

Executive Summary

The Climate Impact of the EU Trade Agreement with Colombia, Peru and Ecuador

Introduction

The trade agreement between the European Union (EU), Colombia, and Peru was signed in 2012 and provisionally entered into force in 2013, with Ecuador subsequently joining in 2017. The agreement has been fully implemented since 1 November 2024 – after the conclusion of the EU’s ratification process in October 2024. However, the overwhelming majority of its clauses have been applied since 2013 and 2017, respectively.

The agreement was promoted as providing the means to deepen trade relations and stimulate economic growth, while also upholding high environmental and social standards. The EU particularly emphasised the Trade and Sustainable Development (TSD) Chapter, which it said would ensure that economic benefits did not come at the cost of environmental degradation. However, PowerShift’s ex-post evaluation shows that instead of supporting sustainable development, the agreement has primarily facilitated trade in environmentally harmful goods, and has also failed to introduce effective mechanisms to address sustainability challenges.

Methodology

Our analysis critically examines whether the EU-Andean Trade Agreement aligns with global climate goals, particularly the transition to a net-zero economy. The methodology is built on three key pillars:

- 1 Trade Flow Analysis:** Examining variations in trade in goods, with an emphasis on high-impact commodities such as fossil fuels, raw materials, and forest-risk commodities.
- 2 Policy and Governance Analysis:** Evaluating the rules and decisions that shape the climate policies of the agreement.
- 3 Institutional Mechanisms:** Analysing the role of committees and dialogues established under the agreement, as well as their potential impact on standards and regulations.

This methodology provides a structured framework to assess the climate outcomes of the EU-Andean trade agreement. It takes account of the specific interplay of treaty rules, institutional mechanisms, and concrete trade and investment flows between the EU and its Latin American partners. Based on this analysis, it is possible to devise mitigation measures that could help to improve production processes and supply chains. The report therefore seeks to equip policymakers, civil society, and researchers with a tool to support the alignment of the EU-Andean trade agreement with global climate objectives.



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Trade in goods between the EU and the Andean countries

One of the most significant ways in which the agreement contributes to climate change is through its facilitation of fossil fuel and raw material exports. The energy crisis triggered by Russia's invasion of Ukraine in 2022 led to a short-term increase in demand for Colombian coal, reinforcing an extractivist economic model that undermines both climate goals and Colombia's long-term economic prospects. Similarly, gold mining in Colombia is a major driver of deforestation, pollution, and water contamination, yet the agreement does not impose any environmental conditions on the gold trade.

In Peru, copper mining has expanded, driven in part by demand from the EU's green transition. While copper is essential for renewable energy technologies, its extraction is highly carbon-intensive and has devastating environmental and social consequences, including land degradation, water pollution, and conflicts with indigenous communities. The trade agreement does not include any provision to mitigate these impacts, nor does it hold European corporations accountable for ensuring the sustainability of their supply chains.

The expansion of agricultural exports from the Andean region to the EU has also had severe environmental and social consequences.

In Colombia and Peru, the increasing demand for avocados and palm oil has led to widespread deforestation, excessive water consumption, and land conflicts. Avocado plantations require vast amounts of water, often leading to shortages for local communities, while palm oil cultivation is associated with pesticide overuse and biodiversity loss. The more recent reduction in EU palm oil imports has not come about as a result of the (weak) sustainability provisions of the trade agreement, but due to national bans on palm-based biodiesel in several EU countries.

Ecuador has seen a sharp increase in banana and shrimp exports to the EU. While the banana industry provides employment opportunities, it is also linked to pesticide pollution and exploitative pricing strategies imposed by European supermarkets, which push down farm-gate prices and prevent investment in sustainable production. The shrimp industry, meanwhile, has contributed to the loss of over 70% of Ecuador's mangrove forests, disrupting coastal ecosystems and threatening the livelihoods of fishing communities. The agreement does not include any mechanism to prevent these destructive practices, nor does it address the climate risks associated with trade in these high-impact commodities.

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Rules, institutions and decisions governing climate policy

A major flaw of the agreement is its weak enforcement of environmental standards. While the agreement does commit parties to support sustainable development and comply with international climate agreements, these provisions remain purely aspirational. There are no legally binding requirements to reduce emissions, protect forests, or regulate carbon-intensive supply chains. Violations of sustainability commitments do not lead to any economic consequences, allowing environmentally destructive activities to continue unchecked.

