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Towards Green Industrial Partnerships

Reducing Europe's Energy and Resource Strain

The European Commission's Clean Industrial Deal (CID) seeks to accelerate industrial decarbonization, reduce reliance on fossil fuel imports and reinforce economic resilience through stronger technological innovation. This Clingendael Policy Brief explores how partnerships with other countries can support the CID's objectives. Cooperation for added value around energy and critical raw materials can help to position the EU as a strategic and reliable partner, fostering economic resilience both at home and abroad. Operationalizing this requires clear communication about the EU's geostrategic interests and a more explicit focus on partner countries' key concerns, particularly regarding the EU's Carbon Border Adjustment Mechanism (CBAM). Risk-mitigating instruments such as public financial guarantees and CBAM revenues can be more strategically deployed to ramp up private investments under the Global Gateway. This can help to incentivize technology exchange and capacity development in partner countries while bolstering European companies' competitiveness abroad. Finally, coordination between the EU level and Member States is essential to mainstream green industrial objectives across EU foreign policy, trade and finance.

1. Introduction

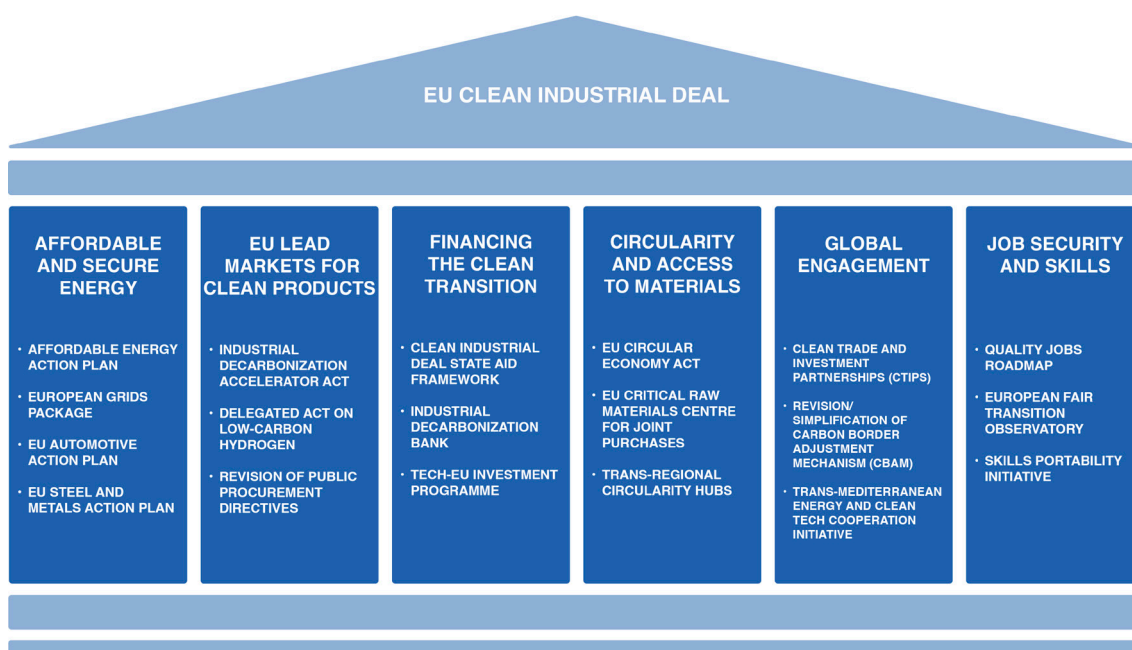
With the transatlantic relationship under distress, intensifying economic pressures and changing global trade dynamics, the EU is reconsidering its resilience and competitiveness. A cornerstone of its response to the changing

geopolitical and security landscape is the European Commission's Clean Industrial Deal (CID), a €100 billion policy package that aims to provide a more strategic approach to the intersecting challenges of industrial decarbonization, energy security and economic competitiveness (Figure 1).² Part of this strategy concerns boosting industrial production at home,

1 The authors would like to express their gratitude for the valuable comments provided by Dr Karina Marzano Franco (Project Lead, Industrial Transformation Brazil, Agora Industry), Dr Sami Andoura (Visiting Professor, College of Europe) and Dr Daniel Scholten (Associate Fellow, Clingendael) as well as an anonymous reviewer on earlier versions of this policy brief.

2 European Commission, 'The Clean Industrial Deal: A Joint Roadmap for Competitiveness and Decarbonization', Brussels, 26 February 2025.

