



Policy paper
Executive Summary

EUROPEAN GREEN DEAL: OPPORTUNITIES AND THREATS TO UKRAINE

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EXECUTIVE SUMMARY

The policy paper «European Green Deal: Opportunities and Threats to Ukraine» aims at analyzing the main tasks and components of the European Green Deal (EGD) (climate change, energy, transport, industrial strategy, agriculture, zero pollution, biodiversity, finance, trade) in terms of opportunities and threats to Ukraine.

The policy paper was prepared with the financial support of the International Renaissance Foundation within the framework of the project 'European Green Deal: Opportunities and Threats to Ukraine'. The study was carried out by experts from the Resource and Analysis Center «Society and Environment» (Andriy Andrusevych, Nataliya Andrusevych, Zoryana Kozak), the Institute for Economic Research and Policy Consulting (Vitaliy Kravchuk, Veronica Movchan), DiXi Group (Anastasiia Synytsia), Information Center Green Dossier (Kateryna Shor), Oleksii Khabatiuk (independent expert).

The European Green Deal is an EU action plan with an ambitious goal to move to a climate-neutral Europe by 2050. The Government of Ukraine has announced the intention of our country to join the EGD. Such aspirations of the government are important, taking into account the need to form a state policy in Ukraine that would consider today's environmental and climate challenges. At the same time, we should bear in mind the full range of consequences of the EGD for Ukraine in the context of opportunities and threats that it creates for us.

THE MAIN CONCLUSIONS of our document are based on a study of all structural elements of the EGD, taking into account how these issues are addressed in the EU, the state of affairs in the relevant area in Ukraine, analysis of opportunities and threats:

CONCLUSION 1: Climate change is a top priority for the EU. For Ukraine, this means the need to articulate climate policy, namely ambitious climate goals in the framework of commitments under the Paris Agreement, an appropriate energy strategy, integration of the climate change issues into all sectoral policies. Opportunities in the context of the EGD are hidden in the low current energy efficiency and high carbon intensity of Ukraine's economy, caused by both high depreciation of fixed assets and a significant share of fossil fuels in the energy balance. Provided that an effective international and/or bilateral mechanism is established, in particular within the framework of the EGD, this will allow raising significant amounts of 'green' funding. The new non-tariff barriers to trade will be climate-related, and in climate-friendly areas such barriers will be reduced (for example, renewable energy).

CONCLUSION 2: The implementation of the EGD creates for Ukraine several strategic development opportunities. The acceptance of an 'industrial visa-free regime' will facilitate the integration of Ukrainian industries into new EU industrial processes. Expected restrictions related to the environmental friendli-

ness of goods and services placed on the EU market may create new niches for Ukrainian producers by displacing imports into the EU from other countries. In the field of agriculture, it can be strengthening the development of organic production, in the field of energy – cooperation on hydrogen energy, in the field of finance – active access to the European public procurement market, access to the EU financial and technical support instruments. In the field of nature protection – the integration of protected areas of Ukraine into the NATURA 2000 network through the creation of special financial instruments.

CONCLUSION 3: A separate group of new opportunities for Ukraine is geopolitical. As the key goal of the EGD is a climate-neutral Europe, Ukraine's involvement in the process of achieving it is a necessary pre-condition. Climate-neutral Europe creates a conceptual and value basis for foreign policy cooperation, in particular in the framework of the Eastern Partnership, deepening the association process with the EU, the Paris Agreement, environmental conventions, the Energy Community, the Memorandum of Understanding on cooperation in the field of energy between the EU and Ukraine.

CONCLUSION 4: «Homework» is the key to opportunities and a means of countering threats. The effective use of opportunities is closely linked to the current state and readiness of Ukraine for transformation in a particular area. Effective domestic reforms in areas related to EU integration and climate change are a prerequisite for seizing opportunities and reducing the likelihood or impact of threats posed by the EGD to Ukraine. An unconditional priority is the effective approximation of the Ukrainian legislation to the requirements of the EU legislation in all areas provided for in the EU-Ukraine Association Agreement.

