

EU UPDATE



JANUARY 2021 | A PATH FOR EUROPE

IN THIS EDITION

December saw a number of significant developments across the EU, from the delivery of the first COVID-19 vaccination to the historic EU - UK Trade and Cooperation Agreement. In January these developments kept apace, setting the tone for an ambitious (and potentially challenging) year across all aspects of EU policy.

The **EU Foreign Affairs and Security** highlights recent debates about strategic autonomy, a new declaration calling for non-violence and the debate on sanctions in light of the protests in Russia.

The **Environment** section focuses on new (and rejoining) climate policy players, recent climate diplomacy announcements, and key emissions reduction targets.

The **Finance, Trade and (Digital) Internal Market** segment recap two major developments that took place at the end of 2020 and the outlook for 2021, where three points are described regarding

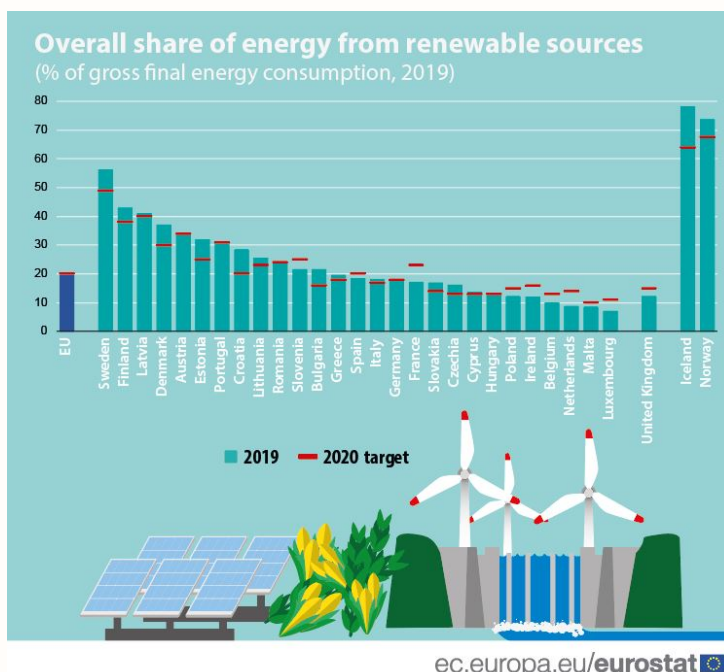


the EU trade relations with third countries, its financial policy for 2021, and the start of the Digital Europe Programme.

The **Migration** section covers the ongoing humanitarian crisis at EU borders and current developments that are addressing the matter.

Finally, you can find the new section '**What you missed**' with the information and links related to our first Policy Paper Launch on the Future of EU-UK Relations.

KEY FIGURE FROM THIS MONTH'S EDITION



This month, the European Commission highlighted recent figures from Eurostat showing that "in 2019, renewable energy sources made up 34% of gross electricity consumption in the EU, slightly up from 32% in 2018." Continue reading for more exciting news!



ENVIRONMENT

Declan Ingham — Research Associate

The United States limps back to the climate table...

The United States rejoined the Paris Agreement only hours after the inauguration of Joe Biden as its 46th President. This is pivotal in bringing the US, which is responsible for 13% of global CO2 emissions and is the highest per capita emitter, back into the 'climate club'. Please hold applause pending actual emissions reduction.

A different kind of Presidency... Tempo de Agir: por uma recuperação justa, verde e digital. Portugal takes the reins of the European Council's Rotating Presidency for the next six months. One of the first priorities in their programme is "promoting a European recovery boosted by the green and digital transitions". As a socialist-led southern European government with aspirations of strengthening the Social Pillar, expect more progressive discourse on much of the upcoming work: greening the recovery through the Multiannual Financial Framework and the EU Next Generation as well as implementing the European Green Deal.

Becoming the world's first climate-neutral continent by 2050 is the objective behind the European Green Deal (COM(2019) 640 final), the very ambitious package of measures that should enable European citizens and businesses to benefit from sustainable green transition.

Going it alone, for now... A United Kingdom Emissions Trading Scheme (UK ETS) has replaced the EU ETS starting on January 1st. Researchers at a Path for Europe have written on the future of the ETS relationship.

