

## **Promoting Environmental Sustainability in the EaP Countries in the Context of the European Green Deal**

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### **Introduction**

The European Green Deal is the top priority of the European Commission since 2019. The disruption by the COVID-19 pandemic threatened the new green course, but the commission remains committed to this comprehensive policy approach. The Association Agreements (AA) signed between the European Union and Georgia, Moldova, and Ukraine as well as the Comprehensive and Enhanced Partnership Agreement (CEPA) with Armenia include provisions for strengthening institutional frameworks in the field of environment so that the EaP countries can align with EU standards and adopt new legislation.

Environmental reform and climate change were also included in the previous strategies of the EaP. The EaP summit of November 2017 in Brussels marked a new approach with the adoption of the 20 Deliverables for 2020 reform agenda. Enhancing energy efficiency and the use of renewable energy, reducing greenhouse-gas emissions, and supporting the environment and adaptation to climate change were among the deliverables. So far, the EaP countries have [slowly](#) succeeded in moving environmental policy higher up the agenda. But they now have to scale up their decarbonization efforts, energy reforms, and environmental policies to be in line with the EU.

The [narrative](#) of the European Green Deal as the top EU priority reflects a more integrated and holistic approach than the fragmented and bottom-up previous climate policy initiatives. This is now being strengthened also in the EaP strategy. Environmental and climate resilience was identified in the 2020 [joint communication](#) titled “Eastern Partnership policy beyond 2020: Reinforcing Resilience – an Eastern Partnership that delivers for all” as one of five new long-term objectives. It is expected to be discussed at the EaP summit in December 2021. In this strategic document, the European Commission formulated the main goal of future external climate policy towards EaP partner countries: “The EU will support this transition, giving due respect to global challenges and environmental and climate realities in the partner countries focusing first on the low-hanging fruit”.

This input paper identifies for five EaP countries the low-hanging fruit as well as the main obstacles for the reform process. This analysis is based on five online national consultations with representatives of civil society of Armenia, Azerbaijan, Georgia, Moldova, and Ukraine in September and October 2021, organized by the German Council on Foreign Relations (DGAP). Due to the current political situation in the country, a national consultation for Belarus did not take place. These consultations included experts from the Network of Think Tanks on the Eastern Partnership and local civil society, representatives from EU delegations in the partner countries, and, in the case of Moldova, government officials.

## A Reality Check from the Ground

The latest energy crisis in Europe, provoked by soaring energy prices and gas shortages in the market, [risks](#) reducing public support for a green economy and has generated debates on the social cost of climate policy and energy transition. The energy crisis will potentially force the EU countries to rethink the timeline and expediency of phasing out coal. The European Green Deal is politically challenging for the EU members, especially for those in Central and Eastern Europe, which should undergo a stronger and more rapid [transformation](#) than the others to be climate-neutral by 2050.

The challenge is even greater for the EaP countries. The next EaP strategy that will follow the 20 Deliverables for 2020 agenda should focus more on supporting them in fulfilling their nationally determined contributions (NDC) under the Paris Climate Agreement. A shift is needed away from a “one size fits all” approach to a more efforts-oriented policy, in which each partner will receive a level of support and funding equivalent to the efforts made and the commitments fulfilled. This is because some EaP countries have adopted green economy action plans and long-term strategies and they wish to speed up, while others are making more modest efforts. The challenges the EaP countries face in energy policy or in fulfilling their Paris Agreement pledges differ also.

## Country Contexts

### Armenia

The 2018 EU-Armenia CEPA covers transport, energy, and environment/climate, among other things. However, Armenia needs international financial, technological, and capacity-building support. As participants of the national consultation mentioned, for now CEPA is the main tool to push the agenda of European Green Deal in the country. Therefore, every new approach the EU develops for it should be linked to CEPA’s implementation.

In its [updated NDC](#) published earlier this year, Armenia adopted an implementation plan for 2021–2030. The most vulnerable sectors are agriculture, human health, water resources, forestry, transport, and energy infrastructure. Implementation of [EU4Climate](#) activities to support the development and implementation of climate-related policies by the EaP countries started in Armenia in the second half of 2019, laying the ground for assisting the country in the implementation of its commitments under the Paris Agreement.

The Second Karabakh War in the autumn of 2020 and the ensuing political crisis will undermine for several years the development and implementation of a green agenda. With Armenia losing territories and the fragile security situation, a shift in priorities took place. The ongoing crisis of governance will also have an impact on green reforms. While the snap election in the spring of 2021 resolved the immediate political and legitimization crisis, dysfunctional governance continues to hinder Green Deal policies.

Armenia has already started several [green projects](#) with the support of the EU, but raising civic consciousness and a change of mindset are needed to generate more acceptance of the green agenda among citizens. Civil society reports a lack of information and debates about the topic, and it will have to play a crucial role in pushing the agenda.

