

Briefing:**Adding fuel to the climate crisis:
the EU-Mercosur Agreement**

Amidst faltering global (trade) structures, the European Commission is working feverishly to ratify a trade deal that it has been negotiating for over a quarter of a century: the EU-Mercosur Partnership Agreement. The pressure to seal this accord is enormous. For European officials, it is the answer to the collapse of the Western-style rules-based world order – a lifeline, a stabiliser. In view of US President Donald Trump's erratic (tariff) policy, the Commission's solution is to conclude as many trade agreements as possible, as quickly as possible. These deals are the geopolitical sword with which the European Union is setting out to defend the established international division of labour from which it has benefited for decades – a division of labour whose roots lie in the colonial exploitation and destruction of countless countries in Latin America, Africa and Asia. The trade agreement with the four South American countries in Mercosur (Argentina, Brazil, Paraguay and Uruguay) is one of the most glaring examples of this. Once in force, it will deepen existing trade inequalities, with devastating consequences for nature and the social fabric of Mercosur countries.

The prevailing production model there, which is based on the extraction of raw materials and the export of agricultural goods (to the EU), is causing massive deforestation of rainforests, species extinction and the displacement of rural populations and Indigenous communities.

In light of the imminent ratification of the agreement, this publication provides an overview of the consequences of the EU-Mercosur agreement in relation to deforestation, environmental destruction and climate change. It examines the newly inserted clauses on the Paris Climate Agreement, the rebalancing mechanism and the deal's implications for forest protection against the backdrop of the current wave of deregulation at the EU level. In addition, it presents concrete figures on the carbon footprint of main goods promoted by the agreement and ends with recommendations to bring trade in line with European climate targets.



The Brazilian state of Rondônia has one of the highest deforestation rates in the country.

Photo: Jesse Allen and Robert Simmon / NASA Earth Observatory (PDM 1.0)

Deforestation and the climate crisis: two sides of the same coin

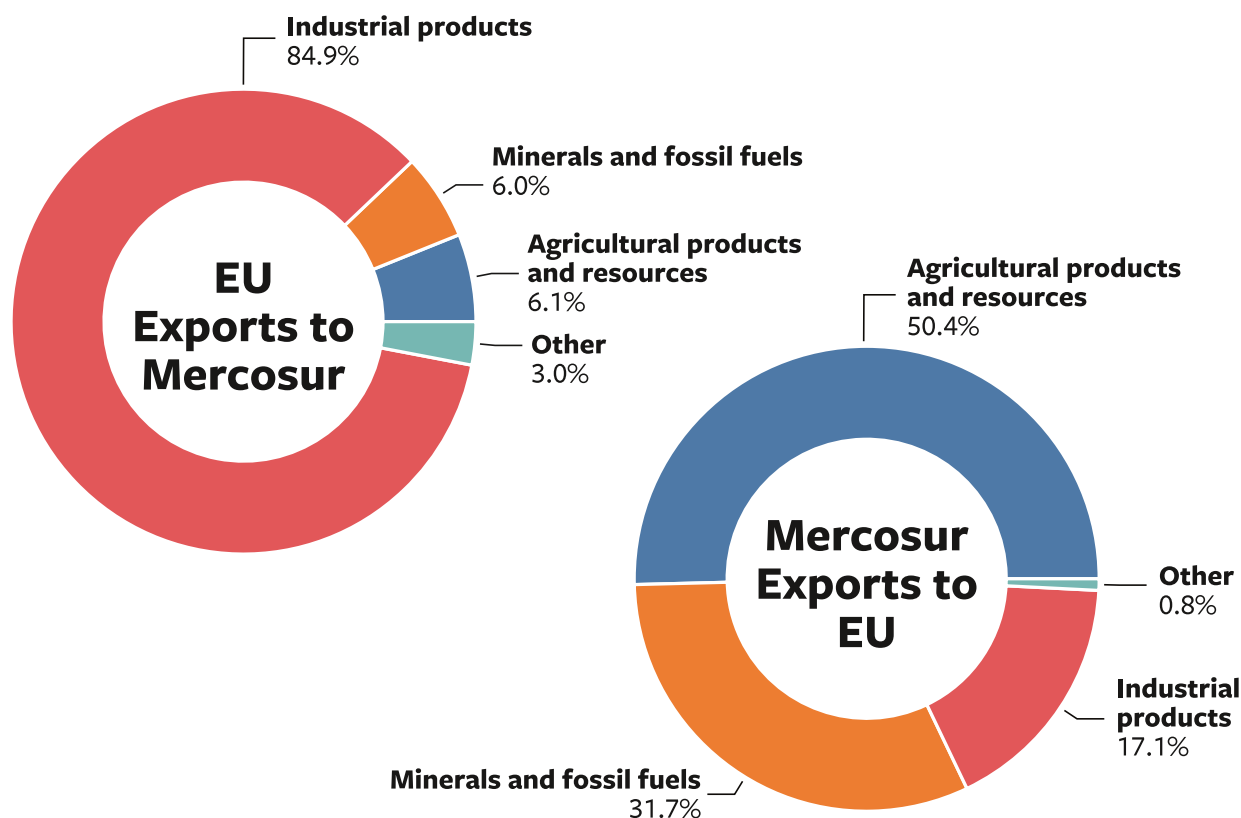
Deforestation, agriculture and land use change are responsible for around one third of all greenhouse gas emissions.¹ The EU-Mercosur trade agreement will facilitate, simplify and multiply trade precisely in products that are already the main drivers of deforestation and land use change in Mercosur countries by reducing tariffs, expanding import quotas and removing import controls where possible. It will also abolish or significantly lower export taxes, as in the case of Argentine soy. It will thus create incentives for expanding Mercosur's current agricultural model, which relies heavily on monocultures, massive use of pesticides and fertilisers and cattle raising.²

