



Roderick Kefferpütz

## Why the European Climate Policy Won't Happen Without China

Global warming poses a challenge to the planet as a whole. In fact, that goes without saying – greenhouse gases do not stop at borders. Climate protection thus concerns the global community. And because international cooperation is vital to curbing climate change, it is frequently claimed that international cooperation on climate change should be separated from other political conflicts. But this is not the case now as a new geopolitical order is being established in the world. The United States and the People's Republic of China have long been engaged in a competition for hegemony, the effects of which are felt in every field and sector. As a result, the European Union in general, and France and Germany in particular, must pursue a climate policy towards China that factors in the geopolitical dimension. China has been on this path for some time; the pandemic has not made the situation any less complex. While Beijing has been growing at a brisk and brazen pace, the economy in Europe has stalled. And yet, a strong economy is what is needed to take the green transformation forward – and ultimately, to protect the climate.

### China's stranglehold on the climate industry's value chain

For Beijing, protecting the climate means dominating the green technologies of tomorrow. This has been a key part of the »Made in China 2025« strategy, which focuses on making China the global leader in technology. The results are undeniable – the Middle Kingdom produces three-quarters of the world's photovoltaic panels, controls over a third of the world's wind turbine market and dominates the global production of electric car batteries. These markets, which will continue to grow in importance as climate protection efforts intensify,

are the drivers of future prosperity. If Europe fails to establish itself in these sectors, it will be at a loss to assert itself economically against China and will lose markets – something already witnessed with the European solar industry. The German wind industry is at risk of undergoing a similar scenario, having just passed the second-worst year in its history. Economically speaking, China could be the big winner of the energy transition. The question is simple, but the stakes are high: who will lead the green industrial revolution? Beijing is determined to take this place.

Furthermore, if China becomes a leader in climate technology, new economic dependencies will emerge. For example, battery cells are the Achilles heel of the German automotive industry. China also intends to set new international standards in sectors related to climate protection. If it imposes its standards, European companies could find it more difficult to enter markets. As Werner von Siemens had already warned, »He who owns the standards, owns the market.«

Finally, what we are witnessing is a competition of economic and political systems. The fight against global warming is also a competition between the social market economy and liberal democracy on the one hand, state capitalism and autocracy on the other. This fight resembles a race against time to see which one will succeed more quickly and more effectively in defining and guiding the necessary transformation processes.

### Climate protection: potential conflicts

The competition with China over climate technologies will also increase competition for access to critical raw

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materials. The demand for cobalt, lithium and rare earths, for example, will skyrocket. While China has been pursuing an aggressive foreign economic policy and expanding its hold on many foreign mines, it also holds many of these critical raw materials, such as rare earths, within its own borders. What is more, many countries are dependent on Chinese resources, a geopolitical lever which Beijing is not afraid to use. In 2010, during a diplomatic crisis with Japan over the Senkaku-Diaoyu islands, which are claimed by both countries, Beijing made use of this tool to suspend exports to its rival. As such, climate policy is bound to lead to trade disputes. This is especially the case of the carbon border adjustment mechanism that Europe is planning to introduce, which will require foreign companies exporting to the EU to pay a tax based on the carbon footprint of their products. Beijing has already declared itself hostile to this measure.

### The two faces of Chinese climate policy

In the geopolitical arena, China is also using its climate actions to broaden its appeal and gain international recognition. Last year at the UN General Assembly, Xi Jinping's statement that China wanted to achieve carbon neutrality by 2060 made headlines. The EU was particularly proud to have recommended such a target to Beijing shortly before. However, Xi Jinping's announcement was not simply a publicity stunt for climate policy; it was also a clever geopolitical maneuver that enabled China to eclipse denunciations leveled against the situation in Hong Kong. Moreover, it sent a signal to the international community that China intends to play an international leadership role in this area, irrespective of whether a new Biden Administration turns US American climate policy around or not.