Figure 1 Key pillars of the EU Clean Industrial Deal (authors' own visualization)



but with reduced dependency on imported fossil fuels. Enhanced domestic manufacturing is also needed to ramp up Europe's defence capabilities.

At the same time, Russia's invasion of Ukraine in 2022 fundamentally altered European energy relations, accelerating shifts away from Russian pipeline gas but increasing reliance on other gas supplies, particularly of liquefied natural gas (LNG) from the United States, Norway and Algeria.³ While this supply diversification has mitigated immediate energy insecurities, it has exposed the EU to new geopolitical risks, not least because of the volatility of the global LNG market and skyrocketing energy prices, affecting the competitiveness of European industries. In addition, the EU's need to secure the critical raw materials (CRM) and rare earths needed for low-carbon technologies is prompting policymakers to rethink the EU's trade relations and industrial strategy, underpinned by the Competitiveness Compass.⁴

This 'double geopoliticization'⁵ of Europe's energy transition, highlighted by both the search for alternative fossil supplies and increasingly fierce competition over clean technologies, has hence applied significant pressure on the EU. Decisive is the fact that most European countries have neither substantive amounts of fossil energy sources nor minerals. In addition, high energy production and transportation costs, a tight labour market, as well as geographical preconditions for industry location and infrastructure, pose more structural barriers to the cost-competitive scaling-up of clean energy and goods in many EU Member States. Trade relations with multiple and reliable third countries are therefore critical for the EU's energy and economic security in the long run. Aware of this, the European Commission has announced a new instrument: the Clean Trade and Investment Partnerships (CTIPs). These aim to facilitate private-sector investments in clean energy, minerals and technologies, bringing together supply chain-specific agreements with

3 Ugnė Keliauskaitė et al., 'European Natural Gas Imports Dataset', Bruegel, 16 April 2025.

4 European Commission, 'A Competitiveness Compass for the EU', Brussels, 29 January 2025.

5 Tomasz Jerzyniak and Anna Herranz-Surallés, 'EU Geoeconomic Power in the Clean Energy Transition', *Journal of Common Market Studies* 62(4), 2024.

the regulatory instruments and initiatives of the Global Gateway.⁶

This policy brief contends that the EU's competitiveness is not only a domestic policy matter but also has significant international ramifications in terms of resource geopolitics, energy security and trade relations. To address and deliver effectively this external dimension, the CID must be underpinned by a strong EU energy diplomacy and foreign policy. Section 2 briefly outlines the CID and its strategic implications, which are further illustrated by the case study on decarbonizing steel in Section 3. In Section 4, the authors discuss the external dimension of EU competitiveness and industrial policy, before outlining key considerations on how EU energy diplomacy and foreign policy can support the CID's objectives in Section 5. Finally, Section 6 concludes this policy brief by offering concrete policy recommendations.

2. The Clean Industrial Deal and Its Strategic Implications

Industrial policy has moved to the core of EU economic and energy policy, driven by the need to ensure energy security and strengthen technological innovation in a decarbonizing global energy system. Energy-intensive industries, particularly in the steel, cement and chemical sectors, face mounting challenges to remaining globally competitive against the backdrop of high electricity prices and supply shortages of key ingredients for industrial production, ranging from energy to minerals, microchips and batteries. The EU's CID aims to transform Europe's industrial base by advancing the domestic manufacturing of clean tech, including solar photovoltaic (PV), batteries and electrolyzers, while at the same time decarbonizing existing energy-intensive industries such as steel, fertilizers and aluminium.⁷

6 European Commission, 'The Clean Industrial Deal: A Joint Roadmap for Competitiveness and Decarbonization', Brussels, 26 February 2025.

7 Leon Martini et al., 'Between Climate Action and Competitiveness: Towards a Coherent Industrial Policy in the EU', Ecologic Institute, December 2024.

Achieving this transition requires a mix of industrial policy instruments that strategically identify and support specific industries where the EU can gain or maintain a competitive edge, while ensuring a level playing field for innovation and competition.⁸ This includes fostering synergies among increasing domestic renewable energy production, strengthening tech innovation in Europe and expanding grid and energy storage infrastructure, while mitigating the complex risks of global value chains.

