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A New Climate: Europe in the Long Shadow of Trump 2.0

Climate Leadership and the 'Brussels Effect' at a Crossroads

At a glance

The return of the Trump administration has fundamentally altered the landscape of transatlantic climate and energy cooperation. Unlike earlier episodes of US disengagement, Trump 2.0 marks a shift from passive withdrawal to active obstruction, with direct implications for European climate ambition, international coalition-building, and the global pace of decarbonisation. This policy paper argues that much of the EU's climate policy architecture draws on concepts first developed in the United States, creating a structural dependence that becomes untenable when the originating country turns against climate action. Drawing

on expert consultations and recent policy analysis, it traces the 'Trump Effect' across three dimensions: domestic US rollback, transatlantic friction, and erosion of the 'Brussels Effect' as a mechanism of global coordination. It then outlines a strategic reorientation for European climate policy, centred not on moral leadership but on economic security, industrial competitiveness, and diversified international partnerships. The paper concludes with concrete action points aimed at anchoring EU climate ambition in strategic autonomy while sustaining engagement with subnational US actors, middle powers, and emerging economies.

1. Introduction

The European Union continues to present itself as a global climate leader, yet its climate and industrial policies remain deeply exposed to external power dynamics, above all those originating in the United States. The second Trump

presidency exposes a structural dilemma: how to sustain ambitious climate action when Europe's closest ally is an unreliable and increasingly hostile climate actor. This is not merely a diplomatic inconvenience. As this paper argues, much of Europe's climate policy architecture draws on concepts and instruments first developed in the United States,

a genealogy that becomes consequential when the originating country actively turns against its own innovations and seeks to export that reversal.

The stakes extend well beyond climate policy. Climate change, long framed as a problem of interstate cooperation around a global commons (Paterson et al. 2026), has evolved into a multi-dimensional challenge implicating trade, industrial competitiveness, energy security, and geopolitical alignment. The emergence of two increasingly distinct blocs – petrostates and electrostates – has become a structuring feature of geopolitics and international climate policy (Kennedy 2025), reshaping the landscape in which Europe must define its interests and alliances. In this context, climate policy can no longer be compartmentalised; it is, for better or worse, inextricable from economic strategy and security architecture.

This paper is structured as follows. Section 2 traces the underappreciated transatlantic genealogy of EU climate and industrial policy. Section 3 examines how Trump 2.0 marks a qualitative shift from prior US disengagement to active climate antagonism, with direct spillovers for Europe. Section 4 outlines strategic options for the EU to escape the US ‘gravity well’ and anchor its climate ambition in greater strategic autonomy. Section 5 concludes.

2. Leading with Borrowed Tools? The Transatlantic Genealogy of EU Climate Policy

Despite extreme domestic climate policy volatility, the United States has exerted a decisive, yet underappreciated, influence on the design and trajectory of EU climate and industrial policy. The relationship is characterised by conceptual origination in the US and institutional consolidation in Europe – a pattern that has repeated itself across virtually every major pillar of EU decarbonisation policy.

Consider emissions trading. The foundational idea of tradable pollution permits emerged from American environmental economics in the 1960s (Crocker 1966; Dales 1968), and was first implemented at scale through the US Acid Rain Program under the 1990 Clean Air Act Amendments (Stavins 1988). During the third session of the Conference of the Parties to the United Nations Framework Convention on Climate Change (UNFCCC) in Kyoto in 1997, the US delegation promoted a flexible market-based mechanism (Oberthür and Ott 1999), while Europe initially remained hesitant (Hardy 2006; van Asselt 2010). When the EU eventually launched its Emissions Trading System (EU ETS) in 2005, it drew heavily on this US precedent, adapting its architecture to the European institutional context (Ellerman et al. 2010). Ironically, a federal carbon market never materialised in the United States, while the EU ETS grew to become the world’s largest carbon pricing instrument.

A similar genealogy applies to border carbon adjustments. In the early 1990s, the United States advanced a proposal

for a comprehensive British Thermal Unit (BTU) tax (Erlandson 1994). This would have introduced a levy on the energy content of major fuels and electricity sources, and extended the tax to imported energy products through a border adjustment mechanism to address competitiveness concerns – a feature that the EU criticised at the time as a potential violation of international trade rules (Jackson 1993; Pitschas 1995). Border adjustments also featured prominently in successive proposals for comprehensive climate legislation in Congress during the 2000s (van Asselt and Brewer 2010). However, it was the EU that ultimately adopted a Carbon Border Adjustment Mechanism in 2023 (European Union 2023), while the US debate on carbon pricing and border adjustments has repeatedly stalled amid congressional gridlock.

