited Taiwan in early August. China then reportedly refused to recommit to pledges already made in Glasgow at the August meeting of G20 environment and energy ministers. With China apparently reluctant to appear to make concessions to the West on climate, competition over green technology is emerging as the primary driver of climate policy in both China and the US.

Europe stands out for its strong domestic political commitment to climate action. European countries have gone further than those in any other region to contain carbon emissions through market mechanisms such as carbon pricing and an emissions trading system. In this way, the EU has sought to become a global leader through the power of example, but its commitment to carbon pricing sets it apart from the US and other global powers. More significantly, the EU's initiative to set up a carbon border adjustment mechanism (CBAM) has provoked global concern.

The logic behind the CBAM is to allow European industry to invest in low-carbon technologies at higher costs without being undercut by cheaper, higher-carbon imports. However, the proposal to levy a tariff on imported goods with a high carbon content has provoked charges of protectionism amid fears that poorer countries less able to undertake a quick green transition will be penalised. Carbon border adjustment mechanism reporting on imports of iron and steel, fertilisers, aluminium, cement, and electricity is due to start in 2023 to lay the groundwork for payments from 2026. The CBAM's unpopularity may therefore hinder the EU's climate diplomacy.

Equally uncertain is how economic warfare over Russian gas will test European consistency on climate policy, given the urgent need to secure additional energy supplies. Last year, several European countries and the European Investment Bank signed a pledge to halt funding for overseas fossil fuel projects. European countries have since sought additional gas imports from the developing world, provoking charges of hypocrisy.

Russia, the fourth largest emitter of greenhouse gases, has historically disdained international climate talks but switched course ahead of COP26 in 2021. [2] Russian president Vladimir Putin announced the goal of carbon neutrality by 2060. Analysts suggest Putin's shift was prompted by a mix of concern about the EU's looming CBAM strategy and visible climate damage such as melting permafrost. However, since Russia's invasion of Ukraine, climate policy has disappeared from its political discourse. Russia is unlikely to act as an outright spoiler at COP27, but it cannot be expected to take any further steps to cooperate on climate policy or scale back its emissions.

Emerging markets are among the major challenges for international climate policy. Excluding China, these countries are responsible for a rising share of global emissions – estimated at 34 per cent in 2021. The proportion will increase as their economies continue to grow and developed countries scale back on fossil fuels. Emerging markets such as India, Indonesia, Mexico, Turkey, and Vietnam are falling well short of the share of reductions necessary to meet the Paris agreement goals, according to the Climate Action Tracker monitoring organisation. Focused on completing their industrial development, they lack resources to undertake green transitions and currently struggle to attract investment due to poor credit ratings or perceived instability. The availability of climate finance is a key factor in emerging markets' ability to set more ambitious targets.

Finally, **lower-income countries** are increasingly feeling the effects of heatwaves, floods, and droughts that are killing people and destroying their livelihoods. Loss of faith in multilateral institutions is widespread, alongside growing resentment over global inequality (not helped by being last in the queue for covid-19 vaccines). For them, the need for climate funding to deal with adaptation and mitigation is now at least as high a priority as limiting future emissions.

Green coalitions of the willing

In this variegated and competitive landscape, there is a strong case for supplementing collective processes with more flexible initiatives by ambitious countries. It is a strategy with honourable antecedents: for example, the 'Toronto Club', whose early measures to protect the ozone layer led to the Montreal Protocol; and the Climate and Clean Air Coalition – which arose out of cooperation between developed countries and the global south to tackle short-lived air pollutants, such as soot, that harm air quality and climate.

Like-minded initiatives permit countries to move ahead at a faster pace than in the UNFCCC – which operates by consensus – and strike partnerships based on shared interests or concerns. There are three areas in particular in which such coalitions of the willing are taking shape in climate policy: the implementation of commitments made in connection with the COP26 in Glasgow (including the Breakthrough Agenda), the G7's proposal for a climate club, and just energy transition partnerships (JETPs) between developed and developing countries.

The Breakthrough Agenda

The Breakthrough Agenda – a series of initiatives taken at COP26 to accelerate a shift to green technology in five sectors (power, hydrogen, road transport, steel, and agriculture sectors) – has acquired significant momentum. More than 40 governments are now working together with the private sector to achieve goals such as making affordable, renewable, and low-carbon hydrogen globally available by 2030. The initiatives include measures on standards, research and development, public procurement, and support for developing countries. Most major economies have signed up to the Breakthrough Agenda, including the US, China, India, the EU, and the UK.