For example, the EU's reliance on Chinese-manufactured solar and wind technologies has fuelled concerns over supply-chain security.⁹ Unlike oil and natural gas, which necessitate continuous imports, renewable energy infrastructure, once installed, can provide long-term energy security. However, if Europe wants to produce (and export) clean energy technologies such as batteries and PV itself, continuous imports of CRM will be required, alongside ensuring sufficient domestic processing and manufacturing capacity. These are mid- and downstream segments of the value chain that are currently dominated by China for almost all minerals.¹⁰ A supply-diversification strategy for these key resources thus remains essential, especially since import substitution through domestic production at a competitive price is not always viable.¹¹

Hence, the EU's approach to securing energy, critical minerals and clean technologies aims to balance reducing its dependency on CRM monopolists like China with maintaining cooperative trade relationships. The announcement of the CTIPs signals the European Commission's intention to forge alliances with other countries and to diversify supply chains

8 Simone Tagliapietra and Reinhilde Veugelers, 'Industrial Policy in Europe: Past and Future', *Bruegel Blueprint* 33, 2023.

9 Energy Transitions Commission, 'Solidifying the EU's Leadership in the Global Energy Transition', EU Policy Whitepaper, December 2024.

10 International Energy Agency, *Global Critical Minerals Outlook 2025*.

11 Agora Industry, 'Industrial Value Chain Transformation: Renewable Hydrogen as an Enabler of a Just Global Energy Transition', 2024.

through multiple strategic partnerships on clean energy, clean technology and CRM. CTIPs intend to complement the EU's free-trade agreements (FTAs) by offering a more flexible and targeted approach tailored to the specific needs of companies, both European and in partner countries. As no CTIP has yet been concluded, it remains unclear how exactly these agreements will look in practice; the first CTIP is currently being negotiated between the EU and South Africa.¹²

As the costs of technologies for clean energy and electricity generation continue to decline, industries such as iron-making for steel and chemical production for fertilizers are likely to move to regions with the most abundant renewable and mineral resources and, consequently, lower production costs.¹³ While a strong focus on reducing Europe's energy prices can help to mitigate the impact, the relocation of energy-intensive industries will be inevitable to some extent. Acknowledging these shifts early on enables the EU to develop proactive strategies for such 'powershoring'¹⁴ that prepare for, rather than merely react to, these structural changes.

3. Decarbonizing Europe's Industry: The Case of Green Steel

The challenges of decarbonizing Europe's steel production exemplify the energy and industrial security implications of the energy transition. The steel sector has been subject to highly politicized discussions in Brussels, culminating in a European Action Plan for Steel and Metals

under the CID.¹⁵ The industry is grappling with high energy costs, increasing international competition and the need for significant investment in its decarbonization. Over the past decade, the EU's share of global steel and aluminium production has declined sharply, while countries like China and India have expanded their production capacities – often with the help of subsidies. In response, the European Commission has launched an Action Plan that aims to secure the steel and metal industry's role for the EU's clean tech leadership, economic security and defence capacity.

Steelmaking is an energy-intensive process that is traditionally reliant on coal, contributing significantly to global CO₂ emissions. As the EU targets net-zero emissions by 2050, transitioning its domestic steel industry to cleaner processes is critical. Green hydrogen has the potential to replace the carbon-intensive processes traditionally used in steelmaking, such as blast furnaces, and could reshape the global steel industry (Figure 2).¹⁶ However, the high costs of producing green hydrogen through electrolysis using renewable electricity, as well as transporting it via ship or pipeline, pose a significant barrier to its market development, inhibiting the offtake and investment in projects beyond feasibility studies.¹⁷ Especially in Europe where electricity prices are high, green hydrogen production costs are unlikely to decrease significantly in the short to medium term without substantial subsidies.¹⁸ Yet, given the scale required to meet the EU's decarbonization goals,

12 Sara Benedetti Michelangeli, 'EU-South Africa Partnership: A Boost to Trade and Investments', *Strategic Perspectives*, 13 March 2025.

13 Leon Martini et al., 'Between Climate Action and Competitiveness: Towards a Coherent Industrial Policy in the EU', *Ecologic Institute*, December 2024.

14 'Powershoring refers to the decentralization of production to countries that offer clean, safe, cheap and abundant energy, and are close to large centres of consumption, in addition to other virtues to attract industrial investment', *Jorge Arbache, Vice President for Private Sector, Development Bank of Latin America and the Caribbean (CAF)*.

