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POLICY BRIEF

ENDS OF THE EARTH: HOW EU CLIMATE ACTION CAN WEATHER THE COMING ELECTION STORM

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SUMMARY

- The EU is facing a make-or-break moment in terms of whether it is willing to pay the costs – both financial and political – of moving forward with decarbonisation at the speed and according to the model it has set out in the European Green Deal.
- Ahead of the European Parliament elections and several national elections in 2024, European policymakers need to convince voters that keeping the green transition on course is in their interests at a time when many are concerned about the rising cost of living.
- Policymakers should focus on energy sovereignty; how the green industrial transformation can help their country's economic competitiveness; and the role that EU-level financial support can play in a just transition, alongside the risks of climate change, as persuasive reasons to advance the European Green Deal.
- These arguments resonate to different degrees in different capitals. Significant green funding in the next EU budget and a stronger Strategic Technologies for Europe Platform would help maintain the consensus on climate action.
- The EU stands to benefit from being a global green leader, but it needs to rapidly adapt its policy instruments to the changed geopolitical circumstances.

In May 2023, during a speech on France's industrial strategy at the Elysée, the French president Emmanuel Macron called for a "regulatory pause" in European environmental measures, arguing that having done more than its neighbours, Europe now needed stability. For the climate community, his words rang out across Europe like the overture of a tragic opera. It was already preparing for a challenging period, with the European Parliament elections one year away.

The European Union has indeed successfully implemented many important policies as part of the European Green Deal, including the rapid introduction of renewable energy and measures to increase energy efficiency and promote electric vehicles. It has sustained the political drive to do so through the covid-19 pandemic and the revamping of European energy supplies after Russia's full-scale invasion of Ukraine. But it still has a long way to go, and the path ahead may be politically even tougher. The next phase requires a focus on the housing and transport sectors and therefore implies higher costs for individuals and households than the first phase. In the coming years, EU member states will need to make difficult choices about how to bear and share the near- and medium-term costs of the transition.

There is much at stake. Extreme weather events are becoming frighteningly frequent, hammering home the necessity of carbon reduction globally. And in a world increasingly shaped by the US Inflation Reduction Act philosophy of green competition, staying the course on decarbonisation is increasingly essential to the EU's competitiveness. Indeed, many of the remaining measures will considerably influence the EU's international partnerships and its ability to participate economically – from implementing the reform of the Emissions Trading Scheme (ETS), to rolling out the Carbon Border Adjustment Mechanism (CBAM), to greening freight, and implementing a more ambitious energy efficiency agenda.

While public support for climate action remains high in Europe, in a time of uncertainties about energy prices and raw material supplies, its implementation increasingly comes up against the challenge of how to combine it with addressing concerns about the cost of living and industrial competitiveness. This is particularly worrying as we head into an intense electoral period in Europe. Ahead of the European Parliament elections in June 2024, Poland, Slovakia, the Netherlands, Austria, and, likely, Croatia and Romania, will all go to the polls, and a central feature of the national debates in all these countries will be the cost of living and ability to do business. Interest groups from agricultural and various industrial sectors to small businesses are complaining about the compliance costs of environmental regulation as an additional burden at a difficult time. This feeds into the broader public's concerns about how Europe's gloomy economic outlook will affect their purchasing power.

Europe has been drifting to the right in recent years, and climate-sceptic governments in

Poland and Hungary are now distinctly less isolated around the European Council table than they were at the beginning of their terms. In Italy, Sweden, Finland, and Greece, the current governments include or depend on forces that explicitly prioritise national interests and are more wary of what they perceive as an internationalist agenda. Even where progressive governments are in power, for example in France, Germany, and the Netherlands, the far-right opposition has significant influence in shaping the debate, often causing the government to move its agenda to the right in order to try to recoup votes. National climate commitments often form part of the collateral damage in this process.

European climate sovereignty – the ability to drive the climate agenda forwards according to European interests and values – is key to protecting the interests of the entire EU in a competitive international climate. Intra-EU cooperation will be crucial to keeping the European Green Deal and the Fit for 55 package on course and ensuring that national politics do not reduce climate ambition to the lowest common denominator. But the responsibility for its implementation largely rests with national governments, which are understandably focused on navigating the choppy waters of domestic politics, particularly ahead of the upcoming intense election period. Policymakers will therefore need to make the case for the European Green Deal in different ways in each member state according to the national context.

With this in mind, we commissioned the European Council on Foreign Relations' network of national researchers to interview policymakers and analysts in all the EU capitals in the first half of 2023. The aim was to understand what the prevailing debates and divisions surrounding the European Green Deal and climate action are in the year ahead of the European Parliament elections, and how its implementation and the EU's role as a climate power fit into this. Drawing on this survey, and a series of discussions held in national capitals, this paper will explore how new economic, political, and geopolitical developments are affecting the pan-EU debate and national governments' approach to climate policies.

To corral support for the implementation of the European Green Deal and push for more effective structures for climate action in EU institutions after 2024, European policymakers will need to demonstrate the need for and benefits of climate action, while responding to some of the major national concerns surrounding it. This paper will suggest they focus on four arguments: energy sovereignty; the economic opportunities of decarbonisation; access to EU funding; and Europe's vulnerability to the effects of climate change. It will then identify potential coalitions of member states in which these arguments have particular political traction, and recommend policy action that can reinforce positive momentum within and between these groups.