After the first annual report was discussed in Pittsburgh in September 2022, it was decided to take the agenda forward together with the Clean Energy Ministerial (CEM) and Mission Innovation (MI), two initiatives that include International Energy Agency (IEA) members, but also other countries such as India and Brazil. It is likely that the IEA Secretariat will play a central role in coordinating efforts to decarbonise the agenda's five sectors of focus.

However, although many governments have signed the Breakthrough Agenda and participate in CEM/MI, these initiatives still do not include most countries in the global south. It is not clear if an 'institutional home' at the IEA will be enough to bring the agenda global credibility. Linking the current processes better to include organisations such as the United Nations Industrial Development Organisation (UNIDO) and the UN Environment Programme (UNEP) would give them greater legitimacy in all parts of the world.

The climate club

Low-carbon transitions are also supported by cooperation in the G7 and G20. The G7 climate, energy, and environment ministers agreed on an industrial decarbonisation agenda in May 2022, including public procurement of low-carbon products and joint standards for development. However, the most ambitious G7 climate initiative is the climate club – which was launched in June 2022 at the G7 leaders' summit at Schloss Elmau in Bavaria, Germany. According to the G7 communique, the club aims to address the world's shortfall on ambition and implementation towards meeting the Paris agreement targets. Hence, the club aims to "support the effective implementation of the Paris Agreement by accelerating climate action and increasing ambition, with a particular focus on industry, thereby addressing risks of carbon leakage for emission intensive goods, while complying with international rules".

A potential benefit of the climate club is that – to the extent that all partners are on board – it prevents the EU unilaterally imposing its carbon pricing mechanism, which could spark negative reactions around the world. Ideally, key trade partners such as the US, the UK, Japan, and Canada would agree similar measures, easing the way towards lower emissions from, for example, steel and cement plants. Cooperation among major economies could also facilitate the creation of markets for low-carbon products such as 'green steel', which Germany's Chancellor Olaf Scholz has stressed must be WTO-compliant.

However, there are risks to this approach as emerging markets and less developed countries may fear it is the start of a 'rich countries club'. Given existing criticism of the EU proposal for the CBAM, the impression that rich countries are 'ganging up' could play into the hands of China and Russia, whose leaders may try to drive a wedge between the EU and developing countries in climate negotiations and elsewhere. Unless significant steps are taken to help green transitions in other countries, a club that incorporated any form of carbon border tax could replicate the backlash against the CBAM on a larger scale.

Germany, which holds the current G7 presidency, invited Argentina, India, Indonesia, Senegal, and South Africa to the Schloss Elmau summit to counter such opposition. Success was partial. Brazil and China – as well as summit participants South Africa, India, and Senegal – have expressed grave concern at unilateral carbon border adjustments, calling them "discriminatory" and arguing that the CBAM is against the principles of equity and common but differentiated responsibilities. Senegal's president has urged the EU not to target Africa with the new instrument.

The EU has also had limited success in convincing the US and other G7 states to introduce national carbon pricing similar to that in the union. As a consequence, the follow-up to the G7 summit is now focusing on cooperation in other fields such as joint standards for development and criteria for public procurement. So, the agenda is partly converging with what is already being done within the Breakthrough Agenda, and CEM/MI initiatives.

Just energy transition partnerships

With slow progress in the formal UNFCCC negotiations, many pin their hopes on Just Energy Transition Partnerships (JETPs). The first such cooperation with South Africa received much attention in Glasgow, and was seen as a way of building alliances between the global north and south. Recently, South Africa decided on an investment plan for how the $8.5 billion of promised financing can best be used. Talks on similar arrangements are ongoing with India, Indonesia, Vietnam, and Senegal.

However, the JETP agreement with South Africa will not be easy to implement, and other prospective JETPs are at an early stage. To succeed, JETPs should start from the needs of the country concerned, and the EU and other actors need to have enough to offer. South Africa, Indonesia, and Senegal are all stressing domestic industrial development and added value, rather than new extractive agreements on materials like critical minerals and green hydrogen. EU actors need to show they understand these countries' development needs – for example, to rapidly shift car production to electric vehicles. Recipient countries need to be willing to reform institutions with vested interests in resisting low-carbon transitions. Negotiations may take two or three years, followed by a two-way long-term commitment to implementation.