Armenia’s main challenges are dependency on imported hydrocarbons from Russia, the large share of natural gas in primary energy consumption, and water shortages. One of the main arguments for the country to engage further with the Green Deal is to decrease dependency on Russia. In the deal, the EU has a major instrument to support the democratic consolidation of the country.

At the level of relations between government and civil society, the latter’s representatives claim that civil society carries the main burden regarding environmental sustainability, having taken over

functions that normally are under the auspices of the government. Expertise development and capacity building for civil society representatives will help them become more specialized and thereby more trusted, including by the government.

At the level of public perception, awareness building targeting specific groups, such as journalists, should be provided.

Absence of a reform agenda, consolidation of power by the government, and lack of democratic institutional reforms are the features that form the political context. One important piece of advice from the consultation is that the Green Deal needs to become a political priority without polarization, and that it will become polarized if it becomes politicized.

## Georgia

In 2020, Georgia's [economy](#) entered a significant recession caused by the COVID-19 pandemic. Therefore, the government focuses on economic stability and not developing sustainability .

The latest [report](#) on the implementation of the AA notes that Georgia has not yet approved its long-term Low Greenhouse Gas Emission Development Strategy and its NDC as required by the Paris Agreement. At the same time, the establishment of the Climate Change Council was a positive step.

Georgia is implementing several EU-funded programs: EU4Business, EU4Energy, EU4Environment, and EU4ClimateChange. The EU helps fund major infrastructure projects and initiatives, energy efficiency in public buildings, and projects to rehabilitate hydropower, municipal solid waste, water, and sanitation. In July 2021, the European Commission marked the start of the second phase of the [EU4Energy](#) program, which will run until December 2024. There are already many projects on environmental sustainability in Georgia, including the modernization of the water sanitation system, in waste management, and in the transformation of the regulatory framework.

At the level of government-civil society relations, political crises are holding back long-term strategies and plans, while there is a focus on very short-term politics. There is a lack of a comprehensive energy strategy that could serve the economic, environmental, geopolitical, and social interests of Georgia. Only a vision of tangible economic and security benefits will stimulate action on the green transition. The recent termination of the contract for building the [Namakhvani hydro power plant](#) on the Rioni river, as a result of pressure by local civic activists, reflected the necessity to strengthen dialogue on the transformation of the energy sector and on big infrastructure investments. It also underlined the need for a comprehensive energy strategy. As this example has shown, the involvement of the Energy Community as a mediator can have a positive effect. In the near future, sustainable green energy should become more relevant on the political agenda of Georgia as an EaP partner country.

At the level of perception, a clear understanding of the green transformation is lacking; first of all, at the level of the government, which requires awareness-raising campaigns and conditionality with regard to economic reform projects supported by the EU. Another challenge is the lack of awareness of the Green Deal and green transformation more generally by the public, requiring at the level of political will additional campaigns that highlight the concrete benefits of reforms. With respect to political actors, among the main challenges is a gap between the legal adoption of measures and their implementation as EU investment does not lead to substantial policy changes. There is no appropriate monitoring or audit of the implementation of new legislation. Corruption, shadow politics, and vested interests are also challenging implementation of the green transformation .

The following recommendations were proposed during the national consultation:

- The Green Deal should not be seen as something exotic but as a way towards a European future and a competitive economy for Georgia. It is a great opportunity rather than an obstacle and should be communicated as such.

- Georgia as a small country with a lack of fossil fuels should tap the potential of solar and wind energy.
- Civil society and the government have to demonstrate to the public that environmental protection is not a burden and will improve the quality of life for Georgians.
- Civil society, the government, and the broader expert community should improve communication on the green transformation.

## Azerbaijan

As part of its cooperation with the EU, Azerbaijan has made commitments on the green economy. Clean environment and green growth was among the five priorities approved in the February 2021 presidential [decree](#) titled Azerbaijan 2030: National Priorities for Socio-Economic Development.

The post-pandemic sustainable and resilient recovery of the economy is in line with the goals and priorities set in the Strategic and Capital Framework 2021-2025 of the European Bank for Reconstruction and Development for Azerbaijan, which is supposed to become a [green transition champion](#) in the bank's portfolio. Still, civil society and experts claimed during the national consultation that only about 1 percent of the government's budget expenditure is on environmental protection, and that strengthening the monitoring and auditing of how money is spent is crucial. Furthermore, the potential of wind and solar energy is not properly tapped.

In line with new realities after the Second Karabakh War, the "liberated territories" have been declared a top priority for green investment to develop them as a green energy zone with plans to use mostly renewable energy as well as to develop "smart cities and smart villages" and "green corridors" in the framework of the circular economy. The structure of the expenditure for the rehabilitation of the "liberated areas" is nontransparent and the monitoring deficit is even greater in this case.