The coming storm over European climate policy

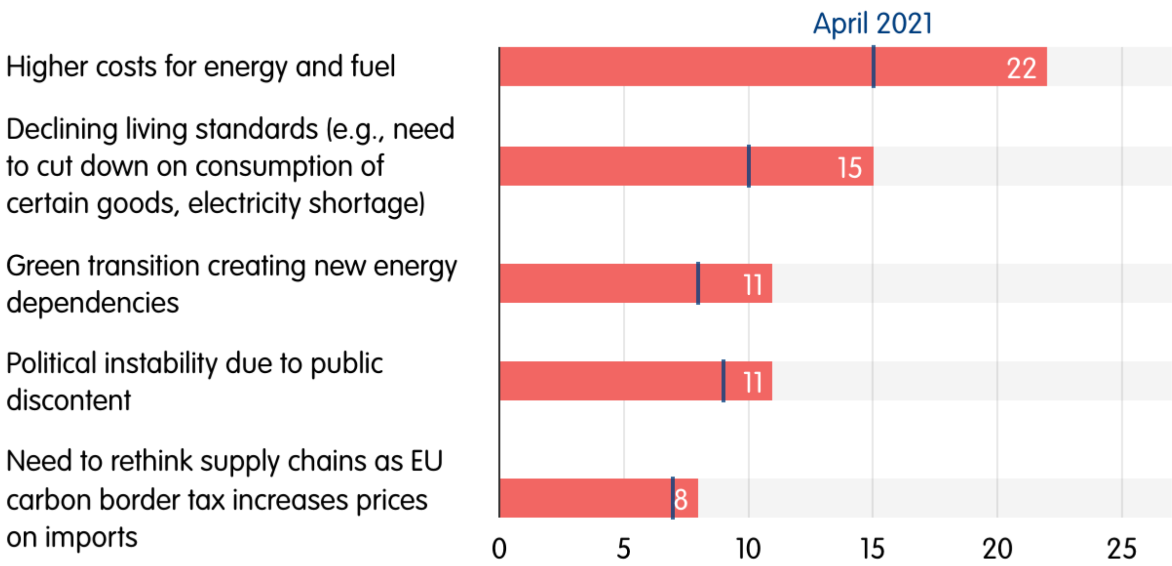
Despite a war raging in Europe and the spiralling cost of living, the European public is still concerned about climate change. According to the 2023 Eurobarometer survey, 77 per cent of respondents believe climate change is a very serious problem and 86 per cent think their national governments – and 85 per cent that the EU – should take action to improve energy efficiency by 2030.

The most visible resistance to the implementation of European Green Deal legislation in European media comes from various industrial or agricultural sectors. The fierce political battles ahead of a vote in the European Parliament in July on the nature restoration law – a key part of the European Green Deal – were a case in point. The strongest and most persistent voices against the proposal came from the agricultural, forestry, and fishing sectors, which are concerned about the restrictions this measure will place on their economic sectors.

Our national researchers' findings highlighted the prominence of these various interest groups in national debates on the implementation of the Fit for 55 package. They reported, for example, concerns about jobs in the coal sector in states where mining remains an important industry, about the requirements on forestry and agriculture – the latter resulting in major protests in the Netherlands in the summer of 2022 and throughout 2023 – and about the compliance costs of building renovations.

The broader public is also concerned about the economic costs of climate policies. In all national settings, there is a fierce debate about who should bear the costs of the green transition. Europeans' climate fears do not seem to be dissipating, but with growing fears about the cost of living, they are less willing to bear the necessary costs on an individual, sectoral, or regional level to prioritise the longer-term goal of creating a liveable world for future generations. Our national researchers' analysis of the top perceived risks related to the transition in their respective EU member states clearly illustrates this. Based on their interviews, the top five perceived risks selected by our researchers in 2023 were the same as those they selected when asked the same question in 2021 – higher prices for energy and fuel; declining living standards; political instability due to public discontent; strategically important industries being overtaken by greener foreign competitors; and the creation of new energy dependencies.

Top five perceived risks of the implementation of the European Green Deal in 2023. Number of EU member states



Source: Data from national researchers' survey.
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However, in the interim, concerns about higher energy prices and declining living standards have become much more prevalent. In 2021, our researchers reported higher energy prices as a concern in 15 member states; in 2023, they reported it as a concern in 22 out of 27 member states. Similarly, the number of countries in which declining living standards are a concern has gone up from 10 states in 2021 to 15 in 2023. The results of the spring 2023 Eurobarometer survey echo this finding – when asked in June 2023 about the two most important issues facing their country, the most common responses were the cost of living (45 per cent) followed by the economic situation (18 per cent). This suggests that, when thinking about the risks of the green transition, the public debate in many member states is now more focused on how the changes are going to affect everyday life.

This is unsurprising given the major spikes in energy prices that Europeans in almost every member state have experienced over the last two years – exacerbated considerably by European governments' decision to sanction Russia for its ongoing war on Ukraine. The rampant inflation due to a variety of factors in several member states, not least in central and eastern Europe, has also contributed to this focus on the cost of living. This concern is shared by the publics of member states with very different economic profiles – from low-income

Bulgaria and Romania to wealthy Austria and Germany.