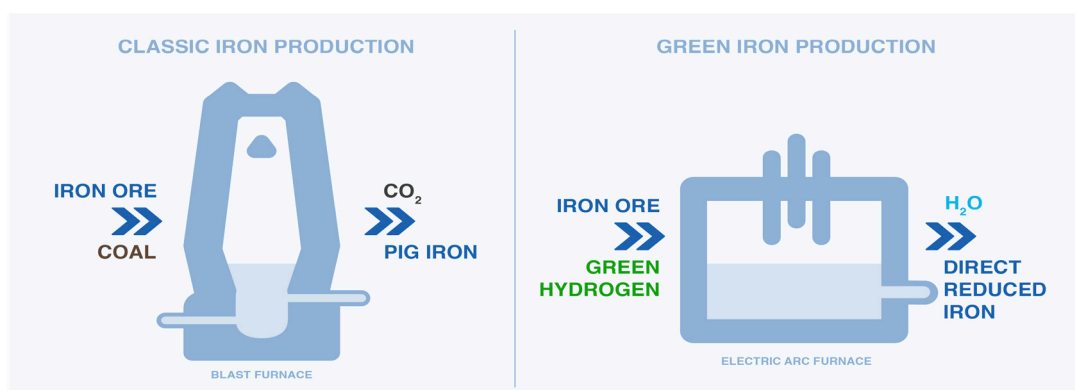
15 European Commission, 'A European Steel and Metals Action Plan', Brussels, 19 March 2025.

16 Jan Cornillie et al., 'Five Reflections on Clean Hydrogen's Contribution to European Industrial Decarbonization from 2024 to 2030', Policy Brief, Robert Schuman Centre, EUI Florence School of Regulation, February 2024.

17 Hannah Lentschig, Aliaksei Patonia and Rainer Quitzow, 'Multilateral Governance in a Global Hydrogen Economy: An Overview of Main Actors and Institutions, Key Challenges and Future Pathways', *Journal of International Hydrogen Energy* 97, January 2025.

18 Adrian Odenweller and Falko Ueckerdt, 'The Green Hydrogen Ambition and Implementation Gap', *Nature Energy* 10, 14 January 2025.

Figure 2 Iron production using coal vs. green hydrogen (authors' own visualization)



relying heavily on imports of green hydrogen is neither feasible nor sustainable.¹⁹

From an economic standpoint, an alternative approach is to establish facilities for the direct reduction of iron ore using green hydrogen in regions with low-cost renewable electricity and iron ore in the ground.²⁰ Hence, instead of importing the iron ore and green hydrogen separately to complete the steel production process at home, the EU would source a semi-finished product in which the green hydrogen is already embodied: green hot-briquetted iron (GHBI), a form of direct reduced iron that is easy to ship. Importing this product, EU companies then domestically produce green steel and other downstream products that require high-tech and specialized processes. Apart from cutting emissions, this significantly reduces production and transport costs throughout the steel value chain and can lead to greater availability of electricity in Europe.²¹

On the export side, countries with access to both abundant renewable energy and high-quality iron ore, such as Brazil, Egypt and South Africa but also Ukraine, are well-positioned to become key producers of green iron. At the same time, since the cost of transporting iron ore is relatively low, even countries without substantive iron ore reserves could engage in GHBI production and trade.²² The number of potential producers and hence exporters therefore reduces the risk of supply-chain insecurities and manipulation. It also opens opportunities for the development of new regional markets and trade flows, fostering green industrial growth while supporting global emissions' reduction efforts.

4. The External Dimension of Europe's Competitiveness and Industrial Policy

While the economic rationale for the trade of green iron – instead of green hydrogen or electricity – is relatively clear, at the heart of these shifts lies a strategic trade-off that reflects the broader geopolitical dimension of the CID: on the one hand, because of high costs, focusing on domestic green hydrogen production and imports to decarbonize its

19 Philipp C. Verpoort et al., 'Transformation der energieintensiven Industrie: Wettbewerbsfähigkeit durch strukturelle Anpassung und grüne Importe', Potsdam Institute for Climate Impact Research (PIK), December 2024.

20 Poorva Karkare and Alfonso Medinilla, 'The Geography of Green Iron and Steel: New Opportunities for Europe and North Africa', Discussion Paper no. 382, ECDPM, December 2024.

21 Hilton Trollip, Nicolas Berghmans and Gauri Khandekar, 'EU Green Iron Imports for a More Competitive EU Steel Industry and Economy Accelerated, Lower Cost Decarbonization', Policy Brief, NDC Aspects, September 2024.