Concerns remain regarding lower levels of coverage by the UK ETS, but more ambitious price floors and allowance reductions are positive developments and bode well that the UK will not attempt to become a 'carbon' haven. 'Green' Good **Press for EU Foreign Ministers...** On January 25th, conclusions by EU foreign ministers focused on the "existential threat to humanity" of climate change and reiterated their support for higher emission reduction targets, especially in Nationally Determined Contributions as required by the Paris Agreement. This announcement acts as another demonstration of European interest in leading international climate diplomacy.



U.S. President Joe Biden signed a series of executive orders, including rejoining the Paris Climate Agreement. Photo: Chip Somodevilla/Getty Images

Targets, Targets, Targets!... European Council has transmitted the Nationally Determined Contributions submission on behalf of the EU and member states. It contains the updated and enhanced target of at least a 55% reduction in GHG emissions by 2030 compared to 1990. This effectively ends the efforts by the European Parliament to aim for a 60% reduction. Also in December, for those sectors not covered by the EU ETS, the European Commission has revised the Effort Sharing Regulation and the implementing decision sets out an annual emissions pathway from 2021 to 2030 for these sectors to achieve an EU-wide 30% reduction by 2030 compared to 2005.

Other News... On January 18th, the European Commission launched their New European Bauhaus Initiative which has been explored by Naomi Burchett in her article "The Renovation Wave and a Cultural Wave". The EU Covenant of Mayors for Climate & Energy announced a new peer-learning programme to spur faster climate policy adaption among local government. The Netherlands hosted the Climate Adaption Summit 2021.

Good News... "recent figures from Eurostat show that in 2019, renewable energy sources made up 34% of gross electricity consumption in the EU, slightly up from 32% in 2018."

WANT A RECAP OF LAST YEAR'S EVENTS?

[Click here to check out the article "Europe's 2020 Environmental Policies - A Year In Review"](#)



European High Representative of the Union for Foreign Affairs, Josep Borrell. [Photo: Alexandros Michailidis/Shutterstock.](#)

EU FOREIGN AFFAIRS AND SECURITY

Polen Türkmen — Research Associate

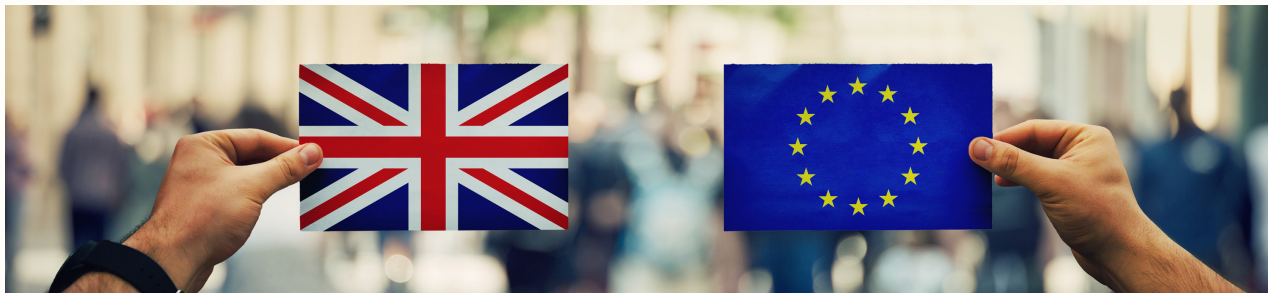
High Representative/Vice President Josep Borrell spoke at the European Parliament earlier this month highlighting three new reports on Article 36 [TEU], the Common Foreign and Security Policy (CFSP), the Common Security and Defence Policy (CSDP), and Human Rights [and Democracy]. He admitted that all three reports stress that in 2020, the COVID-19 pandemic revealed weaknesses in global and European governance. He emphasised that the bloc has continued to fight for multilateralism, the rules-based order and for global solidarity, and that in the coming year EU's Strategic Autonomy will be pursued more concretely. The Strategic Autonomy, although not a new debate, is still controversial. The debate lays between those for whom strategic autonomy means "regaining political space vis-à-vis the United States" and for those whom strategic autonomy should be avoided in order to prevent an acceleration of American disengagement as well as a conflict with NATO's *raison d'être*. Nowadays, strategic autonomy includes topics beyond security and defence such as COVID-19, economy, technology and the environment. There are also those who question whether it is indeed mutually exclusive with NATO. Given that Europe's economic share in global GNP is shrinking and that Europe has a number of conflicts in its neighbourhood which do not primarily concern the US, but of which it is also left out (such as the Astana process and the conflict in Nagorno-Karabakh), Europe is at danger of becoming a politically irrelevant force in international affairs. To that end, in the upcoming months, we are likely to see the Strategic Autonomy resurface in EU debates on foreign affairs and security, and take a more prominent place on the agenda as the EU reevaluates its global influence in the face of US return to multilateralism.