Concerns about energy costs are intimately connected to those about living standards in our data. Only the national researchers from Spain, Portugal, Malta, Finland, and Denmark did not select rising energy costs as among the most important perceived risks of the green transition in their country. (Both Denmark and Finland have relatively developed low-carbon sections of their energy mix – 43 per cent and 57.8 per cent respectively – while Spain and Portugal were already less dependent on Russian gas as a result of other options.) Of these five countries, only Denmark selected rising living costs as a key concern, suggesting that the ability to manage energy prices contributes to policymakers feeling less vulnerable about the political impact of the spiralling cost of living.

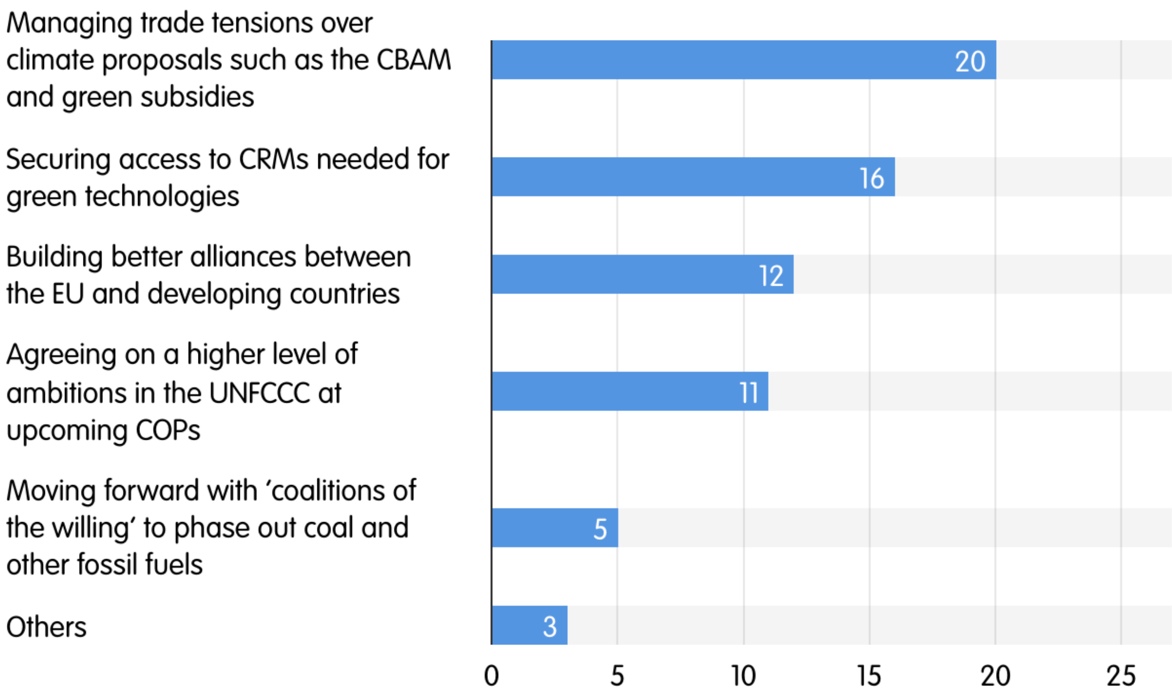
European policymakers face additional political challenges in continuing to drive forward the implementation of climate legislation in 2023. There is now also a clear anti-elite, identity policy dimension to opposition to the European Green Deal. Throughout summer 2023, governments have increasingly cracked down on climate movement protesters – including Greta Thunberg herself. Online media regularly present climate activists as part of a progressive international elite that is unrepresentative of the views of 'everyday' voters. The impact of this visible pushback against overt climate activism, and the association of the climate movement with an invisible progressive international elite feeding into identity politics, were frequently referred to in the discussions that ECFR hosted on the national conversations around climate in Germany and Italy, but were present in all national settings.

The geopolitical context is also a major factor in the political tensions around the implementation of climate measures. As outlined above, many of the measures in the Fit for 55 package that remain to be implemented will have a significant impact on the EU's relationships with third countries and on its economic sovereignty in a decarbonising world. Policy tools such as the reform of the ETS and, linked to this, the CBAM – both tools based on the principle of carbon pricing – will mean that European businesses that green their production processes and supply chains will be in a prime position to compete in the future. However, the introduction of the Inflation Reduction Act in the United States last year – a set of policies based on the principle of subsidisation for the green transition rather than carbon pricing – is already shaping the international environment for green trade and making American companies more competitive abroad. The longer the implementation of European policy tools takes, the more complex it will become for Europeans to shape the international environment.

In 2021 our national researchers found that the conversation had only just begun in many national capitals about how the CBAM would affect the EU's global role and ability to champion free trade in the World Trade Organization system. But with the seismic geopolitical shocks that have taken place in the meantime, it appears that in 2023, this issue is not only understood, but could become a source of tension in the European Council's discussions on green action. Many of the traditional climate leaders around the European Council table, including Germany, the Nordic countries, and the Netherlands – have long been fierce proponents of dismantling trade barriers as much as possible. Their free-trade instincts may be being tempered in an environment in which the US-led subsidisation approach to decarbonisation is dominating anyway. Germany in particular has already veered strongly towards subsidisation in response to the US measures in ways that other member states cannot afford to. The variations in the speed at which member states feel they can implement the European Green Deal without losing competitiveness may continue to grow, diluting the EU's collective resolve.