Three quarters of Brazil's CO₂ emissions are already attributed to agriculture and agriculture-related land use changes, such as deforestation for the

expansion of farms into not only the Amazon rainforest, but also other biomes.³ Between 2018 and 2022, an area larger than Austria was deforested for the production of beef, coffee, soy and other goods for export in the Amazon region, most of which is in Brazil.⁴ European countries are responsible for a large proportion of deforestation in the Amazon.

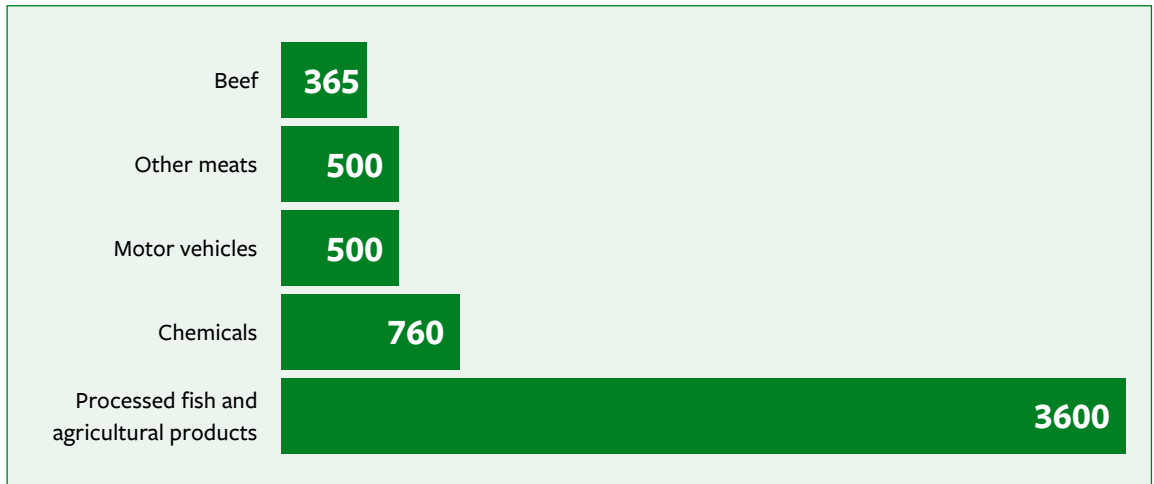
But it is not only the Amazon rainforest and Brazil that are affected by deforestation for the production of agricultural exports. Between 2012 and 2022, over 450,000 hectares of forest were cleared in Mercosur countries to grow goods and beef for export to Europe alone.⁵ This is five times the area of Berlin. The products associated with deforestation were mainly soy, beef, coffee and maize.

