

# SWP Comment

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## The German-Brazilian Partnership for a Socially Just and Ecological Transformation

Bilateral Cooperation as Catalyst for the UN Climate Process

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**Growing North-South tensions are impeding global climate cooperation and hampering Germany's search for reliable partners. Brazil is a key actor with the potential to alleviate tensions: it sees itself as a bridge-builder and will host the Climate Change Conference in 2025 (COP30). Under their new Partnership for a Socially Just and Ecological Transformation, Germany and Brazil should work to strengthen confidence in the climate negotiations, and more generally to promote effective North-South cooperation.**

Global climate cooperation is currently facing difficult conditions. In a context of growing multipolarity, access to resources and markets for green technologies is increasingly hard-fought. Countries that possess critical raw materials required for decarbonisation enjoy greater political influence, while China dominates strategically important supply chains. As geo-economic and geopolitical power shifts, alliances like BRICS+ and G20 are being reordered and international structures are in flux. All the while, the climate crisis advances inexorably, with increasingly frequent and intense extreme weather events wreaking cross-border devastation.

Germany is especially exposed to these developments. The Covid-19 pandemic and Russia's invasion of Ukraine painfully

revealed its vulnerability to external shocks and one-sided dependencies. In late 2023 the German government adopted its Strategy on Climate Foreign Policy as a coherent framework for the global transformation to climate neutrality in an increasingly complex and conflictual environment.

The German Foreign Office is currently evaluating Germany's bilateral climate and energy partnerships, in order to fine tune its partnership concept. German and European decision-makers are increasingly promoting "equal", "win-win" partnerships to promote local value creation and employment – but little in the way of practical evidence that they are earnest. Nevertheless, Germany and the EU hope to be able to gain closer political partners through attractive offers. That also means compet-



ing successfully with China and the United States.

## Promoting effective North-South cooperation

Germany and the European Union are looking for reliable partners in a situation of growing tensions between the Global North and the Global South. The fear that Germany and the EU intend to continue with extractivist partnership models focussing exclusively on securing raw materials at the expense of local economic development – and thus cementing global exploitation and inequality – is widespread.

Many countries in the Global South criticised the EU for its selective solidarity during the Covid-19 pandemic, when Europe hoarded vaccine supplies and refused to relax patent rules. They also take a dim view of Europe's failure to address their unsustainable debt burdens while channelling enormous financial support to Ukraine. Double standards further exacerbate the geopolitical polarisation. The most relevant current example cited by the Global South is Germany's continuing military support for Israel despite evidence of violations of international humanitarian law by the Israeli armed forces in the Gaza Strip. The Global North's persistent failure to fulfil its financial commitments – such as the promise to raise US\$100 billion annually for climate finance – has gravely eroded the Global South's confidence in global climate cooperation and multilateral processes.

Reducing North-South tensions is just as essential for global climate action as it is for Germany's search for reliable partners. In the sense of Germany's value-led and interest-based foreign policy, the normative and strategic motivations are practically identical. Effective cooperation between governments in the Global North and South that are both willing and able to act should be a key objective of any strategic partnership concept – alongside progress on de-

carbonisation, strengthening security and competitiveness, and reducing regional and sectoral dependencies. COP28 in Dubai in November 2023 demonstrated the effectiveness of North-South coalitions, as a broad alliance of more than 130 developing and developed countries achieved an agreement – for the first time – to “transition away from fossil fuels in energy systems, in a just, orderly and equitable manner”.

## Brazil is a partner of choice for Germany and the EU

Brazil is an important actor with the potential to reduce North-South tensions. Although their respective approaches may vary in certain respects, Brazil has been a partner of choice for Germany and the EU for global climate cooperation and defending multilateral rules and principles since President Luiz Inácio Lula da Silva returned to office in January 2023. In the G4 (together with India and Japan) German and Brazil work for reform of the UN Security Council, offering mutual support for each other's efforts to obtain a permanent seat. Both take a critical view of the escalating confrontation between the United States and China, which they fear could endanger multilateral cooperation. Although China is Brazil's largest trading partner, its biggest infrastructure investor and an important market for Brazilian products such as soybeans, iron ore, crude oil and beef, it is unlikely that Brazil will take sides in the Sino-American rivalry, because its prime foreign policy objective is autonomy and equidistance between the major powers. Brazil sees itself as a bridge: a representative of the South and partner of the North.

President Lula wants Brazil to play a larger role in shaping international politics. His inaugural speech named the fight against climate change as a top priority, alongside fighting poverty and hunger and reforming global governance structures. Reindustrialising Brazil through investment in green technologies is another core goal.