22 Agora Industry and Wuppertal Institute, '15 Insights on the Global Steel Transformation', 15 June 2023.

industry could make it difficult for the EU to compete on the global stage. On the other hand, while trading green iron could reduce costs and increase competitiveness, it would require a geographical shift in the steel value chain, with some segments of the steelmaking process taking place outside the EU. Policymakers and industry leaders will have to evaluate not only which, but also which parts of the value chain need to be kept within European borders. This is a fundamentally geopolitical question for foreign policy, and not just an (internal) economic one – especially in light of discussions on Europe’s (lacking) defence capabilities and the Commission’s *ReArm Europe/Readiness 2030* plan.²³

Another crucial aspect in this dilemma is the impact of the Carbon Border Adjustment Mechanism (CBAM), which sets a carbon levy on imports of aluminium, iron, steel, cement, fertilizers, electricity and hydrogen. With the CBAM officially entering into force in 2026, free allowances under the EU Emissions Trading System (ETS) will gradually be eliminated, raising costs for industries that need to transition to greener production processes. At the same time, EU industries will be economically dependent on importing certain green products from third countries.²⁴ Here, the CBAM creates a strategic and economic incentive for Europe to invest in countries with cheap renewables to import products such as GHBI. By working with these partners to develop clean production technologies and ensure strong emissions standards for green hydrogen and green iron, the EU could strike a balance between promoting its domestic industry’s competitiveness and fostering more diverse, green, value chains.

To support this external dimension of the CID, the EU can draw on several existing tools and initiatives – the Global Gateway in

particular. The Global Gateway is the EU’s key framework for large-scale investments in energy infrastructure and projects abroad and is mainly financed through the European Fund for Sustainable Development Plus (EFSD+) tool. The Neighbourhood, Development and International Cooperation Instrument (NDICI) ‘Global Europe’ is the EU’s overarching external funding tool, with almost €80 billion earmarked for cooperation with non-EU countries between 2021 and 2027 – including on energy-related ‘Team Europe’ initiatives.²⁵ The EU also offers regulatory, technical and financial assistance on energy transition and security through several region- and country-specific frameworks, including memoranda of understanding, trust funds, bilateral dialogues and initiatives.²⁶

The Global Gateway is also one of the key instruments to support the implementation of the CTIPs.²⁷ Yet, several of the Global Gateway’s flagship projects have received criticism in the past for focusing dominantly on ensuring the security of hydrogen, electricity or CRM supplies for European countries. South Africa, Senegal, Namibia, Brazil and India, among others, have accused the EU of ‘green extractivism’. This implies the export of natural resources from resource-rich countries, mostly located in the Global South, with little or no local processing that would add value to their domestic economies.²⁸ Paired with increasing perceptions of the CBAM as European protectionism, these sentiments undermine the EU’s geopolitical and economic standing *vis-à-vis* other major

23 European Commission, [White Paper for European Defence – Readiness 2030](#).

24 Marian Feist, Ann-Kathrin Kuhner and Christian Flachsland, ‘[Selling CBAM-Diplomacy for the European Union’s Carbon Border Adjustment Mechanism](#)’, Kopernikus Projekte, 27 June 2024.

25 European Commission, [Global Europe: Neighbourhood, Development and International Cooperation Instrument](#).

26 Other key frameworks and initiatives of EU energy diplomacy and foreign policy in non-EU countries include, for example, the EU Global Technical Assistance Facility for Sustainable Energy; EU External Investment Plan; Africa–EU Green Energy Initiative; and the Western Balkans Energy Support Package.

27 European Commission, ‘[The Clean Industrial Deal: A Joint Roadmap for Competitiveness and Decarbonization](#)’, Brussels, 26 February 2025; and San Bilal and Chloe Teevan, ‘[Global Gateway: Where Now and Where To Next?](#)’, Discussion Paper no. 368, ECDPM, June 2024.

28 Christian Dietz and Christian Egenhofer, ‘[Aligning the Global Gateway around “Resilience” Could Give it a New Lease on Life](#)’, CEPS, October 2024.

economic powers, China in particular. Clearer and more coordinated EU messaging strengthens the EU's credibility as a reliable investor and trade partner, particularly when it concerns the EU's own strategic objectives and the value it can offer in alignment with partner countries' priorities.

Embedding its efforts to boost industrial competitiveness more strongly in EU diplomacy can hence help to realize the CID's objectives amid the current geopolitical realities. The fact that 'energy diplomacy' is explicitly mentioned for the first time in the President's mission letter to the Energy Commissioner hints at a possible change in the nature and direction of the EU's external engagement. Particularly in its neighbourhood, the EU has a strategic interest in enhancing stability and fostering strong economic ties through clean energy cooperation.²⁹ The new Trans-Mediterranean Energy and Clean Tech Cooperation Initiative, as well as the recent creation of a Directorate-General exclusively for the Middle East and North Africa (MENA), underline the European Commission's refocusing on the EU's neighbourhood. Additionally, the Commission launched a new roadmap to phase out all gas, oil and nuclear energy imports from Russia and is devising a new plan to exit fossil fuels by 2050.³⁰ Key to these efforts will be efficient, coordinated engagement with other countries and regions.

