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THE EUROPEAN «GREEN DEAL» AND ITS IMPLEMENTATION IN UKRAINE

Актуальність статті полягає у дослідженні співпраці України та Європейського Союзу щодо впровадження ЄЗК (Європейського зеленого курсу).

Розглянуто важливість впровадження ЄЗК в Україні; проаналізовано перспективи та загрози на цьому шляху; досліджено інституційну структуру та актуальність механізму впровадження системи ЄЗК; виявлено характер трансформуючого впливу ЄЗК; сформульовано рекомендації для доповнення ключових моментів впровадження ЄЗК в Україні.

Ключові слова: ЄЗК, Європейський Союз, Східне партнерство, цілі сталого розвитку.

The relevance of the article lies in the study of cooperation between Ukraine and the European Union on the implementation of the EGC (European Green Course).

The importance of implementing EGC in Ukraine is considered; prospects and threats on this path are analyzed; the institutional structure and relevance of the mechanism of implementation of the EGC system are studied; the nature of the transforming influence of the EGC was revealed; recommendations have been formulated to supplement the key points of implementing the EGC in Ukraine.

Key words: EGD, CBAM, European Union, Eastern Partnership, Sustainable Development Goals.

1. Introduction

European Green Deal is the action program of the European Commission, which focuses on an ambitious plan for the transition to a climate-neutral Europe by 2050. This is the EU's response not only to the global problems of climate change, pollution, and loss of biodiversity but also to the request of European citizens to include climate challenges in the EU's political agenda. [7]

Through Green Course diplomacy, which is one of the essential elements of the global dimension of the EGD, the EU also influences the formation of new priorities within the framework of the EAP. The Eastern Partnership is a joint program initiative to deepen and strengthen EU relations with six eastern neighbors: Armenia, Azerbaijan, Belarus, Georgia, Moldova, and Ukraine. [5]

The subject of our research is the impact and importance of EGD on environmental policy and cooperation with Ukraine. Such a subject of study requires the analysis of several phenomena in their interrelation: the European Green Course, prospects and threats of EGD for Ukraine, European Union's role in formation of Green Deal Policy in Ukraine, experts opinion on the prospects of EGD for Ukraine. [6]

2. Main Body

2.1 Does Ukraine need EGD?

The European Green Deal is essential for Ukraine in several aspects. Firstly, from the point of view of synchronization with the latest European trends in the «greening» of such critical sectors as the economy, energy, agriculture, transport, because Ukrainian politics and strategic planning critically lack a green component.

Secondly, given the opportunity to be part of a pan-European value space, in the context of the fact that the central goal of the European Green Deal – the transition to a climate-neutral Europe by 2050 – clearly provides for Ukraine's entry as part of Europe, to reduce greenhouse gas emissions and decarbonize various sectors. [5]

Thirdly, the use of several opportunities within the framework of the European Green Course (for example, new markets, financial instruments) is closely related to the implementation of the so-called «homework» of Ukraine, in particular the relevant sectors of the Association Agreement between Ukraine and the EU, obligations under the Energy Community a and the Paris Agreement on Climate Change,» says Natalia Andrushevich, Chairman of the Board of the Resource and Analytical Center «Society and Environment.» [6]

In addition, if Ukraine does not join the Green Exchange Rate, it will «drop out» of the European market. For example, there will be problems with «dirty» electricity supply to the European energy system. The same is expected for the primary goods of Ukrainian exports – industrial and agricultural products, which have a high carbon footprint. It is also worth considering that the EU plans to introduce a carbon regulation mechanism at the border and strengthen fiscal methods and tools that will raise the cost of greenhouse gas emissions and contribute to their reduction. For Ukraine, it is more profitable to join the joint creation with the EU of a Roadmap for the implementation of the Green Course, to become an equivalent participant in the process, and to use the financial, technical, and organizational opportunities for an energy green transition that the EU assumes. [5]

2.2 Prospects and threats of EGD for Ukraine

One of the biggest problems of the EGD for Ukraine is the Carbon Border Adjustment Mechanism, which provides for reducing carbon emissions and preventing the leakage of the carbon footprint from the EU to other countries.[2] The introduction of this mechanism will lead to additional taxation of goods imported into the country from foreign manufacturers with less stringent carbon emission rules.

The essence of CBAM is to protect domestic producers, encourage external partners to develop their climate initiatives, and reduce the risks of carbon pollution. In practice, this mechanism should become a unique tool for estimating CO₂ emissions from the production of imported goods.[2] Based on this assessment, their price will be formed. The purpose of the carbon adjustment is to stimulate the market for goods with a low carbon footprint and support the use of payment mechanisms for carbon emissions into the atmosphere in countries outside the EU.