## Brazil as an important player in international climate policy

Lula launched a diplomatic offensive to establish Brazil – which is the world’s seventh-largest greenhouse gas emitter and the largest in Latin America and the Caribbean – as a forerunner of global climate action and a leader of the Global South. He has introduced concrete measures to correct the regressive climate policy of his predecessor Jair Bolsonaro between 2019 and 2023. For instance, he has restored Brazil’s greenhouse gas reduction targets – which Bolsonaro had reduced – from 37 to 48 percent by 2025 and 50 to 53 percent by 2030 (all in comparison to 2005). This would achieve the absolute level of emissions originally proposed in Brazil’s Nationally Determined Contribution (NDC). The annual rate of deforestation in the Brazilian Amazon region – which had increased strongly under Bolsonaro – fell by 62.2 percent in 2023. But at the same time deforestation in the Cerrado increased by almost 68 percent; in 2023 the rate was higher there than in the Amazon for the first time in five years. Lula has said he will end deforestation by 2030. In order to tackle deforestation, he has revived the Amazon Cooperation Treaty Organisation, which had held no summit for fourteen years.

With abundant sources for the production of biofuel and clean energy, Brazil has the potential to become an increasingly competitive actor in the green growth sectors. It currently has one of the world’s highest proportions of renewable energy and one of the cleanest electricity systems. In 2023 93.1 percent of Brazil’s electricity came from renewable sources. Hydro power continued to dominate installed capacity (with 58 percent in 2023), but the rate of growth in solar and onshore wind capacity is forecast to more than double by 2028, in comparison to the last five years. Brazil possesses ideal geographical and climatic conditions for green hydrogen and is well placed to become one of the most competitive producers.

Brazil will play a central role in shaping global climate cooperation in the coming five years, hosting COP30 in Belém in 2025, as well as chairing the G20 in 2024 and BRICS in 2025. Brazil has been engaged in the UNFCCC process since early 2024 as a member of the COP presidencies troika, alongside the United Arab Emirates and Azerbaijan. In the context of its climate diplomacy in international forums Brazil is a strong proponent of the principle of Common but Differentiated Responsibilities (CBDR).

The implementation of Lula’s ambitious plans will face great challenges. The country’s deep socio-economic problems include growing social inequality, massive food price inflation, growing debt, tight budgetary constraints, and a complex domestic political situation. The Brazilian economy remains highly dependent on emissions-intensive industries like agriculture, mining, and oil and gas, which are traditionally politically well-connected. The influential farming lobby demands a relaxation of environmental regulations, bringing it into conflict with environmental NGOs and indigenous communities.

In order to avoid permanent push-back, Lula is forced to make concessions to the emissions-intensive industries. Conservative parties, which possess a majority in the National Congress and are closely connected with the farming sector, restrict the president’s political leeway. They regard climate and environmental protection primarily as foreign interference. Furthermore, Lula’s heterogeneous governing coalition includes right-of-centre parties that obstruct his plans and complicate decision-making, as evidenced in particular by recurring conflicts between the energy and environment ministers.

At the same time, Lula is pushing ahead with oil exploration despite opposition from within his own government. Current plans for the Amazon Basin could make Brazil one of the world’s five largest oil producers by 2030. It also intends to increase its gas and coal production. This year Brazil joined OPEC+ as an observer.

## Perspectives for the transformation partnership

While Germany has praised Brazil for decades as a partner on an equal footing with whom it shares values and interests, the two governments currently exhibit an especially strong desire to cooperate more closely and overcome differences. During intergovernmental consultations at the end of 2023, Chancellor Olaf Scholz and President Lula announced a Partnership for a Socially Just and Ecological Transformation to complement the existing Strategic Partnership. It forms the framework for German-Brazilian cooperation in the relevant policy areas. Concrete measures aim to further deepen the bilateral relationship and place cooperation on a new footing. The Partnership will focus on issues including tackling climate change, preserving the Amazon rain forest, promoting sustainable agriculture and food systems, expanding renewable energies, decarbonising industry, and creating local value chains. The priorities also encompass combatting poverty and hunger, on the basis that ecological and social challenges are closely interconnected and must be tackled together. One of the core elements of the Partnership is a high-level strategic dialogue on climate action and ambition, which is to take place three or four times before COP30.

In the interests of a fully integrated approach, all existing bilateral formats in relevant policy areas (such as the German-Brazilian Energy Partnership) will contribute to the new transformation partnership. Unlike previous partnerships with other countries, it pursues a clear strategic vision. It is specifically designed to encourage cooperation beyond project-related technical and financial support and to allow resources to be bundled and effectively coordinated.

Partnerships supplement multilateral governance processes and represent an important instrument for achieving climate goals. Cooperation in a bilateral framework can build trust and assist the formation of

coalitions in the climate negotiations. Conversely, close and constructive cooperation in multilateral processes can have positive effects on bilateral relations – and support Germany’s search for reliable partners.

