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Climate Action and Green Economy Opportunities in the EU-India Strategic Partnership

Jesse Scott, Shuva Raha, Krishna Vohra

Key Takeaways

Climate action and the green economy can anchor a stronger EU-India partnership, forming a combined USD 24 trillion market of 2 billion people.

A short list of priorities—electric two- and three-wheelers, high-tech renewable energy components, resource efficiency in the circular economy, digital public infrastructure, supply chain security, and heat and water management—presents immediate, high-impact opportunities.

Challenges persist in the EU-India trade and investment negotiations, as well as in climate commitments and policies. However, a focus on pragmatic cooperation can translate ambition into action; a transactional beginning can evolve into a transformational future.

Policy Implications

EU–India cooperation on climate, clean energy, and the green economy is well established, but meeting the ambitions set by leaders will require a step-change in implementation. Success depends on connecting top-down political momentum with bottom-up priorities, delivered through platforms like the EU's Global Gateway, Clean Industrial Deal partnerships, and India's green industrial initiatives and Carbon Credit Trading Scheme. While tariff cuts in the upcoming free trade agreement can help, greater long-term impact could come from an Investment Protection Agreement with a pioneering Green Chapter to provide certainty and unlock cleantech investment. Complementary initiatives—such as an innovation fund, a cleantech investment forum, and joint strategies on green skills and workforce mobility—could further catalyse sustainable growth.

Introduction

Globally, all credible pathways to net zero rely on increased international cooperation in the real economy. Imagine the impact—and the global template—that a climate action and green economy partnership between the two largest democracies of the 'Global North' and 'Global South' could create. Together, they represent a USD 24 trillion combined market[1] of 2 billion people, capable of delivering accelerated climate action results across clean energy and technology innovation, resilient supply chains, sustainable development, financing, employment and skills, and adaptation.

1 IMF, April 2025, World Economic Outlook Datamapper

From Ambition to Action

In early 2026, the European Union (EU) and India will hold a major summit. They appear set to agree on a long-discussed free trade agreement and an updated five-year strategic partnership roadmap to 2030. Negotiations on an IPA will follow. From a climate perspective, leveraging this important step forward in the bilateral relationship is both obvious and challenging. Can the EU and India now translate their long-standing dialogues about climate ambition into concrete joint climate action?

Perhaps the time is right. Since the signing of the Paris Agreement, both Europe and India have become visibly more climate-vulnerable. They share numerous important—although not always symmetrical—interests, ambitions, and challenges related to climate mitigation and adaptation. India has become more populous and more prosperous. Europe has set itself on a green economy pathway. Current geopolitical circumstances also encourage a partnership that would serve as a counterweight to the U.S. tariff strategy and China's export strategy, not least in the field of energy security.

Various well-established bilateral dialogue tracks have prepared the ground. These include the Indo-German Energy Partnership, joint India-France sponsorship of the International Solar Alliance (ISA), and the EU-India Clean Energy and Climate Partnership[2], which have developed working-level institutional dialogues and activities to support the deployment of "climate-friendly energy sources".[3] Similar structures work on water, smart and sustainable urban development, and resource efficiency.

Results of this cooperation include technical best-practice exchanges and study tours, as well as European Investment Bank (EIB) funding for the ISA and for urban metros, such as in Lucknow. In 2021, an EU-India Connectivity Partnership added work on sustainable digital, transport and energy networks, including the flow of people, goods, services, data, and capital. It also introduced a new objective of joint EU-India cooperation to deliver pilot projects in third countries.[4]

In 2023, the EU-India Trade and Technology Council (TTC)[5] was established to deepen cooperation "at the nexus of trade, trusted technology, security."[6] Among the TTC's topics are waste-to-hydrogen, the recycling of e-vehicle batteries, and the interoperability of e-vehicle charging infrastructures.[7] The communique adopted at the European Commission's visit to Delhi in February 2025 directs the TTC to deepen engagement "to shape outcome-oriented cooperation" in areas including supply chain resilience, semiconductor ecosystems, and joint research and innovation for green and clean energy technologies, calling for "a focus on trusted partnerships and industry linkages across these sectors". Brussels is now making efforts to improve EU internal coordination across the bloc's suite of international partnerships, development aid (the Global Gateway), and measures such as guaranteed offtake agreements.