This month, the High Representative also issued a declaration on behalf of the European Union calling for non-violence and which regretted the enhanced role of security forces during elections, the "harassment of opposition leaders, suppression of civil society and media, and the raiding of a domestic observers office". The declaration also mentioned the full internet blackout and disruptions to social media which infringed upon freedoms of expressions and information. Human rights expert Rosebell Kagumire has called on Western governments to cease arms exports, used by the Ugandan government to repress human rights, as a means of international pressure. The EU is currently the second largest Arms exporter (26%) in the world although arms export policies are handled at national levels. Relatedly, the EU Council adopted a decision to establish a set of common features that end-user certificates for export of small arms and light weapons (SALW) and ammunition will have to respect, in order to "diminish the risk of arms diversion to illicit or unintended users, create a level playing field and increase clarity for the defence industry and its clients regarding relevant requirements."

Violence during protests in Russia following opposition leader Alexei Navalny's arrest prompted request for fresh targeted sanctions by eight EU states. This comes ahead of High Representative Borrell's visit to Russia, to meet with Russian foreign minister Sergei Lavrov on 5 February. The High Representative claimed that "There's no fixed date, no schedule, for what the European Council will do [on sanctions]. It depends on what happens". He noted that the main purpose of the Moscow discussions is reported to discuss other strategic issues in anticipation of an EU leaders' debate on Russia-EU relations in March. The agenda is also reported to include discussions on the Joint Comprehensive Plan of Action (JCPOA).

WANT TO READ MORE?

Head to our [Foreign Affairs and Security Page!](#)



The EU and the UK concluded a Trade and Cooperation Agreement (TCA). Photo: Bulat Silvia/Getty Images

FINANCE, TRADE AND (DIGITAL) INTERNAL MARKET

Oliver Pollakowsky — Director

For any proper kick-off into the 2021, it is impossible not to mention two major developments that took place at the end of 2020. German chancellor Angela Merkel and her government made use of their Council Presidency to bring the EU two deals just before the end of 2020 (and the end of their Presidency).

First, the EU-UK Trade and Cooperation Agreement (TCA). After months of negotiations, several delays, and lots of frustration on both sides of the channel, EU Commission President von der Leyen and British Prime Minister Johnson delivered their citizens and businesses a present on Christmas Eve (!). Not only does the TCA include a comprehensive Free Trade Agreement, but it also contains a Cooperation Agreement consisting of provisions on, for example, security, judicial cooperation, social policy, energy policy, fisheries, and participation in Union programmes. While most stakeholders are relieved and the negative impact was reduced compared to a no-deal Brexit, for some the TCA is actually the worst-case-scenario. Unfortunately, the UK deliberately decided against staying part of the student exchange programme Erasmus+. Instead, it is setting up its own programme. The young generation, which broadly supported remaining an EU Member State, is once again the biggest loser of Brexit.

Second, and to the surprise of many, the EU concluded in principle the negotiations for a Comprehensive Agreement on Investment (CAI). As part of this agreement, China has committed to a greater market liberalisation for EU investors as well as to fair treatment for EU companies. Furthermore, China has also expressed their commitment on forced labour.

However, this deal has sparked criticism from human rights experts, and it is also understood that the new US government would have preferred a common China strategy between the US and the EU.

Outlook

But, let's look towards 2021. What are the major topics in trade, finance and digitalisation?

