



# **The Climate Agenda for Germany's G7 Presidency: Opportunities and Challenges to Transatlantic Cooperation**

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# The Climate Agenda for Germany's G7 Presidency: Opportunities and Challenges to Transatlantic Cooperation

Germany has announced that the top priority for its G7 presidency is protecting a sustainable planet. In its recently released [Presidency Programme](#), Germany emphasizes that 2022 is the year for the Group to take decisive climate action and provides its game plan for moving “from ambition to implementation.” In this analysis paper, Transatlantic Climate Bridge experts from adelphi, and experts from the Center for American Progress and the International Institute for Sustainable Development discuss key climate takeaways from Germany's plans for its presidency as well as potential opportunities and roadblocks for transatlantic cooperation at the G7.

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## Takeaway 1: Climate clubs remain center stage

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Germany continues its strong support for an international climate club. It plans to use its G7 presidency to “drive forward... the discussion on a cooperative global climate club that is open to all countries, expanding international partnerships beyond the G7, especially with G20 partners.”

Though an increasingly popular idea, the climate club concept has yet to go beyond the policy toolbox and, as such, little is known about how it would work in practice. In 2021, the German finance ministry, under the leadership of now Chancellor Olaf Scholz, released a [paper](#) detailing how such a club could work. As Germany puts these ideas into practice, it should strive for a partnership of ambitious countries committed to climate neutrality by 2050 and willing to define interim targets harmonized among members. Germany should be prepared to ask members to take bold measures such as agreement on shared standards for measuring the carbon intensity of industrial products, creating joint lead markets for climate-neutral materials, and, in the medium-term, putting a uniform (minimum) price on greenhouse gas emissions. At the same time, it should recognize, and give credit to, countries like the United States that come forward with a combination of alternate emissions reduction policies that may be just as effective, and more politically feasible, given national politics. Such an ambitious coalition could steer several high-emitting countries onto a fast track for strong climate action and provide a framework in which they can hold one another accountable.

Despite the use of the word “club”, Germany states the group will not be exclusive but “cooperative” and open for any country to join, with ambition being a key element of the admissions criteria. If properly implemented and inclusive, such a club may be an attractive option for countries regardless of the current strength of their climate policies, given that Germany is advocating for a club with measures “for supporting countries that implement ambitious climate protection plans.” This inclusive language will be critical as the G7 holds itself accountable to adaptation funding pledges and works with G20 partners to negotiate the next set of energy transition packages on the path to the COP27 climate negotiations in Egypt later this year.

Trade policy will also be a key element of any climate club. The call in the G7 agenda to safeguard a “level playing field” references trade policy measures like the EU's planned [Carbon Border Adjustment Mechanism](#) (CBAM) or the [U.S.-EU Global Arrangement on Sustainable Steel and Aluminum](#).

Germany's support for the "reform and further development of the World Trade Organization (WTO)" in order to green international trade suggests there may be a path forward for addressing the climate crisis through existing trade instruments and institutions, and, as a result, become the norm instead of the exception in a world striving for climate neutrality.

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## **Takeaway 2: Domestic hurdles risk impeding global ambitions**

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In regard to carbon pricing and coal power, two major areas of priority for the G7, Germany advocates for countries to agree to a common minimum approach. The language of a global minimum carbon price and a phasedown of unabated coal is less ambitious than strategies Germany and other G7 countries are pursuing at home. A global carbon price would almost certainly be significantly lower than the current price of an allowance in the EU emissions trading system at over 80 euros, and Germany is planning for a complete phaseout of coal by 2030. From a transatlantic cooperation perspective, the call for a uniform carbon price is perhaps the most fraught application of common minimum standards. In a likely bid to build off the momentum of the recently-established global minimum tax rate, Germany must approach its hope for a global carbon price with care to avoid friction with the United States, which is unlikely to implement a national carbon price in the near future. The ambiguous language of establishing "uniform standards for the emission and pricing of CO<sub>2</sub>" suggests Germany is being mindful of the United States' importance in this matter, as it leaves the door open to a variety of policy instruments across countries beyond explicit carbon pricing.

The priorities regarding coal are similarly fraught. The final [Glasgow Pact](#) controversially called for a coal "phase-down" instead of a "phase-out". Germany's continued use of this less-ambitious language acknowledges the different energy situations of G7 members and suggests a willingness to work with countries like China and India that are more reliant on coal. However, this wording is sure to disappoint those who point to the scientific consensus that continued investment in coal puts the world on a path towards catastrophic warming. While the U.S. aligns with Germany in its support of accelerating the phase-down of coal to meet the 1.5C degree temperature goal under the Paris Agreement, it has yet to furnish clear timelines to reach this goal, as domestic legislative roadblocks, and yet-to-be-defined regulatory frameworks, have slowed domestic progress towards reduction commitments.

Germany also advocates for greening the WTO in part by overhauling rules on market-distorting subsidies, a reference to Chinese overproduction of steel that has left the global market saturated with emission-intensive products. In doing so, the U.S. and EU can seek to catalyze greener trading practices by demonstrating the economic benefits of aligning market access with industrial decarbonization.