The findings from our national researchers' survey underline that the effects of the implementation of the European Green Deal on the EU's foreign policy are currently understood as more of a risk than an opportunity in many national capitals. Their analysis suggests that managing potential trade tensions over the CBAM, securing access to critical raw materials, and building better relationships between the OECD and developing countries preoccupy policymakers more in international forums than the need to limit global heating. In light of the current drift off course from the Paris agreement's 2030 targets set out in the most recent reports by the Intergovernmental Panel on Climate Change, this is a concerning finding.

Most important foreign policy aspects of the European Green Deal to address according to policymakers and 'policy shapers'. Number of EU member states



Source: Data from national researchers' survey.
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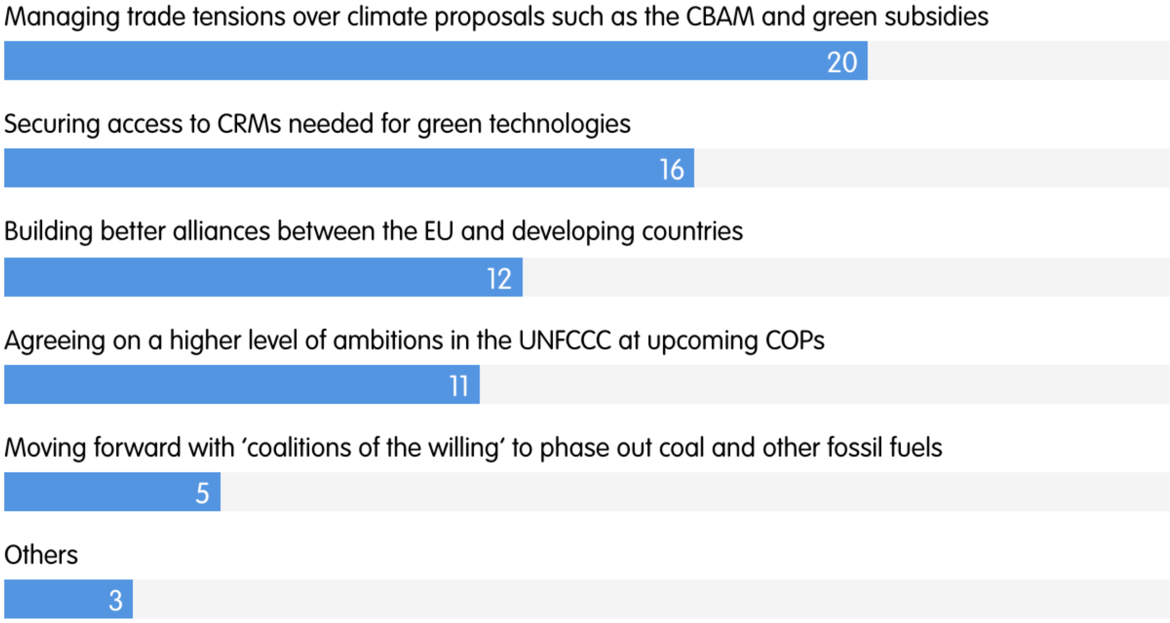

Source: Data from national researchers' survey.
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Unifying arguments