In JETPs and other bilateral deals, the EU and G7 could include more cooperation on green innovation (including on intellectual property) and joint demonstration projects, as outlined in earlier ECFR publications. The EU could, for example, set up a 'co-innovation and green-tech diffusion fund', partly financed from the CBAM and the existing emissions trading system. It could also better mainstream industrial transformation in action plans under the NDICI/Global Europe cooperation strategy. Enhanced possibilities for researchers and institutes in the global south to participate in EU-funded research and development programmes would also be a positive step.

Linking like-minded initiatives to broader multilateral processes

These initiatives offer the chance to create a new momentum among states willing to take ambitious steps to embrace a green transition. But they will only be seen as legitimate and contribute to addressing the global dimension of climate change if they sit within a broader collective framework. To bridge the current trust gaps, especially between the global south and north, it is vital that countries are not left behind. It will therefore be necessary to address the following three areas in particular: finance, sectorial transformations, and institutional structures.

Delivering on climate finance

Climate finance forms a scattered landscape that is not easy for recipient countries to navigate. Coordination is badly needed, and is to some extent taking place through joint platforms such as JETPs. Multilateral banks also play a key role as major actors in this field.

Redeeming trust will cost rich countries money – and a precondition for better cooperation is rapid delivery of **financial support**, including the promise of $100 billion annually which was meant to be achieved by 2020.

Finding substantial funds will not be easy in an economic downturn with public finances strained by Russia's war on Ukraine and its consequences. Leaders of OECD countries need to recognise the linkages between geopolitics and climate promises: climate funding is an important way to secure a global public good, but it is also a vital step towards maintaining strong and supple alliances in the global south, when Russia and China are stepping up their quest for influence.

Developed countries need to commit to new financing as well as meet existing obligations, specifically to support the 'new collective quantified goal' from 2025 – funds COP21 had agreed to find after the annual $100 billion target. But quality is as important as quantity. More funding is needed for adaptation, and this should involve more grants. (Loans made up 71 per cent of public climate finance in 2020.)

Beyond climate finance as defined in the UNFCCC decisions, there should be a clear link to greening all financial flows, as foreseen in the Paris agreement. Global coordination is needed on standards for sustainable finance (such as the EU taxonomy), green bonds, mandatory disclosure of climate risks in the financial sector, active use of instruments for de-risking green investments, and more. Countries such as Indonesia should be assisted so they can break long-term contracts on building new coal plants. And developing countries need support to be able to make better use of the income from their natural resources.

Within the IMF, rich countries need to make more effort to redistribute special drawing rights to the global south. Debt relief through multilateral financial institutions is essential to ease the pressure on many vulnerable countries. Renewed impetus for the 'Debt Service Suspension Initiative', and well-designed 'debt-for-climate swaps' can be part of the solution. European governments and institutions should give effective support to the 'Bridgetown Agenda', an initiative unveiled in September by Barbados's prime minister Mia Mottley. This advocates a programme of debt relief and World Bank reforms to enhance climate resilience in poor countries that was devised jointly with the UN and civil society groups.

Calls for the reform of World Bank structures and programmes have grown stronger, as has criticism of the present leadership. The bank has a central role and should increase funding for climate mitigation and adaptation measures, adopt stricter 'do no harm' principles for all its actions, and become more transparent on how money is used.

At multilateral development banks, lending that de-risks climate investments should be significantly increased, as described in a G20-commissioned independent expert report. US treasury secretary, Janet Yellen, recently said she could see a case for multilateral development bank funds "to help middle-income countries transition away from coal in the context of accelerating the clean energy transition".

Better horizontal mechanisms for cooperation on low-carbon transitions are needed to avoid complicated country-by-country agreements. Smaller and 'weaker' countries in the global south fear they will not get the same support for low-carbon transitions as JETP countries. A twin-track approach could include stronger action by the World Bank and the multilateral development banks, including the European Investment Bank.

Scaling up **carbon pricing cooperation** could also feature in a twin-track approach. Current cooperation between like-minded countries, such as the Coalition of Finance Ministers for Climate Action and the International Carbon Action Partnership, could benefit from strengthening multilateral institutions such as the current small group in the World Bank that supports governments in this area.