This pattern extends to renewable energy support. Feed-in tariffs, which became the backbone of renewable energy deployment in several EU Member States, had important precursors in US legislation, most notably the Public Utility Regulatory Policies Act of 1978 (PURPA), which required utilities to purchase power from qualifying renewable energy facilities (PURPA 1978). The extraordinary spillover effects of Germany’s feed-in tariff in driving global solar cost reductions (Gerarden 2023; Nemet 2019), for instance, were thus enabled by a policy instrument with American roots. Likewise, clean energy vehicle standards owe much to the pioneering role of the California Air Resources Board (CARB), whose tailpipe emission standards – dating back to the 1960s – preceded and shaped EU CO₂ standards for passenger cars (Sperling and Gordon 2010).

When the US House of Representatives introduced a ‘Green New Deal’ resolution in early 2019 (Recognizing the Duty of the Federal Government to Create a Green New Deal, H.R. Res. 109 2019), political passage again fell victim to congressional gridlock. Months later, however, the EU followed with its own ‘European Green Deal’, an even more ambitious strategy aimed at making Europe a climate-neutral continent by 2050 (European Commission 2019). Most recently, the EU’s turn to industrial policy – embodied in the Net-Zero Industry Act and the Clean Industrial Deal – can be understood in part as a response to the US Inflation Reduction Act of 2022 (European Commission 2025; Allan et al. 2021). Tax credits, production subsidies, and domestic content requirements deployed through the IRA sent a shockwave through European policy circles, catalysing a belated European response to competitive dynamics that China and the United States had embraced years earlier.

Even the growing emphasis on the social dimensions of climate policy – an essential pillar of the European Green Deal reflected in the notion of a just transition and operationalised, for example, through the Social Climate Fund – can be traced back to pioneering US thought on environmental justice and the need to compensate workers displaced by environmental regulation (Mazzochi 1993). Ultimately, however, the takeaway from this genealogy is not that Europe lacks policy innovation, but rather that

much of its climate leadership has been rendered operational through a transatlantic infusion of ideas and instruments originating in the United States. This transatlantic flow of ideas becomes acutely risky when the source country not only abandons the policy paradigm but actively seeks to dismantle it – and, as the following section shows, to export that dismantlement.

3. The ‘Trump Effect’: From Volatile Partner to Climate Antagonist

US climate policy has always been characterised by volatility, oscillating between periods of engagement and withdrawal across administrations (Selin and VanDeveer 2020). The first Trump presidency (2017–2021) was disruptive, yet largely confined to domestic rollback and symbolic gestures such as withdrawal from the Paris Agreement. The Biden interregnum (2021–2025) briefly restored US climate engagement, most visibly through the IRA, which was projected to generate substantial global spillover effects through innovation and technology diffusion (Larsen et al. 2023). But the return of the Trump administration in January 2025 has marked a qualitative shift: from passive disengagement to what can only be described as active climate antagonism, with deliberate efforts to export this rollback beyond US borders.

3.1 Domestic Rollback: Scope and Limits

The domestic dimensions of Trump 2.0’s climate retrenchment are sweeping. Through a combination of executive orders, legislative action, and agency restructuring, the administration has moved to dismantle or substantially weaken the regulatory and fiscal architecture supporting decarbonisation. The One Big Beautiful Bill Act (OBBBA) has significantly curtailed IRA investments by imposing restrictive Foreign Entities of Concern provisions, accelerating the expiration of EV and renewable energy tax credits, and suspending enforcement of vehicle fuel economy standards for the first time since the 1970s (One Big Beautiful Bill Act 2025). The Department of Energy has cancelled billions of dollars of energy contract awards, while the Environmental Protection Agency (EPA) has eased regulations on the phase-out of hydrofluorocarbons (HFCs) and advanced rule-making procedures to repeal mandatory GHG emissions reporting (EPA 2025a) and the endangerment finding that underlies climate efforts under the Clean Air Act (EPA 2025b).