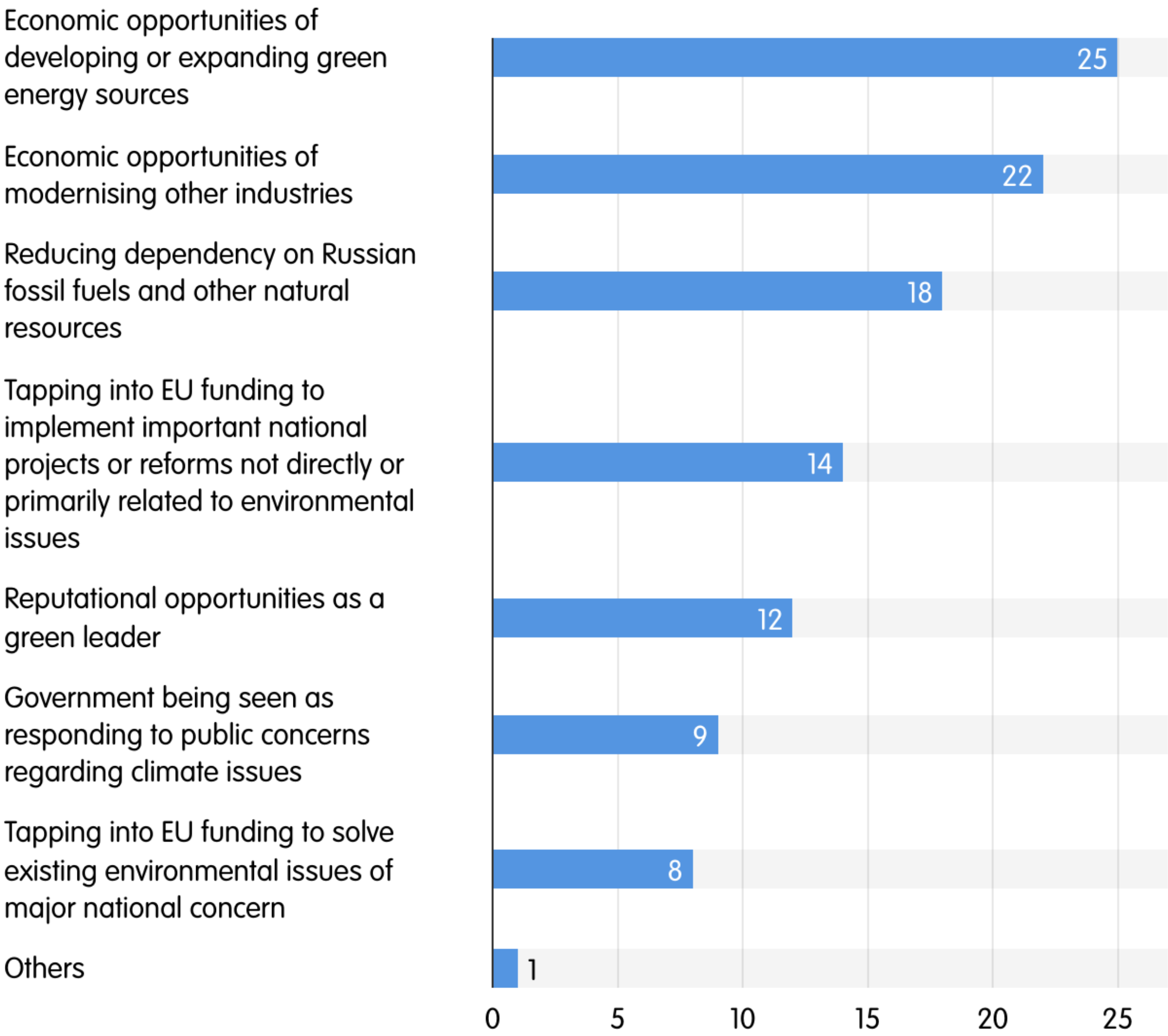
In the run-up to a busy election year in Europe, there is a clear risk of a backlash against climate action. The European Parliament elections are essentially 27 national elections, and the debate will centre in each case on the matters of greatest domestic salience, rather than the role of any member state in collective EU-level action. Given the growing concern among business, industry, the agricultural sector, and citizens about the costs of implementing the European Green Deal, defenders of climate action have a hard fight ahead of them.

Populist leaders in every member state are likely to draw strongly on the public’s concerns about the cost of living and argue that pressing ahead with the decarbonisation of EU economies and asking already hard-pressed businesses and individuals to share the cost of doing so in the medium term for a long-term gain is an impossible economic burden for their country to bear. They will also suggest that it is unnecessary as the EU is responsible for less than 8 per cent of global emissions and its global share continues to decline, while other countries such as the US and China that contribute far more are not taking such drastic action as the Fit for 55 package implies. They are likely to play on the foreign policy concerns that our survey shows exist in the European public about the impact that the implementation of measures such as the ETS reform and the CBAM will have on other countries that are important economic partners, suggesting that EU countries will lose out economically as businesses in non-EU countries look to cooperate with other parts of the world that are not on such a rapid course of decarbonisation.

With right-wing parties gaining ground ahead of the European Parliament elections and a growing coalition of governments including representatives of the far right around the European Council table, the populist message that there is an option to simply opt out of international commitments if they are tough to sell politically at a national level, is being normalised. The success of Italian prime minister Giorgia Meloni's efforts to foster relations with other EU leaders – centred on issues where common ground exists, such as support for Ukraine or managing migration – is playing an important emblematic role in this process.

Progressive leaders will require a compelling, but simple and communicable, response to counter these populist narratives and convince voters of the case for continued implementation of the European Green Deal. This should not rely on fear and should not appear threatening to citizens' quality of life over the longer term. They should instead address the fears surrounding the consequences of climate action and demonstrate the benefits of and need for decarbonisation.

Perceived national opportunities of delivering the European Green Deal. Number of EU member states



Source: Data from national researchers' survey.
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Perceived national opportunities of delivering the European Green Deal. Number of EU member states

Source: Data from national researchers' survey.
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Our research suggests that they should focus on the following four arguments.

The business opportunities of decarbonisation

European companies are global leaders in several areas of the green transition, such as wind energy, low-carbon steel, and power transmission technology, but fast-moving countries such as China and immense subsidies in the US are challenging their leadership. Companies and decision-makers in Europe are aware of the need to act in order to not lose their advantage to other parts of the world such as the US, China, and Korea. In some European countries, for example Romania and Slovakia, they are also concerned that national companies will be overtaken by competition from within the EU.

Our national researchers mentioned the ability to compete outside the EU as a key factor in determining member state climate policies in, for example, the Czech Republic, Germany, Poland, Romania, Slovakia, and Spain. Moving beyond the present Green Deal Industrial Plan to more joint investments in innovation ecosystems, green infrastructure, and skills development, alongside well-designed regulation, can help convince sceptics that climate action will benefit domestic companies and jobs. Business organisations such as BusinessEurope link economic resilience to deregulation. Progressive policymakers should rather emphasise the link between economic resilience and "sustainable competitiveness".