Pushing sectorial transformations forward

While sectorial transformation is a major focus of the flexible initiatives discussed above, it also needs to be taken forward at a global level.

The **energy crisis** poses a challenge for the climate agenda as, unlike climate and food, there is no global institution for energy governance. The IEA's membership is limited in principle to OECD countries. Many facets of energy cooperation are dispersed within the UN system, but no single agency pulls them together. The UNFCCC process on its own is ill-equipped to address the complex linkages between climate and energy policies.

In many countries without domestic oil and gas reserves the economic situation is deteriorating and energy poverty is increasing. This puts increased pressure on large parts of the global south, already facing rising debt.

Although there are already important programmes to support energy transitions in the global south, such efforts need to be reinforced. Multilateral banks in particular have a responsibility to increase their efforts to de-risk investments, as discussed in the previous section. The EU and other parts of the global north also need to step up short-term support to countries that are especially vulnerable to the present energy crisis. This could include far bigger efforts to jointly promote energy efficiency.

But the salience of high energy prices and energy scarcity also presents opportunities for progress on climate change.

Already, coordination of international assistance for low-carbon transitions in the power sector has improved through initiatives such as the Climate Investment Platform. The World Bank has taken on other projects such as the Accelerating Coal Transition Investment Program and many shareholders are demanding more action. Philanthropic investors and development banks have together launched the Global Energy Alliance for People and Planet, with significant resources.

In addition to accelerating renewable energy investments, now is also the time to do more for energy efficiency at the global level. IEA and Clean Energy Ministerial programmes for efficient appliances can, for example, be developed into international agreements on ambitious minimum standards. Increased development finance in this area would facilitate consensus. In the long run, global energy governance needs to become more inclusive, which will require reforms to the IEA.

In addition to getting rid of fossil fuels**, many countries in the global south aspire to achieve their own green industrial development**. Alongside like-minded initiatives in this area, Europe should promote the strengthening of UN bodies (such as UNIDO) in this field, including the Industrial Deep Decarbonisation Secretariat and the Climate Technology Centre and Network. EU and G7 members should also increase their contributions to the industrial decarbonisation fund within the World Bank's Climate Investment Fund.

Standardisation is another crucial area. Global agreements are needed on such things as measuring the carbon content of products and on hydrogen safety. This is a potential task for an international hydrogen alliance. Current public-private projects are important, but stronger government-to-government cooperation is also necessary. Developing countries need economic support to participate actively.

There could also be further international steps on the **transport sector**. Near-zero-emission vehicles are a growing part of the global market. Coalitions of the willing aim to accelerate the deployment. One of the goals for the Breakthrough Agenda is to ensure that "zero-emission vehicles are the new normal and are accessible, affordable, and sustainable in all regions by 2030".

However, global governance on the decarbonisation of transport is less developed than in the power sector. Scope exists to scale up cooperation on developing countries' low-carbon transitions: for example, by investing in charging infrastructure, financial and technical support for local industrial development (such as electric vehicles in South Africa), and coordinated actions on sustainable supply chains (such as batteries). Most major car producing countries (though not China) are members of the Zero Emission Vehicles Transition Council. Its ambitions to work closely with developing countries are encouraging.

In parallel, established international organisations need to do more: the World Bank's Global Facility for Decarbonizing Transport needs replenishment. The World Forum for Harmonization of Vehicle Regulation is another important arena. More can be done on standardisation of charging.

Outside the road transport sector, the International Maritime Organisation (IMO) and the International Civil Aviation Organization (ICAO) have been slow to respond to climate change. It is laudable that they have now made some progress, but fundamental issues such as the strong influence of vested commercial interests urgently need to be addressed.

Conditions for **agriculture and forestry** are changing because of climate change, while the sectors themselves are significant sources of emissions. More is required at the global level to promote climate-resilient agriculture with lower environmental impacts. This puts new demands on the Food and Agriculture Organisation and other international organisations such as the UN development programme (UNDP). Efforts to combat deforestation need to be intensified. Multilateral banks and other donors should prioritise these areas and international cooperation on research and development should be intensified.

Institutional reforms

There is also scope to strengthen international institutions active on climate change. It is necessary to provide the UNEP, the UNDP, the UNFCCC Secretariat, and other UN institutions with better possibilities to act. Multilateral organisations in the climate and development fields are often understaffed and in need of stronger leadership at various levels. The EU can strengthen trust in multilateral systems' ability to deliver by contributing to institutional capacity-building.