## Key issues in the run-up to COP30

Brazil’s aspiration to play a bridging function and its role as host of COP30 make it a key climate partner for Germany. Four areas are especially relevant in advance of the conference in Belém: interpreting the Global Stocktake; the next round of NDCs; climate finance and expanding the donor base; and reform of global governance.

## Interpreting the Global Stocktake

The outcome of COP28 demonstrated that overcoming the North-South binary can open doors for progress. But recent months have shown how hard it is to maintain that momentum and incorporate the targets laid out in the Global Stocktake (GST) in national measures. The GST, which has been conducted for the first time, assesses collective progress and identifies deficits in all areas. Its recommendations are to be reflected in the next round of NDCs. However, in light of fundamentally diverging interests, the ambiguous wording of the decision adopted at COP28 offers great room for interpretation, especially concerning the future of fossil fuels. It remains unclear what distinguishes a “transition away from fossil fuels” from “phasing out”, what exactly is covered by the term “energy systems”, and what is meant by “just, orderly and equitable”.

The conflict over the scope and interpretation of the GST recommendations resurfaced in June at the session of the Subsidiary Bodies in Bonn (SB60), where modalities for a dialogue to accompany the implementation of the Dubai decisions were to be defined. In Bonn many developing countries and emerging economies – which tend to regard the GST more as a “à la carte” than a binding overall package – called for the dialogue to focus entirely

on the financing elements. On the other hand, developed countries and island states felt that the dialogue should include all the central elements of the GST.

### **The next round of the NDCs**

New NDCs must be submitted by 10 February 2025. This is a crucial moment for closing the ambition and implementation gaps. In order to limit global warming to a maximum of 1.5 degrees Celsius, global greenhouse gas emissions must fall by 43 percent by 2030 and by 60 percent by 2035 (compared to 2019 levels). Full implementation of the current NDCs would reduce emissions by just 5.3 percent by 2030 (compared to 2019). The GST underlines the urgency of accelerating climate action in this “critical decade” and ensuring that new climate targets are compatible with the 1.5 degree target. The parties to the UNFCCC are encouraged to include all greenhouse gases and all economic sectors in their national contributions for 2035 and 2040.

The success of COP30 — and Brazil’s international reputation — will depend crucially on whether pioneers can be mobilised to submit ambitious NDCs within the timeframe. Via its “Roadmap to Mission 1.5°C”, the presidencies troika aims to encourage the development of new and more ambitious national contributions that incorporate the results of the GST, in particular by intensifying international cooperation through partnerships and support structures. But differences over the relationship between ambition and finance threaten to block the process. Many developing countries are only willing to commit to more ambitious climate targets if additional financial support is provided (for which there is undoubtedly immense need). The developed countries, for their part, are particularly cautious where public funds are concerned. They argue that setting more ambitious targets would incentivise additional funding.

### **Financing and expanding the donor base**

The New Collective Quantified Goal (NCQG) is to be adopted at COP29 in November 2024 in Baku, Azerbaijan, to succeed the existing climate finance target of US\$100 billion annually which expires in 2025. It is estimated that the developing countries and emerging economies (excluding China) will require US\$1 trillion of investment in 2025 and US\$2.4 trillion annually by 2030. In 2021/2022 annual global climate investment was just half of the latter figure (US\$1.3 trillion).

Climate finance is an issue that has always divided the Global South and North. Points of contention in the negotiations for the NCQG include the quantum and in particular the question of expanding the circle of donors. The heart of the disagreement is the issue of who will pay for emissions reduction and adaptation. Most developing countries vehemently oppose including thriving emerging economies like China and the Gulf states in the donor base — on which Germany, the European Union and the United States insist.

Under the UN climate regime, responsibility for financing lies with those countries that were members of the OECD when the UNFCCC was signed in 1992 (the so-called Annex II countries). The Paris Agreement of 2015 distinguishes between developing and developed countries, but leaves the dichotomy untouched. To date no developing country or emerging economy has responded to the invitation to contribute to supporting poorer countries on a voluntary basis. The conflicts threaten to do lasting harm to the trust urgently required for the NCQG.

### **Reforming global governance**

The international financial architecture — including the Bretton Woods institutions and other multilateral bodies traditionally dominated by the developed countries — are incapable of responding appropriately to climate change and other contemporary crises. Countries in the Global South are

criticising this deficit increasingly vocally. The post-colonial world order, they allege, maintains inequality and ignores the diverse historical and political perspectives of the Global South.

For decades the countries of the Global South have been calling for multilateral institutions to pay greater heed to the financing of sustainable development, and to adapt their governance to contemporary power relations and economic realities. President Lula, who seeks to strengthen inclusive multilateralism by reforming governance structures rather than establishing an alternative international system, has become a spokesperson for these appeals.