Energy independence

The use of more renewable energy and improved energy efficiency have already reduced European countries' reliance on Russian fossil fuels. In a volatile geopolitical environment, this is important in many national contexts. The support for energy sovereignty is strong, in particular in parts of Europe that have been especially dependent on Russia. For many central and eastern European member states, this is a decisive point.

Our national researchers mentioned reducing energy dependence as a key factor determining member states' climate policies in, for example, Croatia, Slovakia, and Poland, but also in Austria and Germany, which were heavily dependent on Russian gas before the invasion. The potential to reinforce energy sovereignty by building up the EU's clean energy sources, rather than depending on the technological advances of other global actors and playing catch-up in a decade's time is therefore likely to be a powerful argument.

EU financial support for the green transition

In many parts of Europe, regional policy instruments have a significant impact on green investments, infrastructure, and skills development. The EU's Recovery and Resilience Facility is currently providing massive support to the green and digital transitions, while conditions for the reimbursement of money are also driving political reforms. These investments help cover the costs of the green transition, making a particular difference in regions that could otherwise be negatively affected by climate policies such as the phase-out of coal or combustion engines. The importance of EU funding is regarded as a key factor in particular in central and eastern European countries, including for example Bulgaria, Croatia, the Czech Republic, Poland, Romania, Slovakia, and Slovenia.

The fear of the effects of climate change

The national researchers' analysis also shows widespread concern about extreme weather events in Europe and the increasingly visible impact of global warming. For example, our national researcher notes that even in Denmark, which has so far suffered less than some other parts of the EU from such events, the biggest perceived threat is that the green transition does not happen quickly enough, and the negative consequences that may have. This summer's heatwaves in southern Europe, following storms and floods in recent years, have added to this concern. Decision-makers and the public are aware of the risk of even more drastic weather events, with new scientific reports warning that Europe is the fastest warming continent.

A forthcoming risk assessment from the European Environmental Agency will provide a timely basis for a science-based debate on this topic during the Belgian presidency of the Council of the EU in 2024, which could help demonstrate the urgent need to drive the implementation of the European Green Deal forward. The idea that climate vulnerability is something that only far-off countries need to worry about can be exposed for the myth it is: the EU cannot afford to opt out of climate action as it too is vulnerable.

Coalitions for climate action

In addition to this substantive base to corral support for the implementation of the European Green Deal, policymakers also need to consider how to unite member states behind them. A range of major factors will affect the momentum of the EU's climate policy in the coming years. These include the results of the European Parliament elections, their impact on the next European Commission and who will be its president, and how that president will formulate the commission's agenda for the next five years. The departure this summer of Frans Timmermans, the executive vice president of the European Commission for the European Green Deal and European commissioner for climate action, and a strong proponent of European climate action, will already weaken the implementation of the European Green Deal under the current commission. The discussions on the mid-term review of the multiannual financial framework (the EU's budget) and on the next budget from 2027 have already begun, including the changes that Ukraine's potential accession to the EU would imply . The European Council will likely make a decision on whether to open negotiations with Ukraine and other candidate countries at its meeting in December 2023. These broader decisions will occupy policymakers' attention and funding and affect member states' positions on other EU decisions, including those on climate action.

A range of factors are also contributing to disunity between member states. Tensions between Germany and France over a broad range of issues from support to Ukraine, to NATO and EU enlargement, to the EU budget, have been growing over the last few years. These broader differences between the EU's two largest states could affect their ability to push the European climate agenda forward. Other issues of major importance for the EU, from the swing to the right in several countries, to the US presidential election, and the outcome of Russia's war on Ukraine, could also contribute to further divisions between member states.

The EU's global leadership in climate action is dependent on a majority of governments supporting strong climate policies, including ambitious 2040 targets that will be negotiated during 2024. Collectively, many smaller states can have a significant impact on maintaining the fragile consensus on the need for climate action and solidarity within the EU. To advance the implementation of the European Green Deal, national policymakers will need to identify coalitions of countries with similar fears and goals which they can work with to implement particular policies. Within these coalitions, some member states play a more crucial role than others. This is the case for large member states with much political and economic clout, as well as for some 'swing states' that have previously been progressive regarding climate action, but where political developments may now lead to a change of course. Climate leaders also play a critical role, showing what is possible and advocating strong common policies. The direction of these 'pivotal states' can either keep cooperation around the climate agenda on course or threaten the European consensus on the need for climate action. Our research suggests there are two major coalitions of countries, with various pivotal states in each:

The green growth group

This informal group of countries with like-minded climate ministers presently includes Austria, Belgium, Denmark, Estonia, Finland, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Slovenia, Spain, and Sweden. This group has been instrumental in passing climate legislation in the European Council, for example on the reform of the ETS in 2018. Our research shows continued stable support for climate action in, for example, Denmark, Ireland, and Portugal. On the other hand, the shift to the right in Finland and Sweden could see these two forerunners of climate action turn against more stringent policies in the future. Keeping the green growth group together will be a key factor for European climate ambitions.