Yet the limits of this rollback are equally consequential. The US energy transition, while slowed and fragmented, has not been reversed. The cost competitiveness of renewables continues to outpace that of coal and, in many markets, natural gas. State-level policy remains the backbone of the US energy sector, and even states with strong fossil fuel interests, such as Texas, continue to deploy renewable energy and storage capacity at scale. Market fundamentals do not support the administration’s ‘energy dominance’ narrative: oil executive surveys indicate that policy changes have had minimal impact on well breakeven costs, while global price

dynamics have suppressed crude prices for much of the time since the inauguration (Federal Reserve Bank of Dallas 2025). While significant portions of IRA clean energy tax credits were curtailed or accelerated by the OBBBA, key provisions – including the production and investment tax credits for projects beginning construction before mid-2026 – remain operative (Congressional Research Service 2025). Moreover, the Infrastructure Investment and Jobs Act and CHIPS and Science Act – both of which provide important support for the energy transition – remain largely intact. The trajectory, in other words, is one of deceleration rather than reversal, and the structural drivers of the energy transition remain largely outside federal control.

3.2 Exporting the Rollback: Transatlantic Frictions and the Eroding ‘Brussels Effect’

What distinguishes Trump 2.0 from earlier episodes of US climate disengagement is the deliberate effort to constrain climate ambition abroad. This operates through at least three channels.

First, the administration has withdrawn from or actively obstructed multilateral climate processes. The renewed withdrawal from the Paris Agreement, and now also from the UNFCCC (Executive Office of the President 2026), combined with behind-the-scenes pressure – including targeting developing countries with threats of aid withdrawal and trade reprisals – has intensified the structural tensions between petrostates and electrostates within international climate governance. At the International Maritime Organization (IMO), the US actively opposed a proposed framework to decarbonise international shipping, which it characterised as the “European-led neocolonial export of global climate regulations” (Department of State 2025). Similarly, the absence of the US as a bridge to other energy exporting states was acutely felt at COP30, particularly in relation to building support for a political decision on phasing out fossil fuels.

Second, the administration has deployed trade, economic, and security leverage to weaken European climate policy. Tariff threats and energy conditionalities – including pressure on the EU to expand LNG imports as part of trade negotiations – seek to lock Europe into fossil fuel dependencies. The CBAM, a necessary precondition of sustained climate ambition and industrial decarbonisation efforts in Europe, has become a specific target, featuring in the framework for reciprocal and fair trade (European Union and United States 2025). Simultaneously, the rollback of the Corporate Sustainability Due Diligence Directive (CSD- DD) and Corporate Sustainability Reporting Directive (CSRD) has been influenced by persistent transatlantic pressure (Puzder 2025), as European policymakers anticipate friction with a US administration that views regulation itself as anathema.

Third, and perhaps most insidiously, US retrenchment is generating political spillover effects within the EU. The

Trump administration's posture has emboldened actors within Europe seeking to delay, dilute, or roll back climate measures. The watering down of the EU's phase-out timeline for internal combustion engine vehicles, delays in CSD-DD implementation, and the erosion of climate elements in the Clean Industrial Deal all reflect a political environment in which external pressure reinforces domestic resistance to ambitious climate action. In practice, the 'Brussels Effect' – the EU's ability to set global regulatory standards through the size of its market (Bradford 2020) – is now increasingly under pressure from the other side of the Atlantic, even as it remains arguably the EU's most important mechanism for projecting climate influence globally.

The implications are far-reaching. Europe's room for manoeuvre in international climate negotiations has narrowed. At COP30, the EU entered from a position of structural weakness: a late NDC submission, internal disagreements over scope, growing domestic opposition, and funding cuts to international support measures all limited its diplomatic capital (Könneke and Adolphsen 2026). The EU was unable to isolate laggard countries diplomatically and, without the traditional US role of confronting other energy producers, found itself absorbing criticism from developing countries while lacking the fiscal capacity to meet their expectations. The withdrawal is not merely symbolic. The United States had been the single largest contributor to multilateral climate funds, and its disengagement from the UNFCCC and Paris Agreement significantly weakens the credibility of the new collective quantified goal on climate finance agreed at COP29 (Pettinotti et al. 2025), undermining the delicate compromise between developed and developing country priorities that has long underpinned climate action in the Global South. Meanwhile China, whose economic interests as a net energy importer might suggest alignment with a transition away from fossil fuels, instead sided with the Like-Minded Developing Countries Group (LMDCs) in Belém, prioritising political cohesion with the Global South over its clean-technology interests.

4. Beyond the US Gravity Well: From Reactive Alignment to Strategic Agency

If Trump 2.0 underscores one thing, it is that hoping for a return to transatlantic climate alignment is not a strategy (Thielges 2026). Europe's climate policy has for too long been shaped by reactive alignment with US policy cycles, alternating between the importation of concepts during periods of American innovation, being spurred to action by US competitive pressure, and scrambling to adjust during periods of rollback. Breaking free of this transatlantic dynamic requires a fundamental reorientation, one that embeds decarbonisation within economic security, industrial competitiveness, and diversified international partnerships, rather than treating it as a standalone moral commitment.