CONCLUSION 5: The EGD poses several threats to Ukraine. Strengthening the quality requirements for certain products and technologies is likely to create additional challenges for the 'industrial visa-free regime' as EU plans create a difficult 'moving target' for Ukraine in this area. The strengthening of the secondary raw materials market in the EU is likely to lead to a reduction in exports of secondary raw materials to Ukraine, which will affect processing plants currently dependent on imports of such raw materials. The EU's desire to reduce inland freight carried by road to reduce emissions may have an impact on the issuance of permits to Ukrainian trucking companies. The high priority of nature protection in the EU may, in practice, mean meticulous attention on the part of the EU and its financial institutions to the implementation of the relevant obligations of Ukraine, in particular in the implementation of investment projects in the energy sector.

CONCLUSION 6: The key threat is the restriction of access of Ukrainian goods to EU markets and new non-tariff barriers to trade. This primarily applies to energy and resource-intensive goods, which occupy a significant share in the structure of Ukrainian exports - products of metallurgy, agriculture, food industry, energy, heavy chemicals, engineering, steel, building materials, etc. Transport infrastructure, such as gas pipelines, may also come under pressure from such mechanisms. The intention to implement the carbon border adjustment mechanism, currently being developed by the European Commission to prevent the conversion of neighboring countries to 'carbon offshore', could

significantly complicate Ukraine's electricity exports to the EU as Ukraine has a significant share of the thermal power plants in overall electricity generation. High requirements for food products and compliance with environmental standards in their production can be an obstacle to further exports of Ukrainian agricultural products to the EU market.

CONCLUSION 7: New opportunities through deeper digitalization. The development of the digital sphere in the EU opens up many opportunities: from the simplification of transactions and customs procedures to strengthening efforts against smuggling, further development of the IT sector, access to public procurement in the EU.

CONCLUSION 8: A separate group of threats from the introduction of EGD - the consequences for the environment in Ukraine. The development of the electric car market in the EU and, as a result, the flooding of the Ukrainian market with used electric cars from Europe will have a positive effect on reducing pollution in cities. But, on the other hand, this will lead to new environmental problems in Ukraine resulting from use of 'dirty' electricity and used batteries management. The development of inland waterway transport will require addressing several environmental issues related to the construction of new waterways or the operation of previously created ones.

The policy paper contains **RECOMMENDATIONS** for key stakeholders, including the following:

(1) FOR THE GOVERNMENT OF UKRAINE, which should formulate the priorities of the Government, taking into account the opportunities and threats of the EGD; invite the European side to start a dialogue on the development of a Roadmap for Ukraine within the framework of the EGD; to support further European integration of Ukraine in the areas of the EGD, which are a priority for Ukraine; formulate the climate policy of Ukraine; support the integration of Ukrainian producers into the industrial production chains of the EU, in particular, ensure the signing of ACCA as soon as possible; use and promote new opportunities for financing and involvement of green investments; continue digitalization; inform businesses about the role of the «carbon footprint» in future exports to the EU.

(2) FOR THE VERKHOVNA RADA OF UKRAINE, which, first of all, should ensure the process of full implementation of the requirements of European legislation related to the EGD, in particular by strengthening control mechanisms for compliance of draft laws with European legislation and integration of climate change considerations at all stages of the lawmaking.

(3) FOR BUSINESSES, which should take into account the objectives of the EGD in the process of strategic planning of their development and use the financial instruments of the EGD; look for opportunities for integration into new industrial production processes in the EU market; take into account that access to EU markets in the future will significantly depend on the compliance of goods and services with the EU's climate and environmental requirements.

(4) FOR CIVIL SOCIETY, which, first of all, should promote better awareness-raising of all stakeholders about the opportunities and challenges of the EGD, as well as continue the process of monitoring the implementation of European integration reforms in Ukraine.

(5) FOR THE EUROPEAN SIDE, which should consider Ukraine as a necessary partner in the implementation of the EGD, develop together with the Government of Ukraine a roadmap for Ukraine following the example of the Roadmap for the Balkan countries provided by the EGD; promote Ukraine's integration into new 'green' production processes in the EU by launching an industrial dialogue; strengthen control over the sustainability of goods and services imported into the EU from Ukraine, in particular timber, agricultural products; support investments from the EU aimed at the production of 'green' goods, decarbonization of the economy; continue to provide assistance to Ukraine in approximating legislation in the field of environment and climate protection, agriculture, energy, transport; develop flagship initiatives for Ukraine's integration into the EU nature protection area, in particular to start a dialogue on removing barriers to the implementation of birds and habitat directives and Ukraine's integration into the NATURA 2000.

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