Figure 1: Current trade between the EU and Mercosur by product group (in per cent)



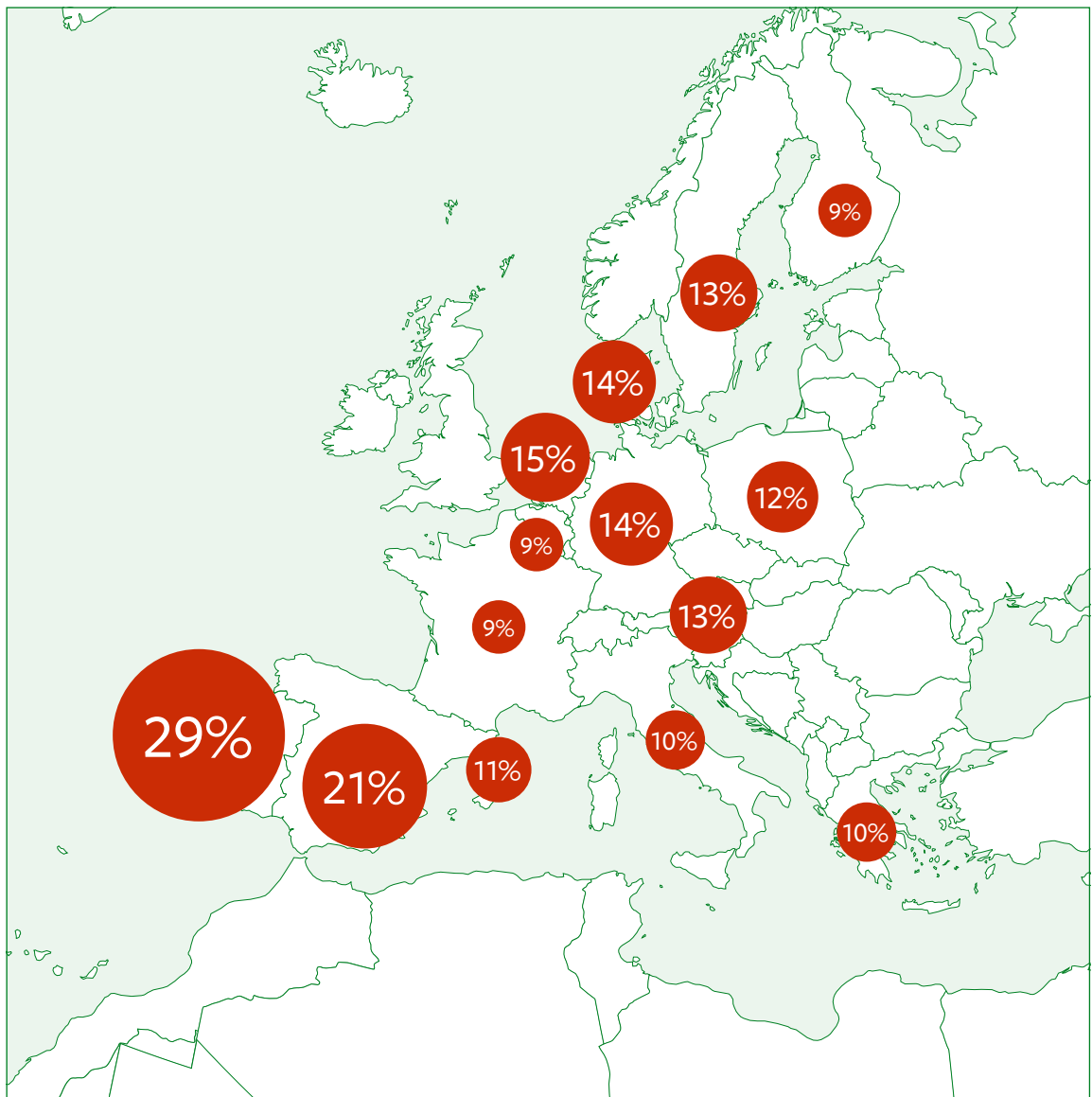
Source: [European Commission](#), 2025

Figure 2: Mercosur exports that will increase the most under the agreement (in millions of euros)