Among the main consequences of the introduction of CBAM is the creation of a new form of trade restrictions for the export of goods from Ukraine to the EU, which provides for an expected price increase for the final consumer-importer, a potential decrease in the competitiveness of Ukrainian producers in the EU market, a slowdown in investment and deterioration of economic integration into the EU. [2]

In parallel with the threats of the EGD, there are many prospects for the development of the Ukrainian economy. In particular, the new European course allows our country to become a supplier of green energy (hydrogen) for the EU to meet the needs of electrification. To do this, Ukraine is already testing the possibility of supplying a hydrogen mixture in a gas transmission system.

2.3 Among other advantages of EGD, the following opportunities should be highlighted:

- to become a reliable transit of gas as a transitional fuel in the EU, which will be necessary for the gradual reduction of emissions from fossil fuels;
- development of joint projects on the use of hydrogen, which is an important tool for decarbonizing energy in general, as well as the transport sector – auto, air and marine;
- formation of common approaches to energy security in order to reduce the export dependence of Ukraine and EU countries on energy resources, in particular oil and natural gas, to jointly build the EU's energy security policy, since the latter is poorly provided with internal resources, it has to import 87% of oil and 74% of natural gas;
- supplies of rare earth minerals and metals necessary for the production of solar panels, wind turbines, lithium-ion batteries, fuel cells and electric vehicles (gallium, germanium, hafnium, graphite, phosphorites, yttrium, scandium, titanium, vanadium, etc.).

3. European Union's role in formation of Green Deal Policy in Ukraine

Ukraine has agreed with European partners to launch a high-level Ukraine-EU dialogue on the European Green Course. We are starting to develop a Roadmap that considers the UN Sustainable Development Goals until 2030 and the provisions of the Paris Climate Agreement, which Ukraine joined in 2016. And this is not just a “conversation” between Ukraine and the European Union officials.

This is, in fact, a political and legal platform where further practical steps are discussed and formed. We proceed from the fact that Ukraine shares the ambitious climate agenda of the EU and is ready to move in this direction, so far – at the pace of our objective capabilities. Then the European Union, forming a Green Course policy, should consider the obligations existing within the framework of the Association Agreement between Ukraine and the EU and the modernization opportunities of the Ukrainian economy. [6]

Eastern European EU member states have a similar moderately ambitious position. Still, they receive huge support from EU funds to transform their economy, which we do not yet have access to. Their diplomacy and the Ukrainian lobby in the EU should work well to minimize the impact of the carbon adjustment mechanism at the border and so that other non-tariff trade regulation instruments do not create additional obstacles to the integration of Ukrainian business into the EU market — as stipulated by the Association Agreement and WTO obligations. [7]

The European Union, which is being built as a continent without borders, should not create “carbon borders” with those countries that claim membership in it – it should become our principled negotiating position. And to do this, we need to prove that greening the land and reducing harmful emissions is our priority. To do this, it is necessary to adopt appropriate legislation, and the budget of Ukraine should adequately finance the relevant environmental measures, energy-efficient blocks, the development of green energy. [5]

4. Pro-active position of Ukraine in relation to EGD

Ukraine reacted almost instantly to the proclamation by the European Commission of the European Green Deal on December 19, 2019. Firstly, the very next day (December 20, 2019), Deputy Prime Minister for European and Euro-Atlantic Integration of Ukraine D. Kuleba said during a telephone conversation with the head of the EU Diplomatic Service Zh. Borrel stressed that Ukraine is interested in taking an active part in the implementation of the EGD, in particular, to be part of the EU’s efforts to achieve a climate-neutral economy. In addition, Ukraine has announced that it will make concrete proposals to the EU in this direction.

Secondly, on the initiative of the Ministry of Foreign Affairs of Ukraine on January 24, 2020. The Government of Ukraine has established a special Interdepartmental working group on the coordination of combating the effects of climate change within the framework of the initiative of the European Commission “European Green Course”. Among the tasks of the group is to strengthen institutional cooperation between Ukraine and the European Commission in order to eliminate the EGD. The group was headed by the Deputy Prime Minister for European and Euro-Atlantic Integration of Ukraine.[6]

Already in August 2020, a positive document (non-paper) was developed, agreed upon and submitted to the European Commission with specific proposals of Ukraine for cooperation with the EU on each element of the EGD. In particular, Ukraine is

interested in developing a roadmap and has proposed a structured high-level dialogue with the EU on this issue. [7]

In parallel with these special processes, the issue of the impact of the EGD on Ukraine and its involvement has been the subject of numerous discussions, meetings both at the highest level between Ukraine and the EU, and at the national level: in parliament, the business environment and civil society. In particular, according to the results of the study “The European Green Deal: Opportunities and Threats for Ukraine”, a number of discussions were held among interested parties about the role of the EGD as an external factor in relation to Ukraine, the opportunities and threats arising for each sector of Ukraine in accordance with the elements of the EGD.