Overall, however, these efforts have tended to be

2 Delegation of the European Union to India and Bhutan, 15 July 2020, EU-India Clean Energy and Climate Partnership; see also https://www.cecp-eu.in/about-us and https://beeindia.gov.in/en/programmesinternational-cooperationbilateral-programmes/india-and-the-european-union

3 Government of India Ministry of External Affairs, 22 November 2024, Ministry of External Affairs Media Centre: 10th Meeting of the India-EU Energy Panel and 3rd Phase of the Clean Energy and Climate Partnership

4 European Council, 8 May 2021, EU-India Connectivity Partnership

5 European Commission, 6 February 2023, Terms of Reference for the EU-India Trade and Technology Council

6 European Commission, 20 June 2024, EU and Indian Start-ups pitch for enhanced cooperation in EV battery recycling technologies under EU-India Trade and Technology Council Working Group 2

7 European Commission, 16 May 2023, Press release: First EU-India Trade and Technology Council focused on deepening strategic engagement on trade and technology

rather stop-start, producing 'everything' catalogues that lack prioritisation, and getting diverted by emerging concepts such as green hydrogen. The results have been "largely underwhelming."[8]

Priorities

A clearer focus could facilitate bigger outcomes. We propose a priority short list including: two-and three-wheeler electric vehicles for sustainable urban mobility; renewable power generation equipment manufacturing and advanced electronics for smart grids; resource productivity and the circular economy; digital public infrastructure (DPI) for emissions reporting and verification and/or early warning systems for climate resilience and disaster management; and heat adaptation and water management. All of these are essential to climate outcomes and offer immediate, impactful, and interlinked opportunities that are ripe for bilateral commitments and follow-through in win-win financial, technical, and market access arrangements.

1. Sustainable Mobility and Transport

The idea of an electric mobility leapfrog is not theoretical in India.[9] Among India's world-leading industries are two- and three-wheeler scooter and motorcycle electric vehicles. In electric vehicle batteries, India's gigafactory push needs capital and know-how, while Europe seeks diversified supply chains. Indian startups can scale with European technology, and European automakers can localise in India for cost-effective production. Smart and sustainable urbanisation is a critical challenge in India, leading to initiatives such as the upcoming Cities Coalition for Circularity (C-3).[10] Indian cities face major financing gaps. Crucially, European cities which are phasing out cars can be a massive market for Indian e-scooters if manufacturers are willing to meet EU specifications, such as the right to repair.

2. Energy Infrastructure and Technology

In power generation, in addition to India's rapidly expanding solar photovoltaic (PV) manufacturing base (India now has over 100GW of solar capacity),[11] and the EU's booming market for panels, European expertise in offshore wind can support India's early-stage efforts. Co-manufacturing of turbines and components would unlock new markets and help to meet global equipment demand. In grids, building on early German support for India's Green Energy Corridors,[12] both parties have value to offer in advanced technologies: for instance, European high-voltage direct current (HVDC) interconnectors, control electronics manufacturing capabilities from the car industry, together with sensors and power electronics, need market growth opportunities; India has formidable strength in chip design, with plans to become one of the world's top five semiconductor nations by 2030.

3. Circular Economy and Resource Management

The EU's Circular Economy Action Plan as well as India's national initiatives call for stricter recycling, product design, and Extended Producer Responsibility (EPR). The EU-India partnership has therefore broadened its agenda on circular economy practices to include several sectors and critical minerals. Vast quantities of copper are not yet recycled from e-waste. Both Europe and India have

8 Amrita Narlikar and Gokul Sahni, Observer Research Foundation, January 2025, Renewing the EU-India Strategic Compact: Doing Better, Doing More, and Key How Not To's

9 Michael Barnard, Clean Technica, August 2025, Skipping The ICE Age: India's Unique Path To Electric Mobility

10 The Hindu, 4 March 2025, India launches multi-nation alliance for collaboration on sustainable development

11 PV Tech, March 2025, India trebles cell manufacturing capacity to 25GW in March 2025

12 Ministry of New and Renewable Energy, Green Energy Corridor Overview

transferable technologies—from waste collection to site management to AI—that can help to identify, collect, sort, quality control, and re-use metals. For example, European waste-to-energy practices could help India avoid toxic emissions from the burning of undifferentiated waste, and recycle at scale. A public awareness strategy for "mindful utilisation" instead of "mindless consumption" could build on the G20 High-Level Principles for Lifestyles for Sustainable Development, adopted unanimously as part of the Delhi Declaration.

4. Digital Infrastructure for Climate Action

India's phenomenal success with digital delivery of systems and services to millions of consumers (Unified Payments Interface, UPI, payments and other systems), now evolving into DPI for energy and climate systems, vastly outpaces European efforts. DPI capabilities could be deployed to enable user-friendly compliance and monitoring, reporting, and verification (MRV) for embedded emissions reporting, particularly to reduce the burden on small and medium-sized enterprises, notably for small and medium enterprises (SMEs) affected by the EU Carbon Border Adjustment Mechanism (CBAM), and to facilitate interoperability between domestic and international emissions standards.[13] Another DPI application could also help expand and strengthen climate resilience and disaster management, including risk awareness, preparedness, early warning systems, response capacities, and coordination, particularly for remote or vulnerable populations. The EU and India have been cooperating multilaterally in the Coalition for Disaster Resilient Infrastructure and the G20 Disaster Risk Resilience Working Group.

