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- GREEN DEAL AND UKRAINE

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THE EUROPEAN GREEN DEAL AND POTENTIAL CONSEQUENCES FOR UKRAINE OF ITS IMPLEMENTATION BY NEIGHBOURING STATES¹

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The article analyses the European Green Deal as a roadmap of actions designed to transform the European Union into a more competitive and efficient economy, and discusses what implications it can have for Ukraine. Russia's full-scale invasion of Ukraine accelerated efforts to rid the country of imported fossil fuels and streamlined different European initiatives and numerous national programmes in this regard. The EGD will have an extremely profound impact on economic and social life in Ukraine in the medium and long term. Faced with severe damage to enterprises and infrastructure, Ukraine is able to create conditions for a rapid recovery, based on EGD criteria and international support.

Coal and steel lay at the heart of the European project in the 1950s. Today's European Union (EU) has set a goal of achieving the opposite and phasing out the use of fossil fuels by 2050, which will mark nearly a century since the creation of the European Coal and Steel Community. In 2008, the EU proclaimed itself a leader in implementing policies that seek to "transform Europe into a low-carbon economy"². The global economic crisis, the lack of political support from China, as well as the US withdrawal from the Paris Climate Agreement in 2015, and a number of other developments, have hindered rapid progress towards this goal. The new composition of the European

Commission (EC), which took office in 2019, tackled the task with renewed vigour and ambition, declaring the European Green Deal one of its top priorities.

Russia's full-scale invasion of Ukraine accelerated efforts to end dependence on imported fossil fuels, streamlined combined European efforts through the RePowerEU initiative and led to numerous national programmes to reduce consumption and diversify energy imports. At the same time, Ukraine received promises of massive support for the recovery of its national economy and energy sector, based on green and sustainable criteria.

1 The original research was published within the project "European Green Deal and Potential Consequences for Ukraine from the Introduction by Its Neighborhood States" with the financial support of the International Renaissance Foundation

2 Harvey, Fiona and Jennifer Rankin, What is the European Green Deal and will it really cost €1tn?, The Guardian, 9 March 2020, <https://www.theguardian.com/world/2020/mar/09/what-is-the-european-green-deal-and-will-it-really-cost-1tn>

What is the European Green Deal?

The European Green Deal (EGD) is a roadmap of actions designed to transform the European Union into an efficient, sustainable and competitive economy. Its main objective is to develop and help member states to implement changes that will enable Europe to become the world's first climate-neutral continent by 2050. This goal is to be achieved by fostering the development of a circular economy, improving people's health and quality of life, and transforming climate and environmental challenges into opportunities in all EU sectors and policies, thus ensuring a fair and inclusive green transition.



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European Commission President Ursula von der Leyen announced the official launch of the EGD in the European Parliament on 11 December 2019. Amid the economic and coronavirus crisis, the EGD has a unifying role to play, to increase the resilience of a vulnerable world. Its raison d'être is not so much to actualise the development of climate policy as to conceptualise the green modernisation of the economy and economic growth, to ensure human life is in

harmony with the planet and its resources.³ Accordingly, the key areas of the EGD are clean energy, climate action, construction and renovation, sustainable industry, sustainable mobility, pollution reduction, biodiversity and a sustainable agricultural policy (Farm to Fork Strategy).

More specifically, the EU has set the following tasks:

- Biodiversity: implementation of measures to protect the vulnerable ecosystem.
- Farm to Fork Strategy: finding ways to ensure more sustainable food systems.
- Sustainable agriculture: ensuring the sustainability of EU agriculture and rural areas through the Common Agricultural Policy (CAP).
- Clean energy: transition to completely clean energy, i.e. energy with minimal emissions of greenhouse gases and other pollutants.
- Sustainable industry: creating ways to ensure more sustainable, environmentally friendly production cycles, maximising the reuse of materials and minimising waste.
- Construction and renovation: creating conditions for an environmentally friendly construction sector.
- Sustainable mobility: the development of transport systems that maximise the use of low-carbon fuels.
- Pollution reduction: implementing rapid and effective measures to reduce pollution.
- Climate action: achieving EU climate neutrality by 2050.

³ European Green Deal, Mission of Ukraine to the EU, 15 April 2021, <https://ukraine-eu.mfa.gov.ua/en/2633-relations/galuzeve-spivrobitnictvo/klimat-yevropejska-zelena-ugoda>

Achieving climate neutrality will require all sectors of the EU economy to take action, in particular by

- investing in environmentally friendly technologies,
- supporting innovation,
- manufacturing cleaner, more affordable and more sustainable types of private and public transport,
- decarbonising the energy sector,
- making buildings more energy efficient,
- expanding cooperation with international partners to improve global environmental standards.

Thus, the European Green Deal is the EU's plan for the development of a sustainable economy in which:

- greenhouse gas emissions will be reduced to zero by 2050 (the interim target is to reduce emissions by 50-55% below 1990s levels by 2030);
- economic growth will not depend on an increased use of resources;
- no person or territory will be left out of the changes introduced.