Work should continue on an UNFCCC work programme on mitigation, based on the Glasgow Climate Pact. If the formal COP27 decision in Egypt on this topic turns out to be mostly procedural, the ministerial roundtable and other activities around COP27 could be used to give some momentum to further action in 2023. It would also be helpful to support developing countries in the measurement and reporting of greenhouse gas emissions. Without good systems, companies in the global south might be disadvantaged, for instance, under the CBAM. While the EU's NDICI/Global Europe programme can support this bilaterally, member states can contribute more to existing multilateral initiatives within the WTO.

The 'coalitions of the willing' commitments in Glasgow on low-carbon steel, zero-emission vehicles, and green hydrogen will be taken forward through Mission Innovation, in which many – but not all – governments participate. As discussed above, it would be useful to strengthen UNIDO to facilitate green industrial development in developing countries.

As the UNFCCC secretariat has only a limited mandate to review and draw conclusions from countries' NDCs, it is useful for other actors to do so (non-state actors like OECD/IEA/UNEP) and help to ensure the 'global stocktake' yields more ambitious NDCs in the next round. Better use could be made of the IPCC in this regard.

The OECD has already contributed to enhanced climate action ambitions in Latin American countries through its accession process and cooperation with emerging markets. The OECD's analytical capabilities could be of considerable use to advance mutual learning on mitigation action plans, if coupled with cooperation with UN institutions.

Aligning trade and climate action and defusing tensions

Tensions over the CBAM proposal show that trade is an increasingly pressing question in climate multilateralism. This is true both globally and in bilateral or plurilateral relations.

The US-EU steel agreement of October 2021 envisages cooperation on promoting low-carbon steelmaking and tariffs towards other countries with higher emissions. However, as one senior EU official expresses it,[3] there is no established "landing zone" on trade in steel if the US does not introduce federal carbon pricing or equivalent measures.

There are also other hazards for the EU-US relationship. The US relies largely on subsidies to promote low-carbon technologies: the new Inflation Reduction Act includes financial support for green products such as US-made cars. Carbon pricing at the federal level seems a long way off. However, the EU has questioned whether some of the new US green subsidies are compatible with WTO rules.

Templates for the discussion of green subsidies exist in many bilateral and plurilateral trade agreements, such as the EU-Japan and EU-UK agreements. The EU and the US need to prevent trade conflicts over the CBAM and the Inflation Reduction Act by agreeing on a common approach to subsidies in sectors such as steel and autos.

China, Japan, South Korea, and some other countries with financial heft are also using subsidies to promote low-carbon production, while many developing countries lack such financial muscle. To ease tensions, richer countries need to step up support for green economic development in the global south, for instance by increasing Aid for Trade.

It may be helpful to consider reforms to the WTO agreement on subsidies and countervailing measures to state more clearly that environmental protection is a viable reason for subsidies and agree under which conditions this should apply. Reducing trade barriers for environmental goods and services is another important area.

A crucial role for the European Union

The EU should take a leading role in all of this. As argued in an earlier ECFR publication, the union is uniquely positioned to act as a 'midwife' for stronger global climate action.

To do so, the EU needs to repeat the success story of the Paris agreement negotiations and forge alliances with the global south. The EU should renew its relations with the group of least developed countries and small island developing states, amid growing criticism of insufficient European action.

In addition to the measures discussed above, to bridge the current trust gap, the EU needs to deliver on its own commitments, including Ursula von der Leyen's promise that the EU's Global Gateway infrastructure programme will lead to massive (€150 billion) investments in Africa. Making this a reality will require better 'Team Europe' thinking between member states and with the European Commission.

It is not always easy to show immediate benefits from emissions cuts in poor countries with many investment needs – including more transportation and power generation. The EU should transpose its (domestic and international) leadership on air and water pollution to demonstrate co-benefits such as how curbing coal-fired power or diesel fuels produces swift reductions in both respiratory problems and carbon emissions.

Cooperation within the UNEP and UN Conventions in areas other than climate shows how 'coalitions of the willing' can work well alongside multilateral processes. The goodwill the EU has in such contexts could be better deployed for international climate action.