5. What do experts think about the prospects of EGD for Ukraine?

There is no course of the state as such; there are only separate intentions and temporary sets of measures from frequently changing governments and teams that come to power. And inviting a specific course and following its measurable indicators in each area is the only right way for the state to protect it from financial and reputational losses when personalities change in the government, parliament, and the relevant government offices. Such a course can be a New Green Course, which the European Union has already announced. Foreign Minister Dmitry Kuleba regularly assures international partners that the Ukrainian course is precisely “green.”

“The European Green Agreement is not a slogan, but an economic growth strategy. Ukraine will do two things: become a participant in the EU’s efforts to implement their agreement and receive EU support in implementing our green transition plans,” Dmitry Kuleba said in January 2020 and has been sticking to the same rhetoric ever since. [1]

“Ukraine has long been an ecological disaster zone: floods in the Carpathian region, soil erosion, an increase in the average annual temperature, snowless winters, burning peat bogs, forest fires, sandstorms. And at the same time, we continue to perceive environmental issues as secondary, as if they do not affect us and are far from everyday life. I am convinced that we need to change the style of thinking about man’s interaction with nature and start working out because we lag, of course, our European colleagues. We must promote the green agenda of Ukrainian politics. That is why I joined the energy committee because I understand that the issues of energy and changes in this area are fundamental to ensure that Ukraine will seriously work on countering the climate crisis. I will pay maximum attention to energy conservation and energy efficiency,” says Inna Sovsun, MP from the Voice party.[1]

6. Recommendations on Ukraine’s future prospects with EGD

Taking into account the listed threats and opportunities, the experts of the European Business Association suggest representatives of the Ukrainian Ministries of Energy, Economic Development and Agriculture, Environmental Protection and Natural Re-

sources, as well as the Deputy Prime Minister for European Integration to take measures and finalize the key points of the introduction of EGD in our country.

Among these measures: the creation and approval of systems of public financing institutions aimed at achieving the goals of the green course; the establishment of clear deadlines for financing decarbonization measures; the development of an investment plan; approval of the amount of funding for the implementation of measures defined by the EGD; the development of a roadmap for the implementation of EGD initiatives.

It is worth noting that an investment plan is provided for the implementation of the EGD initiatives, according to which at least one trillion euros of investments will be attracted during 2021-2030, of which 503 billion will be from the EU budget, 114 billion from national structural funds, 25 billion from the funds of the European greenhouse gas emissions trading system. Thus, the funds account for 64% of all EGD investments. [4]

In order to attract investments and implement projects in Ukraine, regulatory transparency and certainty should be ensured, as well as coordination of projects together with the new initiative of the National Securities and Stock Market Commission on the introduction of green bonds and «transitional financing» standards.[4]

An important factor will be the restoration of confidence in Ukraine from investors in renewable energy sources. For this, again, stable and transparent solutions are needed, which will reduce investment risks and create opportunities for financing in the format of public-private partnership.

By the way, representatives of national business will also have the opportunity to involve the Ukrainian side in public consultations held by the European Commission as part of the implementation of EGD initiatives.

The participation of the Ukrainian side will prove the seriousness of Ukraine's intentions during political meetings at the highest level and strengthen its negotiating position, and business representatives will better prepare the position of the Ukrainian side for meetings of this level.

It is expected that the draft law on the introduction of CBAM will be published by the European Commission in July 2021. After that, the vector of further negotiations and plans will be determined. The mechanism itself may come into force as early as 2023.[3]

7. Conclusion

Considering that the EGD carries some threats to the development of the Ukrainian economy in the long term, such sustainable initiatives should become the engine of harmonization of all spheres of activity of the country.

Together with the EU, representatives of Ukraine should also develop a plan for the transition to carbon neutrality, using revenues from the export of carbon-intensive goods to diversify their economies.

Ukraine, in turn, expects EU support and actions aimed at a gradual increase in the price of CO₂ emissions to preserve our economy. The critical point is using the CBAM mechanism and its possible exceptions for Ukrainian exporters.

This can be achieved thanks to Ukraine's systematic cooperation with the European Commission, whose representatives can guarantee support with the involvement of sustainable financing and the transfer of technology for decarbonization of the energy sector. [2]

The Green Course in Ukraine will put energy independence, environmental friendliness, and local producers in the first place. Instead of fossil fuels – renewable energy, instead of monopolies – priority to small and medium-sized businesses, instead of traffic jams – focus on a comfortable road, convenient public transport, bicycles, and electric cars. It will be comfortable living and working in such a country, so it's worth making a contribution and signing a petition right now. Every prosperous country has a nationwide inspiring goal and a long and purposeful path to achieve it. Ukraine lacks a unifying purpose, the so-called "big dream," like the Americans, Japanese, or even Estonians. Perhaps the national Green Course will unite us and inspire us to build a new prosperous future for Ukraine.

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