5. Green Industrial Partnerships: Linking the Clean Industrial Deal With Energy Diplomacy and Foreign Policy

Against this backdrop, the EU can offer a credible, compelling narrative and value proposition to strategic partners, especially as global competition for resources, technologies

and trade routes intensifies.³¹ The following diplomacy elements can help to support the EU's clean industry and competitiveness agenda.

First, robust environmental standards should continue to be at the core of EU initiatives and partnerships – and these need to be communicated clearly. In fact, ensuring environmental standards allows the EU to decarbonize effectively industrial processes in line with the CBAM, while bringing benefits to local communities and ecosystems.³² This is a unique entry point where European partnerships have a competitive advantage compared to other countries, such as China. Established and newer trade partners like South Africa, Namibia and Morocco are looking to engage more closely with EU companies precisely because of their environmental, social and governance (ESG) and sustainability commitments. Promoting clear communication about the added value of green industry cooperation and how this links with the CBAM will be key to making these partnerships transparent and attractive.³³ However, finding a solid answer to the ever-contentious issue of nuclear energy in the EU's taxonomy will be critical to this end. It also requires clear mechanisms and frameworks that allow countries to prove that their low-carbon embedded products comply with CBAM rules.

Second, to support local green industrialization, technology co-development and exchange, as well as capacity-building measures for green power generation, infrastructure and grid management, and manufacturing processes are critical. The CBAM creates an economic incentive for European companies to invest in local content, including technology exchange and capacity development, because they depend on importing certain pre-products from third

29 Leonela Leca et al., 'REPower Security: Rethinking EU Energy Relations in Times of Crisis', GLOBSEC, Clingendael and Oxford Analytica, June 2023.

30 European Commission, 'Roadmap towards Ending Russian Energy Imports', Strasbourg, 6 May 2025.

31 Colette van der Ven et al., 'A New Era of EU Mini-Trade Deals? Re-prioritizing Sustainable Development through Clean Trade and Investment Partnerships (CTIPs)', Europe Jacques Delors, March 2025.

32 Alexandra Goritz, 'Rethinking EU Partnerships with the Global South', Germanwatch, October 2024.

33 Sarah Jackson et al., 'Shaping Strong EU Partnerships: Guiding Principles and Key Considerations', NewClimate Institute, December 2024.

countries. At the same time, EU trade partners are keen to invest in green production processes at home, with EU funding to help pay fewer carbon levies on their exports. Brussels therefore faces a twin challenge: mitigating the risks of economic insecurity and job losses in the EU, while allocating sufficient capital and crafting targeted policies that support EU partners with developing economies in ramping up their domestic green industry.³⁴

According to the government of Kazakhstan, for instance, a balanced partnership with the EU in the field of CRM could be ‘raw materials in exchange for technology and competence’.³⁵ Similarly, EU cooperation with Ukraine, but also African countries like Zambia that are rich in minerals and metal ores, should focus on developing local processing capacities for value-added products beyond CRM exports.³⁶ This could be done through joint ventures with local companies – backed by trade agreements stipulating product and legal standards – which would also secure European ownership in clean-tech supply chains, such as batteries or recycling.³⁷

Attracting and developing such strategic projects abroad also requires more targeted training and skill development, improving network activities for companies in the EU and partner countries, as well as financing and public guarantees’ mechanisms to boost the competitiveness of Europe’s private sector abroad.³⁸ The European Investment Bank

(EIB) and European Bank for Reconstruction and Development (EBRD) can play key roles in developing such mechanisms under the CID. In addition, allocating revenues generated from the CBAM for private investments in clean technology capacities of both Europe’s domestic private sector and businesses in partner countries could foster mutually beneficial industry cooperation and strengthen the credibility of the EU as a partner.³⁹

The third diplomacy element is the geographical focus. The EU already invests in countries with lower energy prices and abundant resources that can become reliable industrial partners. Identifying strategic countries in which to prioritize green industrial investments could maximize resource efficiency and support foreign policy priorities. At the same time, it could ensure a more targeted approach aligned with the unique local needs of partner countries.⁴⁰ The EU’s Neighbourhood and Accession countries⁴¹ – a priority area in EU foreign policy – have the potential to become hubs for lower-cost, clean-energy production and industrial decarbonization.⁴² Their geographical proximity and untapped renewable energy potential makes them good candidates for greater integration in EU industrial supply chains.