Unfortunately, there is a massive gap between these announcements and the reality of the situation. While Beijing claims the title of supreme climate defender, half of the world's planned coal-fired power plants are being built on its territory. Similarly, China's pandemic recovery program has thus far been very timid in terms of sustainable development. China has been pursuing a fossil fuel policy, especially outside its borders. The Belt and Road Initiative, a Chinese infrastructure-building offensive involving over 60 countries, mostly in Africa,

virtually ignores climate imperatives. Outside China, 70% of all coal-fired power plants are financed by Chinese banks. And in the Beijing-dominated Asian Infrastructure Investment Bank (AIIB), more than half of the investments in the energy sector benefit fossil fuels.

### Confronting Beijing: establishing a realistic climate policy

There is no doubt that China is and will remain a key player in the fight against global warming. But the systemic competition that characterizes the current world order is no less relevant. Indeed, China is using its climate efforts for hegemonic purposes – to gain economic and technological leadership, to create dependencies and to secure international influence.

Within the EU, this means that France and Germany must also take this challenge into account. The European Commission has called itself a »geopolitical Commission.« Not only should it take this ambition seriously, but it should also consider climate policy and its flagship project, the European Green Deal, from a geopolitical perspective. Unfortunately, the compartmentalization of approaches remains the rule: geopolitics and the Green Deal are treated separately. But in a world defined by geopolitics, the Green Deal must be »geopoliticized« as well. The fields of security and the economy have become increasingly intertwined. The European Commission must be aware of the geopolitical risks and opportunities that the European Green Deal presents.

To achieve this, it must have a clear agenda with China, one that defines areas of cooperation and areas of competition regarding climate change. The proposed EU-China Comprehensive Agreement on Investments (CAI) should also be analyzed in this light. For example, it opens up the European market for renewable energy, while European companies struggle to enter the Chinese energy market, which is dominated by state-owned enterprises. In the competition category, we must certainly include the technological race. France and Germany should redouble their efforts when it comes to green technologies – for example, in the areas of hydrogen, the recycling of critical raw materials and alternatives to the latter. In the context of a geopolitical climate policy, the two countries could play a complementary role.

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France has a well-established strategic culture; it has maintained its networks in Africa and Asia, and French banks have a deep understanding of these continents. As for Germany, it is a high-tech hub with a powerful industrial network and the largest financial center in the European Union. On those grounds, the Franco-German tandem could strengthen its position in three areas.

First, Paris and Berlin could establish raw material and climate partnerships with countries whose resources are abundant. Germany and the EU have already built commodity partnerships with some countries. As for France, it could draw upon the solid networks in Africa mentioned above. And the scope of this instrument could be broadened by offering producing countries access to climate technologies, financing and assistance in return for their resources.

Second, the sustainable finance sector could be a promising area of cooperation with China. Thanks to Frankfurt, Germany is the leading financial center in the EU, while France has established itself as a pioneer in the field of sustainable finance. With its energy transition law, for example, France became the first country in the world to require that publicly traded companies and institutional investors publish the climate risks associated with their activities. China also has a keen interest in this area. Unlike with industrial standards, where Beijing is developing in a different direction to the West in order to capture global markets, China wants to connect more to global financial centers in order to enable greater access to liquidity. It is therefore seeking, as might be expected, to promote international cooperation in this field. A few years ago, China proposed to address this issue in a G20 working group. At the time, this initiative failed, largely due to the German government. Those days are over: the German government has come to realize the vital importance of this topic. The EU and China could jointly develop criteria for sustainable financial products and promote sustainable financial markets.

Third, since France and Germany are both members of the AIIB, they should use this status to curb the financing of fossil fuel projects. Similarly, the EU-Asia Connectivity Strategy – a European initiative aimed at

developing infrastructure on the Asian continent – should incorporate climate concerns by offering an alternative to the countries that Beijing is targeting with its Belt and Road Initiative.

Climate policy is not a win-win situation, there will be winners as well as losers. The EU must fight to assert its place in the new ecological world order. To achieve this, it must integrate geopolitical aspects into its climate policy and the European Green Deal. In this respect, France and Germany have very complementary strengths and can assist in putting the EU on the right track while bringing non-member countries on board with respect to European climate policy. This will be particularly vital in moving towards a global Green Deal. If we fail to consider the divergent geopolitical interests of the various States – from oil-producing countries to island States threatened by rising sea levels – we will never win them over to this great cause of our century.

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