As motors of European integration, Germany and France are key to the green growth group. For decades, Germany has combined being an economic powerhouse with forward-looking climate policies domestically and for the EU. While there have been detours away from this approach, for example Germany's objection to regulations for motor vehicles, the leadership of both the Christian Democrat and Social Democrat chancellors and the current presence of the Green Party in government have been influential for EU climate targets and support for renewable energy. However, concerns over industrial competitiveness and costs for households have become more significant in the public debate – with the emblematic dispute over the draft law for a phase-out of fossil fuel heating in summer 2023 showing how difficult passing climate legislation has become. The rise of the far-right Alternative for Germany (AfD), partly on an anti-climate policy agenda, also risks complicating progress. In particular, the outcome of the internal debate in the Christian Democratic parties (the Christian Democratic Union, CDU, and its Bavarian sister party the Christian Social Union, CSU) on their relationship to the AfD and on climate policies will be of great importance for Germany's posture in the EU. In France, there is still strong public support for climate policies, making them difficult for mainstream political parties to neglect. However, given how Macron has catered to industrial interest groups too, the future ambitions of the French government cannot be taken for granted.

At the time of writing, the political outcomes of elections in two other influential member states – Spain and Poland – are not clear. Spain has promoted ambitious climate action in recent years and currently holds the presidency of the Council of the EU. A government led by the Socialists would likely contribute to EU leadership on climate action in the coming years. Meanwhile, Italy is a special case, as Meloni's government has taken rather critical positions against climate action.

The energy sovereignty group

For most central and eastern European states, energy independence from Moscow is an overriding priority, given their geographical proximity to and energy dependence on Russia. This group of states has already begun to embrace renewable energy and energy efficiency. Identifying further such co-benefits with climate action might increase support for the implementation of the European Green Deal.

Within this grouping, some countries could be particularly pivotal for the EU's future orientation on climate action. The Czech Republic and Slovakia have been constructive in climate negotiations. But, with forthcoming elections in Slovakia and growing industry concerns over energy prices in the Czech Republic, there is now a risk of a political shift in both countries. Given their size, Romania and Bulgaria could also play an important role for continued climate ambitions, if they do not ally with the hardliners, Poland and Hungary. The Baltic states, Slovenia, and Croatia could also be important for alliance building on energy efficiency and resilience as they have strong interests in reducing energy dependency and have not been closely aligned with Poland in the past. Finally, there is a fruitful cooperation between Austria, the Czech Republic, and Slovakia, which could lead to more positive climate action. This would be a constructive alternative to the now almost defunct Visegrad group, which previously collaborated to block vital climate action. However, this grouping's cooperation on ambitious climate action will depend on the outcome of the parliamentary election in Slovakia in September.

Persuasive policy action

Neither the necessity of urgent climate action nor European policymakers' in-principle consensus on making it a priority are receding. But Europe is nevertheless facing a make-or-break moment in terms of whether it is willing to pay the costs – both financial and political – of moving forward with the next phase of decarbonisation at the speed and according to the model it has set out in the European Green Deal.

Certainly, ahead of the European Parliament elections, this choice comes at a politically difficult time. But if European countries shirk this decision now and begin to delay the implementation of the next wave of climate and environmental measures in the face of resistance from interest groups, they will find that they have fewer choices further down the line. The EU's major competitors will have already defined the international landscape. It therefore needs a set of policy actions which can reinforce positive momentum in and between groups of member states to support the unifying arguments we have set out.

Competitiveness

In response to the concerns of business, industry, and agricultural groups, policymakers need to frame climate action as part of wider efforts to strengthen economic resilience and sustainable competitiveness, without dismissing real concerns about costs in specific sectors such as the chemicals industry. This is particularly important in Germany and France, which are key players in EU policy, but also in states such as Finland and Sweden, which boast many companies that are advanced in green tech but are facing a political turn to the right.

During the forthcoming negotiations, policymakers should focus on strengthening the commission's proposal from June 2023 for a Strategic Technologies for Europe Platform (STEP) to provide better support for green innovation ecosystems across the economy and in all member states. Currently, the proposal describes how several financial tools, including the Innovation Fund, InvestEU, and Horizon Europe, can be coordinated to help develop production capabilities in Europe for crucial low-carbon technologies. However, these funds are insufficient and should be increased; research institutes, amongst other organisations, need more financial support in order to meet these aims. At the same time, member states need to increase their own investments in research and skills development.

If all EU states commit to moving forward on the green transition together, costs will be lower in Europe and markets bigger, at least if combined with wise industrial policies. Avoiding a 'subsidy war' between member states, whereby big state coffers are pitted against smaller ones, will be crucial. State aid rules should allow for green investments, but on a level playing field with strict enforcement so that larger more powerful member states do not benefit unfairly in this regard. The EU's next multiannual financial framework and the revised stability and growth pact should allow for sufficient green investments, and for increased capital of the European Investment Bank.