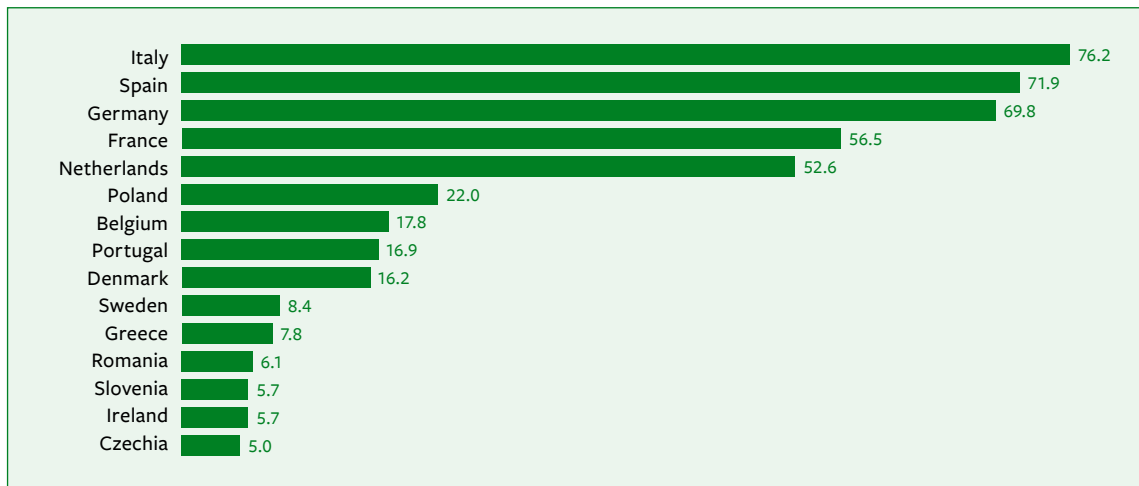
Source: [European Commission](#), 2025

Figure 3: Imports linked to deforestation in the Amazon as a share of the country's total deforestation footprint (in per cent)



Source: [Amazon Footprint Report](#), WWF et al., 2025

Figure 4: Main EU importers of products linked to deforestation in Mercosur (in thousands of hectares between 2012 and 2022)



Source: [deforestation footprint](#) (consulted in January 2026)

In its economic impact assessment (2025), the European Commission states that the agreement will have a “negligible” impact on deforestation in Mercosur.⁶ It even assumes that this impact may be reduced by productivity gains that would offset some of the causes of deforestation. The report also argues that “*With the EUDR (European Deforestation*

Regulation) coming into effect, EU imports of goods linked to deforestation will be prevented. Mercosur exports to the EU will no longer be associated with deforestation” (p. 44). However, it ignores the following important aspects:

1 The full implementation of the EUDR has been postponed for another year until the end of 2026.⁷ As this is the second time it has been delayed, the question arises as to whether the EUDR will actually come into full force in December 2026 or be postponed again.

2 The EUDR’s reporting and due diligence obligations along supply chains have been weakened. In addition, the European Commission is to present a report on the simplification of the EUDR by 30 April 2026, which could weaken it further.⁸

3 Argentina, Brazil and Paraguay – three countries with extremely high deforestation rates due to their export-oriented agricultural model (which would be strengthened by the trade agreement) – were only classified as standard risk countries in the EUDR risk classification system.⁹ One of the reasons for this is the EU-Mercosur Agreement. With regard to the implementation of European legislation on the protection of forest ecosystems, Annex 18A of the agreement states that: “*The European Union recognises that this Agreement and actions taken to implement the commitments thereunder shall be favourably considered, among other criteria, in the risk classification of countries.*” (Art. 55a). As a result of this classification, only three per cent of goods imported from Mercosur that fall under the EUDR will be checked annually. In the case of Uruguay, which has been classified as a low-risk country, the figure drops to only one per cent of all imports.¹⁰

4 When investigating products imported from Mercosur that are linked to deforestation, European authorities are to use information provided by South American authorities “for the purpose of verifying compliance of products covered by such measures with traceability requirements placed on the market in the European Union.” (Art. 55b). The agreement thus undermines the autonomy of European authorities and their ability to enforce European laws.¹¹

5 The rebalancing mechanism integrated into the chapter on dispute settlement could neutralise EU environmental and forest protection measures, among other regulations and standards.¹² This is because article 21.4 b) allows a contracting party to take measures if the other party applies a measure that “nullifies or substantially impairs” the benefits accrued to the former under the agreement. A briefing published in June 2025 by numerous European organisations pointed out the consequences of the trade agreement for the EUDR and other laws adopted in the framework of the European Green Deal.¹³ A fact sheet from the Uruguayan government celebrates this deal because it “will enable Mercosur to mitigate the effects that unilateral measures taken by the EU (such as the Green Deal) have or may have on the exports of Mercosur countries.” For Uruguay, it is a “tool to protect Mercosur countries from the application of environmental measures by the EU.”¹⁴ The Brazilian government speaks of an “unprecedented mechanism ...preventing unilateral measures by one of the Parties from putting in jeopardy the balance established in the agreement.”¹⁵