First, the EU will work on intensifying its trade relations with third countries. On the one hand, with the new US administration there might be a small chance for the EU to re-enter talks on TTIP. On the other hand, ongoing negotiations and ratification processes regarding FTA's with Australia, New Zealand and the Mercosur Group might find an end in 2021. In addition, it will be exciting to follow the implementation of the Free Trade Agreement with the United Kingdom.

Second, the EU's financial policy will be centred around mitigating the risks connected to the COVID-19 pandemic. ECB interest rates can be expected to remain unchanged or even to be lowered. It will be interesting to see whether the current PEPP will be sufficient or whether other programs will follow in 2021. Monetary policy in 2021 is deeply intertwined with the success of vaccines, the end of economic shutdowns and the political stability of Member States.

Third, 2021 will most likely bring a digital tax. 2021 also marks the start of the Digital Europe Programme consisting of a €7.5 billion of funding for 2021-2027. Its funding will be dedicated to, for example, supercomputing, AI, and cybersecurity with the aim of boosting EU digital economy and catching up with the US and Eastern Asia.



MIGRATION

Michela Pellegatta — Research Associate

On December 17, a [ruling](#) issued by the EU court, said that Hungary had breached EU asylum laws by, among other things, legalising pushbacks from over its borders into Serbia. However, Hungary is ignoring the ruling and, since it came out, [thousands of pushbacks](#) have still taken place at its borders. To ensure the respect of EU laws and effective access to asylum, the European Commission sent Hungary a [notice](#) to enquire about the actions taken or planned for it to follow-up on the court's ruling. However, this is probably not enough. More decisive action is needed to push Hungary to respect the ruling.

In this case, Hungary is not the sole actor attracting criticism. The European Border Agency, Frontex, is performing its operational activities at Hungarian borders as well. Given the violation of the judgement by Hungary, the [Hungarian Helsinki Committee](#) asked Fabrice Leggeri, its executive director, to reconsider the presence of the agency in the country. This case is only the straw that broke the camel's back. Among European institutions, criticism against the work of Frontex was already mounting. Members of the European Parliament are demanding an [inquiry](#) into the border agency for its alleged illegal behavior, and increasingly call for the resignation of its executive director. At the same time, the EU anti-fraud agency, Olaf, launched an [investigation](#) into Frontex for a range of claims, including allegations that its guards are involved in illegal pushbacks at European borders.

In Eastern Europe, another tragedy is taking place. On December 23, the [Lipa Emergency Tent camp](#) in the northwest Bosnia Herzegovina was burned down, leaving thousands of people in freezing weather without shelter.

Many humanitarian organisations, such as the [Red Cross](#), came to support the migrants, for whom the government has still not found stable accommodation. The European Union has publicly criticised the management of this humanitarian emergency by the Bosnian government, defining the situation as completely [unacceptable](#). The EU has allocated [€3.5 million](#) to support the country in facing this crisis and providing migrants with basic assistance. This funding comes on top of the financial support of [€85.3 million](#) that Bosnia Herzegovina has received, since 2018, to meet its "humanitarian responsibilities" and assist migrants and refugees placed in the country.

Therefore, the indignation mounting among EU institutions is understandable. However, the EU has to recognise that it also bears part of the responsibility. This humanitarian emergency is, indeed, the result of the [EU border management strategy](#), which is based on transferring the control of EU borders to foreign countries with the aim of stopping migrants before they reach the EU's physical borders and thus limiting migratory flow into Europe. By externalising, the EU is no longer in control of how migrants are treated and cannot guarantee that asylum rights are respected.



Migrants walk towards the forest after the Lipa camp in Bosnia closed
Photo: Dado Ruvic/REUTERS

WHAT YOU MISSED

THE FUTURE OF EU-UK RELATIONS: TOWARDS A STRONG PARTNERSHIP. JANUARY 21, 2021.

Policy Paper launch on the Future of EU-UK Relations ([read the paper here](#)).

Building a strong EU-UK partnership in a post-Brexit Europe is indeed in their interest and the ambitious Trade and Cooperation Agreement was one crucial step in this direction. None of the parties will however enjoy the same benefits as when the UK was a member of the EU, and it will remain important to understand the possible impact of the agreement in its current form on matters such as European Security, Migration, Competition Policy, or Energy Policy.



Should the parties strive for a different type of cooperation in the future to strengthen their partnership approach, and how could this look like?