The agreement's TSD Chapter includes general commitments to uphold environmental standards, promote sustainable production, and protect biodiversity. However, these commitments lack legal force, and are not subject

to the agreement's dispute settlement mechanism. This means that even if the agreement leads to increased deforestation, pollution, or social conflict, there are no consequences for non-compliance with these aspirational commitments. In addition, the huge transition risk faced by the Andean countries has not been adequately addressed in the TSD Chapter. Commitments to support green transition and climate mitigation through the dissemination of clean tech have not been backed up by concrete actions in the years since the agreement has been in force.

Committees and bilateral dialogues established under the agreement

The trade committees established under the agreement operate with minimal transparency or democratic oversight. These committees have broad decision-making powers, including the ability to amend aspects of the agreement without approval from national

parliaments. Industry representatives play a significant role in these committees, while civil society organisations have little influence. As a result, environmental and labour protections are often treated as secondary concerns, compared to the primary goal of trade facilitation.

Conclusion and Recommendations

The analysis undertaken to inform this report demonstrates clearly that the EU-Andean trade agreement prioritises trade liberalisation over environmental and climate protection. Potential improvements that reduce the climate impact of Andean-EU trade will not happen as a result of the agreement itself, but may occur due to other independent EU regulations, such as the Deforestation Regulation and the Corporate Sustainability Due Diligence Directive.

The EU-Andean trade agreement exacerbates climate-damaging trade patterns and fails to support a just transition. Its sustainability mechanisms are weak, and it lacks meaningful enforcement measures. Without fundamental reform, the agreement will continue to reinforce extractivist trade patterns, rather than promoting a fair and climate-aligned economic partnership.

The EU must take urgent action to ensure that its trade policies do not contradict its climate commitments, and that trade relations with the Andean countries are shaped most fundamentally by principles of sustainability and fairness.

We recommend that the EU-Andean trade agreement be revised in the following ways:

- 1 Include effective provisions prioritising climate protection:** The agreement must be subordinated to climate goals and the respective international obligations. Effective and enforceable provisions on climate mitigation and adaptation, supplemented with concrete action plans and timelines, should be included in all chapters. Tariff concessions must be linked to the effective implementation of international environmental and climate commitments.
- 2 Restrict or end trade in harmful products:** Trade in climate-damaging goods such as

coal, gold, shrimps, avocados and palm oil must be reduced or phased-out entirely. The agreement should be equipped with clear rules to limit or ban trade in harmful goods.

- 3 Integrate targeted and binding mitigation measures:** The agreement must be supplemented with effective mitigation measures that support the decarbonisation of production processes. Local companies, mines and farms must be supported in their transition to cleaner and climate-resilient production. Regulatory capacities to enforce environmental and labour legislation have to be strengthened. Corporate due diligence rules to ensure transparency along specific supply chains are also essential.
- 4 Add comprehensive and reliable support mechanisms:** The agreement needs to be underpinned with long-term and binding support mechanisms, including technical and financial assistance, as well as know-how and technology transfer. Financial assistance should avoid an overreliance on private investors whose vested interests risk undermining the green transition. To avoid increasing the public debt of Andean partners, financial packages should essentially consist of grants, not loans.
- 5 Disempower the agreement's committees:** The power of the committees to change parts of the EU-Andean agreement after its final ratification should be restricted. These committees must adhere to transparent processes, to curb the influence of corporate lobbyists obstructing climate measures. Meeting minutes, correspondence and other documents should be accessible to the general public. Elected representatives must have the opportunity to actively participate and to vote on proposed changes to the agreement.

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About PowerShift

PowerShift e.V. is based in Berlin and works on international trade, raw materials and climate policy. Global inequality, climate catastrophe, exploitation—the problems of today's world are huge. PowerShift is addressing them at their source. PowerShift highlights interdependencies, raises awareness and develops policy alternatives. We use our expertise to expose grievances and raise political demands for an ecologically and socially just world. Our team forges strong alliances with other organisations, social movements and citizens to reach our goals. We know that we are stronger together than we can ever be alone.

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