In Africa and Eastern Europe, for instance, existing Global Gateway initiatives and strategic partnerships on large-scale, renewable energy and hydrogen production could be coupled with more structural investments in value-added,

34 Susi Dennison, ‘[Geopolitics, EU Internal Politics and the Prospects for a European Green Industrial Policy](#)’, Oxford Energy Forum, February 2025.

35 Giulia Cretti and Louise van Schaik, ‘[Resource Curse or Darling: Rethinking EU Energy Interests in Kazakhstan](#)’, Clingendael, March 2024.

36 Hannah Lentschig and Louise van Schaik, ‘[Grabbing Ukraine’s Minerals is a Recipe for Further Instability](#)’, Clingendael Institute, February 2025.

37 Meike Schulze, ‘[The Strategic Raw Material Partnership between the EU and Zambia](#)’, SWP Comment No. 19, German Institute for International and Security Affairs, May 2025.

38 San Bilal and Andreas Klasen, ‘[Scaling Up Global Gateway: Boosting Coordination in Development and Export Finance](#)’, Discussion Paper No. 385, ECDPM.

39 Andrei Marcu et al., ‘[The Use of CBAM Revenues](#)’, European Roundtable on Climate Change and Sustainable Transition (ERCST), 2024.

40 Sarah Jackson et al., ‘[Shaping Strong EU Partnerships: Guiding Principles and Key Considerations](#)’, NewClimate Institute, December 2024.

41 The EU Neighbourhood includes Eastern Neighbours: Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine; and Southern Neighbours: Algeria, Egypt, Israel, Jordan, Lebanon, Libya, Morocco, Palestine, Syria and Tunisia. Accession countries include Albania, Bosnia and Herzegovina, Georgia, Moldova, Montenegro, North Macedonia, Serbia, Türkiye and Ukraine.

42 Neil Makaroff, Linda Kalcher and Aymeric Kouam, ‘[Forging Economic Security and Cohesion in the EU](#)’, Strategic Perspectives, April 2024.

industrial manufacturing, such as electric vehicle (EV) components, batteries and green iron production. If successful and equitably managed, the recently inaugurated *Hylron Oshivela* green iron project in Namibia – a partnership between Namibian and German companies – could provide a blueprint for further EU investments in green industrial value chains for energy and key materials.⁴³ Against this backdrop, the EU's energy diplomacy can also support the creation of regional markets for the trade of green products and key materials, to ensure cost-competitive imports in the long run.

Another group of strategic countries are middle-income fossil-fuel exporters looking to diversify their economic model beyond oil and gas. Among them, Kazakhstan and Algeria are key examples, but also economies in Latin America and the Caribbean. In the long run, these countries will see a reduced demand for fossil fuels from Europe and elsewhere that will impact their economies.⁴⁴ As such, they are looking towards both old and new partners to harness their renewable energy and/or mineral resources and create new, green, export models.⁴⁵ Agreements with these countries could extend beyond securing supplies of minerals or clean energy to fostering domestic manufacturing capacities for value-added clean products that can be traded with the EU.

Brussels is also strengthening its ties with several members of the BRICS group, namely Brazil, India and South Africa. These countries are generally open to cooperation with the EU as part of their multi-alignment strategy, which aims to maintain balance and avoid exclusive alignment with either the US or China. The EU already enjoys a strong trade relationship with South Africa, with more than 2,000 European

companies operating, particularly in sectors such as automotive manufacturing and sustainable aviation-fuel production.⁴⁶ These businesses would benefit from greater regulatory clarity, mutual recognition of standards and investment guarantees – areas where the CTIPs could play a key role. The EU is currently also already engaged in negotiations for a free-trade agreement with India, with great potential for stronger ties around clean technologies and materials.

Finally, coordination at the EU level and with Member States is key to ensure effective cooperation around green value chains. Currently, the EU's engagement with third countries on renewable energy, hydrogen, clean technologies and materials is both fragmented and overspread, limiting its effectiveness.⁴⁷ Several EU initiatives for green trade and investments, CRM, energy and climate cooperation, as well as development finance, exist under different frameworks. Adding complexity to the EU's energy diplomacy efforts are the numerous bilateral Member State initiatives, such as Germany's hydrogen diplomacy (H₂-diplo) with countries like Ukraine, Kazakhstan, Colombia and Kenya.⁴⁸ While the bilateral activities of Member States are key to driving and delivering on the EU's partnerships, measures to streamline and coordinate them more strategically with Commission-level efforts in certain regions, industries or value chains could boost their efficiency and impact.