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## **Takeaway 3: The G7 has responsibilities to the rest of the world**

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Germany emphasizes the G7's role in supporting green transitions beyond the Group. As Europe's largest economy and G7 President, Germany has a critical role to play in ensuring the world's affluent nations make good on their climate finance pledges, the \$100B annual goal reaffirmed at COP26 that will be achieved by next year, as well as supporting the reform of multilateral development banks to

align with Paris goals. Germany plans to promote “socially, economically and environmentally sustainable infrastructures and framework conditions” to bring the necessary climate investments to developing countries, while also highlighting the importance of protecting biodiversity around the world and strengthening the G7’s activities around resource efficiency and circular economy. In this vein, creating incentives, providing support, and developing mechanisms to help emerging economies transition to renewable energy infrastructure is integral to meeting the 1.5C degree goal. The G7 has a critical role in ensuring that nations do not get left behind as the world moves toward a clean-energy economy.

The South Africa Just Energy Transition Partnership exemplifies the type of actions the G7 can take in this regard, the first example of advanced economies coming together to provide the financial support for a Global South country to pursue a green energy transition. G7 countries can work together to create energy transition and adaptation deals for other partners in Africa—the agenda mentions the G20 Compact with Africa, the EU’s Global Gateway, and Build Back Better in this context. These initiatives can also support the achievement of the UN’s Sustainable Development Goals.

However, country partnerships can only take the G7 so far. While only mentioned briefly in Germany’s priorities, loss and damage is a key issue that the G7 must engage in more actively, and one in which the United States needs to step up to restore the faith and trust of the Global South in G7 nations. The issue of loss and damage threatened to derail consensus of the final Glasgow Pact; without early, active dialogues by G7 nations with low-income and vulnerable nations, this topic may undermine progress the G7 seeks to make through trade, regulation, and pricing schemes.

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#### **Takeaway 4: Cooperation with the United States – opportunities and challenges**

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Germany’s calls for inclusivity, strengthening gender equality, and supporting democratic principles and rule of law have also been recognized by the Biden-Harris administration as climate strategies. Addressing the underlying social factors to climate vulnerability helps increase the effectiveness of adaptation measures. Working through the G7 to address rising global inequalities—made stark by the continued disparities in COVID recovery—is a critical climate action that the Biden Administration has shown support for in its internationally-facing climate pledges and government agency strategies. The prominent inclusion of addressing biodiversity loss within the presidency goals could be a fruitful area of collaboration. The Biden-Harris Administration made numerous conservation commitments in 2021, including to conserve 30% of U.S. land and waters by 2030; joined efforts to designate protections in the Southern Ocean; and pledged at COP26 to end deforestation. However, while the U.S. expresses support for global conservation ambition, it has not taken critical steps through globally recognized efforts, such as joining the intergovernmental High Ambition Coalition for Nature and People, co-chaired by G7 member France, nor the UK’s Global Ocean Alliance. Further complicating this engagement, the U.S. has a broad interpretation of which domestic land and waters should constitute its 30x30 goal, which could color its position in G7 negotiations and potentially undermine global conservation gains.

A very promising but more fraught area for collaboration with Washington is in forging a G7 consensus around industrial decarbonization. The Biden-Harris Administration has recognized the need to move

towards a greener model of trade and shared standards in carbon-intensive industrial sectors and signaled it is open to deploying a broad range of policy tools to advance these aims. Alignment with other G7 economies in this domain represents a major untapped opportunity, but divergent worldviews on the role of markets, industrial policy, and trade institutions could derail progress.

Complicating administration efforts to enhance global climate ambition, the U.S.'s domestic climate trajectory is politically fragile. Full-scale U.S. domestic action to support a just energy transition and reduce emissions continues to hit roadblocks within Congress. President Biden has recommitted to \$555 billion in climate provisions included in the Build Back Better Act, and he acknowledged in the first weeks of the year that breaking up the larger piece of legislation may be necessary to keep the climate provisions safe. The success of this domestic climate agenda, as well as appropriations for scaling up U.S. global climate finance commitments, is integral to strengthen the position of the U.S. within the G7, along with the G7's bargaining power with high-emissions countries like China and Russia.

## What about Canada?



*Canada will be a likely ally with Germany on several of the goals for climate protection. Carbon pricing, coal phase out and just transition in particular are all key focus areas of Canada's climate strategy. Canada's challenges lie in aligning its domestic GHG mitigation ambition with the 1.5-degree target given its reliance on oil and gas production, but there is likely to be more alignment with Germany's goals than areas of disagreement during the coming year.*

-- Philip Gass,  
International Institute for Sustainable Development




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## Conclusion

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G7 countries account for 25% of global CO2 emissions from energy, but while they support the goal of a net-zero world by 2050, they still have a long way to go to implement policies that would allow them to achieve this target. Countries came forward with fairly ambitious pledges in time for Glasgow, but they remain insufficient. Analyses show the world is heading for 2.4C degrees of warming, nowhere near the 1.5C degree limit that nations claimed to be keeping alive.

Many G7 countries, including the United States, are still in the process of developing the domestic policy details that would allow them to meet emissions reductions commitments. In Glasgow, countries committed to annual revisions of their pledges starting with COP27 in Egypt, and all eyes will be on G7 countries to not only strengthen their goals, but also demonstrate that they have begun the process of implementation to reach those goals.