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Increased trade between the EU and Mercosur countries means more freight traffic. Photo: Wolfgang Weiser / Pexels.com

6 The remaining rainforests are under enormous pressure, especially in Brazil, Argentina and Paraguay. The current governments do not have the power or the will to enforce national forest protection laws against large landowners and agricultural corporations. Recent examples from Brazil provide impressive evidence of this. In mid-2025, Law 2159/2021, known as the “*Lei da Devastação*” or “Devastation bill”, was passed. The law practically exempts sectors such as forestry, agriculture and livestock and mining – the main drivers of deforestation and the ones favoured by the EU-Mercosur Agreement – from environmental licensing requirements.¹⁶ It also has consequences for the protection of Indigenous communities in the Amazon rainforest whose territories have not yet been officially recognised.

Another example is the Soy Moratorium,¹⁷ launched in 2006 by private actors, which was severely weakened in early January 2026 by the withdrawal of one of Brazil’s largest agribusiness associations, the Brazilian Association of Vegetable Oil Industries (*Associação Brasileira das Indústrias de Óleos Vegetais*, ABIOVE).¹⁸ This was preceded by a lawsuit filed by the Brazilian Confederation of Agriculture and Livestock (*Confederação da Agricultura e Pecuária do Brasil*, CNA) against companies participating in the moratorium, arguing that it was fostering unfair price and market agreements. As a result, Brazil’s Administrative Council for Economic Defence (*Conselho Administrativo de Defesa Económica*, CADE) decided to suspend the moratorium until further notice.¹⁹ Under this agreement, participating companies undertake not to buy or sell soybeans grown on land cleared in the Amazon region after 2008. IPAM, the Amazon Environmental Research Institute in Brazil,²⁰ believes that ending the moratorium will lead to a 30 per cent increase in deforestation in the Amazon by 2045²¹ and undermine the Brazilian government’s goals of curbing illegal deforestation by 2030. This calls into question one of the commitments in the EU-Mercosur Agreement’s Sustainability Annex 18A even before the agreement comes into force. Article 2.15 of the said annex states: “*Each Party (...) shall implement measures (...) to prevent further deforestation and enhance efforts to stabilize or increase forest cover from 2030. In this context, the Parties should not weaken the levels of protection afforded by their environmental law.*” Since neither the sustainability chapter itself, nor the annex provide for enforcement mechanisms, the expectation is that there will be no significant consequences for non-compliance with this clause.

7 Overall, the impact of the EUDR on deforestation in Mercosur will be limited.²² This is not only because of the effects of the EU-Mercosur agreement and its provisions, which weaken the EUDR, but also because important commodities such as sugar cane and poultry are not covered by the regulation, even though they are drivers of deforestation in Brazil.

Conclusion

Instead of protecting rainforests, Indigenous communities and biodiversity, the EU-Mercosur trade agreement promotes a business model that accepts the destruction of sensitive ecosystems and our climate as collateral damage in order to generate private profits. Contrary to the European

Commission’s claims, the agreement will lead to more deforestation in Mercosur countries to meet EU demand for soy, beef and other commodities. In addition, provisions of the agreement itself undermine the effectiveness of European forest protection initiatives such as the EUDR.



Trade in Brazilian cattle contributes significantly to deforestation and greenhouse gas emissions.

Photo: Natalia Malaia / Unsplash.com (PDM 1.0)

More trade in climate-damaging goods

In the last 10 years alone (2012–22), the production of agricultural goods in Mercosur for European countries released 131 million tonnes of CO₂ into the atmosphere (see Figure 4 on page 5).²³ This is roughly equivalent to the global CO₂ emissions generated by coal combustion in 2024.²⁴ Or, to draw other comparisons, it is as much as the whole of Nigeria emits in a year (2024)²⁵ and exceeds the annual CO₂ emissions of several European countries many times over.