International Dimension of the European Green Deal

The EU recognises that the success of the EGD depends not only on the organisation's ability to drive the necessary changes, but also on the extent to which the goals, norms and standards it sets are accepted and implemented both by neighbouring states and globally. To promote the EGD internationally, the European Commission

has committed to launching a large-scale diplomatic campaign to promote the Green Deal, including by using the instruments of the EU's trade policy, development assistance and foreign policy. In terms of the Southern Neighbourhood and within the Eastern Partnership, the Communication on the EGD envisages "a number of strong environmental, energy and climate partnerships"⁴.

However, since the EGD is a very long-term policy, its implementation will also have a significant impact on the EU's partners. In particular, the EU should be proactive in its relations with global players such as China, the USA and Saudi Arabia, and regional powers in the Mediterranean Sea and North Africa.



However, since the EGD is a very long-term policy, its implementation will also have a significant impact on the EU's partners

Whereas a few years ago ambitious climate goals looked unattainable, the year 2020 was a turning point. Not only the EU, but also Japan, South Korea and Australia announced their plans to achieve climate neutrality. China also committed to this goal, although somewhat later. The United States returned to the climate policy fan club, and is preparing a nationally determined contribution to the Paris Agreement, as far as plans to achieve climate neutrality by 2050 are concerned.⁵

4 European Green Deal: Shaping the Eastern Partnership Future, Resource and Analysis Center "Society and Environment", November 2020, <https://www.rac.org.ua/uploads/content/593/files/webeneuropean-green-dealandaepen.pdf>

5 Joint Statement following the visit of US Special Presidential Envoy for Climate John Kerry to the European Commission, 9 March 2021, https://ec.europa.eu/commission/presscorner/detail/en/statement_21_1093

Although the increase in the number of EGD supporters looks significant, the EU is facing a number of serious challenges, in particular due to its ambitious objectives. In particular, these include⁶:

- The EU should engage with oil- and gas-exporting countries to foster their economic diversification, including into renewable energy and green hydrogen.
- The EU should improve the supply security of critical raw materials and limit its dependence on other countries, primarily on China.
- The EU should establish a “climate club” of countries ready to introduce similar carbon border adjustment measures.
- The EU should become a global standard-setter for the energy transition, particularly in hydrogen and green bonds.
- The EU should promote global coalitions for climate change mitigation, such as one to protect the permafrost.
- The EU should promote a global platform on the new economics of climate action, to share lessons learned and best practice.

All these foreign policy efforts may provoke a geopolitical response from the EU's international partners, which will range from closer cooperation to attempts to redirect trade and investment flows, to downright hostile efforts to counter the effects of the Green Deal.

The European Green Deal and Ukraine

Ukraine started actively preparing its position on the EGD in autumn 2019.

On November 4, 2019, Sergiy Maslichenko was appointed Deputy Minister of Energy and Environmental Protection. He is a former Associate Director for Energy Efficiency and Climate Change, at the European Bank for Reconstruction and Development (EBRD), and co-author of the EBRD's thermal modernisation programme IQ Energy, as well as the alternative energy financing programme USELF (Ukraine Sustainable Energy Lending Facility).

On December 20, 2019, in response to the approval of the European Green Deal by the European Commission, Deputy Prime Minister for European and Euro-Atlantic Integration of Ukraine, Dmytro Kuleba, in a telephone conversation with High Representative of the European Union for Foreign Affairs and Security Policy Josep Borrell, said that Ukraine was interested in actively participating in the implementation of the EGD, in particular in joining the EU's efforts to achieve a climate-neutral economy. In addition, Ukraine said that it would submit specific proposals to the EU in this area.

On January 21, 2020, the Ministry of Energy and Environmental Protection presented the draft concept of Ukraine's green energy transition until 2050.⁷ According to the ministry, the concept offers realistic measures for energy transition that are acceptable for the economy and society.

On January 24, 2020, at the initiative of the Ministry of Foreign Affairs of Ukraine, the Cabinet of Ministers of Ukraine established an ad hoc Interagency Working Group on Coordination of Climate Change Mitigation

6 Leonard, Mark, Jean Pisani-Ferry, Jeremy Shapiro, Simone Tagliapietra, and Guntram Wolff. The geopolitics of the European Green Deal, ECFR, 3 February 2021, <https://ecfr.eu/publication/the-geopolitics-of-the-european-green-deal/>

7 The Draft Concept of the Ukraine Transformation to the European Green Deal is Presented. Cabinet of Ministers of Ukraine, 21 January 2020, <https://www.kmu.gov.ua/news/prezentovano-proekt-koncepciyi-zelenogo-energetichnogo-perehodu-ukrayini-do-2050-roku>

within the EGD. Among other tasks, the Group was to strengthen institutional cooperation between Ukraine and the European Commission, with a view to implementing the EGD. The group is headed by the Deputy Prime Minister for European and Euro-Atlantic Integration of Ukraine.