Among targets of the [EU4Environment program](#) in Azerbaijan that should be reached by 2022 are organizing an inter-ministerial and cross-sectoral policy dialogue on the green economy, developing an action plan on needed investments, adopting secondary legislation on environmental impact and strategic environmental assessments fully aligned with international legal requirements. The program builds on important achievements of past cooperation programs, such as Greening Economies in the Eastern Neighbourhood (EaP GREEN), the Forest Law Enforcement and Governance, and the Emerald Network, which were completed in 2017-2018.

As an important oil and gas supplier with a non-diversified economy, Azerbaijan watches closely how the EU manages the ongoing energy crisis, and it faces special challenges to change its economy.

At the level of political will to implement green policies, the government has adopted strategies and initiatives, while civil society points to its lack of commitment to implementation.

The EU has the opportunity to [pilot green technologies](#) and develop external success stories of the Green Deal by maximizing interconnections; for example, through support for the Southern Gas Corridor and the Trans Adriatic Pipeline to function at full capacity and to extend to the Western Balkans, and through investment in large-scale solar, wind, and green hydrogen projects.

Shortage of water is a growing problem for Azerbaijan that will require additional investment. Other challenges include the depletion of fish stocks in the Caspian Sea, forest fires, forestation, and societal awareness about the green transition.

At the level of government-civil society relations, the suppression of activists by the government and the lack of access to data make it impossible to monitor the green transition and green investment. Civil society claims to be in a similar situation to its peers in Belarus in terms of democratic malfunction and treatment by the government.

At the level of public perception, the lack of support in areas like the rule of law or of clear criticism of human rights violations leads to a loss of trust in the EU by civil society. In addition, freedom of the press and space for public discussions are necessary to reach out to the population about the consequences of climate change.

## **Moldova**

Since 2014, Chapters 16 and 17 of the Association Agreement between the EU and Moldova determine a cooperation agenda devoted to environmental protection and climate-change mitigation and adaptation measures. Moldova's authorities have made substantial progress in aligning with EU legislation, but further work on secondary laws was postponed due to the political crises of recent years, resulting in only moderate achievements.

Moldova was the first among Energy Community parties to submit its second [NDC](#) under the Paris Agreement, and it has established governmental institutions for monitoring and reporting on climate-change issues. A special Road Map on Green Economy has been developed in cooperation with the [EU4Environment program](#), but most activities in it are "soft" measures affecting a limited part of the economy and thus will have only moderate impact.

[Moldova's major constraints](#) with regard to the green economy and sustainable development are: waste management, integration of environmental protection into sectoral policies, transport emissions in cities, extensive agriculture, water supply and treatment, nontransparent allocation of resources from the state budget and international support for environmental projects, and lack of coordination between stakeholders.

Issues concerning the Dniester river are also on the agenda. According to the preliminary findings of [a study](#) commissioned by UNDP Moldova on the social and environmental impact of the Dniester pumped storage power station, the plant is already having some impact on the flow and quality of water in the country. Although the intergovernmental dialogue with Ukraine is going on, it is not sufficient that was mentioned during consultations by representative of Moldovan government.

At the level of government-civil society relations, civil society claims to have limited access to governmental information and materials, which is related to the lack of actual data on progress that has been achieved.

At the level of public perception, information on financial support from the EU and the national budget on energy-efficiency measures is fragmented, while this is a lack of auditing and monitoring of how allocated funds are spent.

At the political level, , civil society claims that only green initiatives that are convenient for the government are implemented. Moldova also failed to achieve better results in environmental policy development and the adoption of effective measures due to reorganization of the Ministry of Environment and the lack of cooperation between central and local authorities after the latest parliamentary elections. [Moldova has followed AA requirements](#) with regard to adopting energy-efficiency legislation but the development and implementation of by-laws and of national building-renovation programs have been substantially delayed. The new authorities [need to reconfigure national policies](#) related to cooperation with the EU on the European Green Deal, and they should develop a special agreement with the EU in which the state of play as well as a road map for the periods until 2030 and 2050 with targets, indicators, and necessary resources should be determined.

## **Ukraine**

Almost simultaneously with the adoption of the European Green Deal in the EU at the end of 2019, a discussion on the green energy transition and the prospects of hydrogen energy started in Ukraine. The Green Deal is perceived as a challenge for many stakeholders, including ministries, especially in terms of trade risks in relation to the EU's proposed the carbon border adjustment mechanism

(CBAM). According to the drafted road map for the production and use of hydrogen, it is assumed that the period 2021-2023 will be the starting point for assessing the economy for a green energy transition and launching a hydrogen economy. In the second stage in 2024-2026, the implementation of policies is envisaged in order to launch strategic hydrogen projects in the third stage in 2027-2030.