Germany and the EU have widened the rift between Global North and South by applying double standards and ignoring calls for a fairer distribution of power. There is a growing disparity between Germany and Europe's self-image as moral defenders of democratic values and the way they are perceived externally. This makes it harder to find reliable partners and hampers international climate cooperation.

### **Priorities of the transformation partnership**

Germany's and Brazil's approaches may diverge on issues such as the European Union's environmental standards (which are sometimes perceived as protectionist), the use of biofuels, and the preferred means for producing hydrogen. There are also conceptual differences, above all concerning the implications of current and historical emissions for the respective responsibilities of states. Nevertheless, both countries exhibit great willingness to cooperate more closely. Altogether they share a broad consensus around the necessity of ambitious climate policy and the shape of the corresponding strategic priorities. They both see themselves as mediators, with an important role to play in strengthening confidence in the climate negotiations and promoting effective cooperation between governments from North and South.

Germany and Brazil should use their political dialogue in the framework of the transformation partnership to anticipate where tensions might crop up and to address the emerging differences constructively in advance of COP29 and COP30. Overcoming (or at least lessening) bilateral conceptual differences could form the basis for a broader coalition. In order to lay the groundwork for appropriately incorporating the findings of the GST into the next round of NDCs, Germany and Brazil should develop a deeper shared understanding of the core elements of the GST, including their binding nature. The voices of civil society, academia and business need to be integrated in this process. In the track 1.5 dialogue, Germany and Brazil could develop convincing and less polarising narratives showing the need for additional funding *and* new ambitious NDCs for all parties. Such narratives would need to be based more strongly on a collective will to raise ambition and work towards a shared understanding between developed and developing countries.

In the run-up to COP30, NDC diplomacy should be one of the top priorities of the transformation partnership. At this year's Petersberg Climate Dialogue German Foreign Minister Annalena Baerbock called for a broad multi-stakeholder alliance to support the NDCs. Such a coalition could represent an important instrument for promoting a whole of society approach and in particular ensuring that the international financial institutions are involved. Germany and Brazil should further concretise the proposed alliance and its activities, and link their efforts to existing support structures such as the NDC partnership. Coordinated diplomatic moves would lend greater weight to German and Brazilian efforts to encourage potential forerunners to submit ambitious NDCs at COP29 and create political momentum for the national contributions. Germany and Brazil should build bridges to other formats such as the G7 and G20 presidencies in order to promote a holistic NDC process. Brazil and the EU should also set an example by submitting their NDCs early and ensuring they are compatible with the

1.5 degree path. This would lend Germany's, the EU's and Brazil's climate diplomacy additional legitimacy vis-à-vis other countries and increase the pressure on other major emitters such as China in advance of COP30. With political majorities for ambitious climate policy under pressure following the June 2024 European elections, it is all the more important for the German government to press for the EU to rapidly adopt an ambitious NDC.

Brazil, which is placed 19th in the ranking of states providing funds for climate protection measures in the developing countries, and Germany, as a dependable donor to international climate funding, should work together to ensure that existing South-South cooperation is more systematically documented. Emerging economies like Brazil and India have provided considerable voluntary financial support for developing countries via multilateral development banks (MDBs) and climate funds as well as bilateral climate funding. But this is often ignored in discussions about expanding the circle of climate finance donors. Such transfers go largely unreported because the developing countries are not obliged to do so – and many fear that voluntary reporting could lead to demands for deeper emissions reductions. Systematically recording with assurances that this would not lead to additional obligations could strengthen mutual trust in the NCQG negotiations and increase the willingness of traditional donor countries to provide additional funding.

First of all, however, the developed countries are responsible for making up the shortfall in the US\$100 billion promise and committing significantly higher contributions for the future. Only if the rich countries can be relied upon to keep their promises will willing developing countries be able to find domestic political backing for their own contributions to climate funding. The German government must

ensure that it keeps its promise to provide at least €6 billion in climate finance annually by 2025 despite budget constraints and announced cuts in development funding.

The Partnership for a Socially Just and Ecological Transformation offers an opportunity to draw together global agendas like global governance reform with action to combat climate change, and foster political dialogue on these issues. Germany should take criticism of the existing international order seriously and lend more active support to the efforts of Brazil and other countries of the Global South. That will automatically mean renouncing certain privileges. If Germany was willing to contemplate innovative ideas like a global wealth tax and lead the way with corresponding measures, that could encourage Brazil to give at least passive support to German calls to expand the circle of climate finance donors, in particular to including China. Linking transformation processes can strengthen the Global South's trust in the multilateral climate process and lay the groundwork for more ambitious climate targets and robust partnerships.

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