Effective policies depend greatly on action in sectors that fall outside the remit of ministries for climate and environment. When it comes to energy, the EU already has a strategy for its relations with other parts of the world. In a similar way, external relations strategies for industry, transport, and financial services need to be developed, both to facilitate climate cooperation and build the necessary trust to secure critical supply chains.

Finally, the EU needs to deliver at home to be convincing in international forums. Rapid agreement between the European Parliament and Council on the Fit for 55 package to facilitate 55 per cent emissions cuts by 2030 would enhance the EU's legitimacy and show its partners that low-carbon transitions offer answers to the energy crises in many parts of the world.

Conclusions and recommendations

The global context for climate policy is changing amid growing geopolitical tensions. To adapt, the EU should do more to understand and engage with the domestic political concerns surrounding climate politics elsewhere in the world. It needs to take a more varied approach to promote international action against global warming. Indeed, it has already started doing so. This paper has assessed efforts by the EU and its member states to put in place a twin-track strategy on climate multilateralism and identified how it might best be developed and implemented. Here, we identify a few priorities for future action.

Despite public finances being under strain everywhere, it is crucial to deliver on climate financing and the broader issue of financial flows. This spending cannot be delayed, as the next few years represent a critical moment in the effort to limit climate change. Moreover, the EU needs to see climate finance in a geopolitical perspective, as one of the necessary steps to counter Chinese and Russian influence in the global south. Specific measures should include further efforts to redistribute the special drawing rights within the IMF.

In particular, there need to be concrete steps towards increased finance for adaptation, which has become a political flashpoint – encapsulating perceptions of wealthy nations' indifference and unfairness. Specifically, the German and G7 climate 'loss-and-damage' proposals and plans for a climate insurance and resilience 'umbrella' ('global shield') will lack sufficient appeal without more grants for investments in resilience.

To gain trust and forge true north-south alliances, the EU and member states should support low-carbon industrial transitions, not just the deployment of renewable energy. JETPs should proceed from the industrial development ambitions of countries in the global south. More steps should be taken on co-innovation and technology diffusion promotion: the EU should set up a specific fund for this purpose.

The same applies to the G7's climate club, if implemented: efforts to accelerate decarbonisation need to be truly inclusive of other parts of the world. Voluntary commitments to climate action by governments in 'coalitions of the willing' need to be more clearly linked to the UNFCCC, including through a substantial work programme for mitigation up to 2030. It will not be easy to agree on such a programme, even if it does not entail additional commitments, but the EU should make it a requirement for compromise in other areas.

The EU and member states should be prepared to manage the fallout from a potentially conflict-ridden COP27 in Sharm el-Sheikh, and find pathways in 2023 towards progress at COP28 in Qatar and COP29 in Europe or Australia. This should include the 'global stocktake', and support for the UN secretary general's preparations for the Summit of the Future in September 2024. Progress on JETPs and on climate finance will also be vital.

To strengthen the institutional capacity of the multilateral climate regimes, UN bodies such as UNEP, UNIDO and the UNFCCC need appropriate resources. Sectorial bodies such as ICAO for aviation and IMO for shipping need to make climate action a real priority. Reform of the World Bank is urgently needed. Existing financial instruments such as the Climate Investment Funds need replenishment and access to the Green Climate Fund should be facilitated.

The risk of 'trade wars' over carbon border measures and national subsidies should be taken seriously. It is important to hold the G7 together by finding common guidelines on subsidies to 'green industry' – preferably within the WTO, but between the OECD countries as a first step.

The current energy crisis threatens global climate cooperation. The EU needs to increase short-term support to developing countries that are vulnerable to high global energy prices. In the longer run a more inclusive global governance on energy needs to be developed, in part by giving the global south greater influence in the IEA.

The EU should find a more constructive strategy for WTO negotiations on all topics related to climate, including intellectual property rights. To facilitate agreements, green 'Aid-for-Trade' programmes should be expanded.

The EU should also strengthen its climate diplomacy in the widest sense, improving coherence between policy areas and developing external sectorial strategies for climate-related topics in areas such as industrial policy, the financial sector, and food.

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[1] ECFR interview with senior European climate official, 21 June 2022.

[2] This paragraph draws on an unpublished note on Russian climate policy by our ECFR colleague Kadri Liik.

[3] Authors' interview with a senior EU official, July 2022.

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