Low-emission nuclear energy generation provides 56 percent of all electricity in Ukraine. Therefore, in the context of achieving climate goals, its development will remain a priority for the government. As mentioned during the national consultation, the hydrogen narrative has been too influential with the consequence that decision-makers see it as a single solution to the problems of climate change.

Nuclear energy is considered an important source of “yellow” hydrogen. Serious attention is paid to the study of the possibility of using the gas transmission system of Ukraine for the transmission of hydrogen as part of the gas flow to the EU. In this context, the project of creating a hydrogen pipeline with the participation of the transmission system operators of Ukraine, Slovakia, and the Czech Republic, in cooperation with German partners, is given great importance.

At the same time, coal will remain an important element for ensuring the flexibility and stability of Ukraine’s unified power system in the 2020s and 2030s. However, undoubtedly, its share in the energy mix will decrease.

A sharp transition from fossil energy resources to renewables is impossible due to the serious consequences. In a country with a low GDP per capita, high prices for green energy will provoke serious socioeconomic problems and political destabilization. With the ongoing Russian aggression it faces, the combination of this with the economic damage caused to Ukraine by the Russian-German deal on Nord Stream 2 might threaten a multiple crisis with unpredictable outcomes.

During the national consultation, the following challenges were identified: decentralization, which brought progress in Ukraine, did not include a change with regard to environmental sustainability; environmental regulatory bodies are weak and cannot keep up with economic incentives; environmental sustainability is only considered an additional element to policy, not an overarching strategy; and more capacity building is needed at the local level.

At the level of public perception the Green Deal is seen as a challenge for many stakeholders, including ministries and energy-intensive industries, as is the CBAM for trade. At the level of political will for implementation, the energy crisis now unfolding especially sharply in Europe will lead to adjustments in energy transition policy in the EU and Ukraine, including in carbon-pricing policy.

## **Conclusions**

Advancing a green agenda for the Eastern Partnership countries will require massive investment to transform them into a wealthy zone with resource-efficient, clean, circular, and competitive economies. It will create a major challenge for each partner country. Through the national consultations with representatives of the think tank and expert community as well as of civil society, the following shared challenges were identified:

### **Government-civil society relations**

- All EaP countries suffer from a lack of dialogue between stakeholders – especially government and civil society but also experts and international donors.
- Business interests hinder transformation toward a green economy.
- In each EaP country, experts and civil society claim to have limited access to governmental information and materials related to actual data on progress achieved.
- All EaP countries, but particularly the smaller ones lack expertise and human resources in this field.

## Public perception

- Climate change is regarded as a Western problem and green transformation is considered economically harmful for immature EaP economies. Public perception is focused on the costs of transformation and reforms rather than on the benefits for society. Raising societal awareness on the green transition is a challenge for all the countries.

## Political will for implementation

- The five countries experience frozen conflicts (Georgia and Moldova), ongoing war (Ukraine), or a fragile ceasefire agreement (Armenia and Azerbaijan). Thus, the Green Deal is perceived as an additional vector for cooperation with the EU rather than one relating to national policy priorities. Environmental sustainability is only considered an additional element to policy and not an overarching strategy.
- In Armenia, Georgia, Moldova, and Ukraine, the implementation of the AAs and CEPA is perceived as the main impetus for pushing a green policy agenda. The shared challenge here is incomplete secondary legislation as well as lack of implementation of existing strategies.
- The introduction by the EU of the CBAM to reduce carbon leakage and to more precisely reflect carbon content in the price of imported goods could become an unbearable burden for the weak EaP economies and reduce trade volumes between them and the EU. In each EaP country, the business lobby is against the CBAM.

## Recommendations

- Civil society and experts should be given more opportunities to participate in projects held under the EU4Environment, EU4Climate, and EU4Energy programs. New and innovative cooperation formats are also needed and should be the subject of deliberation.
- To make the European Green Deal dimension under the 2021-2025 EaP framework successful, civil society and experts have to be involved at the levels of policy formulation, consultation, implementation, and monitoring.
- New reliable mechanisms for monitoring, reporting, and verification of existing measures are needed, as is the strengthening of existing ones. Constant monitoring of the implementation of obligations under NDCs in line with the Paris Agreement is of great importance.
- The EU should focus more on capacity building, especially in local administrations but also in the education of experts at universities and think tanks.
- Part of the EaP funding for 2021-2027 should be allocated to projects aimed at promoting environmental awareness in the five countries and to public campaigns calling for the implementation of the relevant environmental legislation. The focus should be on the concrete benefits of the green transformation rather than on the broader, more abstract discussion on climate change.
- More control, in terms of more efficient audits, over funds allocated by foreign donors to renewables in EaP countries is needed.
- The reduction of energy poverty through support for improving the energy efficiency of buildings is a low-hanging fruit for all EaP countries.