The following action points range from immediately viable to more aspirational measures. They are organised around four strategic priorities.

4.1 Anchoring Climate Ambition in Economic and Security Strategy

The framing of EU climate policy must shift from environmental aspiration to economic and security imperative. Europe imports roughly 70 per cent of its primary energy, sending approximately €500 billion annually to foreign suppliers, many of them petrostates with interests fundamentally opposed to European values and security (Galgoczi, 2026). Electrification based on domestic renewable energy is therefore not merely a climate measure but the most credible pathway to energy sovereignty.

This reframing has concrete policy implications. The Clean Industrial Deal should be anchored in a competitiveness logic that positions decarbonisation as a source of resilience and industrial advantage, not as a cost to be minimised. De-risking instruments – public guarantees, concessional finance, accelerated permitting – should be prioritised over demand-side subsidies, given that many clean technologies in Europe currently lack a viable business case and banks remain hesitant. As research on the cost structure of clean technology projects suggests, technology now constitutes a declining share of total project costs; permitting timelines and regulatory uncertainty often represent a larger constraint which lies within governmental control (Krishnan et al. 2024).

The just transition dimension must remain integral. Europe's decarbonisation strategy cannot succeed without addressing its distributional consequences, including employment effects in carbon-intensive regions and industries. The establishment of a Belém Action Mechanism for a Just Transition at COP30, while still nascent, signals growing international recognition that the political sustainability of climate action depends on its social legitimacy. It may also prompt a re-evaluation of the Just Energy Transition Partnerships (JETPs), whose conceptual promise has yet to fully materialise (Ordonez et al. 2024).

4.2 Recasting the 'Brussels Effect'

The Brussels Effect remains the EU's most powerful instrument for projecting climate influence beyond its borders, but it must be defended, adapted, and embedded within a broader strategic offer. The CBAM, despite sustained opposition from the US, China, and LMDCs, has exerted substantial influence on the climate policy choices of major trading partners and accelerated the diffusion of carbon pricing to some of the world's largest emitters (Mehling et al. 2025). Its defence requires not only robust legal and diplomatic engagement – including in the new COP dialogue formats established by the Mutirão decision at COP30 – but also a willingness to link it to a more comprehensive package of market access, climate finance, and technology partnerships.

The Global Gateway and Clean Trade and Investment Partnerships (CTIPs) represent promising frameworks for such

linkage, but they remain underdeveloped relative to the offers extended by the US and China to developing countries. Partners in Latin America and Africa, for instance, seek cooperation on skills, value chains, and local value creation – areas where European engagement could simultaneously reduce strategic dependencies and build durable alliances. A clean technology trade pact among willing partners could diversify concentrated supply chains while establishing common standards on labour and environmental performance. The recent EU-India Free Trade Agreement, which envisages €500 million in EU support over the next two years to help India reduce GHG emissions and accelerate its sustainable industrial transformation, offers a potential template for such partnership.

Yet the EU must also be realistic about the limits of regulatory extraterritoriality. The retreat from ambitious positions on the CSDDD and the EU Deforestation Regulation (EUDR) illustrates how the Brussels Effect can erode when domestic political will falters. Maintaining it requires consistent implementation and credible enforcement, combined with sustained diplomatic investment to demonstrate that European standards serve shared interests rather than unilateral imposition.

4.3 Deepening Engagement Beyond Brussels and Washington, DC

Europe must diversify its climate alliances well beyond the United States. The decisive arena for global climate outcomes is not the transatlantic space but the rapidly growing economies of the Global South, where emissions trajectories will increasingly determine whether the goals of the Paris Agreement can be met. The EU and the US together account for a declining share of global emissions; it is the trajectory of countries such as India, Indonesia, Nigeria, the Philippines or Vietnam that will shape the future climate.

Engagement with these countries must move beyond the donor-recipient model that has characterized much of international climate cooperation. Emerging economies increasingly resist being positioned as rule-takers; they seek partnerships that respect their development priorities and offer tangible economic benefits. The EU should invest in minilateral formats – sectoral partnerships, bilateral climate and energy agreements, joint technology initiatives – that are more agile than the multilateral consensus process and less vulnerable to obstruction by petrostates.

