Joint Policy Brief

THE NEXT GENERATION OF EU PARTNERSHIPS

Making Clean Trade and Investment Partnerships (CTIPs) work for climate, industry and development

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Introduction

In March 2025, the European Union launched negotiations on its first Clean Trade and Investment Partnership (CTIP) with South Africa. Launched in the framework of the Clean Industrial Deal, CTIPs are meant to align EU external action and industrial policy objectives, reshape dependencies in global supply chains, foster cooperation on clean energy and clean tech with partner countries, and support regulatory cooperation. They will not replace, but rather complement existing trade agreements with a "faster, more flexible, and more targeted approach, tailored to the concrete business interests of the EU and its partners".

CTIPs can be an important addition to the existing set of EU tools and make an effective and credible proposition to partners for the overall objective of clean industrial partnerships and supply chain diversification. If successful, CTIPs may improve the EU's offer to partners, by structuring investments and creating clear demand signals. They can also provide alignment on industrial policies and regulatory cooperation. But the effectiveness of CTIPs will depend on their ability to fill gaps and create new forms of cooperation. It will be essential to show what is new and how the CTIP with South Africa can add value to the existing Just Energy Transition Partnership (JETP). Credibility requires transparency. Partners need clarity on financial flows and a timeline for delivering on commitments to avoid the EU being perceived as 'pledging without delivering'.

For a successful and effective CTIP, a shared understanding of what both parties seek to achieve is vital.

The EU's strategic objectives and rationale

CTIPs aim to make trade cooperation fit to deliver on the EU's climate and competitiveness agenda and partner needs. They offer the opportunity to speed up agreements in strategic sectors for the EU and its partners, in line with the Clean Industrial Deal. CTIPs could help focus the external dimensions of the EU's Clean Industrial Deal, aligning trade, industry, and socio-economic goals. Their potential lies in:

→ Bridging the gap between comprehensive but time-consuming Free Trade Agreements (FTAs) and softer instruments, such as memoranda of understanding (MoUs) on Critical Raw Materials, which often lack enforceable commitments on value addition, adequate investments and a transparent negotiation and monitoring process. By contrast, CTIPs may represent a more flexible tool for sector-specific deals, including on steel and battery components for example.

→ Offering a clear pipeline of Global Gateway investments, support of off-take agreements in strategic (future) sectors and corporate deals including Business to Business (B2B) cooperation, reinforced by regulatory alignment on key net-zero value chains.

→ Helping build trust with partners by positioning the EU as credible and responsive, particularly in light of unilateral measures that carry extraterritorial impacts. It is essential for the EU to find a balance between the length of negotiations and the required speed to deliver as partners ask. Rather than serving as 'tick the box' tools for checking compliance against EU standards, CTIP negotiations could function as a platform for dialogue and joint priority-setting linked to decarbonisation and industrial development.

Minimum conditions for success: Laying the groundwork for impact

While priorities will vary by partner country, several cross-cutting minimum conditions are essential for CTIPs to be successful. With this in mind, the EU can consider how the CTIPs contribute to the following:

[1] Altering trade and investment flows: The EU will need to demonstrate that new partnerships can effectively redraw supply chains, generate new off-take, and drive mutually beneficial industrialisation. Providing predictable demand and clear investment signals will be critical, and their implementation could represent a tangible example of the EU's economic foreign policy in action.

[2] Aligning industrial policies and priorities: Regulatory cooperation should be a core component, for instance by linking EU clean procurement goals, namely incentives for buyers to purchase products based on criteria that go beyond the price, with shared sustainability standards. Partner countries seek green industrialisation, value addition, just transitions, and investment, so CTIPs can avoid being prescriptive and instead identify joint areas of cooperation. Clear processes, such as roundtables or bilateral summits leading to MoUs, can anchor this engagement.

[3] Mobilising additional investments at scale: The EU will need to avoid repackaging existing financial commitments but rather complement and improve them. CTIPs could be a tool to create better conditions for EU private finance to invest, yet they need to be accompanied by adequate resources, and innovative investment instruments. Public investments alone are insufficient and the high cost of capital constrains many developing countries. CTIPs can pair additional public funding with innovative financing instruments (e.g., guarantees, blended finance) to de-risk and mobilise private finance.

Europe could also support partners in accessing vertical climate funds (centralised structures giving funds for climate action) while providing additional guarantees and development finance to unlock early stage investments in clean tech and green industries. Another opportunity could be to steer the Global Green Bonds Initiative from the European Investment Bank to help partners develop their Green Bond market. In Africa, this could entail building on the strategic partnership with the African Development Bank (AfDB) to promote green bond markets on the continent. Lastly, to ensure transparency, new bilateral deals could benefit from a clear strategic investment vision or roadmap, including dedicated funding pools with defined purposes under specific pillars.

[4] Enhancing coordination and clear communication: CTIPs could be used to help overcome past fragmentation by aligning DG TRADE with other DGs (GROW, CLIMA, ENER, INTPA, MENA), the EEAS, EU delegations and relevant ministries in Member States under a single framework. A whole-of-government approach complementing existing initiatives can help avoid duplication and offer an improved format for cooperation. Negotiations can help streamline communication with partners and enable the EU to speak with one voice by clearly designating leadership and responsibilities. As highlighted, there are many Directorates Generals involved, and this might create uncertainties and confusion for partner countries. Therefore, it is central that the EU identifies a clear structure to communicate on diplomacy, trade and finance. An option could be to organise around working groups on each core component, also involving Strategic Hubs on the ground.

[5] Supporting joint ownership and ongoing monitoring: To allow for timely course corrections and address partner needs, new bilateral partnerships could benefit from jointly defined, measurable targets aligned with EU and partner country goals, performance indicators, along with a clear plan for tracking and reporting progress to allow timely course corrections and address partner country needs. The European Parliament can play an active oversight role, while civil society, including through stakeholder dialogues, can enhance inclusiveness and accountability. This process would be a continuous exchange aimed at collecting inputs to improve the effectiveness of CTIPs, rather than functioning as a compliance tool without meaningful adjustments.

Making the most of the first CTIP with South Africa

→ The EU-South Africa CTIP offers a chance to show how trade, investment, and decarbonisation can be integrated into a new generation of strategic partnerships. South Africa's role as a diplomatic heavyweight in the Global South, a key BRICS member, and a key trading partner of the EU makes it a strategic partner, especially given its industrial base and ambitions in hydrogen and battery manufacturing. Success would mean aligning with South Africa's priorities while setting a precedent for future partnerships.

→ Several open questions remain, however, including whether the EU is able to support the effective decarbonisation of South Africa's liquid fuels sector, a key ask of the South African side; how prevailing tensions around the EU's Carbon Border Adjustment Mechanism (CBAM) will be managed; and whether the EU can ensure predictable offtake of battery-grade products in the short term.

Conclusion

As the EU seeks to redesign its industrial supply chains, CTIP negotiations can be an opportunity to address the EU's geoeconomic dependencies head-on, and position itself as a reliable and attractive partner to other countries. To succeed, it will be crucial to not only identify joint priorities, but also to unlock a new scale of finance to structure sector-specific investments to ensure these partnerships can deliver. Equally important is achieving initial benchmarks of success before committing to a whole series of CTIPs.