5. Climate Adaptation Solutions

Another area of mutual necessity for co-learning and action is heat and water management to address escalating crises in Europe and India. Scaling up sustainable cooling (and heating) systems for billions of people requires rethinking the design, construction, material inputs, operations, and maintenance of buildings, logistics, food, and mobility systems. This, in turn, requires smart grid systems, such as those which companies like Octopus Energy have developed in the United Kingdom, France[14], and Germany, supported by robust DPI for service delivery and transactions.[15]

Challenges

Linked to these potential win-wins, however, are massive challenges. To enable substantive progress, the EU and India need to explore how far they are willing to agree-to-disagree on other strategic and trade questions in order to cooperate in the field of climate. Both parties will need to engage with respective domestic stakeholders about opening up policy agendas framed as "Make in India" (Atmanirbhar Bharat – self-reliant India) and "Made in Europe" (strategic autonomy). The EU and India will need to navigate ongoing issues of Common but Differentiated Responsibility and Respective Capacities, divergent perspectives on coal phase-out and the EU CBAM.

Above all, Europe needs to understand the seriousness with which India is telling the Western world that it must address the "continuing disappointment" of the Global South about the shortfall on Sustainable Development Goals (SDG) targets, and in the words of India's External Affairs Minister S Jaishankar, the frustration that "global gatherings have become an exercise in creative accounting rather than in solution

13 Jesse Scott, Substack, September 2025, Right-sizing the EU CBAM: Green economy standards without a globally unjust one-size-fits-all.
14 Smart Energy Management News, March 2025, Octopus Energy unlocks French green power
15 Electrive, September 2025, Octopus launches all-in-one EV leasing, charging and home energy offer in Germany

finding. Far from making green and clean technologies accessible and affordable, the trend suggests protectionism in the name of climate."[16] Europe also needs to listen to its own leaders, amongst whom, Mario Draghi has called "for the EU to act like other major economies and build a genuine EU 'foreign economic policy'" around industrial and supply chain partnerships for key technologies.[17] India, in turn, will need to recognise that it cannot realistically treat trade and the environment as "two separate issues" of the bilateral relationship.[18]

Recommendations

To date, EU-India joint action on climate change has been at best tentative, or at worst, token. Finance is not the only measure, but it is illustrative that, between 1993 and 2023, the total investment via the EIB in India was a mere EUR 5 billion, allocated towards 26 projects.[19] This is a drop in the ocean of potential.

On both sides, however, there are willing experts and signs of a meaningful recalibration. Indian experts, in particular, are calling for transforming the partnership from a transactional relationship into a strategic green alliance.[20] Europeans repeatedly tell their own leaders that the EU's new 2040 climate target will only be credible if it works more closely with partners worldwide—sharing technology, financing green transitions, and reducing strategic dependencies,[21] and therefore that "The EU should adopt a more development-friendly approach to its green policies, which must go hand-in-hand with a degree of pragmatism from developing countries…" [22]

A deal to advance key clean energy goals should be possible without full agreement on fossil phase-down, if it is based on a recognition that, although mature and developing economies have very different starting points for energy transition, they are converging toward the same destination: energy efficiency, renewables, and the electrification of energy end-uses. The CBAM is neither going to vanish, but nor are solutions intractable.[23]

Ultimately, the key barrier is that both the EU and India have underinvested in each other or have been otherwise preoccupied. Both parties now need to choose to play to the strengths of the other to ensure enduring mutual success.[24]

16 S Jaishankar, 4 February 2025, Ministry of External Affairs Media Centre: Remarks by External Affairs Minister Dr. S Jaishankar at IIC Bruegel Seminar, New Delhi

17 Simone Tagliapietra and Cecilia Trasi, Bruegel, October 2024, Making the most of the new EU Clean Trade and Investment Partnerships

18 Financial Times, 29 February 2024, Green trade rules are 'biased', says Indian minister

19 European Investment Bank, 10 February 2023, EIB increases support for high impact climate action and environmental investment across India and South Asia with $40 million for new regional investment fund

20 Manjeev Singh Puri and Jagjeet Singh Sareen, private paper, April 2025.

21 Mats Engström, July 2025, From ambition to action: The EU needs stronger partnerships to reach its 2040 climate target

22 Pascal Lamy, Geneviève Pons, Colette Van Der Ven, And Cláudia Azevedo, Europe Jacques Delors, April 2024, Turning the EU's Carbon Border Adjustment Mechanism into a green development tool

23 Ajay Shankar, Business Standard, 11 September 2025, A green industrial policy for CBAM key to securing India-EU FTA benefits

24 Manjeev Singh Puri and Jagjeet Singh Sareen, private paper, April 2025.

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Contact: Shalini Yog Shah, Programme Coordinator
E shalini.yog@in.boell.org

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Jesse Scott is a Senior Fellow at the Observer Research Foundation and adjunct faculty at the Hertie School, Berlin. She works on India–EU trade, clean economy cooperation, and energy security.

Shuva Raha leads international cooperation at the Council on Energy, Environment and Water (CEEW), focusing on energy security, climate resilience, and global governance.

Krishna Vohra is a Junior Fellow at the Centre for Economy and Growth, Observer Research Foundation. His primary research areas include energy, technology, and the geopolitics of climate change.

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