Nevertheless, in its economic impact assessment (2025), the European Commission concludes that the agreement will only result in a marginal increase in global greenhouse gases by 2040 (+0.0006% or 318,000 tonnes compared to 2023).²⁶ Based on the neoclassical Computable General Equilibrium (CGE) model, this analysis only projects the energy-related emissions resulting from changes in production and energy demand related to exports. On top of this, it factors in a substitution effect, as it assumes that changes in trade flows will eliminate emissions in third countries. Yet, other studies also based on neoclassical CGE modelling predict much greater increases in emission levels. Campos et al. (2022)²⁷ and Latorre et al. (2022)²⁸ expect an additional 5.4 million tonnes and 4.9 million tonnes of CO₂ per year, respectively.

The CGE model ignores important drivers of emissions²⁹, such as longer transport distances and the rise of transport emissions due to the intensification of trade.³⁰ Around a third of trade-related emissions are attributable to transport.³¹ It also does not include emissions from the increase in the use of products, such as exhaust gases emitted by combustion engine cars, emissions generated further along supply chains or ones from land use change and deforestation.³²

Mercado and Koo (2023) include land use changes in their CGE modelling and thus, their projected emission levels are higher. In their modelling of a “moderate scenario”, which assumes slightly less liberalisation than what is provided for in the agreement, they predict an annual global CO₂ increase of 0.1 per cent (35.7 million tonnes) compared to the

baseline scenario used (2014) once tariff reductions come into full effect. In the case of more extensive liberalisation, this increase is as high as 0.4 per cent, or 121 million tonnes.³³

Emissions resulting from land use change and deforestation account for a significant proportion of the agreement’s carbon footprint. However, like transport emissions, they are often neglected in modelling. Therefore, this kind of modelling can only provide limited insight into the extent of the agreement’s climate impact. A study by Grain (2019) took into account all emissions generated in food production – from feed and farm inputs to meat processing, refrigeration and transport – and found that increased bilateral trade in beef, cheese, ethanol, baby food, poultry, rice, milk powder and sugar would raise emissions by 34 per cent or generate an additional 8 million tonnes of CO₂ every year.³⁴

The projected increases in CO₂ emissions vary depending on the method used. However, all studies agree on one thing: the agreement is not climate neutral. A legal opinion commissioned by Greenpeace (2024) concluded that the agreement will undermine the EU’s commitments under international climate protection treaties.³⁵ It also questioned the compatibility of the agreement with the European Treaties. In support of this, 145 European parliamentarians presented a motion for a resolution³⁶ calling on the Court of Justice of the European Union (CJEU) to review the agreement’s compatibility with the European Treaties. This resolution was passed by a thin majority in the European Parliament (EP) at the end of January 2026. The EP cannot vote on the agreement until the CJEU has emitted its legal opinion, which could take up to two years.³⁷

Climate-damaging trade between the EU and Mercosur: the example of combustion engine cars

To better understand the climate impact of the agreement, it is worth taking a closer look at the automotive industry. The European automotive industry and the motor vehicle sector are among the main beneficiaries of the agreement.³⁸ They will benefit from the elimination of tariffs on cars, car parts, mineral raw materials and biodiesel and from an EU import quota for biodiesel.³⁹ In addition, the agreement will give European car manufacturers access to critical raw materials such as lithium, which play an important role in e-mobility.⁴⁰ But while Latin American raw materials, among other things, are being used to drive forward the e-mobility transition in Europe, European car companies are securing a sales market for climate-damaging combustion engines in Mercosur.⁴¹ The agreement makes it even easier to export them. The ban on new registrations in the EU from 2035 was watered down in December 2025,⁴² allowing combustion engines to continue to be sold in the EU after 2035 without penalty, provided that their CO₂ emissions are 90 per cent below 2021 levels. However, this requirement does not apply to exported cars. Furthermore, combustion engines cause significantly higher emissions than electric cars when calculated over their life cycle, which includes not only their use, but also their production and transport.⁴³ In addition, the emission intensity of electric cars decreases as more and more electricity is generated by renewable energy sources.