Despite these proactive first steps, the outbreak of the coronavirus pandemic and the subsequent economic downturn affected the implementation of the planned measures, having effectively postponed the dialogue with the EU for at least six months.

On August 13, 2020, Ukraine's policy paper on participation in the EGD was presented in a letter from the Prime Minister of Ukraine, Denys Shmyhal, to European Commission First Vice-President Frans Timmermans. Among other things, the document proposes a structured and regular dialogue with the EU on the modalities of Ukraine's early involvement in the development and implementation of EGD policies, and the development of a joint roadmap for Ukraine's participation in the EGD. The document also outlines promising areas of cooperation within the EGD.

In parallel with these practical steps, there were numerous discussions and meetings on the EGD's impact on Ukraine and its participation in it, both at the highest level between Ukraine and the EU, and at the national level: in parliament, business circles and civil society. In particular, the findings of the study "European Green Deal: Opportunities and Threats to Ukraine" provoked a number of discussions among stakeholders, on the role of the EGD as an external factor for Ukraine, the opportunities and challenges for each sector in Ukraine in terms of EGD components.

On January 19, 2021, the Prime Minister of Ukraine, Denys Shmyhal, chaired a meeting of the Interagency Working Group on

Coordination of Climate Change Mitigation, under the European Commission's European Green Deal initiative. The formation of the Ukrainian green deal based on the European Green Deal was discussed, and priorities in its main areas were presented. The key task of the government of Ukraine is to balance the vision of various ministries and agencies, taking into account the opinion of business, and to develop a common position on determining the level of climate ambitions, and steps within the country that will meet the stated goals.



When assessing the prospects of the EGD, it is extremely important for Ukraine to take into account the opportunities and challenges that can arise if neighbouring states (within and outside the EU) fail to implement their own plans within the EGD

Thus, the EGD sets at least two global goals for Ukraine:

1. To coordinate efforts with the EU and neighbouring states in the process of domestic green transition, to minimise economic and financial losses.
2. To transform security policy, following the reassessment of possible risks and threats, primarily from Russia, which is already actively cooperating with the EU in the context of climate policy, trying to circumvent and mitigate the effects of the existing sanctions.

When assessing the prospects of the EGD, it is extremely important for Ukraine to take into account the opportunities and challenges that can arise if neighbouring states (within and outside the EU) fail to

implement their own plans within the EGD. The following are the criteria against which Ukraine should make such an assessment.

Opportunities and Challenges for Ukraine from EGD Introduction by Neighbouring States

Ukraine is in a unique position on the geographical map of Europe, which always affects the geopolitical situation, and requires considering a number of political, economic and security factors. Neighbouring countries can be conditionally divided into the following groups:

1. The EU member states that will implement the EGD within the framework of the EU common policy are, in particular, Poland, Slovakia, Hungary and Romania.
2. States that are connected to the EU by the terms of the Association Agreement or European integration processes, in particular Moldova and Turkey.
3. States that have minimal obligations to support the EGD, but may not do so for political or other reasons, namely Russia and Belarus.

An analysis of the EGD's impact on Ukraine's foreign policy should be conducted, taking into account several criteria:

1. Whether or not the neighbouring countries have integrated energy and climate plans (or equivalents), their main goals in terms of greenhouse gas emission reduction, energy efficiency, renewable energy, ways of restructuring the energy sector, and the resources they plan to allocate to achieve the relevant indicators.
2. Pan-European discourse on a carbon border adjustment tax, and the mechanisms of its implementation at the national level in neighbouring countries.

3. The formation of national policy in economy and trade, taking into account expected changes in imports and exports, and ways to preserve the competitive advantage of domestic producers.

4. The impact of the EGD on security, in particular on Russia's policy towards EU member states and third countries, such as energy exports and transit, sanctions policy, access to climate finance and technology, etc.

5. The impact of the EGD on trade and economic relations between Ukraine and third countries, in particular in the context of signed agreements on free trade zones or similar agreements (the situation with Turkey deserves special attention).



Faced with severe damage to enterprises and infrastructure, Ukraine is able to create conditions for its rapid recovery, based on EGD criteria and international support

The EGD will have an extremely profound impact on economic and social life in Ukraine, in the medium and long term. Faced with severe damage to enterprises and infrastructure, Ukraine is able to create conditions for its rapid recovery, based on EGD criteria and international support. In this way, Ukraine is ready to minimise dependence on relations with Russia and Belarus, two aggressor states, and has to focus much more on cooperation with its western neighbours, committed to the EGD and REPowerEU, as well as enjoying financial and technical support from EU structural funds. Despite substantial support and understanding of hot war limitations from Ukraine's partner states,

it is of the utmost importance to work on further adoption of the EU acquis, create a legal and regulatory basis for green recovery, create attractiveness for investors and protection for realised projects in terms of ownership, and compensation for possible losses because of military hostilities.

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