China presents a particular strategic challenge. As an electrostate with dominant positions in solar, battery, and EV supply chains, China's economic interests increasingly align with decarbonisation, yet its political positioning within the UNFCCC remains defensive, prioritizing solidarity with the Global South over assuming responsibilities commensurate with its clean-technology leadership (Mehling 2025). The EU should pursue a differentiated approach: robust trade defence and foreign direct investment (FDI) screening where strategic dependencies are at stake, combined with

targeted cooperation on critical minerals, standards harmonisation, and supply chain diversification. Joint ventures with technology transfer requirements could serve as a starting point for managed engagement that captures value for European industry, something the recently proposed Industrial Accelerator Act is expected to advance (European Commission 2026).

Subnational cooperation with US actors deserves continued investment. State governors, attorneys general, mayors, and labour organisations remain committed to climate action despite federal hostility, and several coordination mechanisms – formal and informal – are active among blue-state actors. The rebranding of the 'Transatlantic Climate Bridge' as the 'Transatlantic Clean Economy Bridge' is indicative of the adaptation strategies required to sustain cooperation under more adversarial political conditions.

4.4 Aligning Climate Diplomacy with Trade, Industrial, and Development Instruments

Finally, the EU must overcome the institutional fragmentation that has long hampered the coherence of its external climate action. Climate diplomacy, trade policy, industrial strategy, and development cooperation remain siloed across different Directorates-General and Council configurations, resulting in missed opportunities for leverage and, at times, contradictory signals. The experience of COP30 – where the EU's push for a decision on the transition away from fossil fuels (TAF) was undermined by its own late NDC submission and insufficient preparation – illustrates the costs of this fragmentation.

A more integrated approach would treat climate as a cross-cutting dimension of EU external relations, linking carbon pricing cooperation with trade preferences, technology partnerships with development finance, and energy security investments with strategic alliance-building. New dialogue formats on the climate and trade nexus launched at COP30, the Colombia-Netherlands conference on fossil fuel phase-out scheduled for April 2026, and coordination on the agendas of future COPs all present opportunities for such integrated engagement, but only if the EU begins preparations far earlier and with greater internal coherence than has been the case.

More assertive engagement also means accepting a degree of transactionality. The EU's traditional preference for consensus-based, rules-oriented multilateralism is increasingly mismatched with a world in which both the US and China pursue their national interests with considerable directness. While Europe should uphold its commitment to multilateral institutions, helping these weather the current crisis of multilateralism and embark on constructive reform processes, it must also complement that commitment with a clearer articulation of its own strategic interests and a willingness to deploy its considerable market power in their pursuit.

5. Conclusion

The transatlantic climate relationship has entered a new and more treacherous phase. Trump 2.0 is not simply a repeat of earlier US disengagement; it represents an active effort to export climate retrenchment, constrain European ambition, and fragment the international coalitions on which effective climate action depends. Europe's response cannot be to wait for a change in US administrations or to rely on the residual momentum of policies adopted under more favourable conditions.

Instead, the EU must chart a course toward greater strategic autonomy in climate policy, embedding decarbonisation within its economic security and industrial competitiveness frameworks rather than treating it as a freestanding moral commitment. This requires defending and adapting the Brussels Effect, diversifying international partnerships, investing in multilateral cooperation formats, and aligning climate diplomacy with trade, industrial, and development instruments in a manner that has so far eluded European policymakers.

The structural drivers of the global energy transition – declining costs of renewables, electrification of transport and heating, growing demand for energy security – remain powerful. But whether Europe can harness these drivers to sustain its climate leadership, or whether it will be buffeted by the political currents emanating from Washington and Beijing, depends on choices that must be made now. The long shadow of Trump 2.0 is real, but it need not be permanent – provided Europe finds the strategic clarity and political will to step out of it.

List of Acronyms

CAFE	Corporate Average Fuel Economy
CBAM	Carbon Border Adjustment Mechanism
CID	Clean Industrial Deal
COP	Conference of the Parties
CRMA	Critical Raw Materials Act
CSDDD	Corporate Sustainability Due Diligence Directive
CTIPs	Clean Trade and Investment Partnerships
EEG	Erneuerbare-Energien-Gesetz (Renewable Energy Sources Act)
EPA	Environmental Protection Agency
EUDR	EU Deforestation Regulation
EU ETS	European Union Emissions Trading System
GHG	Greenhouse Gas
IRA	Inflation Reduction Act
LNG	Liquefied Natural Gas
LMDC	Like-Minded Developing Countries
NDC	Nationally Determined Contribution
NZIA	Net-Zero Industry Act
OBBBA	One Big Beautiful Bill Act
PURPA	Public Utility Regulatory Policies Act
TAFF	Transition Away from Fossil Fuels
UNFCCC	United Nations Framework Convention on Climate Change

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