Currently, the EU exports around 73,000 cars to Mercosur each year.⁴⁴ The automotive industry

hopes to triple this figure with the help of the agreement.⁴⁵ This is also in line with the European Commission's assessment, which ranks motor vehicles among the goods with the highest export growth (in millions of euros) (see Figure 2 on page 4). Transporting these cars by sea alone emits around 16,600 tons of CO₂ every year; if exports were to triple, this would amount to 49,800 tons of CO₂. That is roughly equivalent to the average carbon footprint of 5,000 people in Germany in one year.⁴⁶

In addition, Brazil's decarbonisation strategy in the transport sector relies heavily on agrofuels from biomass, especially sugar cane. This poses significant climate risks due to land use changes for the cultivation of energy crops. The European automotive industry (e.g., VW) explicitly supports this questionable decarbonisation strategy to protect its existing investments. By doing so, though, it is contributing to increased deforestation in Mercosur countries, especially in Brazil, as forests are cleared to grow sugar cane for bioethanol or for pastureland for cattle, whose leather is processed into car seats in the EU.

In addition, the agreement includes the recognition of tests and certificates for car registration in accordance with EU regulations. However, the EU's regulations are weak and insufficient, making it easy for car companies to manipulate information on exhaust emissions and gloss over their emission balances.⁴⁷

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The agreement could lead to a threefold increase in exports of EU-made combustion engine cars. Photo: Kathy / Unsplash.com



The cultivation of soybeans in vast monocultures is a driver of deforestation. Photo: Wolfgang Weiser / Pexels.com

Meanwhile, the European Commission is celebrating the integration of the Paris Climate Agreement as an essential element of the EU-Mercosur Partnership Agreement. It argues that its inclusion could allow trade preferences to be partially or completely suspended if one party violates the provisions of the Paris Agreement. However, even the most optimistic studies conclude that although this is an “impressive step forward”, its “substantive impact is quite limited”.⁴⁸ This is due to the weak wording, which only requires the parties to the agreement

to remain parties to the agreement “in good faith”. What this means exactly is not specified. There are no concrete commitments on the implementation of nationally determined climate protection contributions. Various studies⁴⁹ affirm that it is very unlikely that the clause will ever be applied and lead to the suspension of the trade agreement.

Conclusion

The European Commission’s calculations downplay the climate impact of the EU-Mercosur trade agreement. The agreement primarily serves the export interests of European industries and South American agricultural corporations. Little consideration is given to the consequences for future generations in a rapidly warming planet. This is particularly worrying in view of the already existing blatant failures of all signatory states to comply with the 1.5 degree target.⁵⁰



Industrial exhaust emissions.

Photo: Ludvig Hedenborg / Pexels.com

Recommendations for trade in line with European climate targets

The EU aims to become climate neutral by 2050.⁵¹ Laws and regulations within the framework of the European Green Deal, such as the EUDR, are some of the measures being adopted to achieve this goal. European trade policy should also contribute to generating synergies in this regard, rather than counteracting the measures taken. According to studies by the Potsdam Institute for Climate Impact Research, we have already exceeded seven of nine planetary boundaries, including climate change and land use change.⁵² This means that we are living far beyond

the Earth's regenerative capacities at the expense of future generations. It is thus negligent to sign an agreement that promotes an unjust economic and trade model that is harmful to the climate and the environment. The short-termism with which the European Commission and EU Member States are responding to the deep crisis in the global economic model is worrying. Europe's geopolitical calculations and economic interests are overshadowing long-term goals of achieving fair trade within planetary boundaries.

To establish the cornerstones of climate-friendly trade, the following measures should be taken:

1 **Develop a list of goods that have been proven to be harmful to the climate** and whose trade must not be promoted by tariff concessions.

2 **Impose a ban on the export of goods whose sale is prohibited in the EU due to their (climate) harmfulness.** These include pesticides and single-use plastics. In addition, **all products exported by the EU should be required to comply with European standards.**

3 **Promote knowledge and technology transfer** to encourage local and regional production of goods to minimise emissions associated with international trade. Countries should no longer be prohibited from imposing performance requirements on foreign investors, as trade agreements currently do.

4 **Promote local, organic agriculture and reduce agricultural trade to an environmentally and socially acceptable level.** Products proven to be responsible for deforestation in their countries of origin should be excluded from trade liberalisation. The EU must support countries whose economic model is based on the exploitation of their natural resources to build up industrial processing capacities within their borders, protect forests and transform their economic systems.

5 **Reduce European (raw material) consumption** to ease pressure on the sensitive ecosystems of other countries. As long as European livestock farming depends on soy imports from Mercosur, there will be no change in the incentives for growing this forest-threatening product. The situation is similar for other agricultural and mineral raw materials.

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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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