Energy resilience

Policymakers – even those who are not very committed to climate action – already recognise that renewable energy and energy efficiency contribute to reducing dependency on external actors such as Russia. However, the European Commission and European policymakers need to make this case even more clearly, given for example the lack of sufficient commitments to energy efficiency in national energy and climate plans. The EU should ensure structural funds are available that member states can use to reduce energy use, for example by renovating buildings, also after 2026, when the Next Generation EU money has been distributed. It is also crucial that European policymakers work to reduce new dependencies, for example, for critical raw materials.

Policymakers should also focus on removing the obstacles to rapidly scaling up the green energy transition. When reforms are contested domestically, they should follow successful examples from other countries. For example, as Germany prepares its heating policies, it can look to the successfully implemented policies for heat pumps and district heating in Denmark and Sweden.

Alliances between the green growth and energy sovereignty groups

The green transition needs to benefit the whole of Europe, not only the green forerunners. In December 2022, the EU, under the Czech presidency, was able to forge a compromise on the Fit for 55 package between 'frugal' states and others mainly in central and eastern Europe that demanded extra resources. As part of this compromise, a social climate fund was established. The modernisation fund in the ETS is another successful example of finding this delicate balance.

To maintain the current consensus and make a broad alliance between the green growth group and the energy sovereignty group possible, policymakers need to encourage green industrial development in all member states. The European Commission's STEP proposal, for example, has been criticised by experts for not bringing enough benefits to central and eastern Europe. The more frugal green leaders need to prioritise regional development. Governments should ensure that the revised multiannual financial framework allows all member states to implement green policies and support green industrial development. The negotiations on the mid-term review of the EU's budget will be crucial in this regard.

The EU's Net-Zero Industry Act aims to promote green development in certain areas, including solar power, wind power, batteries, electrolysers, and grid technologies. But the EU needs to extend this beyond these areas. For example, digital solutions and recycling can significantly reduce carbon emissions. By supporting such industries and skills development, the climate agenda can be clearly linked to jobs.

To bridge the east-west gap in climate transitions, member states need to understand different national situations and adapt common policies to benefit all countries in a coalition. For example, bringing countries such as the Czech Republic and Slovakia into a coalition of the willing for ambitious climate action requires an openness from, for example, Germany and Sweden to promote a strong role for local industry in these two other countries in the electrification of vehicles. Cross-border cooperation between other societal actors, beyond governments, will also be important, for example between cities and between companies and trade unions that see benefits in well-designed green transitions.

EU member states may also be forced to compromise on certain measures. For some, notably France, dialogue on nuclear energy is a way to build better alliances between member states in western Europe and those in eastern Europe. Member states such as Germany that consider a discussion on nuclear power to be too divisive should recognise that a constructive dialogue on this front could demonstrate to smaller, more nuclear-dependent economies in central and eastern Europe that decarbonisation is achievable. This could pay important dividends in cementing the energy sovereignty group of member states, and reinforcing their commitment to driving climate action forward.

Public support

Finally, European policymakers can no longer put off addressing the socio-economic dimension of the green transition. Policy proposals for just transitions need to be more detailed and current good examples better shared among member states.

Significantly more funding is needed, including at a European level, to sustain the poorer EU member states. Some of the Biden administration's policies can serve as inspiration here, for example linking green state aid to good working conditions and skills development. The Inflation Reduction Act includes requirements for employers to pay at least as much as the average wage in the sector, and to offer apprenticeships in government-supported projects in order to receive tax benefits.

But ultimately, policymakers in all member states need to recognise that without a significant upscaling of investment in the funds available to support those most vulnerable to the near- and medium-term costs of decarbonisation, there is a real risk that the consensus around the implementation of the European Green Deal will fall apart, as the reluctance towards climate policies among the potential losers of the green transition will increase.

The current situation, in which richer countries like Germany are able to ease the public costs of the climate transition in ways that poorer countries are unable to is not sustainable; it will only lead over the longer term to greater hesitancy on the part of poorer EU states to push implementation of the Fit for 55 package forward. This in turn will threaten the EU's competitiveness in the coming decades in a decarbonising world. Member state governments need to seize the opportunity of the discussions around the next multiannual financial framework to agree an offer that is equal to the scale of the task. All financing options should be on the table, including the European Commission proposal for a sovereignty fund, tax measures, and borrowing. This will require a willingness from more fiscally conservative member states to accept – as they did after the covid-19 pandemic – the necessity of creative approaches to significantly increase the scale of financing to reduce the socio-economic costs of the green transition.

Nonetheless, the public and businesses will be required to bear some of the costs. In these cases, governments should highlight the co-benefits of climate action, for example the reduction of air pollution in large parts of central and eastern Europe. In addition, they should involve the public more in the design of climate policy and its implementation. The transition councils in some German states could serve as inspiration here. This will help counter the discourse that policies are decided by elites in the capitals without listening to ordinary people.

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While the geopolitical environment has changed considerably since the European Council adopted the strategic agenda for the European Green Deal in 2019, the case for driving it forward has not. Europe has much to gain from being a green leader despite these new and difficult circumstances. Conversely, if it steps back from its plans at this point, it has much to lose in terms of competitiveness, especially when other parts of the world such as the US and China are moving forward more quickly. The challenge for leaders in 2023 is to build the case for doubling down on the next difficult stage of implementation. This paper has laid out a strategy to do this, but it will rely on the resolve of policymakers to make the necessary tough choices.

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