Effective high-level coordination among EU institutions, particularly between the relevant Commission Directorates-General (DGs) and the European External Action Service (EEAS), is essential to maintain a clear overview of ongoing initiatives and to identify synergies. Given that key policy areas relevant to the CID

43 Walter Kariko, 'President Opens First "Green Iron" Plant in Southern Africa', *The Namibian*, 14 April 2025.

44 Louise van Schaik and Giulia Cretti, *Rethinking European Energy Relations in Times of Crisis*, Clingendael Institute, June 2023.

45 Neil Makaroff, Linda Kalcher and Aymeric Kouam, 'Forging Economic Security and Cohesion in the EU', *Strategic Perspectives*, April 2024.

46 European Council and Council of the European Union, *EU-South Africa Trade*.

47 Colette van der Ven et al., 'A New Era of EU Mini-Trade Deals? Re-prioritizing Sustainable Development through Clean Trade and Investment Partnerships (CTIPs)', Europe Jacques Delors, March 2025.

48 Sarah Jackson et al., 'Shaping Strong EU Partnerships: Guiding Principles and Key Considerations', *NewClimate Institute*, December 2024.

– such as trade and the CBAM, energy security and industrial supply chains – span multiple DGs, the Commission is already strengthening cross-DG collaboration to develop a more coherent European narrative and offerings abroad. In parallel, increased engagement under existing EU initiatives by those Member States that are at the forefront of energy and CRM investments could strengthen joint implementation and unlock additional financial resources for strategic projects.

6. Conclusion and Policy Recommendations

The EU's diplomacy toolbox can play a key role in delivering a strong external dimension of the CID. Initiatives under the Global Gateway are already developing clean infrastructure projects that can bolster Europe's energy security and economic competitiveness, while also fostering green industrialization and value creation in partner countries. By tapping into these economies' massive green power potential, the EU can secure key products for its domestic industry at cost-competitive prices. At the same time, the EU can position itself as a credible and attractive partner, promoting green growth and a real decarbonization agenda that links its internal market and foreign policy goals.

The following recommendations can help to deliver a strong external dimension of the CID:

- Develop a **credible communications package** that highlights the added value of green industrial partnerships with the EU. This narrative should be **more honest and pragmatic** about the EU's geostrategic interests in the clean energy transition and **explicitly address the key concerns** and demands of partners regarding the CBAM, commodity exports/'extractivism' and trade protectionism.
- Strengthen green industrial partnerships with countries that hold **strategic geographical significance** and/or where strengthened partnerships could have a geopolitically stabilizing impact, such as the **EU neighbourhood and accession countries** (such as Ukraine, Morocco and Algeria) as well as **economic middle-powers** (for example, Brazil, India and South Africa).
- Develop **standardized CBAM-compliance verification in close consultation** with partner countries to confirm the carbon content of their exports. Technical standards and certification systems for green products and materials also need to be **interoperable** and aligned to support the **creation of regional markets and 'clean tech' clusters**, for example for batteries. The CTIPs can include such provisions.
- Increase **technology co-development** and exchange measures for green energy and industrial production in Global Gateway initiatives to stimulate **local capacities** around key commodities, such as green iron. To incentivize EU companies to engage in tech exchange and joint ventures, **public financial guarantees and risk mitigation** (such as via the EFSD+) specifically for green industrial projects in third countries need to be expanded.
- Align **fiscal and trade instruments**, such as export credit guarantees, more strategically with the CID to support the external activities of European companies. Strengthening **EU trade finance** is essential to **help businesses compete more effectively** in green energy and infrastructure projects abroad. The EIB and EBRD can play key roles in this. **Revenues from the CBAM** could be allocated more strategically for private investments under the Global Gateway and the CTIPs.
- Enhance **internal coordination** between the relevant **Directorates-General** (that is, DG INTPA, ENER, TRADE, ENEST, MENA, CLIMA and GROW) and the EEAS to **mainstream green industrial partnerships** into the decision-making process for international finance, trade and development instruments. **Member States** could support these efforts through greater involvement in EU-level frameworks such as Team Europe.

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About this Policy Brief

This Clingendael Policy Brief is informed by a series of informal conversations and meetings between the authors and key stakeholders from the European Commission, European External Action Service, industry and academia that took place between January and April 2025. In addition, it builds on insights gained at a closed-door roundtable organized by Clingendael together with the Centre for European Policy Studies (CEPS), titled 'The geopolitics of the Clean Industrial Deal: new guidance for EU energy security and diplomacy', which convened representatives from the EU, national governments, think tanks and the private sector on 10 April 2025 in Brussels. The authors thank all of the participants, experts and informants for their valuable contributions and willingness to share their insights and expertise.